

# Module 3. Digital Business in Sports

Although the digital era offers endless opportunities, not all of them are valid for sports. However, it is vital to understand the complexity of mass consumption in the digital transformation of the current world to be able to take decisions.

It is possible that sporting events keep their main business line in direct consumption. If at any time the radio and the television were the alternative to the physical presence during the ninety minutes, the Internet and the smartphones omnipresence have allowed more often content sale and in other ways which not necessarily represent a direct consumption.

What is happening is nothing that has not already occurred in other industries related to entertainment. In this context, clubs should analyze great consumer brands. The digital revolution should be valued not only because of what it entails when it comes to monetize the activity on social networks but also because it provides us with a better understanding of the users. This means that fans no longer exclusively live in the city where the club is. The key to success, however, will depend on finding the balance so as nobody gets lost on the way.

In this module, two units will be covered. The first one will be about the digital industry and its impact on sports. We will also analyze the importance of the fan in this context, and how the club monetizes all its resources to maximize the revenues.

In the second unit, we will study a model of consumption focused on the fan. It will be important to always remember that we are in the sporting clubs industry: customers are different and we refer to them as fans. The most important aim will be that the fan has the best experiences so as he keeps on going again and again to the field, the museum, buying the merchandising, enjoying and consequently, commenting to other fans. There we go.

# 3.1 Digital Industry in Sports

The digital transformation has changed the behaviour of the club in relation to the fan. However, the fan has also changed the way he lives experiences in the club. All the consumption experience of the fan is changing: access to content, experiences, the consumption of merchandising, the way he feels identified with club, etc.

Remember that in sports we do not talk about customers per se. In this industry, the customer is the fan and, consequently, there is no direct competition with other club. The fan is the centre of whatever happens in the sporting club. Taking that into account, we will analyze different types of revenue a club can have to meet its budgetary targets. Merchandising, sponsorship and TV rights are the main sources of revenue. Apart from that, the club must find funding from other type of resources.

It is extremely important that the direction communicates the strategic line to its workers. The board of directors must communicate the objectives and the plan to all the staff.

It is necessary that all the different sporting club directions understand that we are totally immersed in a digital era. That would help them to get revenue models from the new ways of interaction with the fan, the player and the media.

Before moving forward, let's analyze the concept of digital transformation in detail.

Digital transformation has been occurring for a long time. It has had a huge impact on people's everyday lives, the institutions and companies from all industries.

For the sporting industry, it is vital to use the best digital transformation practices. But what happens with the resources? The resources are limited. Thus, the club must work hard to get the most out of the possibilities offered by the new platforms and frameworks called e-commerce.

## Digital Transformation and The Fan

It is clear that digital transformation has changed the rules of the game. Focusing on sporting clubs, the players, the fans, and the stadiums are involved in and connected to the whole world. Social networks have become vital in the players' lives. News have a greater impact on them than on the press.

Besides, the new technologies help players in a big deal of variables that should be considered.



For instance, in FCB, each player may have an app to follow the diet they should go on, monitor an injury and the biorhythms. Technology stores all the information obtained also from training sessions. When the season starts, for instance, we can see players wearing a special vest that registers and controls all their vital signs.

We can also observe the impact of technology on stadiums and games. For example, the incorporation of the VAR has completely changed the decision-taking process and the classification chart clearing away controversies and problems caused by human mistakes.

For sporting clubs, these new digital contexts help them to create new revenue models focused on the fan.

The company Venuetize, for instance is dedicated to create, by using an app for venues, all types of interactions with the users such as allowing them to link a payment method to a bank account or credit card, making purchases of any service or ticketing, and even seeing the sight they will have from the chosen seat. Users can also buy parking tickets, make reservations, book a place at different gastronomic spaces, among other things.

**Figure 1. App for Sporting Venues.**



Source: [Untitled Image about an App for Sporting Venues]. (n.d.). Taken from: <https://n9.cl/1pa5w>

Thus, the real aim of the digital business in football is to offer the fan the best experience possible and to make him feel involved in a totally digital ecosystem with real time interaction.

Let's imagine there is a football game at 9 p.m. What about sending the fan, who is connected to the brand through digital channels, constant information and inviting him to attend and enjoy other events before the game? For example, we can invite the fan to a sporting fair so as he can try on the new trainers of the current sponsor or the shirt Messi will wear in the game that day.

The fan must be connected to the venue since he enters until he leaves the club. That will provide a lot of information about what the fan does at every moment. This allows us to segment the passion in order to later offer the product and the exact customization of it.

Let's analyze a clear example of a unique experience that a fan can have by using technology. Let's imagine that the fan is at the stadium. He arrived at 9 p.m. to attend the game. Suddenly, after two minutes, Messi performs a play: he dribbles five players and scores a goal. Maybe the fan got distracted and missed the play. No problem. By using augmented reality technology, the fan can point his device to the part of the field where the play took place and repeat it as many times as he wants.

We need to take two important concepts into account to constantly work on:

- When the fan is outside the venue, he should be connected to all the digital channels.
- When the fan is inside the venue, he should be fully connected to spaces and events offering him unique experiences based on digital transformation.

Since 2014, consumption through mobile devices is a trend which has outweighed consumption through television.

That is the reason why sporting clubs need to prioritize interaction through mobile phones. This concept is called mobile experience: everything happens through the mobile phone since it is the only device that allows constant connection with the fan.

So far, we have analyzed the impact of technology on a football team, the brand, and the relation with and management of fans. We have also observed how all this keeps constantly updating. Consequently, words like reinvent and reimagine related to the fan experience are key in this unit.

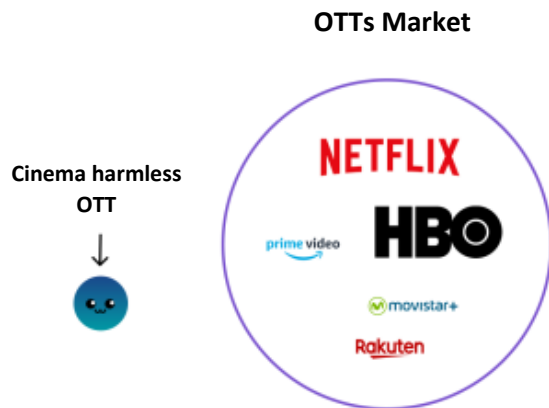
The fan consumption of different content (not only of sporting events but also of news, images, and videos) has led to the existence of various platforms based on subscription models. For instance, Netflix business case is very clear: an affordable subscription which allows the user to access multiple contents. It is not a coincidence that the same model has even reached areas such as sporting clubs which offer a great variety of contents through their platforms.

At this point, it is necessary to talk about strategies related to the OTT (Over The Top).

OTT refers to the use of public internet networks which do not require a specific provider. Having a device and access to an internet connection are the only two requirements for this modality. This service is evidently more economical and allows consumers to have a greater access. The OTT are used in television and radio broadcasts via the Internet. It is also very used in videocalls and content storage.

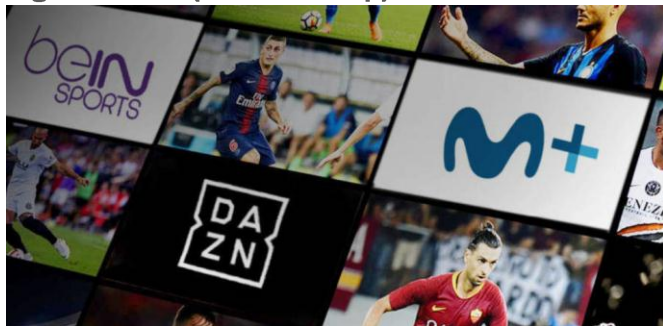
By using OTT the sporting club can offer its customers a subscription model or a pay-per-use model.

Figure 2. OTT (Over The Top).



Source: [Untitled image about OTT]. (n.d.). Taken from: <https://n9.cl/teyuq>

Figure 3. OTT (Over The Top).



Source: [Untitled image about OTT]. (n.d.). Taken from: <https://n9.cl/eo13>

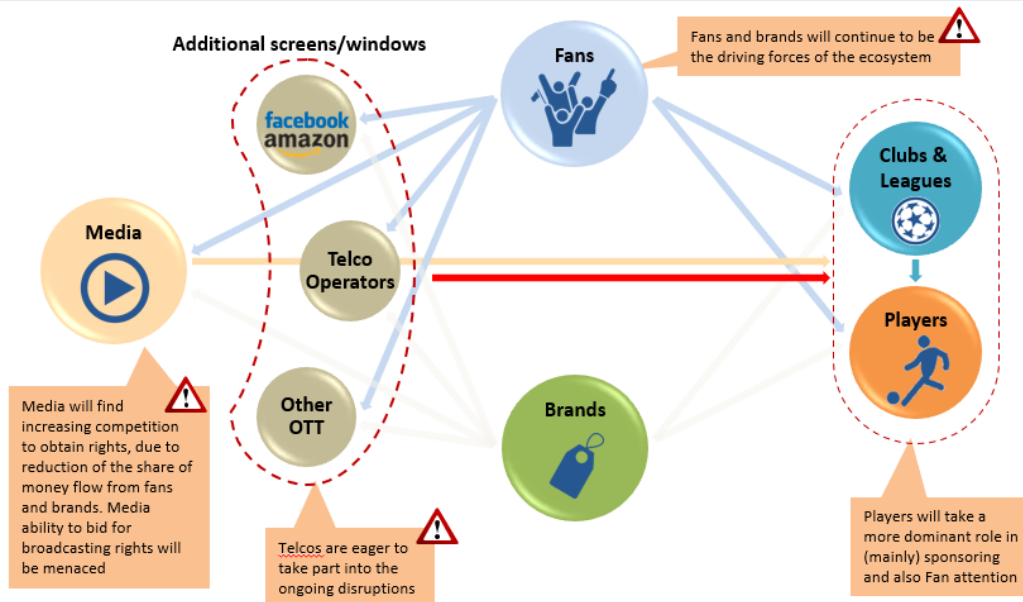
An interesting case to study is the one of the League OTT. A great interest in minority sports (futsal, lower leagues, handball, among others) was observed through customers subscriptions and data analysis (using big data technology).

Figure 4. The League.



Source: [Untitled image about The League]. (n.d.). Taken from: <https://n9.cl/xefls>

**Figure 5. The Appearance of the OTT in the Sporting Industry.**



Source: Prepared by the authors.

Some important aspects seen up to now:

- Focusing the resources on fan experience. The mobile phone will be the most important channel of communication between the fan and the club.
- Football with no fans has no sense at all. The fan fuels and gives sense to any game. An empty stadium is weird: a game with no fans is not a complete game.
- Everything should be guided by the fan's behaviour in order to make him live a unique unrepeatable customized experience. The digital transformation has provided different tools which allow a better understanding of their behaviour, brand perception and interests in general.

For all that, it is important to work on revenue generation models called Fan Experience Centric. The fan is the centre. From this starting point, different ways should be found on how to monetize the contents offered trying to offer more and better experiences: a stadium and a venue in perfect conditions, an excellent gastronomic service, some VIP service, etc. In order to build a Fan Experience Centric it is necessary to think about any product or service in a sporting club taking the fan's needs into account with the aim of improving his relationship with the club.

In order to know what the fan needs, we should define and analyze all the touchpoints the fan has with the club. The Fan Experience Centric has to be understood as a continuous improvement process.

Each fan is different. It is clear that an eight-year-old child and a fifty-year-old father cannot be offered the same thing. That's why, we should offer dynamic content through digital channels (webs, apps, social networks, etc) based on the user's interests.

It is also important to offer, on the club official app, a section with games dates where we can publish all the activities that will be carried out the day of the game: all the things that will happen that day and all the information related to the services the fan has bought. FCB has loyalty programmes for frequent attendees to the club. If they identify fans who buy the club shirt every year, they offer them a discount the following year. If the previous year a fan attended the Spanish Copa del Rey football competition, they will offer him privileged areas or premium experiences in the upcoming one. This is not only for individuals but also for companies since apart from enjoying a game they can also network.

The aim is to permanently work on making the fan take advantage and enjoy the digital era. In some venues, when a fan enters the stadium shop, he is offered on the app some clothes, promotions or special offers. Another example can be seen on Nike webpage where football shoes can be customized.

It is vital to work on the design of unique and customized experiences. That leads to the fan engagement. The fan's goodwill built by such experience will make him repeat the action once and again. All this leads to brand loyalty and consumption of different experiences, products, and services. This will clearly have an impact on the club revenues.

It is not surprising that some technology companies have already developed a section for sports and entertainment only. Let's take IBM as an example: the company offers a product focused on interactive experiences, network services, and location detection in stadiums.

Security is another key factor to be considered. In different stadiums around the world, drones help us get an overview of the field to monitor whatever is happening in real time. These huge technology brands create a source of data that needs to be managed. This is known as data management. The information must be properly managed to be able to obtain clear data useful for decision-making processes in real time and in the medium term.

This technology also enables the development of important projects for parking control. Some YouTube videos already show how the person responsible for parking operations relies on a digital platform to check the inflow of vehicles, relocate them in empty areas and consequently avoid traffic jams. Whatever happens inside the facility can also be digitally controlled.

The underlying aim of this is to keep creating even more customized fan experiences.



## 3.2 Fan - Consumer

There are three main great sources of income in a sporting club:

1. TV rights.
2. Sponsorship.
3. Merchandising (the association of the club sports outfits with a world leading brand such as Nike, Adidas or any other).

And there are two key sources of revenue for a club:

- Ticketing and experiences sales: It helps to seize the venue spaces so that the fan consumes products, services or experiences of the club.
- Streaming services: content services via subscription models or OTT systems previously explained.

In this way, the market trend shows that the estimated revenue for a club is represented by 4.3% TV rights, 4% sponsorship, 1.6% merchandising, and 2.3% ticketing. That is why, work should start focusing on the transmission of contents.

By creating a content platform, the fan starts to consume, to be better-informed than before: he has access to exclusive content and all the digital resources offered by the club. This consumption makes the fan feel attracted or engaged in such a way that he feels the need to turn his digital experience into a physical one and, consequently, he attends venues, games, museums. Here we can see how important is the digital-physical connection.

Let's have a look at a checklist of different elements to consider when promoting a sporting venue:

- VIP areas and premium accommodation for companies.
- Merchandising and exclusive and customized sales inside the stadium.
- Digital experiences. We have already talked about augmented reality but we can also think about virtual reality in order to offer historical experiences which have been lived by the club.

**Figure 6. Digital experiences.**



Source: [Untitled image about digital experiences]. (n.d.). Taken from: <https://n9.cl/t6sbl>

- Seizing the interaction with the customer when they are buying tickets. In FCB, for instance, there are people who want to buy the ticket at the stadium and keep it as a souvenir. Thus, interactions models with the customer are implemented when purchasing to collect data and then have an impact with communications or special offers.
- Carrying out special actions for members. In a club like FCB, members are part of the decisions taken. That is why the management of special actions for this segment is vital.
- The incorporation of new spaces that generate extra revenues. There are stadiums where, apart from merchandising sales and museum tours, you are offered hotel services, offices for freelancers, sporting centres for technical staff and sport performance.
- Digital billboards for sponsors promotion.
- Payment models related to the cashless concept. In the case of FCB, when entering the stadium, the customer can get a simple Barça prepaid wristband to be spent on products or services inside or outside the stadium which can be taken as a souvenir.
- Offering a whole loyalty line for those fans who normally attend the stadium. For instance, implementing a rewards system to exchange their points for products of the club. Player number 12 is the loyalty programme of Barça that rewards the member's attendance and commitment. Rakuten Points is a loyalty programme of Rakuten in which for every purchase carried out by the customer via the e-commerce, he gets "Rakuten" points that can later be exchanged by services or discounts in purchases. Chelsea created a reward programme in which fans get points to interact on its digital channels.

**Figure 7. Chelsea Loyalty Programme.**



Source: [Untitled image about digital experiences]. (n.d.). Taken from: <https://n9.cl/xaeh>

**Figure 8. Chart of points of Chelsea loyalty programme according to the action of the fan**

Online Activity	Chelsea Rewards
Log into Chelseafc.com daily	1 point daily
Like content on Chelseafc.com	1 point daily
Share content from Chelseafc.com	1 point daily
Read a news story on Chelseafc.com	1 point, twice daily
Watch a video on Chelseafc.com	1 point daily
View a player profile on Chelseafc.com	1 point daily

Source: [Untitled image about Chelsea loyalty programme]. (n.d.). Taken from: <https://n9.cl/xaeh>

- Hospitality concept. Offering, for example, great quality in restaurant services or customized boxes in private areas for premium programmes customers.

**Figure 9. Boxes in Private Areas.**



Source: [Untitled image about VIP areas]. (n.d.). Taken from: <https://n9.cl/l4z7>

It is necessary to offer quality and innovative experiences, improve services, remove barriers by using technology and always thinking that the fan attends the game but taking

into consideration that in this new management and revenues generation model, the game is the least important thing of all.

The aim is to make the fan enjoy the sporting club context since the venue is opened. The fan must have fun and think he is in a new amusement park. Some examples would be: augmented reality of different games, click and collect services related to food and beverage or the possibility of changing seats to a more attractive part of the stadium via a ticketing app.

Let's consider some important concepts of the digital industry in sports connected to the club-fan relationship:

## **Social Media**

The main concept we should work on when providing the best fan experience is social networks. Not only from a communicative point of view but also as a key factor in the protection of the fan-club relationship (customer care).

Some years ago, FCB started selling tickets online for a very important Copa del Rey game. Unfortunately, there were some problems at that time. It was soon decided to start a campaign from the contact centre to trace back directly all those conversations (or threads of conversations) that mention negative aspects of the experience and which could damage the brand reputation.

Take into account that it is very important to use social networks not only to promote information but also to respond quickly to undesirable situations.

## **Internet of Things**

This technology allows the fan to be connected with the club from all his devices: watches, mobiles, laptops, etc. For example, all customers who have the Barça app start permanently getting all type of information once they enter the venue. This system is called Smart Stadium.

## **Data Analytics**

All the information about the fans that can be collected will help to offer them customized products and services so as they can enjoy a unique experience. It is about defining the journey each of the customer segments do and identifying the best time for offers.

## **Mobile**

Ubiquitous connection device. The mobile is key for offering all products and services. From an operating perspective, it is important to keep all contents and services in the cloud. It is



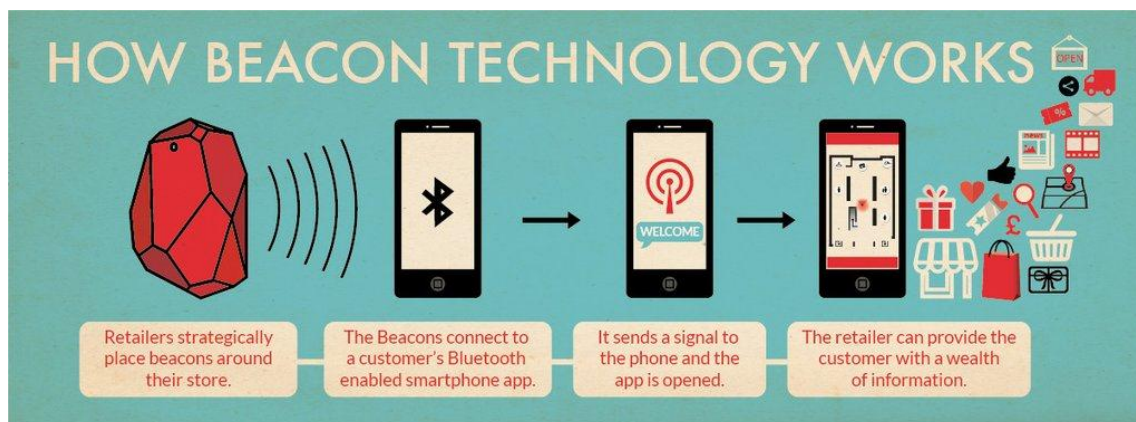
vital to work with cloud computing systems that enable growth when there is a need for more services and storage for any experience related to the fan.

## Beacon

Beacon is a technology to communicate with customers. It has the shape of a small stone and its size might vary according to the activity transmission or radius it reaches to communicate something to the customer.

Once the customer enters the venue, the beacons connect via bluetooth and offer the customer any type of product, service, discount or information.

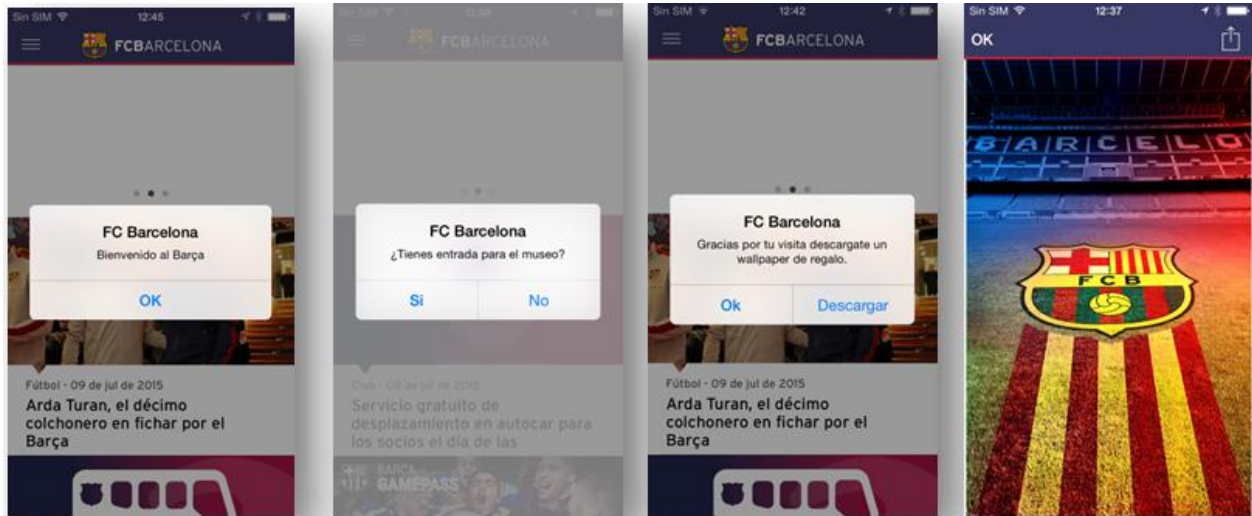
**Figure 10. Beacon Technology Functioning.**



Source: [Untitled image about Beacon technology]. (n.d.). Taken from: <https://n9.cl/8x7s>

At FCB the tourist is the main customer for ticketing. It would be good that the tourist starts to receive notifications from the club as soon as he gets off the plane in order to take him to the stadium and make him enjoy another experience before the night game such as visiting some rooms or attending a presentation.

**Figure 11. FCB Beacon Communication with a Fan.**



Source: Screenshot of the Barça official costumized app.

There are two stadiums taken as examples when referring to technology trends at sporting venues. On the one hand, the American football stadium, Levis Stadium, where a huge digital transformation has been carried out. The other clear example is Bayern Munich Allianz Arena.

## E-Sports

In this digital transformation era, e-sports will have a great impact. The clearest example is Shanghai where there are stadiums full of people watching four players connected with each other interacting with a videogame console. The new stadiums that are being built focus not only hosting games but also on carrying out e-sports events.

As we have mentioned before, the club directors must boost the digital transformation in the organization by establishing a technological culture company in this digital transformation context.

## E-commerce

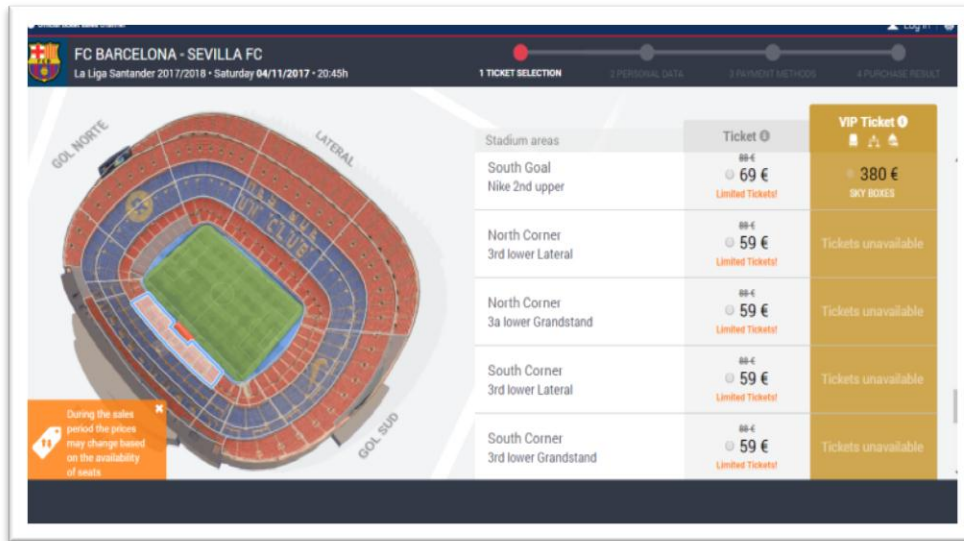
The objective of a business department must be to maximize the revenues by offering services inside the stadiums and different spaces of the venue. All this aims at the fan having an unforgettable experience; an experience he would like to have once and again. That would have an impact on revenues generation.

The customer has already been acquired in this field since he is a club fan and loves the brand. So, why isn't he offered a space on the club website or the e-commerce he can feel identified with and have a customized sale? Let's take the new website of La Roma team as

an example: this website was built based on fans' comments. The fans wanted a customized section about the latest news of each player. So, they developed a customized website and app. The key: customizing all contents to improve the fan experience.

FCB also does it. When accessing Barça e-commerce, the fan can see the view he will have from his seat, nearby amenities, etc. All this with 3D technology (Google Street View or Mobile Media Content).

**Figure 12. Barça E-commerce for Ticketing.**



Source: [Untitled image about FCB e-commerce]. (n.d.). Taken from: <https://n9.cl/t6sbl>

**Figure 13. Barça E-commerce for Ticketing.**



Source: [Untitled image about FCB e-commerce]. (n.d.). Taken from: <https://n9.cl/t6sbl>

The club must use an API to set the products and services catalogue.

Remember that an API is just a cluster of technical services that enables products, services, experiences and whatever happens in the sporting club to be connected to each other and to the fan.

Let's see some examples: the services API of the FCB offers the option of making worldwide payments.

There is also a services API which can be connected to the mobile, watch, car. These connection services could be offered to third companies willing to exploit the contents. The aim is clear: increasing the sales and brand exposure in a positive way.

The e-commerce must analyze whatever happens on the steps of the process when the customer decides whether he should buy or not. A good CRM is needed, a software for defining those impact journeys to offer the customer the best product and thus, maximize revenues. And, by analyzing what is happening in real time, the content could be customized and boosted so as to focus it on that segmentation.

At this point, it is necessary to take into account an important concept called momentum. It is based on premise that it is not always good to offer the same product on a permanent way. This concept can be clearly understood in a concrete example: let's imagine that next week the club will hold a very important final game. People have been working on this event for three months. Different insights about how the game is being organized should be shown little by little on the social networks. The idea is to manage the customer's expectations so as he ends up buying a ticket.

Now, let's have a look to the unbundled process.

For three months, social networks and other channels have been used to impact the customer in order to make him access the club e-commerce and consume the game. It is important to say that three months before the game and through a non-invasive communication, ticketing is made available. During these three months the fan can be offered contents that increase his expectations. Two weeks before the game, more hints and revenue could be given so as the customer starts buying.

When there are less than two days left for the game, geolocation campaigns or other techniques on social networks should be applied to impact the customer by using different acquisition channels. And, on the game day, in case of still having tickets stock, they could be offered on promotion or with discount.

As we can see, the concept of momentum is very important in the purchasing process or on the e-commerce, especially when it is related to ticketing. The strategy must be divided in



periods in which the promotion of products and services will be stronger as the event comes closer.

So, let's review the points we should concentrate on when referring to digital business in the sporting industry.

- Communication via social networks.
- Generation of fan engagement.
- The fan must enjoy a customized experience and feel special.
- Guiding the digital business towards a leads conversion model (generating enough interest to monetize the club services or experiences).
- It is not worth engaging people to the e-commerce and not converting sales.
- Viral natural content in real time.
- Sales of experiences through a sales model called "Omnichannel". That is through the website and the physical shops where the physical and the online are complemented so as to focus the work methodology and monetization on the fan (Fan Centric Experience).

In order close this reading, we will see some conclusions and models of work linked to technology that can be used in sporting clubs to boost revenues.

- Analyzing the digital context (ecosystem) of the club and fans to offer a better experience. The fan must always be the centre of the process for defining services so as his needs and expectations could be met in a customized way.
- Food orders or merchandising at the venue. While enjoying the game on his seat, the fan can order and be delivered whatever he needs without standing up or queueing. This is not only for food but also, for example, for a shirt or any other product.
- Cashless models. A "smart" wristband or watch allows the fan to pay for all the services or products with no need of cash or plastic cards.
- Defining business models related to a digital marketing strategy to maximize revenues.
- Being data-obsessed. Establishing a data strategy for taking decision in real time and thus, customize any product to make the fan feel unique.
- The digital transformation process must reach all the areas of the organization starting from the Direction of the club. To be leaders in this digital transformation, a digital culture and a culture of working with digital tools must be developed: offering the trainings and resources needed for the club to grow at the same level of people who work in it every day. That will be the most efficient way to offer the best experiences to the fan.

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