

CHINA OUT SPORTS 2023

OPPORTUNITIES

FOR

SPORTS RIGHTS HOLDERS

Published By



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Foreword

In our 3rd Age of Sport Manifesto released in March 2021, we explained how sport is now entering an age where digital disruption is restructuring how it is being enjoyed, consumed, discovered and monetised. At the forefront of this is how sports are fostering direct relationships with their fans in a fight to maintain pace with rivals for fan attention, and subsequently to develop new business models.

In China, this direct to consumer concept is not predicated on live rights, but an overall greater relationship with your fans through multiple mediums. This includes gaming, micro-transactions, merchandise and content.

This is a brand new territory in China and we are still waiting to see a proven commercial model behind this, but it has forced sports rights holders to consider how their traditional media rights strategy can be adapted to a more strategic and localised approach.

We have been following this evolution closely in China, advising and engaging our partners and clients to take them through this new journey. LaLiga launched their own DTC platform ahead of the new season, as FIFA+ added Mandarin language ahead of the FIFA World Cup to bring a local experience to the tournament.

As ever with China, the media landscape requires expertise on the ground, especially around the traditional rights licensing. Ultimately in 2023, sports rights holders can build a strong fan product that does not necessarily include live rights but allow licensing to continue, resulting in the best of both worlds.



Andrew Collins
Mailman Group CEO & Founder



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Market Forces

1 Defining DTC

Unlike the rest of the world, a DTC platform in China does not necessarily need to include live rights. A successful product that strengthens the fan relationships can include other features including personalisation, gamification and content monetisation.

2 Changing Media Landscape

After several challenging years within the media landscape with deals being renegotiated or terminated, there appears to be a more stable environment with increased demand for sports rights across traditional and digital networks.

3 Growing Mobile Consumption

China lives on mobile devices with a huge proportion of sports fans using mobile to consume content. With the extensive access to 5G networks and growing interest from China Mobile and other telco service providers in sport, there has been a significant increase in sports mobile streaming.

4 New Media Technologies

China's media industry has innovated and integrated a number of new technologies into the broadcast experience. This has resulted in new ways to consume content on the go, as well as interactive features and the ability to watch virtually with friends.

5 New Digital Revenue

From video commerce to digital collectibles, there are a number of new revenue streams to integrate into a DTC offering. These new areas provide incremental revenue beyond just the traditional subscription and/or advertising model.



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14m football fans that paid to watch sports in 2022



\$9.71 China's average revenue per user per month

11.11

\$140.5bn generated from 11.11 Singles' Day shopping festival

The Opportunity

China's DTC market is an opportunity to build a greater relationship with your fans. Ultimately a good fan product can be built without the need for live rights bundled with it, and can instead leverage new revenue from other areas, including video commerce, gaming, digital collectibles and deeper metaverse experiences.

Our report aims to showcase more around this opportunity in China and guide rights holders in this complex space beyond just the streaming service.



53% of OTT revenue comes from subscription, and 47% from advertising



\$4.6bn digital collectibles market size estimated by 2026



\$21.8bn revenue from China's gaming industry in 2022 H1

Source: Statista - TV and Media Landscape
Source: Media Partners Asia, Online Video & Broadband Distribution 2022



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Data Analysis

"Media rights for sports have had a rocky business history in China, experiencing multiple booms & busts in the last decade. However opportunities exist where challenges reside and fortune favours the brave."

We see a potential and sustainable path ahead for rights holders that balance their traditional media rights and a DTC model. For many sports rights holders, how they approach this balance will determine their future success in China."

Justin Tan
Managing Director, Mailman

427.1m

Projected SVoD users
by 2025



685m

Gamers across China



34.9%

SVoD users are 25-34
years old

1.33bn

Ecommerce consumers
by 2027



72%

Users access their
SVoD service by
smartphone

Source: Statista – SVoD landscape in China 2021



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Why DTC

Fan Retention

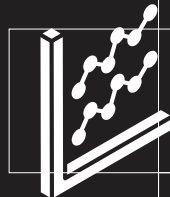
Fans are increasingly in demand of a personalised experience and meaningful engagement. DTC platforms can be fully customisable to engage fans more deeply with higher retention - think personal avatars, virtual watch parties and gaming.



Competitive Tension



A balance between multiple media partners and owned DTC platforms like the NBA is currently the golden model for sports rights holders in China. This gives sports brands the confidence to negotiate harder and at worst fall back on to their owned platform.



Data Ownership

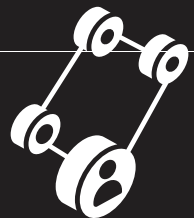
User and viewing data in China is unattainable from the traditional media rights model. This has now become a form of currency and access to this creates a better understanding of fans and greater commercial opportunities.

Commercial Opportunities



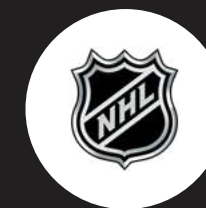
Sports rights holders can look beyond just the live rights, including interactive advertising, subscription, digital sponsorship, video commerce and even digital collectibles.

Low Costs



As development and maintenance costs continue to drop, the business case to build a DTC platform becomes less risky. Sports rights holders can first explore LITE models through the existing WeChat and Alipay ecosystems to test their value proposition before then committing to larger scale developments.

Media Matrix



D T C

WeChat
Mini
Program

WeChat
Mini
Program

N/A

App, WeChat &
Alipay
Mini Program

N/A

N/A

WeChat
Mini
Program

M E D I A P A R T N E R

CCTV
Migu
Douyin

CCTV
Migu
iQiyi
Kuaishou
Tencent

Migu

CCTV
Tencent
Migu
Kuaishou
BesTV

CCTV
iQiyi
Migu

CCTV
Migu
Kuaishou

CCTV



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Best Practice

01

Balance Media Rights and DTC

A successful commercial model in China still relies on strong media partnerships. This can then provide the confidence to invest in a DTC platform, potentially still in partnership with the existing media rights licensee, for example Tencent, iQiyi or Migu.

02

China Fan Centric

The fan should be at the core of this decision to build a DTC platform. From a product development standpoint, localising a global platform will not bring about success, instead the user experience, design and content should be tailored for local fans.

Even with a truly local product, there are still challenges in attracting large audiences to the China platform due to existing fan online habits.

03

Regulatory Requirements

This is an incredibly complex area with specific licences required to run any form of online video service. Licences can be borrowed but these can still be retracted.

The rights holder will also need a locally registered entity, whilst all individual level data collected must be hosted on local servers and cannot be transferred out of the country.

04

New Business Models

Chinese fans are showing an increased willingness to pay for premium content and online purchases, however it must be at the right cost for local fans.

If live games are included, rights holders could look to charge for one-off matches, long term subscriptions, run advertising or even manage hybrid models.



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DTC Modules

KEY DTC PLATFORMS



Memberships

Exclusive access through paid / VIP memberships



Video-on-demand

Including highlights, archive video and original production



Socialisation

Social features including forums, hashtags and bullet comments



Advertising

In-app advertising spaces and ads management system



Live broadcast

Provide live streams for matches and studio shows



Ecommerce

Online store with video commerce functionalities



Metaverse

Develop virtual experiences including digital avatars and NFTs



Ticketing

Registration, transaction and trading with local payment



Gaming

Gamified elements with native China-only games



Match information

Match results, team statistics and league rankings

Smart
TV &
Projector



Alipay Mini
Program



Web



iOS and multiple
Android Apps



WeChat Mini
Program



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Case Study FIFA

Launched in August 2022 as a companion to the CCTV media partnership.

Advertising model with video pre-roll and sponsor integration.

Built within the WeChat ecosystem to access their 1.1bn existing user base.



Provides Chinese fans with video on demand, live streams, gaming and global tournament / league data.

Developed as a home of football within China, extending beyond FIFA's owned events.



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About Us

Mailman is China's leading sports digital agency. We exist at the intersection of digital & sports. We help top sports organisations & brands to build sustainable businesses in China, one of the world's most challenging markets. Mailman is part of 160over90, an Endeavor company.

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The background is a dark, textured surface with vibrant, wavy lines in shades of purple, blue, green, and yellow. These lines flow across the frame, creating a sense of movement and energy. Scattered throughout the background are numerous small, glowing dots in various colors, including white, yellow, and blue, which resemble stars or distant galaxies.

CHINA
DTC
2023