

POST COVID-19 PLAYBOOK

*Opportunities for global sports
post COVID-19 in China*

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INTRODUCTION

China has the potential to be the only market in the world with business growth opportunities.

COVID-19 has sent shockwaves across the world, affecting every person and industry in some way. We've seen an unprecedented global impact on the world of sports, particularly due to quick cancelation of all live events. To show how serious this is, for the first time in history, an Olympic Games has been postponed.

This has a significant impact throughout our industry felt across broadcast rights, sponsorship deals, gate receipts, and more. The other major issue is the sponsorship dollars, which are seriously under threat. Brands and organisations need to adapt and think bilaterally to come up with creative ways to survive through this pandemic.

China was first to isolate with a nationwide lockdown in February. Over that period, digital numbers were the highest the industry has ever seen, with streaming and engagement records broken. As the virus spread to the rest of the world, live entertainment halted and we saw a variety of new approaches from the sports and entertainment industries to better engage their international fans.



China is the first country to show signs of improvement, with various industries actually on the rise. This includes the world of sports, which is set for a massive boom as the public, fresh from lockdown, will be hungry for their favourite sports to return. Sports leagues in China will start up again soon, and they'll be the first in the world to do so. There will be an even stronger sense of national pride mixed with a new appreciation for freedom, health, and fitness.

This report focuses on just five of the unique mega trends and behaviours we've observed which are likely to reshape the needs and desires of the Chinese fans, whilst also presenting opportunities for global sport to explore when engaging the Chinese market.



Emerging virtual events

Tentpole events, now delivered virtually.



Following the announcement that all Chinese sporting events will be postponed until late Q2 in an attempt to stop the virus completely, any live matches featuring global clubs or leagues will be very unlikely. This means limited marketing spend and a significant shift in the sports season, but the communities in China have clearly shown their appetite for online (virtual) events.

More and more we will see online events replace live ones. For example, the 2020 NFL draft is still scheduled to take place minus players, fans, or media. The event will be live-streamed from a television studio, with players interviewed via video conference.

In March, Borussia Dortmund hosted a virtual fan party in our Shanghai studios, featuring live Q&A with players, tour of the local offices and giveaways. It was a hit with the community, reaching over 2.9m viewers in the stream.

Organisations still provide significant value to sponsors and their extended communities through virtual events. This trend will likely continue as we ride out the physical restriction on live sports.

Last year, we saw 10+ international teams visit China on a tour where they compete with each other and local teams. That's unlikely going to happen in the next 12 months, yet we expect to see more virtual events being hosted without the need for an expensive tour or similar.

Q: What can you create this year to replace matches in China with virtual events?



International fans prove their value

The pot of gold is monetising your international audiences.

Make no mistake, you have a potential pool of fans that extends beyond your local streets. The world has never been easier to reach and we currently have a globe full of lost fans. In China, sport is part of their identity and daily ritual, and right now, the fans are hungry. Fact.

Potential international fans are more than 'expansion opportunities' that are 'non-essential' to business. They are, instead, huge potential opportunities. Fans don't have to physically be at the stadium. The person wearing the jersey or cap through the cell phone screen on the other side of the world should be considered as equally as the fan in the bleachers.

For example, the Chinese population has become more connected and active as a result of COVID-19. Chelsea FC experienced enormous growth in fan engagement over the January - February period, right at the beginning of the virus outbreak. Their fanbase expanded by over one million, creating a new sense of community and opportunity.

Larger communities are connected like never before. Be it through social media, their news feed or apps like DingTalk, savvy Chinese youth are able to access some global news sources to fully embrace foreign sports culture, creating a new attachment to their favourite teams.

This increase in activity has been seen across social platforms, especially when it comes to video consumption and mobile gaming. Online engagement within Chinese sporting communities has increased by 80 percent during the COVID-19 period.



Facts:

- 75% of Chinese fans believe that international sports teams do not cater to their needs
- DAUs on Weibo and Douyin have increased by 31% and 57%
- Mobile games grew 30% over lockdown
- Esports hit Honor of Kings peaked with 50 million players during 2020 CNY

Q: Are you able to build products (ie. memberships) that can better serve international fans?



A healthy lifestyle is priority one

Desire for a strong immune system will drive growth in the health & fitness industry.

Health and fitness had already been on an impressive trajectory over the past 5-10 years, with an explosion of gyms and alternative fitness options. Then along came COVID-19 which shone a very bright light on the need for a healthy immune system.

This is particularly present in the minds of parents who feel a greater urgency to protect their children. When the virus is under control there will be an increase in local sporting participation numbers and individual exercise, which by default, leads to an increased interest in sports entertainment.

Healthy snacks have also become a fast growing retail category, as well as plant-based meat alternatives which will deliver strong growth over the coming years as the desire for a healthy life continues. Vegan meat sales have grown by nearly 280 percent during the COVID-19 outbreak.

The want of a healthy lifestyle includes mental wellbeing. We are faced with new professional and personal pressures, the likes of which we've never seen before, so care for one's mental state is vital. Activities such as meditation and yoga, which are easy to perform in the home, have seen an enormous surge. When asked, 70 percent of the population state they will work to boost their physical immunity by exercising more and eating healthily post-COVID-19.

Q: What emerging health related brands will be looking to partner with global rights holders?



Facts:

- Yoga mat sales increased by 150% from Jan-March
- Fitness apps saw a 93% increase in DAUs
- Nike Training Club app free for consumers during lockdown
- Demand for health foods projected to rise by 12.8% with market volume of US\$36.67 billion by 2023



4 eLearning is here to stay

Professional training can now be distributed everywhere, immediately.

With all schools closed, parents have had to adapt to home teaching and learning with Chinese students being forced to utilise a range of eLearning tools. Parental sanity aside, there has been significant growth on online education platforms, especially from Tier 2 and Tier 3 cities.

As a result, parents have improved their awareness and acceptance of online learning and activity. The government will encourage further investment into this area from businesses as education will continue as a priority for all parents.

So far, during the epidemic, 21.1% of Chinese consumers have tried online learning for the first time, and the daily active users of Xueersi, an online education platform, have exceeded 10 million.

With tens of millions of students heading online to study, the country's leading providers of online tutoring services have experienced a surge in new business. TAL Education's Zhang Bangxin, saw a \$1.7 billion increase, giving him a net worth of at least \$10 billion. The New York-listed company saw a 20 percent growth in month one of the virus outbreak.

In what is somewhat of a natural marketing campaign for these companies, parents who didn't know much about online education are experiencing first-hand how it works. TAL is working with more than 300 public schools across China in an effort to stream free classes, while also providing complementary K-12 online tutoring sessions. Companies are launching eLearning courses while also developing data tools to analyse student performance.



Q: How can you, as a rights holder, deliver learning through this emerging technology?





Entertainment, not sports

Sports organisations are entertainment companies first, sports brands second.

Q: What other types of products could you create to entertain your audience?

With no live sports to cover, an enormous challenge was presented to digital and marketing teams responsible with building an audience and driving engagement with fans globally. The traditional approach is to build a narrative around the performance on the pitch, court or octagon. We're now forced to reconsider that approach and explore how best to continue to serve our audiences.

Organisations have repackaged archival content in creative ways, the Badminton World Federation featured a iconic match live stream commentated on by the local fan celebrities here in China. We've seen the value of NBA productions 'off court', the NBA Style and other in-studio programming deliver utility to their audiences.

Social media continues to demonstrate a reliable channel for brand engagement and entertainment via leading platforms such as Weibo, Douyin (TikTok of China) and esports across Tencent. These avenues have been everyone's best friend over this period, while the OTT platforms hosting live sport have struggled to understand their place.

Much like major production companies, film studios and other branded IP, there are many forms of entertainment that can be developed using brand, personality and assets by the leading sports brands. Those with studios, production teams, archive footage, access to players (home or not) have the capacity for creative thinking.

Sponsors desire to connect with your audience, while also associating with the halo of the brand which can drive alternative ideas for engagement. We see an increased demand for rights holders shoulder content, game shows, online games, player interactions and other creative formats to entertain the communities.



Conclusion

China is emerging as one of the first countries out of COVID-19, rising much faster than many expected. Around 50 percent of consumers say they are optimistic about the economy recovering 2-3 months after the end of the outbreak.

The rules that govern our industry have changed slightly, and just as fans are adapting to new environments and taking advantage of the technologies available, so are we. Sponsors will continue to invest in sports where there is a demand, and right now that demand has the potential to increase.

China's sports economy is still developing, the local rights holders look to their international counterparts for inspiration and guidance. Participation numbers still dwarf that of viewing and engaging those same sports, the need for entertainment is high and rights holders are uniquely positioned to capture that demand.

The best in sport will adapt fast, utilizing their resources and capabilities to deliver new experiences in China and beyond as the people slowly get back to a 'new normal.' In fact, we are well-positioned to help this return significantly by reminding the fans about the positivity, joy, and entertainment provided by the sports entertainment industry.

Mailman Group CEO
Andrew Collins





About MAILMAN

We help leading sports organisations build audiences in Asia.

Est 1999. Mailman is Asia's leading sports digital consultancy and agency. Headquartered in Shanghai, now with teams across Asia we help the best in global sport build audience, community and brand equity. Through this we invest in digital rights, ecommerce and drive partnerships for continued success.

Special thanks to Tom Elsdon, Zhu Xiaoshuai and Denis Green for producing this report. For more information on the report contact: tom@mailmangroup.com
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