

# Intellectual Challenges Facing Future Leaders In Sport



The Global Sport Industry is a well-defined ecosystem consisting of thousands of interdependent parts touching billions of people. It is truly a global industry, but unlike other business sectors, it stirs up deep passions in consumers and participants alike in countries around the world. Yes, sport is more than a business. However, “sport” means different things to different people. The future leaders of the industry need a cognitive tool kit which includes the ability to explain the “meaning” of sport.

## Where You Stand Is Where You Sit

To some, sport simply is a venue for gambling. To another, sport means personal recreation and fitness, i.e., skiing, cycling, running or playing tennis.

**\$26  
BILLION**

The National Football League, National Basketball League, National Hockey League, and Major League Baseball generate more than \$24 billion in revenue during a typical year.

To the commercially-minded, sport provides a lucrative and continually growing marketplace worthy of immense investments. To amateur athletes, sport as an activity may lead to high levels of personal achievement. To professional athletes, sport can create lasting fame and fortune.

To facilities developers and local governments, sport is a way to build revenue from visitors and local devotees. In the U.S., sport is deeply embedded within education, from elementary through university levels. In other countries sport is separated from educational institutions and more aligned around social clubs. And in a few countries, sport is a combination of government and private partnerships.

Although we cannot say that sport enriches the lives of everyone on earth, it certainly intellectually and emotionally engages a massive part of the world's population. In addition to the economic impact, the largest single effect that sport creates is that of authentic, enthralling drama.

---

Hundreds of millions of “loyalists” around the globe follow sport daily via printed publications, television, radio, online, or in person, as spectators or participants.

Over the past two decades, sport has been tagged as “big business”. In the U.S., the four large single sport leagues - the National Football League, National Basketball League, National Hockey League and Major League Baseball - generate more than \$26 billion in revenue during a typical year. And one league, the NFL, aspires to increase revenue from \$10 billion to \$25 billion over the next decade. But this is just the tip of the iceberg. As just one example, U.S. sporting equipment sales at retail sporting goods stores are roughly \$41 billion yearly according to U.S. government figures.

*“Over the past two decades, sport has been tagged as ‘big business’”*

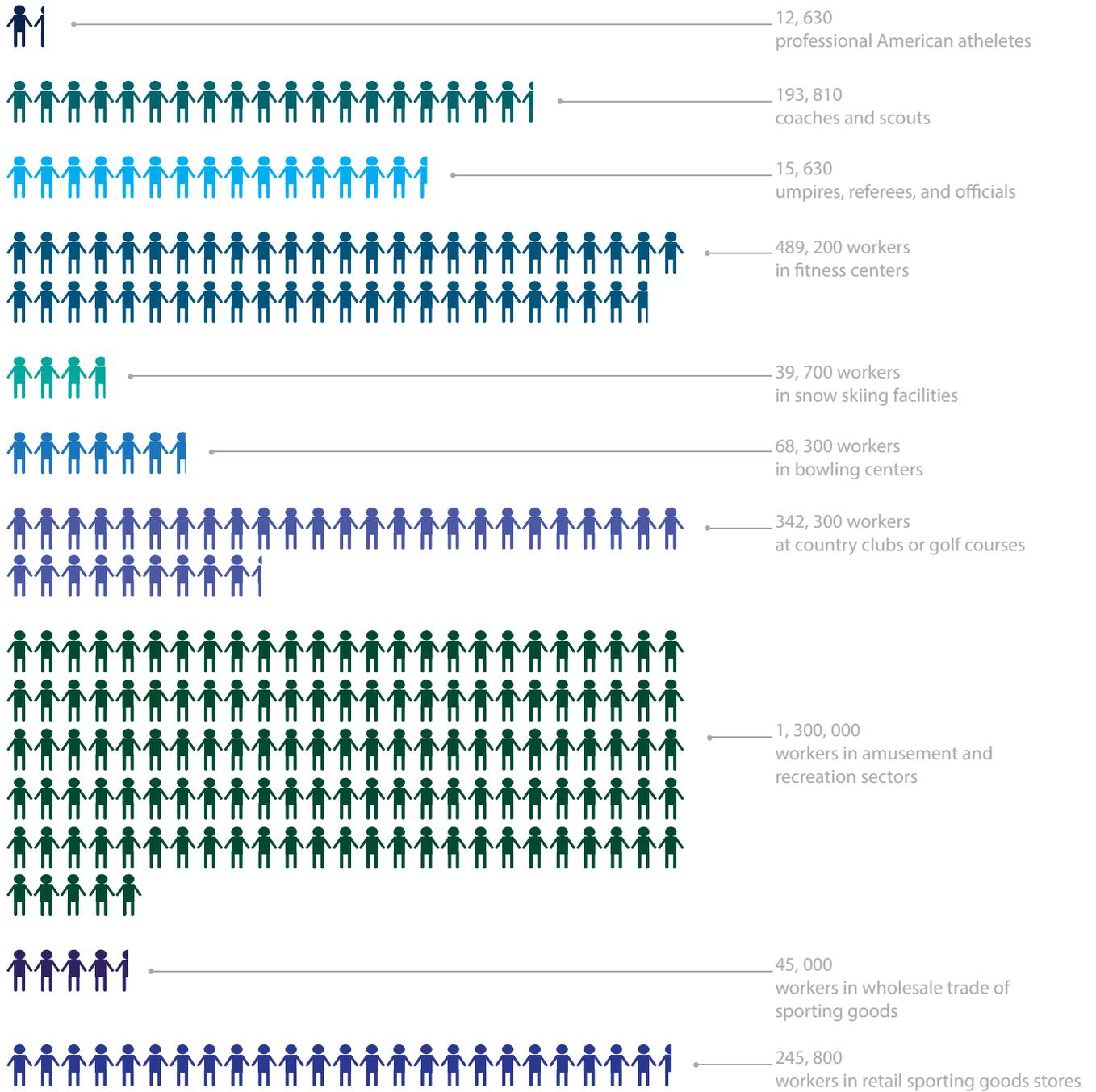


## Complicated and Complex

The annual U.S. sport marketplace is estimated to be \$400-440 billion yearly. This is nearly double the size of the automobile industry. But the industry is complicated with multiple revenue channels including ticket sales, licensed products, sport video games, collectibles, sporting goods, sport-related advertising and sponsorships, endorsement income, stadium naming rights fees, facilities income, online/digital opportunities, etc., so that it is difficult to put an all-encompassing figure on annual revenues in the U.S.

The growth of sport pan-Europe and globally in both revenues and the global work force is even more impressive. Yet, it is the human factor that the industry makes complex and important to the future. When the extraordinary variety of sport-related sectors are considered, a large portion of the work force in developed nations such as the U.S., U.K., Australia, and Japan rely on the industry of sport for their livelihoods.

Official U.S. Bureau of Labor Statistics figures as of 2011 found that there were:



Infographic by Kylie Siang

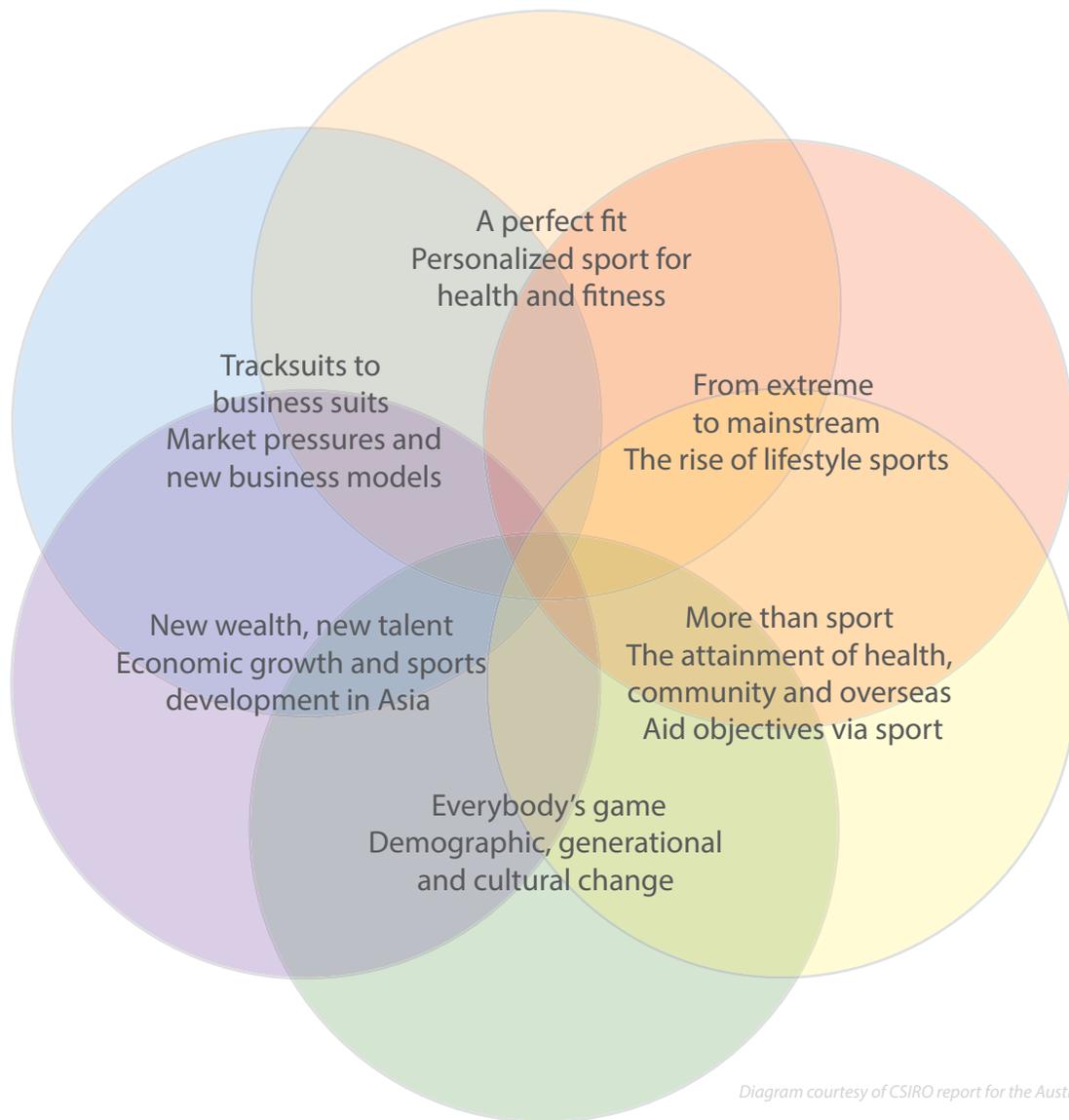
## Tectonic Shifts

Just as in any ecosystem, the casual observer may not be aware that underneath the tent poles of well-known sports, their seasons and their big events, the sector is in a constant state of change, an evolution impacting every corner of this massive platform. These dynamic changes affect personal tastes, the popularity of games and the application of new technologies. While sports events are the stabilizers of the ecosystem around the world, the interconnectivity provided by communication systems puts competition in the sport marketplace at an acute level today and is certain to increase in the future.

Take for example, the 2011 study conducted by the Australian Institute of Sport. The report by CSIRO (Commonwealth Scientific and Industrial Research Organization) identified six megatrends likely to shape the Australian sports sector over the next 30 years, representing the most important patterns of social, economic or environmental change. Megatrends can occur at the intersection of multiple trends and hold potential implications for policy and investment choices being made by community groups, industry and government. The Venn diagram illustrates the interlinked and overlapping connection between the different forces potentially shaping the future.

These focuses are:

1. Market pressures and new business models
2. Personalized sport for health fitness
3. The rise of lifestyle sports
4. The attainment of health, community and overseas aid objectives via sport
5. Demographic, generational and cultural change
6. Economic growth and sports development in Asia



“The interlinked and overlapping connection between the different forces potentially shaping the future [of the sports sector].”

## Facts to Support the Venn Diagram:

- Research for the U.S. National Sporting Goods Association indicates that tastes in individual sports are continually evolving in America similar to Australia. Kayaking, cross country skiing, wrestling, aerobic exercise and running/jogging are growing quickly.
- Exercise walking is the most popular sport activity in America with 97.1 million people participating. Exercising with equipment follows as a distant second at 55.5 million, then swimming at 45.0 million, overnight camping at 42.8 million, aerobic exercising at 42.0 million, bicycle riding at 39.1 million and hiking, also at 39.1 million.
- Participation in fitness classes such as Zumba and yoga are strong. Tennis continues to grow, up 7% in 2010. The fact that tennis is among the least costly sports in which one can participate, combined with the fact one can usually get to a tennis court without a long drive, could push tennis to greater popularity.
- Gasoline prices dampen activity in recreation and sports - motor boats, RVs, and anything engine-driven. Golf participation has been dropping over the long term but televised golf events remain large. And the rise of Mind Games, a subset of sport, is evident with poker, fantasy sports, chess leagues and online betting soaring.
- Amateur participation in team sports such as lacross, volleyball and rugby is high and building.

- 
- Another long-term trend in the U.S. is fitness-related activities. Health clubs have 51.4 million members in 2011 and 29,890 health clubs generate \$21.4 billion. Members visit clubs on average 100 days per year. There are 43.5 million health club members in pan-Europe in 2011.
  - Evolving technologies and fashions have a massive impact on sales of sporting goods. Golf ball and club manufacturers, snow, ski, and board makers, ski gear, all introduce new technologies, new fashions, new colors, styles. Nanotechnology is growing, i.e., tennis racquets. Carbon fibers show similar growth, including their use in bicycles.
  - Media channels that deliver sports and sports-related information are changing - online, digital, TV recording devices (DVRs) such as TiVo, adjust sports to consumer schedules. Sports news and events video via mobile screens is having a major impact. Consumer tastes will drive future changes everywhere.

*Courtesy of Plunkett Research, Ltd., Sports Market Research*



*“...economies that are growing globally will drag along the industry of sport and all of its components.”*

## The Winds of the World Economy

The global economy has a major effect on the industry. Beginning in 2008, for example, ticket sales, equipment sales, and gambling revenues all plummeted. Consumers reduced discretionary purchases, cut back on luxury, leisure, and entertainment purchases. On the other hand, ticket prices have escalated against this trend and sales have been affected. Golf was a victim and several sports teams have filed for bankruptcy. On the other hand, economies that are growing globally will drag along the industry of sport and all its components.

## Value and Conclusion

Sport has the power to both captivate a global audience and capture the global marketplace unlike anything else. It delivers both social and hard economic goods, with the inherent power that comes from its impact on society. It is the exciting, high-value opportunities that serve as the key to the hearts, minds, and wallets of consumers, who may be participants, spectators or even casual followers.

There is significant room for growth. This will require a variety of supporting conditions; reasonable prices for technologically advanced gear, goods and services for the youth and the aging population and exciting product and sporting design. Even with the right conditions, this growth must be led by ethical leaders, effective managers, and responsible citizens who can adapt to change.



## ABOUT THE GLOBAL SPORT PRACTICE AT RSR PARTNERS

The Global Sport Leadership Practice of RSR Partners helps solve complex talent issues for organizations involved in the sports ecosystem. Our team of domain experts serves content providers; distribution channels, including media and facilities; and solution providers from healthcare providers and sporting goods manufacturers to construction and food and beverage suppliers. Our capabilities include executive leadership searches for commissioners, owners, chairmen, board members, head coaches, managers, and senior management. We also provide assessment, team effectiveness consulting and succession planning services.

## CONTACT US

### **Joe Bailey**

Managing Director  
(203) 618-7050  
jbailey@rsrpartners.com

### **Greg Lau**

Managing Director  
(203) 618-7030  
glau@rsrpartners.com

### **Betsy Barrett**

Principal  
(203) 618-7056  
bbarrett@rsrpartners.com

### **Nona Footz**

Managing Director  
(203) 618-7070  
nfootz@rsrpartners.com

### **Graham Michener**

Managing Director  
(212) 661-5727  
gmichener@rsrpartners.com

### **Cameron Smith**

Senior Associate  
(301) 675-8855  
csmith@rsrpartners.com