LEADERS *Report*

Merchandising, ticketing, and driving value through memberships and loyalty

September 2019

Rewards4
WE GET SPORTS FANS GOING.

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Credits

Publisher
LEADERS

Editorial Director
James Emmett

Head of Marketing
Milly Preston

Sponsorship Director
Simon Thomlinson

Contributor
Ben Sillitoe

Photography
Getty Images

Points mean prizes

Tom Cowgill and
Ian Lancaster,
Co-Founders,
Rewards4

Today's sports fans want to feel truly recognised and rewarded for their loyalty to their club or sport by receiving treats, perks and experiences that they're excited about. In this consumer-savvy age where every pound of a fan's disposable income is precious, fans are looking for value added benefits from the sport or club they love. Likewise, sports organisations are recognising the importance and value of engaging with their fans on their own platforms rather than simply relying on the usual social media platforms. A well-executed rewards programme can play a central role in an organisation's overall growth strategy, particularly as every touchpoint with a fan represents an opportunity to reward them which will drive further value to the club, to fans and to sponsors.

At Rewards4, we believe in the power of sport to mobilise fans (and fan behaviour). Our mission is to help sports fans save money and win memorable experiences watching, playing and interacting with the sport they love. We have developed a platform and a currency that connects clubs to their fans; fans to brands and sponsors; and retail and betting partners to valuable consumers through their sporting passion. Since 2010, more than two million sports fans have joined our various sport specific reward programmes and are collecting points through their everyday engagement and spending. To date, these valuable points have helped our members save money on more than £40 million worth of ticketing and merchandise transactions with their favourite club or sport. We are to sports fans what Avios is to travellers and we acquire thousands of new members every week.

Through our platform, fans can gain points simply by engaging or transacting with their club or sport as well as through their everyday shopping or even by placing a bet. Points can then be redeemed at the checkout against the cost of their next purchase with their club. Fans sign up as a member to their chosen programme for free and points mount up quickly thereby giving extra value to fans and driving their engagement with their club or sporting venue of choice.

Our member first culture means that everything we do centres on listening to our members (the fans). The overwhelming feedback relates to the importance of making sure that their experience of collecting and spending points is easy, fast and seamless.

To achieve this, we strongly believe in partnering with experts which is why we have integrated our points mechanisms with some of the UK's leading suppliers in ticketing, merchandising and fan engagement. Through our bespoke technology platform, Rewards4 points are fast becoming the payment method for sports fans to save money when they buy their season ticket, membership, extra matchday ticket or club shirt.

We are incredibly fortunate to work some of the UK's biggest sporting institutions and clubs including Everton FC, The Jockey Club, Arena Racing Company, the Rugby Football League, Saracens, Lancashire Cricket and Leicester Tigers and our members are already able to spend their points attending incredible events such as The Cheltenham Festival, The Grand National, England Cricket Internationals and the Super League Grand Final. Whether you are a governing body, club, sponsor or technology provider, we'd love to invite you to help us reward even more sports fans.

1 | Sports merchandising in a new age of retail

Ben Sillitoe assesses the key trends in sports merchandising in the midst of an evolving retail industry.

€11.8 million

- the year-on-year rise in licensing and merchandising revenue at Juventus following the launch of the ‘J’ visual identity.

One of the consequences of the structural changes impacting the traditional retail industry is that many retail-related organisations are no longer sticking to the status quo.

Against a backdrop of big chain collapses, stores closing down, the rise of e-commerce and a significant direct-to-consumer (D2C) movement by digitally-enabled brands, businesses that once fitted into distinct segments are changing their identities.

Retailers are becoming service providers – who would have thought health and beauty business Superdrug would become the UK's largest nail and brow bar operator, for instance? Meanwhile, brands are becoming retailers, with Lego now approaching 600 global stores, and technology companies like Amazon, Google, and Instagram are blurring the lines between platform provider, brand and shopping yet further.

Not wanting to miss out on revenue opportunities presented by these sector changes, sports clubs around the world – many of whom ramped up their retail arms some time ago – are seeking to become standalone brands.

Sport as fashion

In 2017, Italian football club Juventus unveiled what it described as its new 'visual identity', centred around a new 'J' logo that the 35-times Serie A winners said represents 'the very essence of Juventus'.

Analysing what the club announced at the time, observers could be forgiven for mistaking Juventus for a festival of culture rather than a sports team.

'The club's new visual identity is the symbol of an ambition to go beyond the field of play and export the Juventus style to a variety of sectors, from sport to food, from design to art, from music to fashion,' said the official statement.

Juve's revenue from sales of products and licences in the six months to 31st December 2018, its most recently announced results, grew by €11.8 million year on year to €26.5 million, suggesting the change of identity has so far been a commercially sound decision.

Commenting on the new brand image, Bryn Anderson, director of sports services at Brand Finance, a consultancy, says: "Anyone that sees the J thinks straight away about Juventus, and that's the first step in a broader strategic ambition for Juventus to become a lifestyle Italian brand in its own right.

"It opens up so much merchandising opportunity and being able to extend beyond the typical football segment."

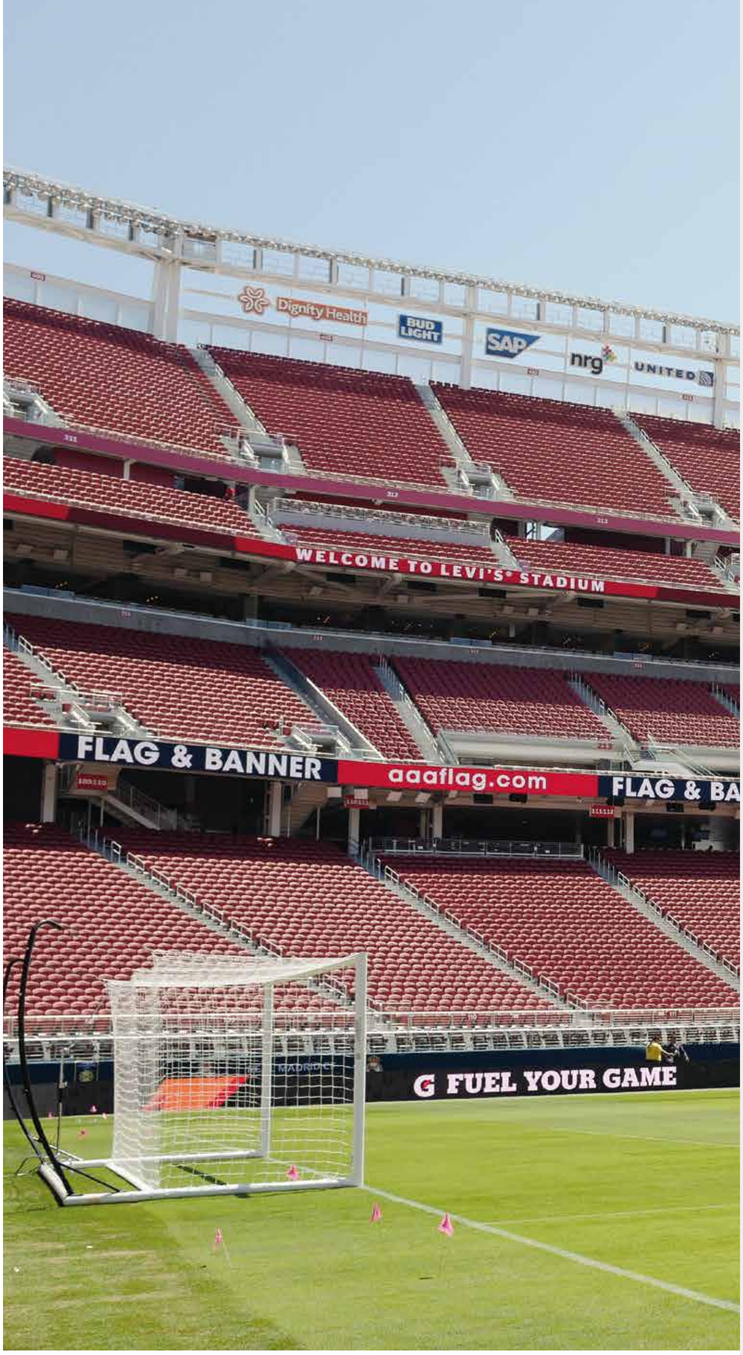
In September 2018, French football club Paris Saint-Germain announced a three-year deal that involved the club's players wearing Air Jordan kits in last season's UEFA Champions League. Supporting PSG's fashion-led approach to official kit was a wider collaboration involving the development and sale of 90 apparel and footwear products.

"It allows the PSG brand to reach a wider market," explains Anderson, who adds that is the "early stages" of sports clubs and organisations, and – in some cases – tournaments strengthening their brands outside the narrow confines of their traditional fanbase.

The theme of sport as fashion stretches into Asia too via the NBA's partnership with clothing company, MK Trend.

36,000

- number of official championship towels sold across Wimbledon fortnight each year.



$150 million

- the yearly figure Fanatics is investing in technological innovation.

For several years, the apparel manufacturer has created higher-end fashion items and run stores for the NBA in South Korea to help it maximise revenue over and above shirts, leisurewear and shoes.

Anderson notes: "NBA is big in Asia, but so is football. I don't think it'll be long before you see similar things with football rights holders over there."

Meanwhile, fast-growing US-based merchandiser Fanatics, which works with most major sports league bodies in the US and many individual clubs around the world, has recently secured partnerships with DKNY and Oakley. The deal enables these premium brands to sell sports team-affiliated fashion products through the Fanatics website, national sports league stores such as those run by the NBA, and individual club shops.

In another example of sports merchandising and fashion colliding, Jack Boyle, co-president for Fanatics' global D2C business, says: "We're trying to expand our business beyond the traditional parts of license sports and competing for what we call a greater share of closet."

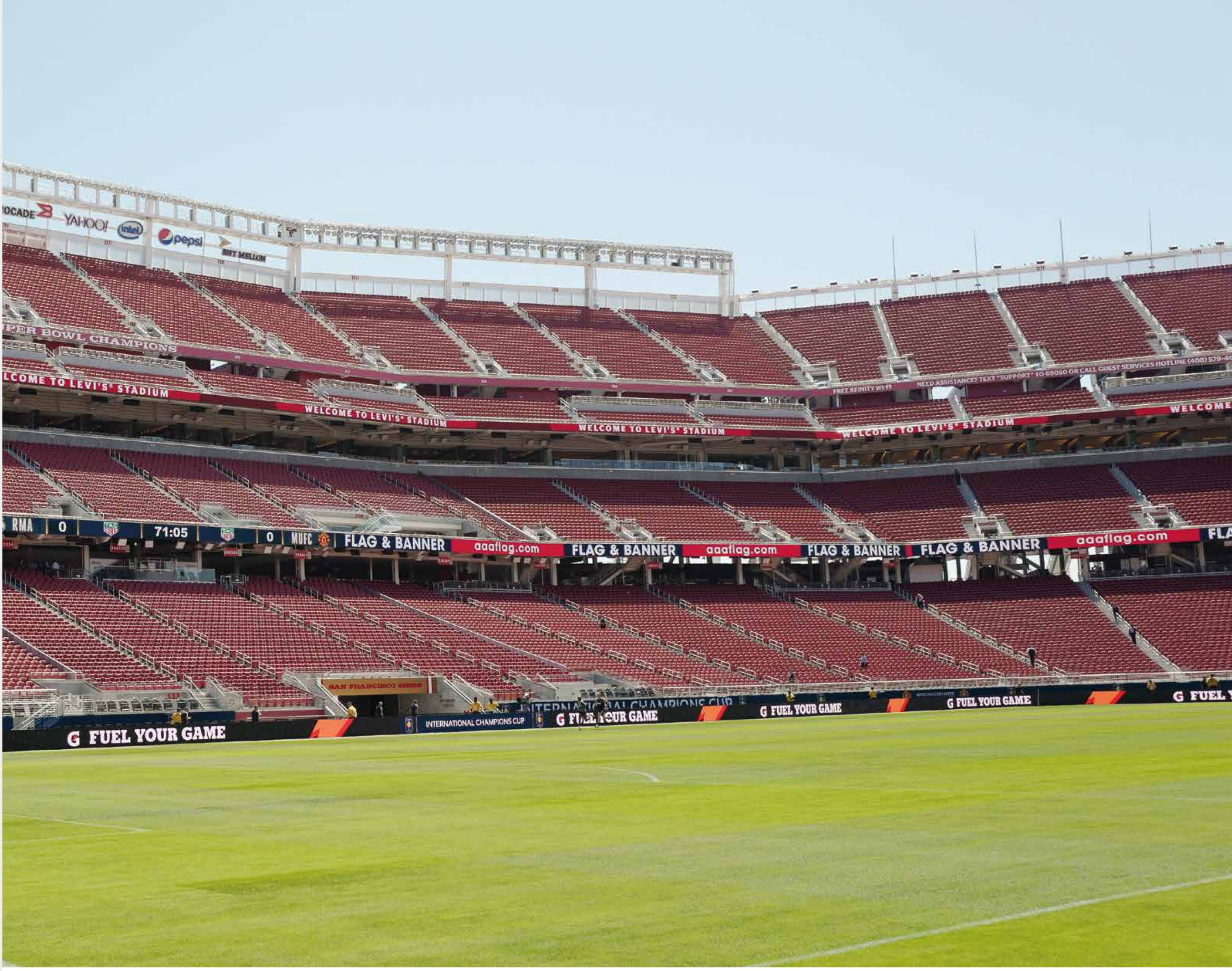
Routes to merchandising success

The global licensed sports merchandise market, which is defined as consumer goods branded with specific sports or a specific team, is expected to be worth $46.87 billion by 2026.

Data Bridge Market Research, the company behind the study, says this represents a CAGR of 5.01% from an estimated value of $31.70 billion in 2018.

Individual sports teams, venues, and tournaments can see the dollar signs, and are evolving their own retail operations accordingly to take as much revenue as they can from a growing segment. But do they license out their merchandise, create their own retail operations, work closely with a manufacturer, or take another route?

Several big clubs and sports tournaments have set up their merchandising arms to operate with a combination of these routes to market – the Wimbledon tennis championships, for example, runs its own stores but outsources its website to Fanatics.



Indeed, Fanatics – thanks in part to what it calls a vertical merchandising ('V-commerce') model, which means it owns its supply chain from product manufacturing to distribution – is winning business across the sports world. It has long-term partnerships with clubs such as Chicago Bulls in basketball, San Francisco Giants in baseball, and Seattle Seahawks in American Football, as well as their respective leagues.

Fanatics' revenue is expected to be between $2.7 billion and $2.8 billion in 2019, aided by global expansion which involves retail partnerships of different types with the English Football Association, Premier League and Bundesliga clubs, and English and Welsh rugby.

Underlining how the growth of the sports merchandise sector is affecting an already disrupted wider retail industry, Boyle notes: "Sports clubs and Fanatics are in competition with the broader retail market."

He says Fanatics is investing $US150 million a year in technological innovation, which is centred on developing its e-commerce capability, integrating physical and digital retailing, and reinforcing the V-commerce model it provides some of its partners.

"We have been able to partner with leagues and teams and get more rights to manufacture products, which is great, but the real benefit is the speed of our model," he notes.

V-commerce enables Fanatics to quickly ramp up stock replenishment or manufacture products based on unexpected events in the sporting world or in reaction to championships ending or player transfers.

Danny Downs, UK general manager at Fanatics' international arm, says this is the company's unique selling point and a key benefit for its sports club partners.

"There are loads of examples where clubs have been caught out by their own success," he says, citing Leicester City Football Club's unexpected Premier League title win in 2015-16 as an example. Fanatics does not work with Leicester.

Clubs tend to order their merchandise in the autumn for the following summer, and in Leicester's case they were relegation candidates at the time. When success came their way, stock did not meet the demand for replica shirts et al, Downs says.

"Clubs often simply don't have the product at the right time to deliver to fans – it's a problem in the US and UK."

Taking back control

While Fanatics is growing by offering clubs and associations access to its end-to-end commerce capabilities and helping support a move to 'on-demand' retailing, there are signs other big sporting institutions are seeking more control of their merchandising.

The All England Lawn Tennis & Croquet Club now has full ownership of most of the clothing it sells in its Wimbledon retail stores. It is part of an operation headed up by David Hewitt, the ex-managing director of luxury fashion house, Daks.

Wimbledon sells approximately 85,000 keyrings and related event merchandise, 45,000 baseball caps, and 36,000 championship towels during the 13 days its annual tournament runs. Sales have grown since the fashion line operation moved in house, says Hewitt, and the decision for the Wimbledon team to design its own T-shirts and other clothing was centred around reducing reliance on third-party merchandisers.

There are financial and brand image benefits of making such a move, and that was on the mind of Barcelona Football Club executives when they opted to take control of retailing by establishing Barca Licensing and Merchandising for the 2018-19 season.

Nike-owned FCBMerchandising had run the club's merchandising for 16 years prior to the new arrangement, generating an annual turnover of circa €65 million from around 7,000 products ranges sold in three own stores, 15 licensed stores, and 328 licensees.

The new approach is expected to bring "greater economic profitability", direct brand control, and the opportunity for new innovations, according to the club, which at the time of writing had not revealed revenue from its first year of operating the new format.

At the time of writing, details have emerged to suggest that Real Madrid have followed their great rivals in bringing their retail operation back in house – this time evolving a kit manufacturing contract with Adidas, which had been running Real Madrid bricks and mortar outlets.

"In football, although there are benefits from significant broadcasting revenue, there's a huge opportunity in commercial activity they can control, which includes merchandising," explains Anderson.

"We're seeing a push to maximise income across all areas of commercial revenue as clubs all try to outsmart each other."

Technology and how to sell

Sports clubs have for some time offered a more varied range of merchandise – it is not unusual now to see premium lines such as whisky and cufflinks in stock alongside the more traditional kits, clothing, accessories, and books.

The onset of e-commerce and social media has helped boost D2C revenues and reduced clubs' reliance on wholesale, too, with Liverpool Football Club even establishing a dedicated LFC Retail Twitter account to push its merchandising to a wide audience.

However, the arrival of the Levi's Stadium in California in 2014 brought into focus a new personalised way to sell.

Home to the San Francisco 49ers American football team, the venue was marketed as technology-driven, futuristic place – and one of the much marketed new-age features was its mobile app which allowed guests to order food and drink direct to their seats.

Although the order-to-seat service ultimately had a relatively small take-up and has since been limited to premium seating, it sparked much debate about the future of product fulfilment at sports stadiums. Its presence is indicative of the way sports clubs now need to consider customer relationships in a new age of retail.

Fadi Naoum, senior vice president for sports and entertainment at technology company SAP, which sponsors the SAP Arena stadium used by ice hockey team Adler Mannheim in Germany, says: "In-seat commerce doesn't work – so we decided to do a pick-up lane."

From next season, visitors to the arena will have the option of using an app to order ahead for merchandise or food – before going to collect it at a dedicated pick-up point.

The app is viewed by Naoum as an important component in helping the venue and Adler Mannheim get closer to fans, with registered users already able to build loyalty points and redeem them in exchange for goods and services in the stadium. App notifications related to parking, traffic, tickets, and the team are sent to users on a matchday.

Naoum adds: "I see the commercial awareness of sports clubs is improving – not necessarily because of the merchandise per se, but from a fan engagement perspective.

"They notice if they don't hold the data, they cannot contact the customer. Having that data then provides further engagement opportunities – one of which is merchandising."

Downs explains that for sports clubs to be successful in selling merchandising it is essential to keep up with retail and consumer trends. At Twickenham, the home of England rugby, Fanatics facilitates a 'click-and-deliver' service whereby fans in hospitality can digitally order items from the on-site club store for delivery to their seat.

The general public can also make a purchase from the RFU website ahead of their visit, and collect the items from the recently-revamped South Stand store at the ground.

"What we're trying to address now is the changing needs of fans based on the fact they don't just buy sports merchandise as well as the different ways they buy," he adds.

"A company like [online fashion house] Asos does two collections a week, so we have a fan and consumer that expects variety and quick turn. We have to adapt to technological and demographic shifts."

The sports merchandise sector is finding several ways to take advantage of the wider structural changes in retail to boost its own commercial success, but there is an ongoing challenge to remain relevant in a fast-moving industry.

90 - the number of apparel and footwear products brought to market by Nike and PSG following the Air Jordan Champions League tie-up.

2 | Just the ticket

Ticket sales are the lifeblood of the sports and entertainment events industry. Modern technology and new thinking on consumer behaviour are changing the face of the ticketing industry, and reinvigorating a fundamental revenue stream.

$73.424 billion
- total global revenue from ticket sales across 2019.


YOUR PIECE OF
HISTORY
Commemorative ticket
nab
Sunday, February 3
North Hobart Oval
1.05pm
NORTH
MELBOURNE

Selling tickets is among the primary functions of the sports industry and for rights holders, one of the more straightforwardly transactional things they do. It is also just among the most susceptible to consumer economic trends.

The market for ticket sales is growing. According to Statista, global revenues from event tickets will reach $73.424 billion from 941.4 million buyers in 2019. Sport will account for $25.418 billion of that – compared with $34.41 billion from the biggest segment, live music – with an estimated 282.7 million people buying tickets to give an average revenue per user of $89.91.

Anticipated annual growth of 8.4% would deliver a market volume for sport of $35.056 billion by 2023, part of a wider market for event tickets of $105.359 billion by the same year. The US, unsurprisingly, is expected to be the biggest market for tickets in 2019, generating $11.974 billion in sales in sport and $30.579 billion overall.

For a few years now, analysts have pointed to the emergence of an experience economy, particularly among younger consumers. That trend is persisting in a millennial generation that is well established in the workforce and whose incomes are rising as the oldest among them approach their late 30s. As long ago as May 2016, a study by Harris Group found that 72% of millennials preferred to spend more money on experiences than material possessions, and that the share of American consumer spending on live experiences and events relative to other goods had risen 70% since 1987.

Meanwhile, a report from Two Circles in November 2018 noted that millennials had helped drive years of bigger crowds in the UK. Between 2012 and 2018, total attendances at regular annual sporting events – not including the London 2012 Olympic and Paralympic Games – rose 2.8% year on year to hit 74.6 million, contributing £1.9 billion to the British leisure economy last year. The proportion of ticket-buyers aged 16 to 24 reportedly rose from 15% to 23% in that time; the proportion of millennials rose from 16% to 21%.

Two Circles' modelling indicates attendances will clear 77 million by the end of this year and keep climbing into the 2020s.

The big event strategies

The primary implication of the experience economy, as the Two Circles research suggests, is an increased appetite for a place at the biggest events. The organisers of the Tokyo 2020 Olympic and Paralympic Games received 7.5 million applications for tickets in a ballot for Japanese residents in May.

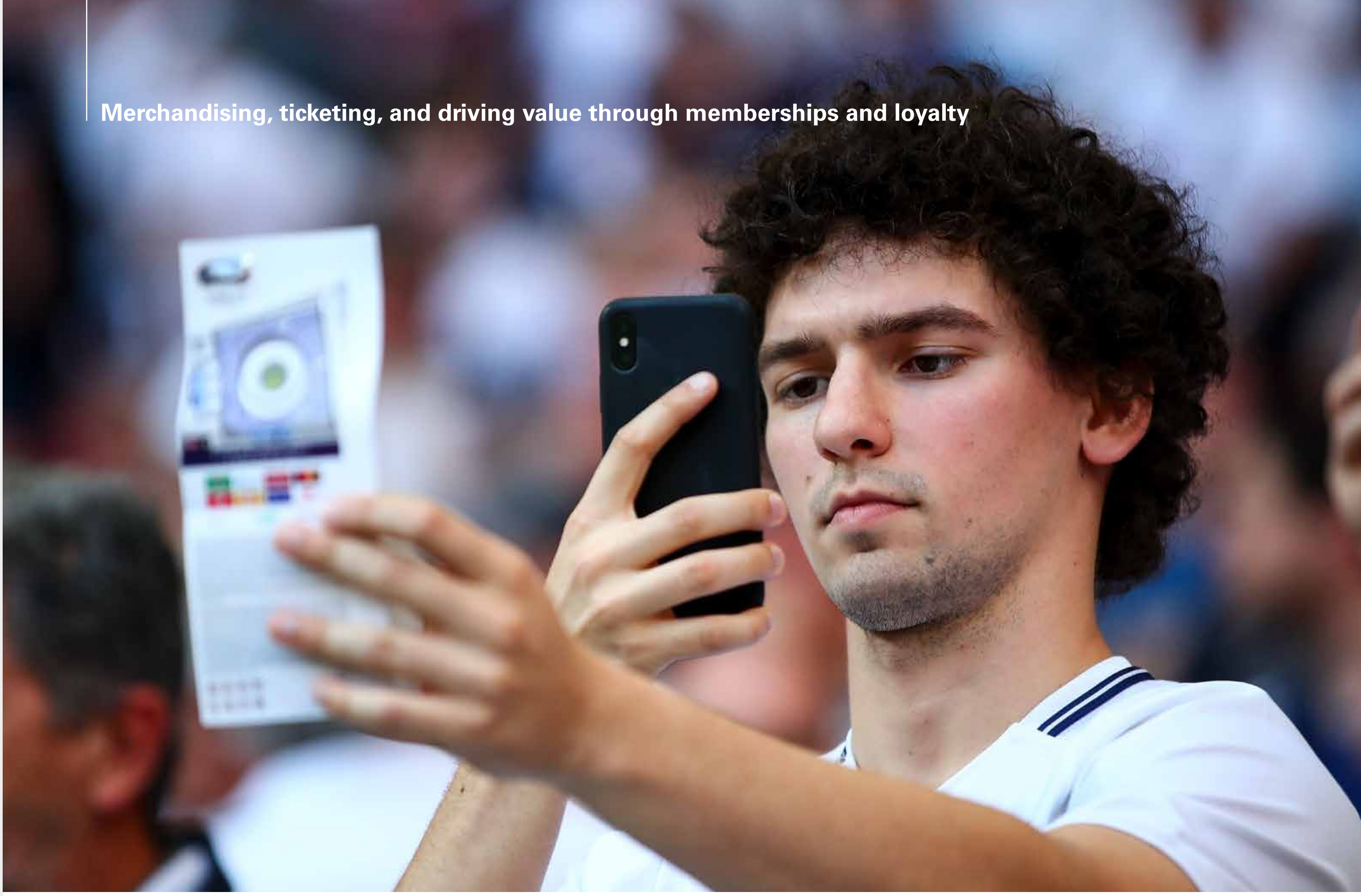
Yet designing and executing the right strategy for the right event is critical. The plan for this year's Cricket World Cup in England and Wales was in development from 2014. According to a piece in Sportcal by the local organising committee managing director Steve Elworthy, it was determined that the core target audiences would be cricket fans and 'big eventers'. The organisers were able to sell over 95% of their 850,000 tickets through a two-stage ballot that brought grassroots and fan groups into the process ahead of the wider public.

A vital part of the brief was to bring new and young spectators into grounds, supporting the England and Wales Cricket Board's (ECB) long-term aim to expand the game's fanbase and reanimate wider media interest. This was accomplished by making over 80,000 tickets available at £20 and under, with £6 tickets available to under-16s at 45 of the 48 games.

Presented with a large, traditional market for the sport, the organisers of the 2015 Rugby World Cup in England built parts of their strategy on bringing in groups from clubs and lapsed fans back to stadiums by creating bulk offers of up to 15 tickets. This time around, the picture is quite different. 2019 host nation Japan is an emerging force in rugby union and while there is firm local interest in the tournament, overseas visitors have been an invaluable target market this time.

$15.19 billion

- the estimated value of the global ticket resale market in 2020.



The combination of union's touring culture and typically wealthier demographics, and Japan's status as a highly desirable location has been potent. Around 600,000 of the 1.8 million tickets available are expected to be sold to over 400,000 visiting fans from traditional rugby nations and beyond.

Not every big event has ridden this trend as effectively. Attendances at January's AFC Asian Cup football tournament in the UAE averaged 13,766 ahead of the final. Eventual champions Qatar, whose fans were discouraged from following their team due to the ongoing Gulf diplomatic blockade, played an opening round game against North Korea in front of a crowd of just 452.

Meanwhile, the ticketing strategy for the FIFA Women's World Cup was the subject of intense scrutiny this summer. While sponsor interest, digital engagement and TV viewing figures in market after market showed huge growth for the competition, ticket sales were not always as impressive. Played in smaller venues than the previous edition in Canada, this year's tournament drew noticeably lower attendances.

Although 24 of the 52 matches sold out, including all of those played by hosts France, and over a million tickets were sold in total, there was confusion over availability at selected games which hinted at a need for improvement in communications and marketing. England's opener against rivals Scotland was billed in advance as a near sell-out, but played to a 37% capacity crowd.

Whether or not world football's governing body had underestimated demand, it is likely that greater research into potential audiences and a bolder marketing strategy will be a feature of the 2023 edition.

72 - percentage of millenials preferring to spend more money on experiences than material possessions.

New ways of selling

For elite sports teams, income from ticketing has typically become less relevant in recent years when compared to other major streams, particularly from media rights. For example, the latest edition of the Deloitte Money League found that Europe's 20 highest-earning football clubs made 43% of their money from their share of broadcast deals in 2017/18, with 40% coming from sponsorship revenues and just 17% from matchdays.

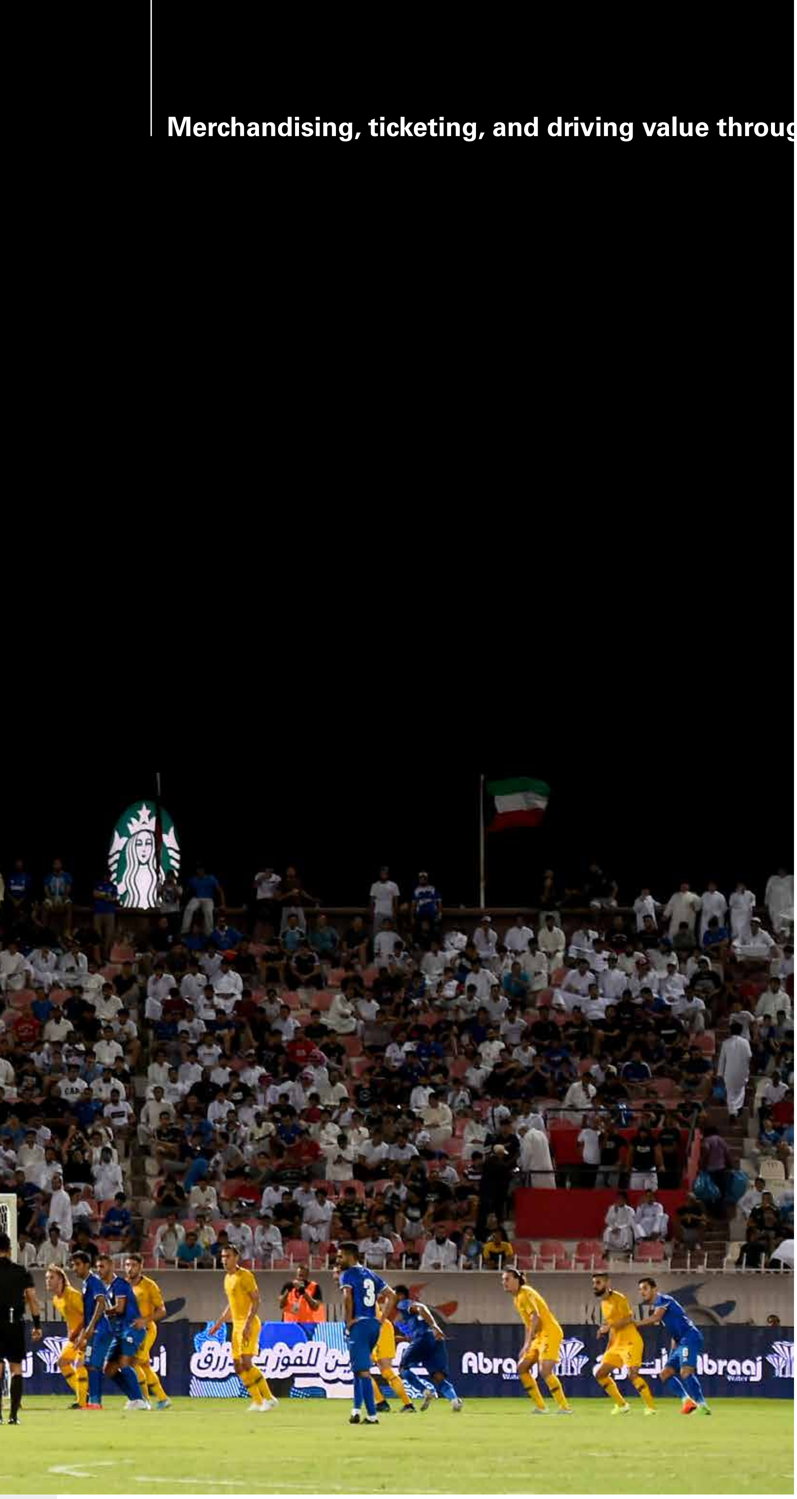
In the NFL, the Green Bay Packers' 2018 accounts showed that $255 million of their revenues – or 57% - came from what is termed as 'national income', which is the league-wide share of media rights, merchandising and licensing sales. The rest came from 'local income', which includes corporate sponsorship as well as ticketing and concessions at Lambeau Field.

Nevertheless, ticketing remains a key competitive differentiator as well as an important revenue source in its own right. Calibrating techniques and pricing for repeat sales is crucial.

In Major League Baseball, teams face the challenge of an unusually high volume of games– 162 in the regular season alone. Further data collated by Two Circles this year showed that MLB crowds were dipping through the opening months of the 2019 season, from 68.5% of overall capacity in 2018 to 67.3%. However, a 2.1% average rise in ticket prices across the league means revenues should go up $19 million.

Addressing a fall in attendances may take solutions that recognise changes in purchasing habits. Last year, the Oakland A's introduced a new subscription product call the Treehouse Pass, providing access to a new non-ballpark area at the Oakland Coliseum for every home game for

70 - percentage growth of American consumer spending on live experiences and events relative to other goods since 1987.



$29.99 a month or $149.99 a year. Monthly subscriptions for ballpark season tickets could be the logical next step, while the wider availability of membership packages linked not just to ticketing but other additional benefits would track consumer trends elsewhere.

A broader range of in-venue experiences is another way to stimulate growth. On a 300-game sell-out streak in their last season at Oakland's Oracle Arena in 2018/19, the NBA's Golden State Warriors experimented with a new $100 'In the Building Pass' that gave fans access to the venue but not the court on game day. In the Premier League, partly in response to competition from their local rivals at the recently completed Tottenham Hotspur Stadium, Arsenal have expanded their mid-range Club Level section by 780 seats while moving their corporate hospitality offering towards more open, informal settings.

600,000

- number of 2019 Rugby World Cup tickets - from a total of 1.8 million - expected to be sold to foreign visitors.

Lower down the pyramid, the United Soccer League's Phoenix Rising have found success and international attention through a more straightforward marketing play. 'Dollar Beer Night', as the name suggests, sees Bud Light beers sold for $1 apiece during Friday evening home games. Not only do Friday night games now, on average, draw 600 more fans to the roughly 7,000 capacity Casino Arizona Field but the promotion has also created a suitably fervent atmosphere. At the end of August 2019, the Rising were on a 14-game winning streak on Dollar Beer Night.

Yet for all the macro growth in the sector, economic pressure will still create difficulties. Attendances at US college football games dropped to a 22-year low last season. High prices are one reason cited for fans staying away but the relative inflexibility of the sports ticket market could also be a factor.

Some promoters are looking beyond the sell-out as a measure of success. Airline-style dynamic pricing models, where prices are influenced by fluctuations in supply and demand, have been used by some baseball and basketball teams for several years and are beginning to find their way into other major events. Ticketmaster employed a dynamic system for Taylor Swift's 2018 tour which, according to the Financial Times, made $1.4 million more per show than her 2015 tour despite averaging 600 unsold tickets at each concert.

Dynamic pricing does create a different set of concerns, however, from the prohibitive cost of last-minute tickets to the uncertainty bred among buyers by constant changes in value. Artists like Pearl Jam, the Foo Fighters and Father John Misty are among those to opt out. In sport, where full grounds are a major part of the fan experience and access for certain groups – like younger and more local supporters – is seen as a core responsibility for teams and organisers, a system that mitigates against sell-outs may not always be suitable.

Second thoughts

Another thing the embrace of dynamic ticket pricing indicates is a growing discomfort among organisers with the state of the secondary ticketing market. Research group Technavio has estimated that the global resale market will be worth $15.19 billion by 2020 but sports properties, promoters and artists have seen a limited share at best of that additional value.

Moreover, there are rising concerns about automated touting practices that artificially inflate the price for the event-goer and damage the reputation of the organiser. A report from Distil Research Lab suggests that as much as 40% of online ticketing traffic is driven by bots, and that has been rising annually by 12.3%. Meanwhile, European regulators have been especially combative, with authorities in the UK pulling up StubHub and Viagogo for misleading advertising practices and pricing information respectively.

For much of the past decade, promoters have sought formal partnerships with the emerging resale giants but that trend may now be reversing. Last May venue operator AEG ended its agreement with StubHub to launch its own resale platform, AXS. Internal resale platforms are also being more widely mandated. In July, after India's unexpected Cricket World Cup semi-final defeat to New Zealand raised the prospect of an avalanche of resales, the organising committee warned fans that tickets sold through unlicensed secondary sites may be invalidated.

Another approach to combat touting has been the use of verification schemes and 'fan-to-fan' resale platforms, which more closely monitor the number of resales processed rather than allowing an open but vulnerable market. Ticketmaster has closed its secondary platforms Seatwave and GetMeIn to replace them with a fan-to-fan platform. Exchange platforms that allow season ticket holders at football clubs to sell their seats at face value for one-off games are also common.

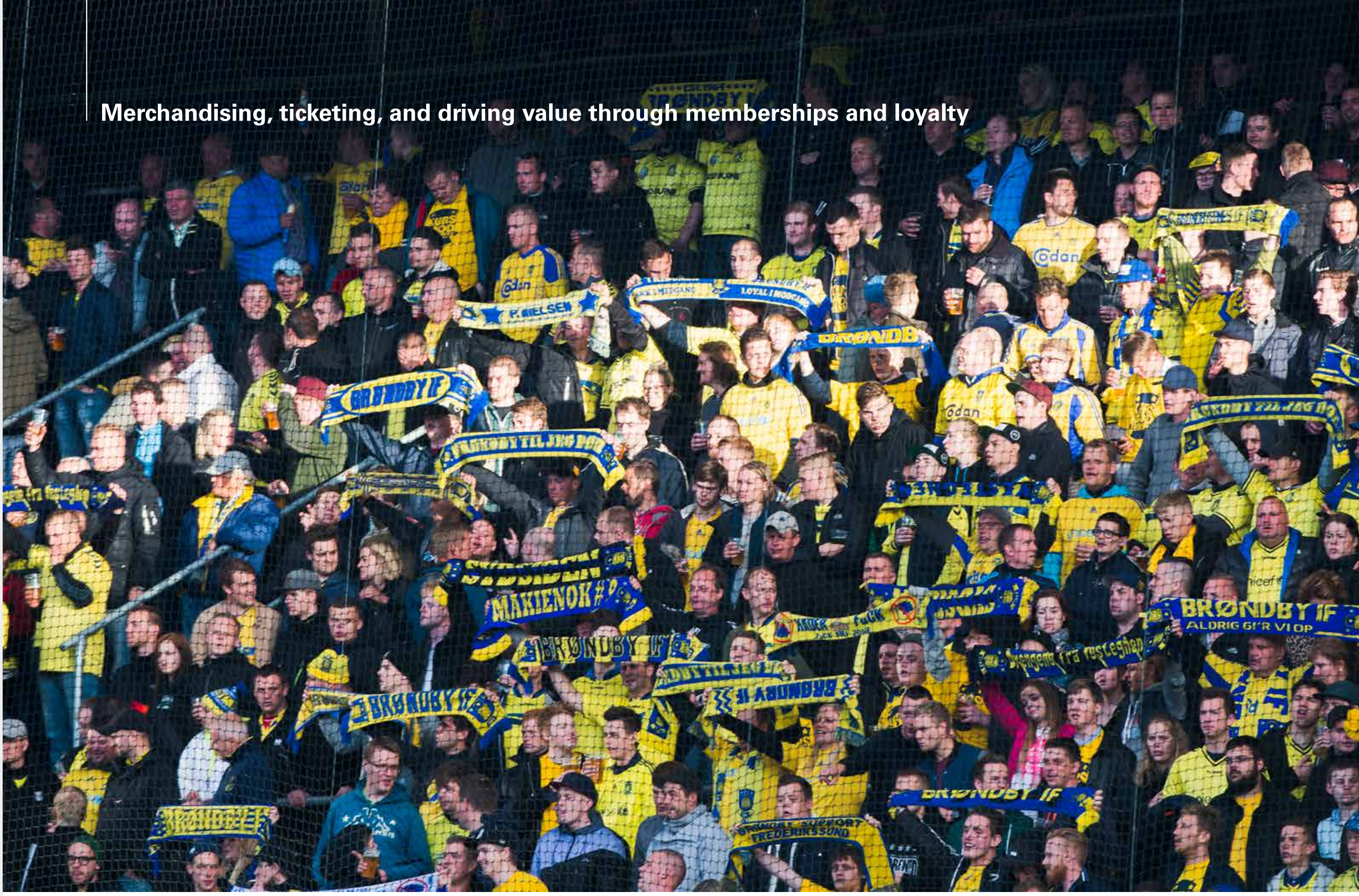
There are pitfalls to withdrawing tickets from the secondary market, however. For Ed Sheeran's recent Divide tour, resales were restricted by promoter Kilimanjaro Live to a fan exchange platform where they could be sold for face value plus a 10% resale fee. However, as long as face value tickets were still available on the primary market, this was a less appealing option. The reported result was that some fans unable to attend concerts were left holding tickets without the chance of reimbursement.

Future ticketing solutions

In common with countless other industries that have experienced disruption in recent years, change in ticketing will mostly occur through reduced sales friction for the consumer.

Options for fans to buy tickets more easily in more places will be one result. In the US, Ticketmaster and Eventbrite have partnerships in place with YouTube that integrate ticket sales into the official account pages of artists on the video streaming site. Back in sport, Uefa has leveraged its eight-year partnership with Alipay to create an official Euro 2020 ticketing portal within the Chinese payment services providers mobile app, which is accessed by hundreds of millions of users a day.

Merchandising, ticketing, and driving value through memberships and loyalty



Expectations shaped by experiences in transport and mobile payments could also accelerate the growth of mobile ticketing. San Francisco 49ers fans can access their game day tickets through a mobile app that also offers parking access, wayfinding and other guidance, while Arsenal are triailling a virtualised season ticket on Apple devices at selected matches this season. Los Angeles Angels ticket-holders have also been given mobile access this season through MLB's Ballpark app.

The NHL signed a renewal in May with Ticketmaster that will incorporate the company's Ticketmaster Presence, which allows for NFC-based venue access and uses SafeTix encryption technology to block illegal copying and transfer of mobile tickets. The league had already enabled mobile tickets for its showpiece Stadium Series events since 2018 and reported an 88% increase in their use at this year's All-Star Game.

17 - the percentage of revenues for Europe's 20 richest football teams drawn from matchday income.

At the same time, more venues are choosing to go cashless in a bid to improve the efficiency of their concessions services. The opportunity to combine ticketing, merchandising and food and beverage offers, perhaps in combination with new membership or subscription packages, is a natural one for teams and venues to explore further, and the possibility of building deeper profiles of visitors to improve commercial efficacy and spectator experience will be enticing.

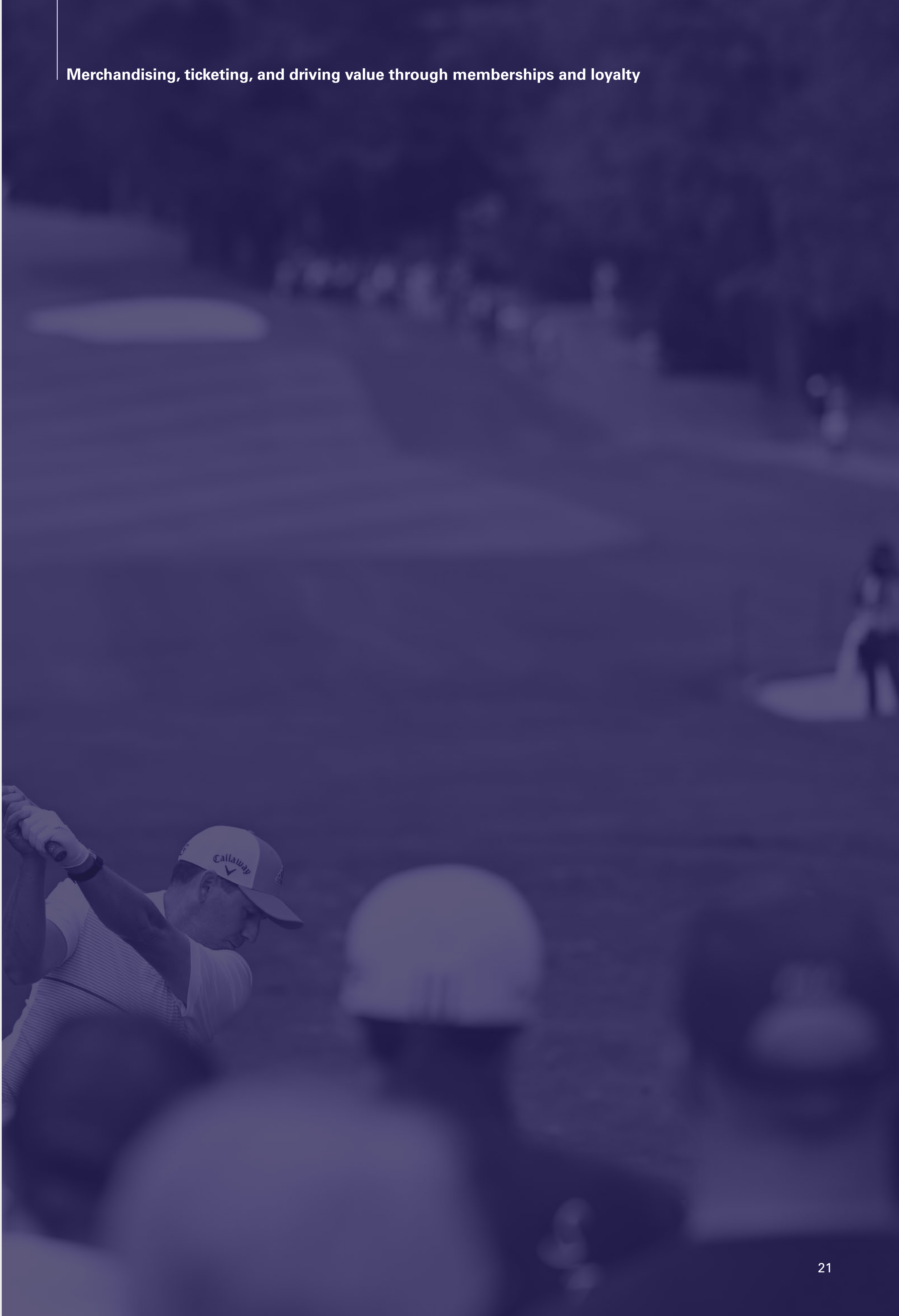
For rights holder and organisers keen to take their offerings in-house, white-label operators like SecuTix could become ever more influential. The Swiss-based company's clients have included sporting events like Uefa Euro 2016 and cultural events like the Paléo Festival in Switzerland, Messe Berlin, Opéra National de Paris and Aspro Parks in Spain.

It is also possible that these activities will be combined with new access technologies. Facial recognition providers like FaceFirst are already positioning themselves as supporting full-service crowd management systems, alerting venue staff to VIPs and troublemakers alike. The potential for these products is that they would sustain or eventually replace other ticketless systems.

Danish Superliga football club Brondby IF became the first in the world to employ facial recognition this season when they installed Panasonic's FacePRO-enabled cameras to help identify blacklisted fans at their home stadium. The public use of facial recognition tools, however, is a sensitive topic and the potential for intrusive misuse is still not well understood. Inevitably, the long-term use of these systems will be defined not just by performance but by ethical considerations.

3 | Bonds of loyalty

Sport is embracing the benefits of loyalty schemes, and a virtuous circle of value is paying dividends.


Callaway

American Airlines is widely considered to have created the first 'frequent flyer' loyalty programme in 1981. AAdvantage was revolutionary, offering customers 'rewards' – upgrades, offers, and other perks – simply for booking American Airlines tickets. Customer engagement increased immediately, along with booking numbers and brand loyalty. The rest of the airline industry quickly followed suit.

By the 1990s, major retailers were waking up to the significant and multiple marketing benefits of loyalty schemes. In the UK, the largest supermarket chain, Tesco, introduced its Club Card loyalty scheme in 1995. In 2002, the loyalty schemes of Tesco's big rival, Sainsbury's, combined with those of BP, Barclaycard and Debenhams were rolled into one programme, Nectar, engaging and retaining customers across multiple outlets and touch points, and providing a universally trusted measuring stick for consumer behaviour across the UK. Nectar remains one of the most successful loyalty schemes of all time.

Sport – an industry whose lifeblood has always been ticket sales, concessions and merchandising – has been rather slower to adopt the concept of the loyalty scheme. And perhaps unsurprisingly. After all, a consumer has a choice between several airlines that fly the same route, and between any number of supermarkets, but transferring allegiance between one sports team and another isn't quite so straightforward.

But times are changing. US major league teams began to introduce in-house loyalty schemes, aimed at stimulating ticket sales and retention, and as added value for sponsors, in the mid-2010s.

The Boston Red Sox rolled out Red Sox Rewards to its entire season ticket base in 2014. Fans could earn points for attending games, buying concession items, subscribing to the regional sports network that showed Red Sox games, and participating in competitions and promotions. They could also earn points for activity that proved an extra layer of engagement: staying beyond the seventh inning, for example, or arriving at the ballpark early. Crucially, both spending and behaviour were rewarded in the scheme, and fans could redeem those points through a dedicated Red Sox Rewards portal, which offered a range of prizes, discounts and unique experiences.

According to a report by IEG, the Red Sox found that 66% of season tickets modified their behaviour after the introduction of the scheme in order to earn points. The report also suggests the annual cost of running an in-house programme like this is anywhere from $500,000 to $1 million when technology, prizes and staffing are taken into account. According to Statista, the Boston Red Sox made $172 million in gate receipts in 2014, the year the rewards scheme was introduced. Since that point, they have broken records every year, and made $221 million in gate receipts in 2018.

In the UK, the most successful sports loyalty scheme extends across more or less an entire sport. Rewards4Racing has been running since 2011 and now counts just under 1.5 million people as members. These members earn points by purchasing tickets to the races as well as spending at any of the 4,500 partner organisations participating in the scheme – including thousands of reputable retailers, travel operators, a handful of betting platforms, and sport specific retailers. Those points can be redeemed on purchases at a variety of racecourses across the UK, including all 15 Jockey Club racecourses, all 16 ARC racecourses and York racecourse.

Spearheaded by the Jockey Club, and later adopted by the wider racing industry, Rewards4Racing has succeeded in engaging more people in horse racing. "Our big objective when we started was to get 1.3 or 1.4 million people coming 1.2 times a year," explains Jockey Club Racecourses Group CEO Paul Fisher. "And what Rewards4Racing has done is enabled us to increase that frequency of visit quite significantly and get people much more engaged with the sport.

"What particularly attracted me to it ten years ago when they first came in and pitched to me was the fact that, although there were a lot of good retailers involved in the scheme anyway, it was all online and you didn't have to use a physical card, like Boots or Nectar. I used to get hacked off with having so many cards. This was a cardless scheme, and ten years ago that was quite rare, quite cutting edge really. And actually it still is today."

Such is the widespread embrace for the loyalty scheme across racing that it played a crucial role when it came time for the Jockey Club to attempt to raise money for the redevelopment of Cheltenham Racecourse in 2013. After issuing a pioneering 'racecourse bond' that yielded £25 million for the project, Fisher came up with the idea of paying back bond-holders' interest at least partly in Rewards4Racing points. "You invested up to £100,000 with us and a proportion of your interest was being paid to you in loyalty points," explains Fisher. "I was guaranteeing that people were going to get their interest and they were going to have to spend it with us. We were recycling that cash back into the sport."

What began as a scheme aimed pretty squarely at customer acquisition and retention – on the Jockey Club's part – has evolved into something more broadly beneficial. As the Rewards4 Group, which operates Rewards4Racing, has grown, so too has the sophistication with which it is able to collate and analyse data coming off the back of the programme. "The data insights have become really rich over time," confirms Fisher. "We're starting to understand the demographic of the race-goer – and certainly the younger race-goer – in a lot more detail. Commercial partners now want access to your customers, they don't just want brand profile. And this is certainly helpful for that.

"We've also learned a lot about how people view loyalty points," Fisher continues. "People use them to upgrade. So general race-goers will use the points to upgrade to a restaurant. Restaurant race-goers have used their points to go into a box etc. People use them to upgrade and they see it as 'free money' really. Over a period of time we've transitioned those people into becoming high yielding customers for us."

Rewards4Racing has also been transformative for the Rewards4 Group, which launched in 2008, three years before the racing scheme, with Rewards4Golf, a programme which now has around 500,000 members. Alongside those two foundation programmes, the group now operates loyalty schemes in cricket (a relationship developed through the Jockey Club's Services division), rugby union and rugby league, and, as of this year, Premier League football through a partnership with Everton.

"To date, Rewards4 points have helped sports fans save money on over £40 million worth of transactions with our club and racecourse partners," explains Rewards4 Group co-founder Tom Cowgill.

The Rewards4 vision is to help fans save money so they can have more memorable experiences. "The data we collect helps us understand how important it is to give fans multiple ways to collect points but, as with all loyalty programmes, the most important part is making sure the financials make sense." says Cowgill's fellow co-founder, Ian Lancaster. Rewards4's business model enables brands, sponsors and retailers to fund points when their customers (new or existing) make a transaction or engage with them and Rewards4's technology platform facilitates this without interfering with the customer's purchasing journey. It's a virtuous circle of value that Rewards4 has been able to stir from the centre. "With UK sports fans spending over £18 billion on their sporting passion in 2018 it is no wonder that so many companies and brands want brand equity by rewarding their customers when they purchase or engage with them. That's where we're growing the business now. If you want to reward or incentivise your customer whose passion is sport, without doing any heavy lifting you can offer them points through our platform. The customer / fan saves money on their sport, the club has a happy fan and you the brand get the recognition (and great marketing content) without the logistics of managing the reward. It is proving to be a win-win-win all round."

The new Rewards4Football platform and its foundation partner in Everton should provide a further case study for how to operate modern, valuable loyalty schemes in sport.

Unlike the Red Sox scheme, Rewards4Football comes with minimal costs to the club partner, with Rewards4 working with brands and retailers to fund points that members collect. "The data insights we have from running these programmes gives us the confidence to know what works and what doesn't in terms of fans collecting points. This means that we are happy to invest our own marketing budget to create more points collection opportunities because ultimately we know that these will be attractive for sponsors in activating their partnerships with a club - as they are able to engage directly with fans and help them save money," says Lancaster.

"In terms of the club's resource commitment to running the programme, it's very limited," explains Cowgill. "We integrate our platform with the club's ticketing, merchandise and fan engagement platforms, which is the most challenging area because you need to get these right. We then make it easy through our technology platform for fans to be able to collect points with the wider Rewards4 network of partners. If you take Everton, for example, they're very keen to involve the programme in every fan touchpoint that they can, from buying season tickets all the way through to incentivising fans to take up their exciting new digital membership. It is essential that the process of collecting and spending points is both readily available where fans interact with their club as well as being easy. That's why we try to automate as many of these processes as we can. The club can then use the Rewards4Football currency and platform in specific campaigns to drive real business results plus they get to monetise the spend of their fans away from the club and understand where their fans are spending money outside the sport."

Technology partnerships are a priority area for the group too. Ticketing integrations are now in place with the likes of SecuTix, SeatGeek, Audience View and AXS and discussions are taking place with other major players in the market such as Ticketmaster and Advanced Ticketing (Talent). The more platforms the group has partnerships with, the broader its potential client base in sport becomes. Further partnerships with the likes of merchandising platform Retail & Sports Systems and fan engagement app InCrowd are a positive sign for Rewards4's clients including the Jockey Club, whose ambition for the Rewards4Racing scheme over the next few years is to make it possible for race-goers to redeem points at concessions and merchandise outlets on racecourses through fully integrated mobile payment processes.

As for the Rewards4 Group, the next stage in their evolution is to further establish the existing programmes and grow the results for all their existing partners. Beyond that, why not take on other markets? "After 10 years of managing loyalty and reward programmes across different sports we think we now have the blueprint as well as the data on how to create and operate a successful programme for fans, for clubs and for partners. In our view, there is no reason why the platform can't be transported and successfully delivered to any mature sports market," says Cowgill. "The aspiration is to become for sports fans what Avios is for travellers – a rewards currency that is recognised across many international territories."

Rewards4 and Betfred – case study in mutual benefit through loyalty

Joe Hill is Betfred's Digital Marketing Manager, and looks after paid customer acquisition, digital partnerships, and engagement for the British bookmaker. He works closely with Rewards4 on the partnership between the two entities.

What is Betfred's relationship with Rewards4?

It's a partnership across all programmes – racing, golf, rugby league, rugby union and cricket. We work on a turnover model , so we'll pay commission (and therefore points) based on how much a customer stakes on our sportsbook ; we'll also pay a points bounty for any new customers acquired directly through their sites.

What is Betfred doing for Rewards4, and what are they doing for you?

In terms of what they do for us, it's massive really. It's a USP for us and it allows us to engage with a mass, engaged audience who are trying to proactively collect points to pay for their tickets to go racing for example. Another thing for us is that we're seen to be working alongside Rewards4 to drive customers to come to sporting events, creating a personal experience and giving something back to the customer but also giving back to the sport – ultimately, by offering points for betting with us, we're helping to get people through the gates, and to get bums on seats. It's helpful for customer engagement as there may be customers who lapse during our lifecycles but we're able to re-engage with them through the Rewards4 programmes. The programmes and their points currency also help us to retain existing customers. It's a very saturated and competitive market, and we're able to stand out from that crowd by offering points alongside a bet. The programmes have also helped us amplify our sponsorships, for example, using Rewards4Rugby League to support our Betfred Super League sponsorship.

Are you able to put numbers to any of those benefits?

The revenues are substantial and we have reports which identify how much more a customer who is on the programme is worth to us versus somebody who isn't on the programme. We also have additional fields which identify customers who have joined the programme retrospectively, so their sign-up date to Betfred was before their sign-up date to the programme. We can then monitor their value to us and how they change over time and again we see significant increases once people have signed up to the Rewards4 programmes. The relationship is unique in that we're so closely aligned and we're in constant communication. It's not the case of an affiliate deal where we say this is the CPA, this is what we're looking for in terms of our ROI. We agree at the beginning of the year with Rewards4 our targets for player numbers and player growth and then we'll work very closely with the team to achieve those. And that makes the partnership a real focus for us.

LEADERS
Tuition House
27-37 St George's Road
Wimbledon
SW19 4EU
London
United Kingdom
Tel +44 (0) 20 7042 8666

LEADERS *Report*

leadersinsport.com
@LeadersBiz