

# Module 4. Innovative Monetisation Strategies in Sport

## Introduction

This course will focus on the many innovative financial approaches and monetisation strategies that are now occurring in the world of sport. Firstly, to give some context, we will outline exactly why sports and the organizations involved with them need to make money in this modern sporting world. We will then move on to the monetisation strategies that have been commonplace within sport for a number of years.

After laying this groundwork, we will move over to the innovative monetisation strategies that have crept into the different areas and disciplines of sport. To further outline this area of study, a series of case studies will be displayed, which will give real life examples to what is being discussed. After this, we will summarise the reading, highlighting the key points before bringing the topic to a close with an activity.

## Why Does Sport Need to Make Money?

So, why does sport need money? This a very expansive question with a whole heap of answers! Perhaps it is best if we separate it into three different sections, amateur sport, semi-professional sport and professional sport.

## Amateur Sport

Amateur sport is the bottom of the sporting pyramid, enjoyed by billions who participate in recreational fixtures and leagues. It can encompass a wide variety of sports, locations, and times, while appealing to everyone, regardless of age, gender, or fitness level. We could even suggest that the very bottom of the pyramid, the informal pick-up games in parks and other free spaces, require no funding at all. A group of friends can turn up with a ball and kick it around until the sun goes down.

However, even when sport is amateur, it can be organized and therefore requires funds. Some of the costs might include pitch hire, kit, coaching, match officials, or insurance, all of which are integral to the running of a sporting organization. The costs can vary depending on the usage of the item, time of year, and expertise of those individuals required. Some of these costs can be quite prohibitive and necessitate monetisation of whatever these amateur clubs might possess.



Even though they might be amateur and focused on participation rather than success, they might still own their own facilities. These again require funding to keep afloat and, given current price rises all over the world, these sums can be huge. It is only driving revenue towards the club from a variety of sources, for example, sponsorship or bar and food sales on match days, that the club can be kept alive for its current and future members. But what about when money begins to become involved? Does that change things and if so, how?

### **Semi-Professional Sport**

When talking about semi-professional sport, it is perhaps best to start with an explanation about what we mean in this regard. For the purposes of this reading, we understand semi-professional sport as a discipline where the participant is paid a fee for their involvement in the match or event; however, it is not the full-time profession, and they often hold other working positions outside the sport. They will still have the other costs mentioned in the previous amateur section, but also this cost to contend with. With this additional cost, it is perhaps not hard to understand exactly why organizations operating in this field need to make money.

The degree to which the organizations pay participants varies significantly depending on such things as the sport they play, experience levels, desire for success, or the location of the organization and players. The wages of the players and coaches can be one of the biggest expenses that the club has to deal with.

At this level, fans also become a consideration, and they can have an impact on the wages committed to the players. If the fans of a club demand success, then the owners might feel forced into delivering it by paying for more expensive, and supposedly better, players. In addition, the paying spectators also need somewhere to watch the game from. The facilities that a club offers its event attending supporters is key, while it might not put off the most hardcore of fans, it could be the difference between attracting or not attracting a member of the public who can bring with them much needed cash. And, finally, professional sport.

### **Professional Sport**

Things become even more complicated when we consider professional sport. We classify this as a sport that has a lot of its actors performing their roles as a full-time profession without any other work outside the sport. It has all the things that we mentioned in amateur and semi-professional sport. Some of the participants working in this environment are amateur or semi-professional. In addition, the overheads we have mentioned such as kit, buildings, and pitch costs are involved, but often considerably larger.



Professional sports teams and organizations rarely operate in small competitions and lower leagues, but compete at the top level of competition in their country or even the world. To maintain that position, they need to invest a substantial amount of money into their playing, coaching staff, and associated facilities. If they do not keep up with these financial obligations, then they could see players and coaches move to other organizations that do or can offer them more money.

Other sports organizations might need to make money to be sure that they can progress or even avoid closure. Even though some teams and clubs we will speak about operate at the top of their domestic structure, that does not mean they can stand still. The sports industry is expanding and has not yet reached its peak, and these organizations need to be right in the mix when it does. If they do not, much like other businesses, then someone else will step in and create a product that fans and other customers will purchase instead.

In this example, think about attracting fans to your stadium or arena to watch an event. Remember the previous subsection on semi-professional sport, it still applies in this context, regardless of how good the team is, it is unlikely that many others apart from the most devoted will spend time and money on a substandard experience. The organization needs to develop its offering to capture a steady stream of fans and respond to changes in society. Thinking about fans, how they interact with their team has changed within the last few decades, with the development of social media playing a role in this transformation. What they expect from a sporting organization when they attend an event has also changed, for example, the food options available at a stadium and the seating arrangements. It is down to sport organizations to consider how they can adapt to these changes to make sure that they are not left behind as their rivals accelerate away using new-found financial muscle. So, we know that we must keep money flowing into sport to give it a chance to succeed, but how do we do that?

## **Monetisation Strategies in Sport**

Monetisation can be thought of as the “process of deriving revenue from the value you offer to your users” (Holmes, 2023, para. 11). The strategies that allow this revenue to exist can be varied within different businesses, but in sport in particular. But before we get stuck on the exact strategies that some organizations will use, it is important to remember that these are not the magic money tree that some people believe they are. They have life cycles and go through good and bad periods like anything else.

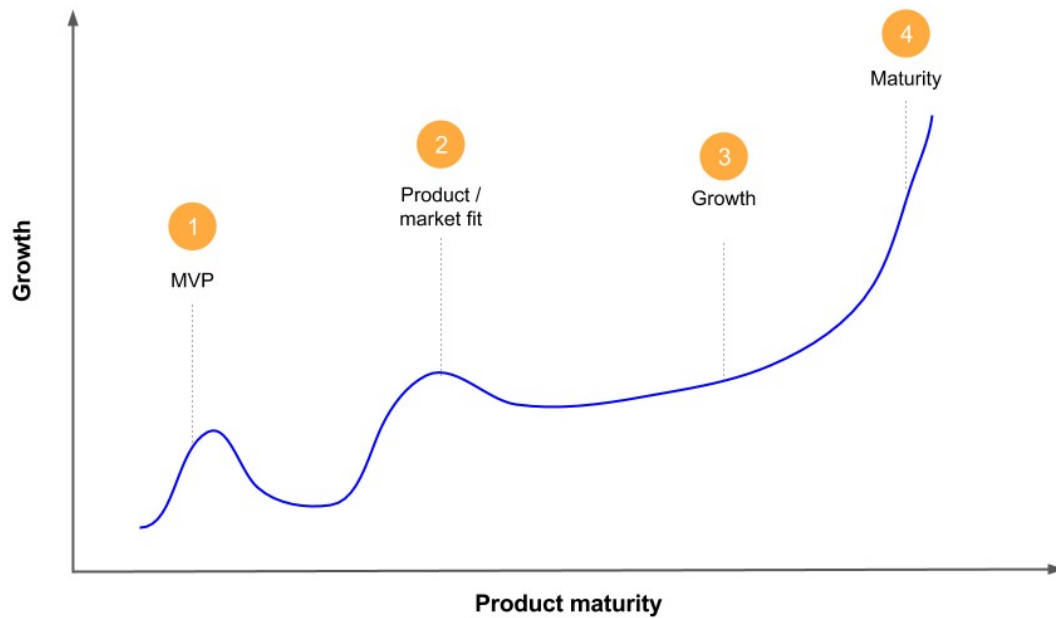
## **Life Cycle of Monetisation Strategies**

We have to be mindful of the life cycle of monetisation strategies when we think about how we might use them. As we have stated above, while we can assess how a strategy



is performing and predict, to some degree, how it might do in the future, this does not mean that it will always have a positive outcome, as the below figure demonstrates.

**Figure 1: Monetization, start-ups and the product lifecycle**



Source: Holmes, 2023, <https://bit.ly/44oIHxQ>

As we can see from the figure above by Holmes (2023), there are four separate elements regarding the life cycle of strategies. We might see a strategy, in this example, built around a product, do extremely well and reach a stage of maturity where large amounts of finance can be brought in over a sustained period of time. We want a product to reach maturity and ideally stay there after a long period of growth. However, some products do not reach that stage and instead struggle to find the correct market and to grow.

While this is normal and should not really be of huge concern to sporting organizations, it is something to be mindful of. If products are not growing or maturing, then there needs to be questions asked by those in charge. In addition, the constant development of new products or services in the hopes of gaining further income will not be done for free, it will take finance and time to make, which could further cripple the organization. Regardless of the success of strategies, we need to understand which ones are used in sport specifically, which is where we turn to in the next section.

## The Strategies Used in Sport

In this subsection, we will outline the monetisation strategies that have traditionally been used in sport and continue in some form to be used in the present day. Arguably, the first question is whether the strategies in sport differ from those used in a normal business.

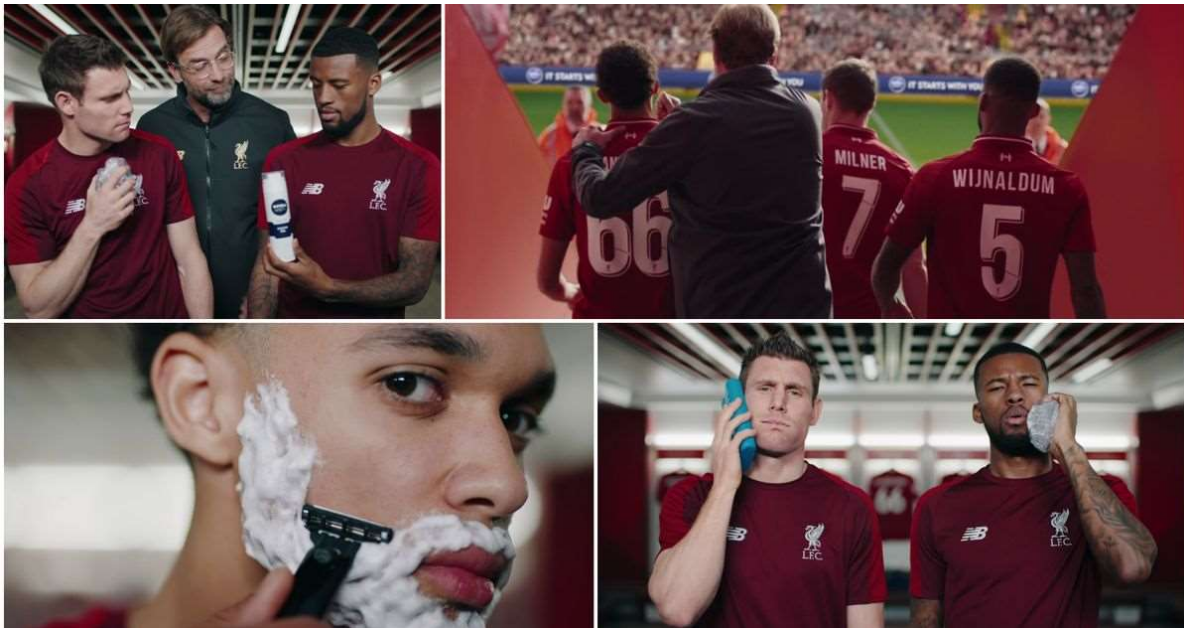
The first answer to this is no, they do not. Many of the methods we are going to go on and speak about are the same in other non-sporting fields. For example, one of the biggest revenue generation sources for sports organizations has been the sale of tickets to matches and events. This revenue has formed the historical background of professional sport as organizations began to charge money for attendance, money which was subsequently spent on players, coaches and improving facilities. Sport, of course, was not the only area to offer such sales, and by no means was it the first. Plays, museums, theatres, and other events all relied and continue to rely on ticket sales as their main source of revenue. In addition, merchandise can also be sold by all the places mentioned and more, another important element of the overall revenue generation for an organization. So, the methods that they use are the same, but perhaps that is where the similarity ends.

As there is another school of thought that separates sport from other businesses by its importance in the individual's life. Sport, and football in particular, is seen as not just a pastime for some people, but an extension of their entire personality. As a result of these feelings, the connection and willingness to spend on tickets, merchandise and other items a sporting organization might sell is often much larger than those from other consumer goods.

So, what does this allow these sporting organizations to do? It allows them, firstly, to have a reliable and loyal base of custom, often regardless of outcome and results on the pitch. Sporting organizations can therefore charge prices that might put off consumers of other ticketed events, but do not put off the 'hard core' sports fan. This price increase can be applied to all products or services that the organization produces and, therefore, can be extremely lucrative.



Figure 2: Liverpool FC with Nivea



Source: O'Neill, 2019, <https://bit.ly/3NA1ErX>

Where sport and its associated organizations have been very successful and developed, another extremely lucrative area is media rights. Traditionally, these have been focused on television and radio, but have recently expanded, as we will discuss. Television has experienced the most growth and is now, in some sports, the main revenue generation area for a team, club, or federation. Sporting organizations have relied heavily upon its riches for many decades now, not always for of the sport. It has been seen in various sports over its history that the media has an unfair grip on some aspects of sport. If we take football as an example, the issue of kick off times being changed solely for of television fans rather than those in the stadium or the players themselves has been argued over for a number of years. This is something we will come back to, highlighting the benefits, but also the negatives, of these monetisation strategies.

Sporting organizations have also developed ways in which to monetise their trademarks, such as club badge, logo, colours, name, or stadium. There are a whole host of other organizations who wish to positively align themselves with a sporting organization. By doing so, a company may feel that they can have a positive change in public perception, which can lead to an increase in the sales of their product, even though it might be unconnected to sport in any other way. These licencing agreements can be set in such a way that they last a number of years and income for the sporting organization based on a fixed figure or a percentage of profit on the items sold.

**Figure 3: NFL, NFLPA and EA Sports agree multi-year likeness deal**



Source: Sakar, 2020, <https://bit.ly/3p4Z9mJ>

Licensing agreements have grown so large and important to clubs around the world that they are even now becoming linked to the players who make up their teams. Players for sports teams have always sought to get their fair share from a club and for themselves in what are relatively short careers. As the sports industry has developed, the use of sports stars to sell products and services has also increased, something the athletes and their agents are only too happy to take advantage of. To use their likeness, the athletes will receive money to do so, clubs can also take advantage of this by agreeing a percentage of that fee as the player is originally contracted to them. While the strategies we have discussed have been used regularly over a number of years, time has moved on and, as such, so have the strategies used within sport.

### **Innovative Monetisation Strategies in Sport**

As the world of sport develops due to changes in technology and society, the way in which organizations in this field bring in funds has also changed. The old ways might still bring in a good amount of funds; however, they could also be limiting. For example, the way in which potential customers and investors respond to certain initiatives has changed and, therefore, more innovative strategies need to be considered.

Any organization, including a sports organization, must stay ahead of the competition, to make sure that it is not the one left behind. In this subsection, we will consider the developments in the world of media, developments in sponsorship and data as a revenue source in modern sport.

## **Media Developments**

As we are all aware, there have been further media developments, it seems like they happen constantly and each new development in the area becomes something that we wonder how we lived without beforehand. In this section, we will be focusing on some of those developments, including social media and the broadcasting of events on various internet and social media based platforms.

## **Social Media**

As we have mentioned early, social media has undergone quite significant development over its relatively short life span. We have gone from one provider, Facebook, to a whole ecosystem of platforms and not being able to operate them on anything but a computer to being in constant contact with them on any device we can hold in our hands.

Sport, and the organizations that are in this area, have been quick to capitalise on this development to further increase revenue streams in these spaces. In some regard, they already hold the upper hand as they have an existing customer base, their fans, who have engaged in social media and naturally begun to do the same when their chosen sporting organization has joined the platform.

While there are many ways to draw fans to your corner of the social media world, such as offering the chance to vote on player of the matches, asking questions to players at the club, or entering competitions via the various social media channels, the next step is how can we monetise this? One way might be offering brand tie-ups. One way in which these can be achieved is by linking it to a competition. In this example, the sporting organization could receive some product or service provided by a sponsor to give away. Anyone is free to enter the competition, although they might need to be a paid-up member of the sports organization to do so. Even if the entrants do not have to be signed up as club members, meaning the organization does not get any money for the competition from the entrants, they could charge a fee to the brand to run a competition on their social media pages, and take advantage of their popularity on social media.

## **Broadcasting of Events**

Social media has also recently become a place for sporting organizations to show their events. It is now a common sight to see sporting events on places such as YouTube



(Petersen-Wagner & Lee Ludvigsen, 2022). It can provide a further outlet for content to be distributed out to fans away from traditional television deals and allows sporting organizations to tailor their content much more than would be possible through normal media. Most professional organizations will now employ someone or a team of people to manage online content including the broadcasting of events, allowing full editorial control.

Sporting organizations can make money from these streams in a few different ways. Firstly, they can sell further advertisements or sponsorships that would not have previously been available as companies become interested in the potential increased interest due to the event being shown over the internet or more closely aligned with their product due to control of content. Watchers of the stream can also gift the organization running the stream money, even though it is free to watch, as a way of rewarding the hard work of the club.

The organization uploading the content on to these various video sites does not even have to find the advertising revenue themselves. They can instead rely solely on the advertising revenue generated from the platform itself. Many video sharing platforms reward the most popular channels by monetising their channel and content. Adverts will play before the video, during, and at the end, and each time, based on the popularity of the video, the channel will get rewarded with income. The biggest channels on YouTube, for example, gain significant sums for their content, sometimes in the region of the millions of pounds, dollars, and euros.

By having complete control over their output, these spaces have become a significant area to drive revenue, regardless of the size of the organization. It can assist in the running of smaller organizations by covering some of the more important costs, and was particularly lucrative in the times of non-attendance during the COVID pandemic.

## **E-sports**

E-sports are a further development in the online space which has been driven by the changes in technology. E-sports are the competitive playing of computer games, the games played are varied, but do include sports games such as FIFA or Madden NFL. The practice of watching the top performers play over platforms such as Twitch has led these performers to become stars in their own right and the industry to grow rapidly with the market growing too, well into the billions of dollars (Peng, Dickson, Scelles, Grix, and Brannagan, 2020).

It is therefore not a surprise that the sports organizations at the top of the world game in their disciplines has seized on the opportunity to expand their portfolios. This desire for involvement is not only driven by the need to attract revenue at this current time, but also



to prepare for the future. It has been seen in some sports, notably football and the English Premier League, that the fans in the stadiums and watching at home are getting older, possibly a symptom of being priced out of the live match attendance. It is the opposite story in e-sports, where the average age of fans is much lower. By launching e-sport teams, sporting organizations can begin to appeal to a different demographic, one that might sustain them financially well into the future.

## **Sponsors & Advertising**

Sponsorship and advertising revenues are nothing new and have been a staple of sports organizations for many years indeed. This is not to imply that they still do not have their place, they remain a critical of an organization's balance sheet. But, as with everything, things have moved on and organizations have found ways in which to appeal to different sections of the market.

Take sponsors, for example. Traditionally, a sponsor for a shirt is all they would have had for an organization. Hopefully, this sponsorship would be enough to cover some of the costs of running a team, and that is where the ambition would stop. However, sports teams have begun to get excellent at leveraging their value to tempt sponsors into sponsoring a whole raft of aspects. These can be equipment, such as kit, training wear, to buildings, like stadiums or training centres. This is not the end, some clubs have sponsors for every single aspect of their operations, for example, the link-up between FC Barcelona and Turkish Airlines.

**Figure 4: FC Barcelona Grateful for collaboration with Turkish Airlines**



Source: FC Barcelona, 2012, <https://bit.ly/3AJTDZA>

The link can be explained in this quote from Barcelona, as they state Turkish Airlines,

has made extensive use of its sponsorship rights, making good use of the images of the Club and its players. FC Barcelona, in turn, has used Turkish Airlines aircraft on several international flights, such as the last Champions League Final at a Wembley at the forthcoming trip to Moscow. (FC Barcelona, 2012, para. 2)

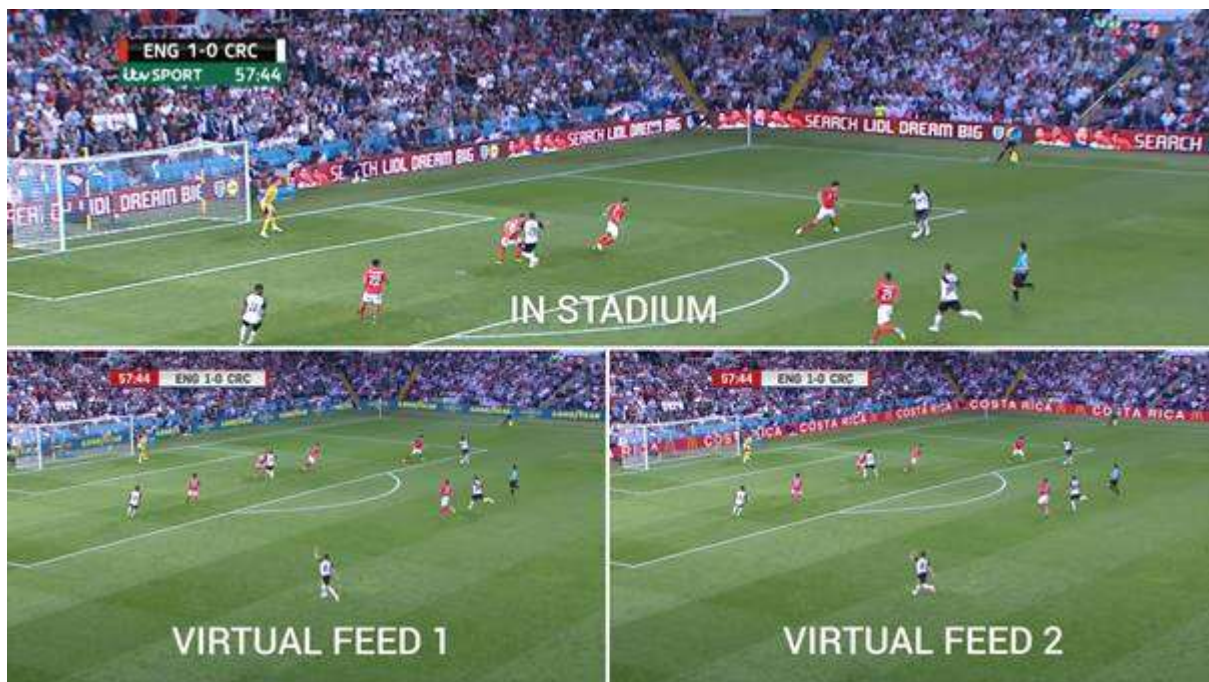
This example shows that it is not just sponsorship that is tied to the performance of the team which can be attracted to sport now. There are many, many examples that could have been chosen for this and, if you look at any organization in a professional competition, then you are bound to see these examples in your own setting.

In addition, advertising has also seen a change, the example we will focus on, pitch side advertising, is perhaps not that different from the previous traditional forms of these advertisements. There are, of course, still pitch side adverts that show the logos of companies that have paid for a spot.

However, we can now observe that something else is happening due to the development of technology. It is no possible for the advertising hoardings to show a different advert

dependent on the location or type of coverage that you are watching. It works by linking the board with a digital camera which then relays the image to a computer which then projects the image on to the live television coverage and is known as Virtual Replacement Technology. Furthermore, it can be seen in action during a game between England and Costa Rica in 2018.

**Figure 5: The FA carries out world-first virtual broadcast deployment during FIFA World Cup warm-up game**



Source: FC Business, 2018, <https://bit.ly/420ro4W>

So, how can this benefit the sporting organizations we are interested in? The FA's Senior Broadcast Manager, Tom Gracey, outlined how it could benefit various organizations involved in sport.

The potential for Virtual Replacement Technology is substantial. Perimeter LED displays have become a fundamental platform for activating brand partnerships in sport, so the ability to change that message to make it relevant for different fans around the world is hugely appealing for us and our partners. We were delighted to be able to collaborate with various stakeholders in order to deploy it on this occasion. (FC Business, 2018, para. 7)

## Data Monetisation in Sport

Data monetisation has been around for some time, with an individual's personal data being sold and traded all around the world in many different fields. Sport has now, somewhat belatedly, realised the potential of this market. Of course, sport, like many other businesses, have bought data or spent money on various data analytics. They do this to make products or service marketing more appropriate to their potential customers. All sport has a captive market, the fans. Various organizations within this field have started to use this market for not just ticket or concession sales, but also data.

Data can be collected at many different points in an interaction between an organization and its, even potential, consumers. Maybe this is virtually, if an advert is watched, a purchase made online or simply clicking on a news story. It can also be in person when the consumer comes to the stadium or in another event hosted by the team. They can be tracked by what they buy and the amount they buy, for example. Fans can have their data used by a sporting organization in many ways, as already mentioned, to increase marketing across various channels, such as social media marketing to interested consumers. The larger sporting organizations have always sought to understand how their consumers behave and what that can mean for their organization. What products or services should they invest in? Which ones should they reduce or cut completely? But now, sporting organizations are beginning to sell it to others rather than use it purely for their own purposes.

They have now begun to enter into the market of selling the data that has been collected. This can drive further revenue to the sporting organization, regardless of whether the sporting organization is selling its own products or services. On a purely financial level, this does make sense to open a further revenue stream. While it is perhaps not a surprise that organizations have begun operating in this manner, it can still be a hard pill for fans to swallow. They might not like that they are being constantly marketed to, inside and outside the stadium. We will now highlight some case studies where these methods have been implemented in an effort to achieve financial success.

## **Case Studies**

In this module, there will only be one case study, that of Wrexham FC. It is a very interesting case that encompasses much of what we have discussed previously.

### **Wrexham FC**

Wrexham FC is a team based in Wales but playing in the English league system, currently at the 5<sup>th</sup> level of the pyramid. They have not always been this low and have enjoyed some memorable seasons playing at the highest level, including in European competitions. The current story does begin a bit lower down the league pyramid and with the club in trouble. After relegation out of the 'professional' league structure, the club struggled to bounce



back to the higher levels. Money had become tight, which meant shutting off a section of the ground due to safety, although this did not really matter as dwindling crowds left it empty regardless. The club was rescued in 2011 by the fans, who raised £100,000 in little over seven hours to make sure the club could enter the league that season as debts mounted. It was then also taken over by the fans in the same year who, through the Wrexham Supporter's Trust (WST), made sure that the club was put back on safe ground. However, this did leave the club firmly in the 5<sup>th</sup> division and mid-table mediocrity.

But all of this changed suddenly in 2020, when the WST announced they were in discussions with two very well-known individuals about purchasing the club from the trust. These individuals were subsequently revealed to be Hollywood actors Ryan Reynolds and Rob McElhenney, who promised to revolutionise the club if they could take it over.

**Figure 6: Ryan Reynolds and Rob McElhenney at Wrexham AFC**



Source: Henrys, 2022, <https://bit.ly/3p4Y12w>

The purchase of the club by Reynolds and McElhenney was completed in early 2021 after a vote by the fans approved the move by a comprehensive vote in favour of 98%. They immediately cleared debts and invested capital into the project with the aim of getting Wrexham up the English football league structure as quickly as possible. So, what was it that attracted a pair of Hollywood actors to a Welsh football club in the first place?

They, by their own assessment, were not previously football fans and had never visited the town or club before committing to their purchase. In an industry which often relies upon deep connections to an organization and a desire to give something back to the community that you feel a connection to, this could be considered odd. Both have made no secret that is part of a grander business plan, but that they have been drawn in by the Wrexham story and have the best interests of the club at heart. Their argument being that if the club is a successful business, the reward the fans want, success on the pitch, can also be achieved.

To that end, the new owners have brought in several monetisation strategies that they hope and have, at least in the short term, revitalised the club. Firstly, sponsorship. While this is not an innovative monetisation strategy, using the club's status to attract investment into the club in return for advertising, Wrexham went a step further. Due to the profile of the owners, they were able to attract higher-value sponsors, such as TikTok replacing local firm Ifor Williams Trailers as the front of the shirt sponsor. There was also a link formed with Reynolds and Aviation Gin company, both deals would not have been possible had it not been for the profile generated by the takeover.

One of the most important steps is the redevelopment of the stadium, particularly the stand that has been shut for almost a decade. Of course, by adding in more seats, they can sell more tickets, which has now become necessary due to the increased attention and good performances on the pitch. Also, by developing the stadium, it can host higher profile games, which can bring in additional revenue. The stand will also contain offices and hospitality areas, which can contribute to non-match day revenue.

The biggest revenue driver and innovative monetisation strategy relates to the content Wrexham itself produces. They began with the streaming of matches, while the league Wrexham plays in does have a television deal, live matches are low on TV and not exportable to other world regions. Wrexham, therefore, requested the start of a streaming platform that meant they could sell this content through season passes to other regions. After some legal wrangling, a deal was eventually reached for all teams in the league to operate and keep some of the revenue generated through these sales. But this is not the only time they would appear on the screens of interested individuals.

Wrexham and the owners are now part of a television series, streamed on Disney+ charting the seasons of the football and its fans. The series titled "Welcome to Wrexham" has proved extremely successful and has been renewed for a second season, meaning that the club and its owners get to enjoy the financial input of Disney once again. This is certainly an innovative approach and one other organizations should look to replicate.

## Summary



In this reading, we have outlined the following topics: firstly, why sport as a modern-day industry needs to make money, and how that money can be made and is used in different sporting sectors. We then moved on to a discussion regarding the monetisation strategies used within sport before outlining how these might change and be made more innovative due to a changing environment. We then added in a case study on Wrexham FC to highlight some of the ways in which they had developed their own monetisation strategies and bring the topic to the real world.

It is worth remembering that, regardless of the current monetisation strategies, there will always be new ones on the horizon which those organizations that operate in sport will always seek to use for of their organization. To link together the last two readings, we will now propose a task to test the understanding of these topics.

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