



THE UNIVERSITY OF  
**AUCKLAND**  
Te Whare Wānanga o Tāmaki Makaurau  
NEW ZEALAND

**BUSINESS SCHOOL**



**CHAMPIONS TROPHY**  
Case Competition

## Case Study: Spalk

Saturday 3 February

Case prepared by Emma Kerr under the supervision of Bowen Shi. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publicly available sources and Spalk. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

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From: Chloe Code  
Sent: Saturday 3 February 2018  
To: Champions Strategy Team  
Subject: Spalk Presentation

Kia ora all,

Our client, Spalk, aims to power sports commentary for the world's leading sports properties. They have developed Live-Sync technology which plugs directly into a broadcaster's existing live-streaming platform and allows them to offer multiple commentary options to their fans. Fans can pick a preferred commentator based on their language, style or preferences.

Spalk's plug-in ensures lip-sync perfect synchronisation between the viewer's selected commentator and the broadcaster's live video. They believe they are the first in the world to have solved the issue of synchronising remote media, and are certainly the first players in this market. Spalk's work with various broadcasters, colleges and sports leagues around the world has validated that the technology is able to increase live audience size by up to 70%. This is a result of viewers being able to customise the viewing experience. Throughout 2017 Spalk worked with over 100 broadcasters and content owners in delivering fan engagement, multilingual streams and cost-saving projects.

Having built out many successful cases studies, Spalk is now looking to raise their next round of capital and determine a clear strategy moving forward. The current thinking is to focus on B2B operations and expand significantly in the United States. However, having recently concluded a deal with SportsFix TV, there is also an opportunity to become a leader in Asia. Furthermore, as demand for Spalk's product grows there are increasing challenges around how to best scale the technology and business. At the same time, the nature of the business and industry means it is important to consider how to best adapt to stay ahead of the competition.

A key target for the company is \$1,000,000 NZD recurring revenue by the end of the 2018/19 financial year. The Board at Spalk would like you to analyse the options available and hear what you think is the best strategy to accomplish that milestone and ensure future growth and success.

You will have ten minutes to present, followed by a ten-minute question and answer session. Attached are documents prepared by our research team to assist you.

Kind regards,

Chloe Code

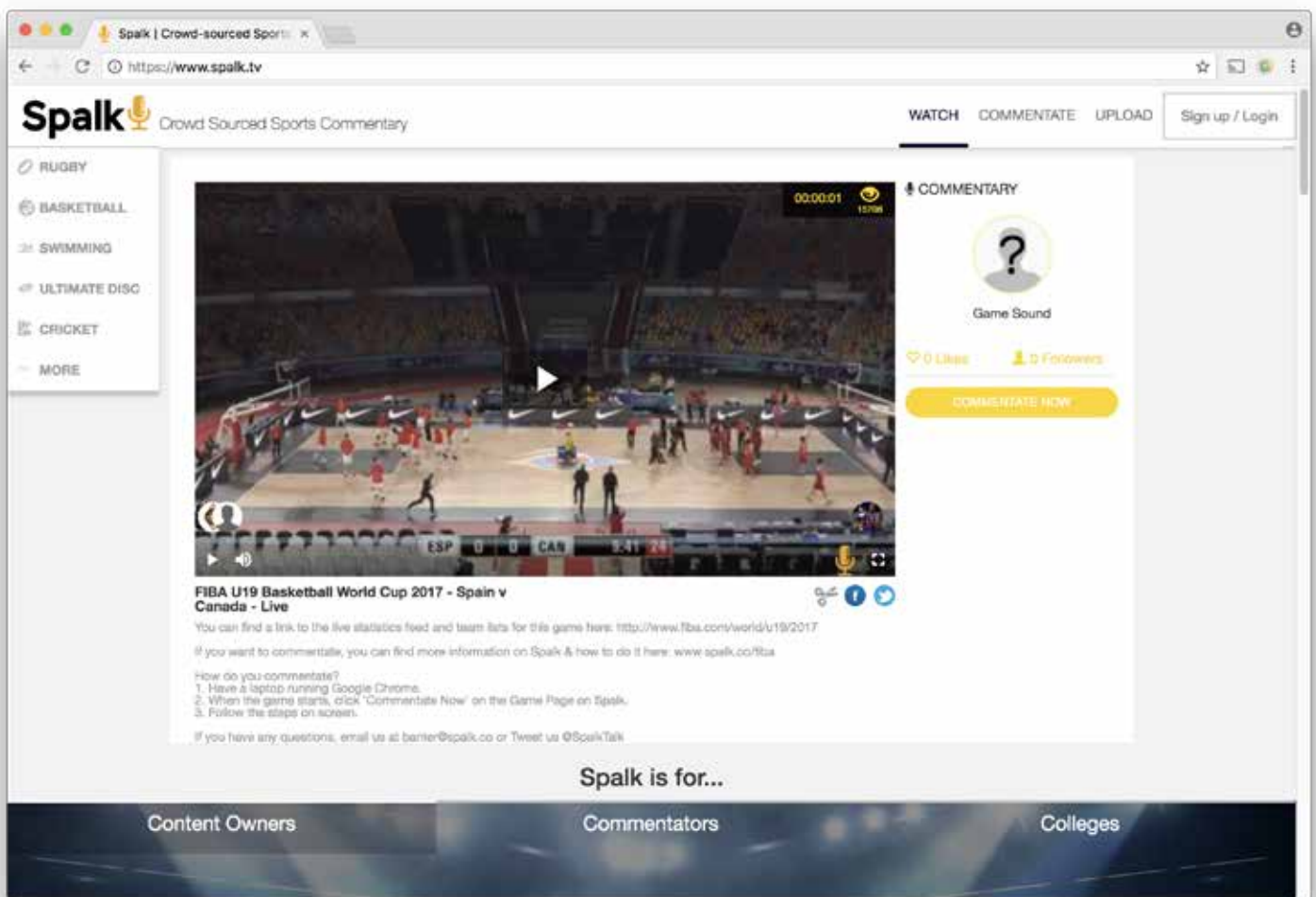
## The Company



# Introduction

About a year and a half ago, Spalk co-founders Ben Reynolds and Michael Prendergast downloaded a free internet radio tool and began broadcasting their own commentary for live sport from their apartment. They had grown tired of the traditional 'one size fits all' approach to TV sports commentary. Soon they had established an audience base in the thousands and invited friends to join them as guest commentators. As this hobby grew, the limitations of internet radio for sports commentary became more apparent. In particular, the production quality was poor, their commentary would be completely out of sync with the broadcast, and broadcasters disliked it because it drew viewers away from their platforms.

Following that experience, Spalk was built as a solution to the limitations they faced. The first version of their technology could synchronise remote audio to YouTube Live videos. Now they can do the synchronisation and injection of audio on broadcasters' own streams.



The screenshot shows the Spalk website interface. At the top, there's a navigation bar with 'WATCH', 'COMMENTATE', and 'UPLOAD' buttons, along with a 'Sign up / Login' button. The main content area features a live video feed of a basketball game, titled 'FIBA U19 Basketball World Cup 2017 - Spain v Canada - Live'. Below the video, there's a 'COMMENTARY' section with a 'Game Sound' icon, '0 Likes', and '0 Followers'. A prominent yellow button labeled 'COMMENTATE NOW' is visible. The footer contains the text 'Spalk is for...' followed by three categories: 'Content Owners', 'Commentators', and 'Colleges'.

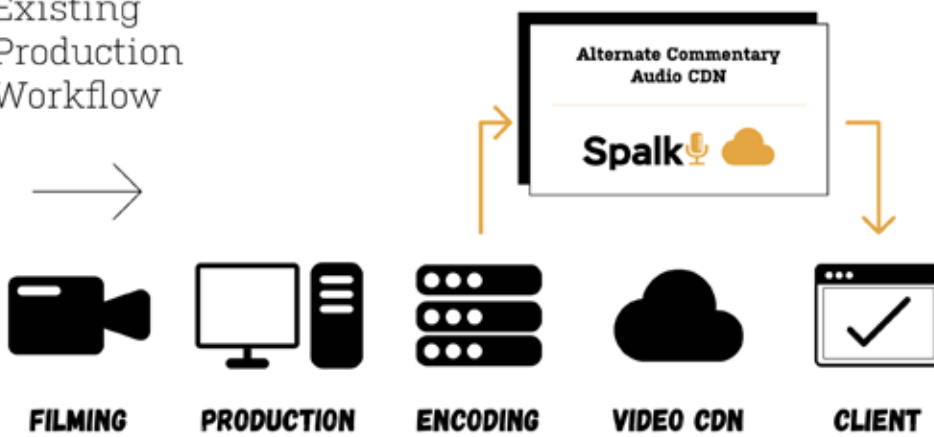
Source: Spalk.TV

# Product

Spalk has patented the process of taking in a video stream and synchronising additional audio tracks to it, along with specific complementary processes. A significant aspect is the taking of timestamps from the original video and matching it with the timestamps seen by the person commenting.

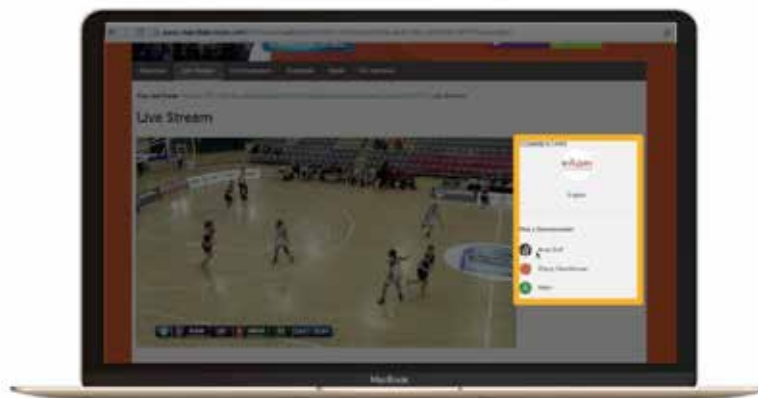
Their technology has been developed so the existing production workflow of broadcasters is not disrupted. Traditionally, broadcasters set up big production trucks at stadiums to cover a live sports event. The video and audio content they produce is encoded and streamed directly to fans. In order to offer alternative commentary, broadcasters would need to set up multiple booths or production studios at high marginal cost. On the other hand, Spalk synchronises multiple remote audio streams to one video, with minimal marginal cost for each additional commentary audio stream. The broadcast is intercepted en route to the client, sent to commentators working from laptops and their audio is transferred to the client.

Existing  
Production  
Workflow



Source: Spalk Background Deck

For broadcasters with their own distribution platforms, Spalk offers a white-label plug-in which integrates with their website and mobile apps. This gives broadcasters full editorial control over who can commentate. For other organisations, such as colleges and sports organisation, Spalk.TV is a free-to-use platform which Spalk developed. There are no ads or hidden fees, and anyone with an existing stream on YouTube or LiveStream can allow their fans to commentate on them through this platform. Spalk.TV also offers Premium features that include geoblocking, Facebook Live publishing, and commentator control.



Commentators call games from a laptop, without needing to be at the Stadium or Production Studio.

Fans tap an avatar to listen to their preferred commentator, which may be a comedian or influencer.

Spalk's plug-in manages the synchronization & audio selection. The stream remains on the existing CDN.

Source: Spalk Background Deck



# Advantages

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Spalk specialises in demographically targeted commentary. While traditional sports broadcasts have a few commentators talking about the game together, Spalk enables multiple commentators to synchronise different audio streams to live broadcasts

The key advantages of using Spalk include:

1. Customisation – Viewers can tune in to their chosen audio that suits their language, style or preferences. It opens the door to attracting younger fans, women or sports fans from different ethnic or cultural backgrounds who do not find the standard commentary appealing.
2. Increasing Fan Engagement – Fans and influencers can actively engage with their favourite live sports by commenting remotely. Their audio is integrated into live streams on either the broadcaster's distribution platforms or Spalk.TV.
3. Cost Savings – Spalk's method of offering a greater range of commentators is extremely cost-effective. They do not touch the videos as producing them is very complex and expensive.



# Our Team

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A small team of 9 people manage the company's operations, comprised mostly of engineers.

**Ben Reynolds** – CEO and Co-Founder

Ben is a graduate from the University of Auckland with a Bachelor of Commerce in Economics. He founded Spalk following 2 years as an Associate with Sparkbox Ventures, a Seed Stage Venture Capital investing in high growth companies across Asia-Pacific.

Ben's role at Spalk includes sales & marketing, capital raising and other general tasks involved in managing a business.

**Michael Prendergast** – CTO and Co-Founder

Michael is a graduate from the University of Auckland with Engineering Science (Hons). Michael previously held a role with Beca, an engineering consulting firm, where he developed weapons simulation software for the New Zealand and Australian Defense Forces.

Michael's role at Spalk includes managing five engineers in Spalk's Auckland office, making product and architectural decisions and managing delivery integrations with broadcast partners.

## Wider Spalk Team:

**Cameron Ekblad** – Software Engineer

**Dion Bramley** – Software Engineer

**Ashwin Samuel** – UI/UX Designer (Started Nov 2017)

**Nicole Hippolite** – Junior Software Engineer (Started Dec 2017)

**Kartik Patel** – Junior Software Engineer (Started Dec 2017)

**Jacob Meyer** – Sales & Marketing Associate (0.3 FTE)

**Alex Porte** – Sales & Marketing Associate (0.3 FTE)

## Board

**Ben Reynolds** – Executive Director

**Michael Prendergast** – Executive Director

**Mike Rehu** – Non-Executive Director

Mike Rehu was appointed Head of Content for Māori Television in 2015. Mike is an experienced Television Executive and content maker with more than 30 years' experience in broadcast & digital media. This includes roles as the Head of Content Production for Fox International Channels for seven years and a decade with ESPN Star Sports as a Senior Producer and Director. Mike was based in Singapore for the last 20 years prior to moving back to New Zealand.

**James Sweetbaum** – Non-Executive Director

James has served as a consultant to numerous media investment and financing companies as well as having sat on numerous industry-related boards. He has a diverse background having worked in direct marketing, television, media and film production in an international context on more than four continents.

James studied Marketing and Management at the Wharton School of the University of Pennsylvania and Hitotsubashi University, Japan. He holds a Masters in Fine Arts from the Film and Video Department of the School of the Art Institute of Chicago and a Bachelor of Fine Arts from the media department of the Slade School, UCL, London. James is fluent in five languages.

**Rob Skinner** – Non-Executive Director

Rob has served as a Director and advisor for a range of high growth digital businesses. Notably including eBUS, a digital TV Advertising Network that sold to UK-based IMD in 2011. Rob is the Ex-New Zealand Trade Commissioner to Singapore and a Member of the New Zealand Institute of Directors.



# Customers

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Since Spalk's platform was launched in Q1 2017, they have covered over 1,000 live events for more than 30 partner sports leagues, broadcasters & colleges around the world. Their broadcast partners have seen an average increase in their audience size of 40% when fans can choose their commentator.

At the outset, their customers could be divided into two major groups:

1. Enterprise Partners (broadcasters and premium rights owners)
2. Consumers (amateur and college sports)

Spalk technology is licensed to enterprise partners which enables Spalk to get access to premium sports rights. Alternatively, their free-to-use platform, Spalk.TV, is a consumer-facing platform which enables them to build an audience for niche, amateur and college sports. Spalk has worked with almost every sports league and university in New Zealand, from cricket and rugby to squash and futsal.

Currently, Spalk is moving towards a greater focus on acquiring enterprise partners. Directly targeting consumers through amateur and college sports was a focus originally, but low viewer numbers significantly limit growth. As such, they are not planning to develop Spalk.TV significantly in the future. However, they will maintain it as an effective way to run quick trials for potential enterprise partners before converting them and integrating the white-label plug-in to their own distribution platform.

Some detail about several of their key partners has been included below.



Māori TV was Spalk's first major partner. They contacted Spalk about using their technology to offer multilingual commentary to allow for commentary in Te Reo, the language spoken by Māori, the indigenous people of New Zealand. Spalk Live-Sync connected with Brightcove, Māori TV's live-stream provider, to seamlessly integrate multiple audio streams on the Māori TV website. Having the option for commentary in Te Reo, as well as fan commentary, has helped Māori TV attract more viewers and generate a more engaging fan experience.

As part of their partnership with Māori TV, Spalk provided commentary options for the New Zealand High School Basketball Championship 2017. This resulted in the following positive outcomes:

- 26 different commentators called at least one game
- Commentary was offered in three languages - English, Māori and Samoan
- Over 100,000 viewers tuned in via Māori TV's website
- 20% growth in viewership compared to 2016

Furthermore, in October 2017, New Zealand comedian Guy Williams was brought on to commentate the Basketball New Zealand Grand Finals. As a well-known personality, Guy Williams drew in a younger audience and generated interest among new viewers.



In July 2017, Spalk partnered with the International Basketball Federation (FIBA) to enable fans to commentate the FIBA U19 World Basketball Championships from around the world. FIBA had approached Spalk about a solution to customise their live game content to suit different demographics and engage new fans.

At an individual event level, this partnership with FIBA had very positive and quantifiable results:



- 92 different commentators called at least one game
- Commentary was offered in five languages - English, Spanish, Italian, French and Portuguese
- Multiple commentary options were available for 32 games
- Over 6 million viewers across Spalk, FIBA Facebook Live, FIBA YouTube Live & FIBA Periscope

Now through Spalk, fans can commentate on all FIBA youth and amateur events around the world. The digital fan engagement solution enables fans from a range of backgrounds to connect with the sport and fully experience the games.



SportsFix TV is a sports broadcaster in South East Asia, offering a diverse mix of sports coverage. Content ranges from the Italy Series A football league to Bangladesh Premier League cricket. This partnership went live in December 2017, enabling fans across South East Asia to select commentary from more than five languages. Not only can viewers change between desired commentators, the system automatically matches commentary to the viewer system language.



Sports Canada TV (SCTV) is another significant partner. Spalk has covered a variety of events for them, recently including the Canadian Rugby Championships. Flying commentators to various matches in order to be physically present to commentate would have been very expensive, so instead Spalk was enlisted as SCTV's remote commentary studio. Overall, SCTV was able to significantly reduce costs without compromising their live-stream production workflow.

Spalk is also gaining traction in Europe, having recently been accepted into BT Sport's Innovation Lab. BT Sport is a collection of sports television channels in the United Kingdom and Ireland. The purpose of the Lab is to find new technology solutions that are geared towards disrupting traditional sports broadcasting approaches. This engagement provides access to Premier League and other top-tier content in the United Kingdom with discussion taking place to agree on commercials and a rollout timeline taking place in early 2018.



# Commentators

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Currently, Spalk operates as a technical platform that connects commentators with broadcasters and rights owners. Anyone who is interested can sign up and begin commenting on Spalk's free-to-use platform, Spalk.TV. Broadcasters often also hire specific individuals to commentate on their streams. There are currently 3,500 commentators that use Spalk, ranging from Radio DJs to celebrities and everyday sports fans, and about half are professional commentators.



# Future Opportunities

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The core of what Spalk enables is the ability to add new commentators to a video at zero to minimal marginal cost. Despite this narrow initial focus on the commentary layer of sports broadcasting, there are several different directions Spalk may move towards in the future. They could consider reverse integrating to compete with online video platforms and attempt to capture a greater share of broadcasters' technology infrastructure spend. Alternatively, they could consider forward integrating and begin acquiring sports rights to distribute themselves.

Spalk sees sports broadcasting as a good industry to establish themselves in initially given there are substantial paths to monetisation and clear use cases. However, the potential applications for their technology is not limited to live sports. The company has been approached by governments about providing live streamed parliamentary proceedings in multiple languages. Churches have also registered interest in using Spalk to increase engagement and grow their membership.

With respect to its engagement with commentators, there is also a peripheral opportunity in the long-term to play a greater role in talent



Industry





# Broadcasting

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For a long time broadcasters, and the sports leagues and teams who sold rights to them, dominated the distribution of sports content. However, traditional broadcasters are now facing increasingly tough competition from a variety of innovative digital companies and “Over The Top” (OTT) players such as Google and Facebook. OTT is a term that refers to the distribution of media by way of a streaming content provider selling directly to the consumer over the internet via streaming media as a standalone product. This process bypasses broadcasters who have traditionally controlled and distributed that content themselves.

## Challenges for Broadcasters

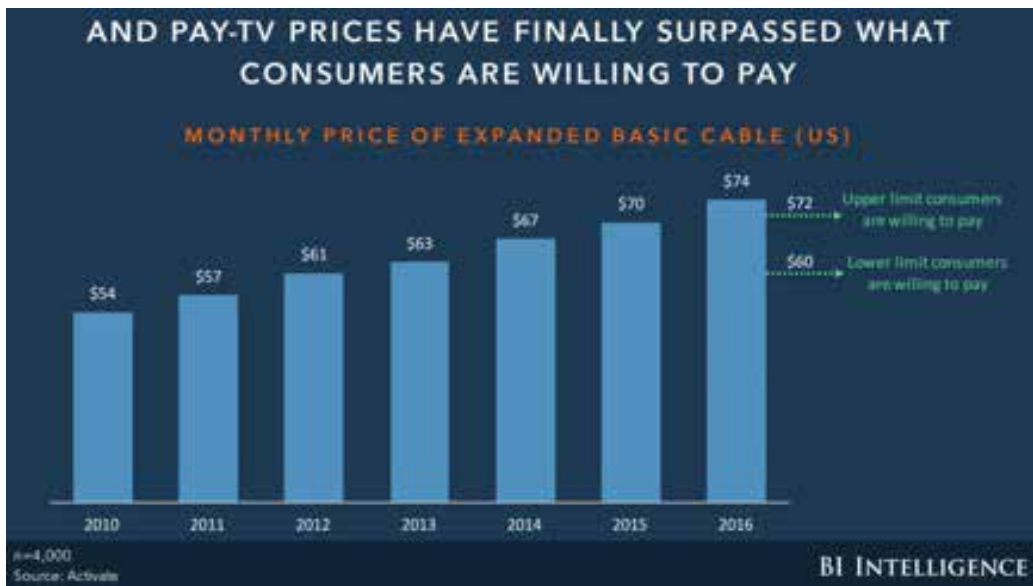
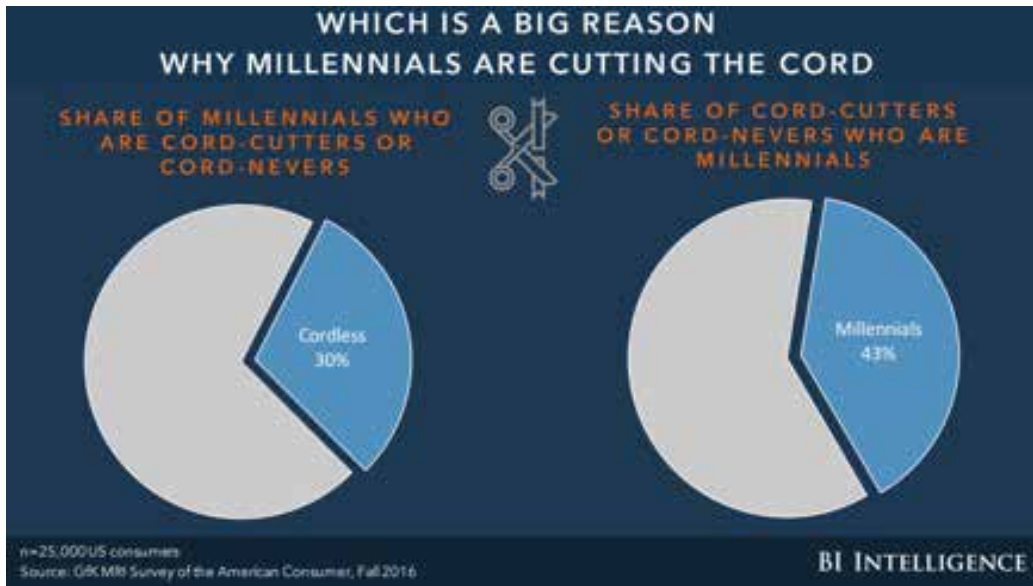
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Broadcasters spend billions of dollars for rights contracts while income from cable consumers and pay-per-view content becomes increasingly unreliable. In 2014 alone, digital broadcast pirates earned US\$220 million in advertising revenue by luring viewers with stolen feeds. Little stigma is attached to streaming pirated sport with more than half of Americans aged 18 to 34 years old having watched pirated content. Advertising revenue from pirated content is expected to surpass \$1 billion annually, causing long-term problems for broadcasters.

Non-broadcast media can provide highly personalised sport experiences. Facebook can enhance viewing experiences by adding a layer of online social interaction with friends which is not possible with traditional broadcasters. The National Football League (NFL) live streamed a Buffalo Bills and Jacksonville Jaguars match on Yahoo! back in October 2015, while Major League Baseball successfully manages their own digital platforms. In the future, platforms such as Facebook, Google, Yahoo! and Netflix are likely to bid on rights for major sports around the world, disrupting traditional sport broadcast channels.

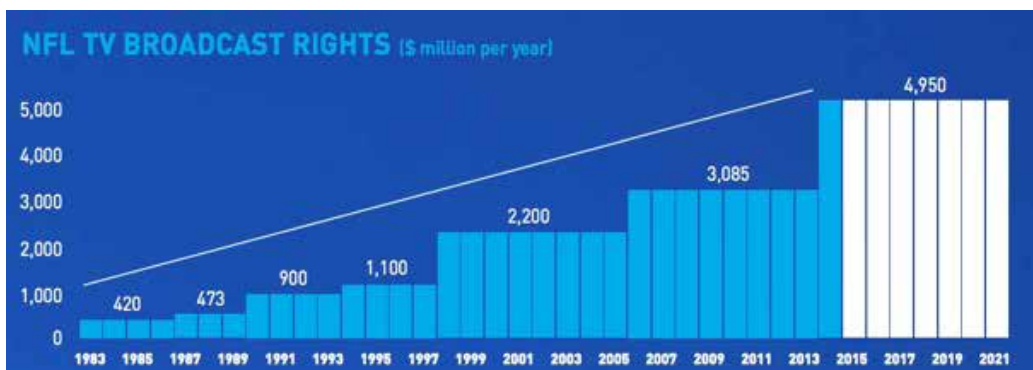
Viewers are retaliating against the high cost to access sports content. In 2017, 1.1 million people in America ‘cut the cord’, switching from expensive cable providers to lower cost options. Young fan bases expect free and easy access to content online. Older viewers remember when all sports broadcasts were offered for free. Furthermore, awareness of piracy is growing, and access to exclusive content is becoming more expensive, driving viewers away from traditional broadcasters.





Source: Future of TV (2017, BI Intelligence)

Sports fans go beyond passive watching; they analyse, critique and participate in real time. Demands for greater access to content, engagement with players and connection anytime is putting pressure on broadcasters. Fans want greater contact with sports stars and insight into their lives both on and off the field. Gradually, athletes will take greater control over their media presence and take away some off-the-field media as a source of valuable broadcaster content.



Source: The Future of Sports (2015, FUTUREof.org)



## CHALLENGES IN THE NEW MEDIA LANDSCAPE

For Sports Organizations	For Broadcasters	For Digital Media and Broadband Companies	For Fans and Viewers
Maintaining exclusive dominion over regional viewership rights distinct from national and international contracts	Adopting a start-up mentality and becoming innovative leaders in online distribution of games and other sports media	Breaking the stranglehold that broadcasters hold over video content rights	Finding high-quality, relevant sports news and information based on personal preferences in a media landscape with hundreds of options
Creating new business models designed for online viewers; developing mobile content	Deciding whether to compete with or partner with new online venues and telecommunications providers	Establishing profitable business models for the delivery of online sports content	Determining which sites, commentators, and sources can be trusted for accurate, timely, and reliable content
Integrating live sporting events with videogames in real time	Preventing online piracy while responding to fans' desire to share images, video and other content	Offering reliable premium content that will attract viewers	Deciding whether to pay for sports content or access it for free through sites that offer pirated or substandard media content
Using the Internet to build new fans for minor and emergent sports	Reacting to quickly-changing viewer habits and practices during a time of regulatory uncertainty in a fast-changing media environment	Developing profitable new apps in specialty mobile news and highlight packages	Becoming media sources themselves by offering other fans commentary, video, data, or other content

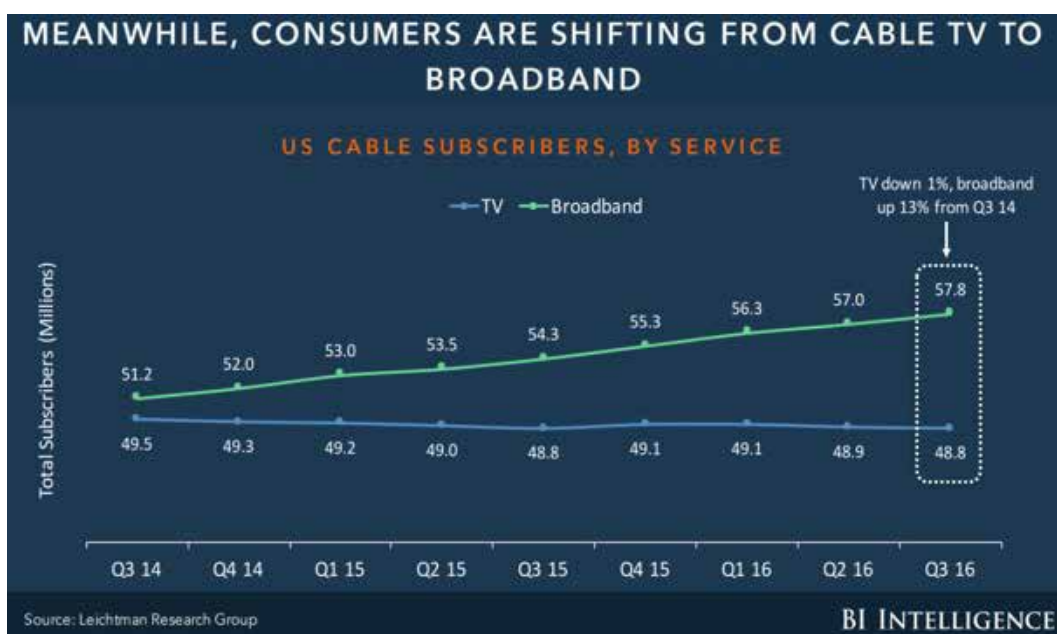
Source: *The Future of Sports* (2015, [FUTUREof.org](http://FUTUREof.org))

# Responses of Broadcasters

Broadcasters have been increasing the amount of content they provide in order to stay relevant. Exclusive content is creating stronger relationships between teams and fans, helping broadcasters keep customers. Sharing behind-the-scenes activity and action outside of primary games is captivating more viewers.

NBCSN, a digital cable and satellite television channel, experienced an 8% increase in viewership for the 2015-2016 North American National Hockey League season compared to the prior year. Changes that drove engagement up across television and social media included a fan vote for team selection and All-Star format with three-on-three single elimination rounds. The All-Star game viewership was up 34% from the prior year competition, making it the highest US audience ever for a National Hockey League All-Star game on cable.

Looking to the future, broadcasters are focused on retaining sports rights to avoid possible additional dilution of rights fees. Attention is also being directed toward customer experiences that complement traditional viewing options. Adoption of new technology such as personalised video, 3D video, virtual reality, augmented video and augmented reality is imminent. These will add a layer of premium, immersive content to broadcasters' offerings. The integration of these emerging technologies will add value to consumers and these targeted products will aim to increase both advertisers and consumers sports wallets.



Source: Future of TV (2017, BI Intelligence)

**2016 OLYMPICS DIGITAL BREAKDOWN**

NBC digital sites drew 100M unique visitors, 29% higher than 2012 London Games

Over 1B minutes of Olympics-related content consumed on YouTube

600M video views on NBC Olympics Page, with 3.5M live viewers consuming FB Live videos

2.2B snaps across Live and Discover platforms in the US, with 230M min of consumed content

# OTT Technology Stack

One particularly relevant way that broadcasters are addressing the challenges they face from OTT players is through developing their own “OTT technology stack” to directly deliver their content to consumers. Some broadcasters have approached this by becoming OTT technology companies themselves, whereas others outsource these capabilities. Spalk aims to build out the commentary layer of broadcasters’ OTT stack. However, other relevant layers include:

- Online Video Platforms (OVPs) - Services that enable users to upload, convert, store and play back video content on the Internet. These can range from comprehensive websites such as YouTube, to white label or customisable services which broadcasters can integrate into their traditional broadcast workflows and use to extend the availability of their content. OVP products often also include video analytics capabilities, which provide insight and data on video performance; for example number of views, video watch time, and information on users.
- Content Delivery Networks (CDNs) - Geographically distributed networks of servers and data centres which are used to deliver internet content to users with high availability and performance. Broadcasters can pay CDNs to distribute content to end users, often via video streaming.
- Ad Insertion - Services which allow for targeted ads to be swapped in and out of on-demand video content.



Source: Spalk Corporate Background Deck

## Competitors

There are very few comparable products to Spalk in the market. However, Spalk faces significant competition from the various fan engagement tools and strategies described above that broadcasters may prefer to spend their money on.

One of the few direct competitors to Spalk include Twitch.tv; a website that primarily focuses on live streaming video games. There is active participation by viewers across a wide range of genres including wrestling, fitness and anime. Twitch has become a community for over 15 million active daily users and Amazon acquired the company for \$970 million in 2014. Competitive gaming, or e-sport, is on the rise and Twitch is catering to this segment. Top teams, leagues, major events and players are all featured on Twitch. The company has recently expanded into offering alternative commentaries for some of the streams it hosts, however it achieves this through a different process to Spalk. Twitch enlists various personalities and individuals to download content, re-commentate and upload it. As such, the process is less cost-effective but illustrates how other platforms may achieve similar outcomes to what Spalk offers.

“It’s no longer just wanting to see how someone defeated the boss on Level 5. It’s having that social experience and the comradeship of fellow gamers.” JAMES MCQUIVEY AUTHOR DIGITAL DISRUPTION— UNLEASHING THE NEXT WAVE OF INNOVATION (Source: The Future of Sports (2015, FUTUREof.org))

## Financials



# Revenue

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Spalk charges their enterprise partners (broadcasters and premium rights owners) per live event based on the number of viewers they have. This means their prices cater to both smaller leagues and networks (with less than 100,000 viewers) and larger broadcasters (with over 1 million viewers).

The rate varies from \$0.02–0.10 NZD per viewer hour, depending on the scale of the event. For example, an event with 60,000 viewers watching an average of 20 minutes each with a charge of \$0.05 per viewer hour equates to \$3,000 revenue for Spalk. Their gross margin is 85%.

Revenue from partnerships varies based on the scope and length of the service provided. The Maori TV partnership brings in around \$15,000 per year while \$50,000–\$100,000 of revenue is earned through the SportFix relationship. A new Channel 7 partnership in Australia is set to provide \$250,000 of revenue.

# Costs

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Spalk's expenses total almost \$33,000 per month, with the majority of this cost attributable to salaries. The remaining \$8,000 of cost is mostly directed towards rent, technology and infrastructure, travel, legal and accounting.

# Capital Raising

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Two rounds of capital raising have taken place so far. The first gathered funds from founders, family and networks of associates. The next phase of capital raising occurred at the start of 2017 with \$500,000 raised through New Zealand institutional investors.

Spalk is anticipating raising another \$3 million of capital in March 2018. For the purposes of your presentation, please assume this will be raised as planned.

Profit & Loss - Spalk Limited		
For the year ended 31 December 2017		
<b>Income</b>		
Revenue	\$35,952.22	
Total Income	\$35,952.22	
<b>Gross Profit</b>		\$35,952.22
<b>Costs</b>		
G&A	\$51,606.42	
Sales & Marketing	\$62,344.48	
Technology	\$15,283.29	
Salaries	\$146,138.10	
Total Operating Expenses	\$275,372.29	
<b>Net Profit</b>		-\$239,420.07



## Balance Sheet - Spalk Limited

As at 31 December 2017

Assets	
<b>Bank</b>	
Spalk Business - BNZ	\$275,274.88
<b>Total Bank</b>	<b>\$275,274.88</b>
<b>Current Assets</b>	
Accounts Receivable	\$0.00
Grants Accrued	\$0.00
<b>Total Current Assets</b>	<b>\$0.00</b>
<b>Fixed Assets</b>	
Computer Equipment	\$1,978.62
Less Accumulated Depreciation on Computer Equipment	-\$295.44
<b>Total Fixed Assets</b>	<b>\$1,683.18</b>
<b>Total Assets</b>	<b>\$276,958.06</b>
Liabilities	
<b>Current Liabilities</b>	
Accounts Payable	\$0.35
GST	-\$2,971.64
<b>Total Current Liabilities</b>	<b>-\$2,971.29</b>
<b>Non-Current Liabilities</b>	
Convertible Equity Loan	\$0.00
<b>Total Non-Current Liabilities</b>	<b>\$0.00</b>
<b>Total Liabilities</b>	<b>-\$2,971.29</b>
<b>Net Assets</b>	<b>\$279,929.35</b>
Equity	
Current Year Earnings	-\$239,419.01
Investment - Preference Capital	\$701,358.63
Owner A Funds Introduced	\$5,042.40
Retained Earnings	-\$187,052.67
<b>Total Equity</b>	<b>\$279,929.35</b>



# Appendices



# Appendix A – Sports Industry Data

North America sports market by segment

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR
<b>US\$ millions</b>											
Gate revenues	16,115	15,821	17,372	17,707	18,265	18,721	19,372	19,789	20,318	20,818	2.7%
Media rights	10,800	11,619	12,262	14,595	16,305	18,218	18,876	19,868	20,533	21,289	5.5%
Sponsorship	12,615	13,257	13,900	14,689	15,481	16,301	16,931	17,541	18,128	18,741	3.9%
Merchandising	12,482	12,771	13,144	13,493	13,806	13,966	14,200	14,422	14,624	14,822	1.4%
<b>Total</b>	<b>52,012</b>	<b>53,468</b>	<b>56,678</b>	<b>60,484</b>	<b>63,857</b>	<b>67,206</b>	<b>69,379</b>	<b>71,620</b>	<b>73,603</b>	<b>75,670</b>	<b>3.5%</b>
<b>% change year on year</b>											
Gate revenues	-1.8%	9.8%	1.9%	3.1%	2.5%	3.5%	2.2%	2.7%	2.5%		
Media rights		7.6%	4.2%	18.8%	11.7%	11.7%	3.6%	5.3%	3.3%	3.7%	
Sponsorship		5.1%	4.9%	5.1%	5.4%	5.3%	3.9%	3.6%	3.3%	3.4%	
Merchandising		2.3%	2.9%	2.7%	2.3%	1.2%	1.7%	1.6%	1.4%	1.4%	
<b>Total</b>		<b>2.8%</b>	<b>6.0%</b>	<b>6.7%</b>	<b>5.6%</b>	<b>5.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>2.8%</b>	<b>2.8%</b>	

CAGR - compound annual growth rate

Source: PwC Sports Outlook (October 2016)

## Segment definitions

For the purposes of this report, the sports market consists of:

**Gate revenues** - primary market ticket sales for live sporting events. Non-recurring seat premiums and license costs are not included.

**Media rights** - fees paid to show sporting events on broadcast and cable television networks, television stations, terrestrial radio, satellite radio, the Internet, and on mobile devices.

**Sponsorship** - fees paid to have a brand associated with a team, league, facility or event, including naming and category rights.

**Merchandising** - the sale of licensed products with team and league logos, player likenesses, and other intellectual property. Food concession revenues are not included.

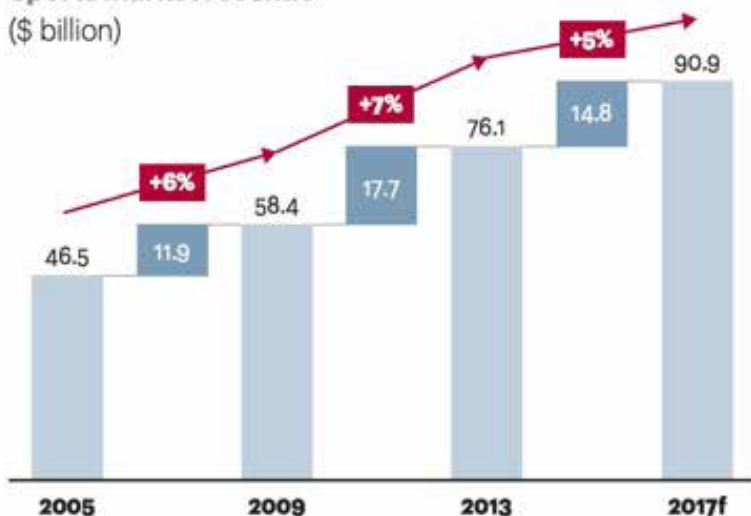
Source: PwC Sports Outlook (2016, PwC)

# Appendix B – Sports Industry Data

Figure 1

The sports market's next four-year cycle will bring continued growth

Sports market revenue (\$ billion)



CAGR (%)

	2005-2009	2009-2013	2013-2017
Football	8%	9%	5%
U.S. sports	5%	5%	4%
Formula 1	3%	4%	4%
Tennis	2%	5%	3%
Golf	3%	2%	4%
Other	11%	9%	9%
<b>Total</b>	<b>6%</b>	<b>7%</b>	<b>5%</b>

Source: Winning in the Business of Sports (2014, AT Kearney)

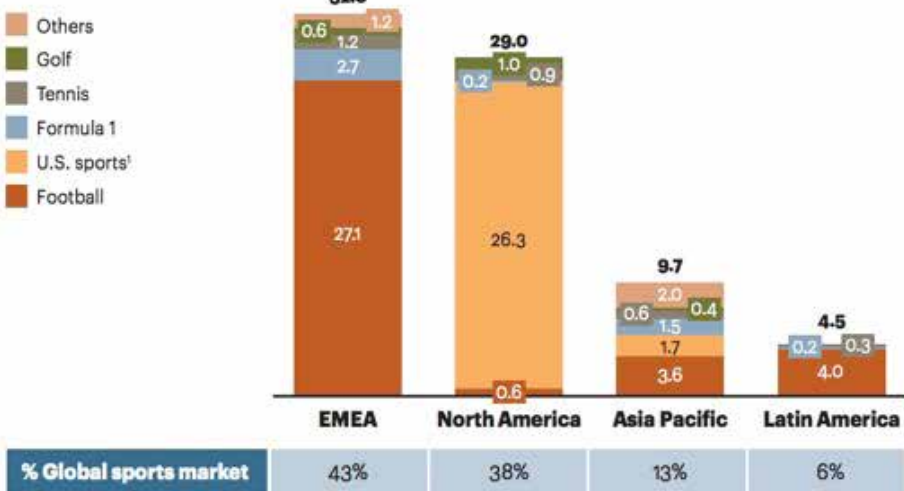


**Sports revenue growth vs. GDP growth**  
(2000–2012)



Figure 3  
**Football is king in Europe, where it accounts for the vast majority of sports revenues**

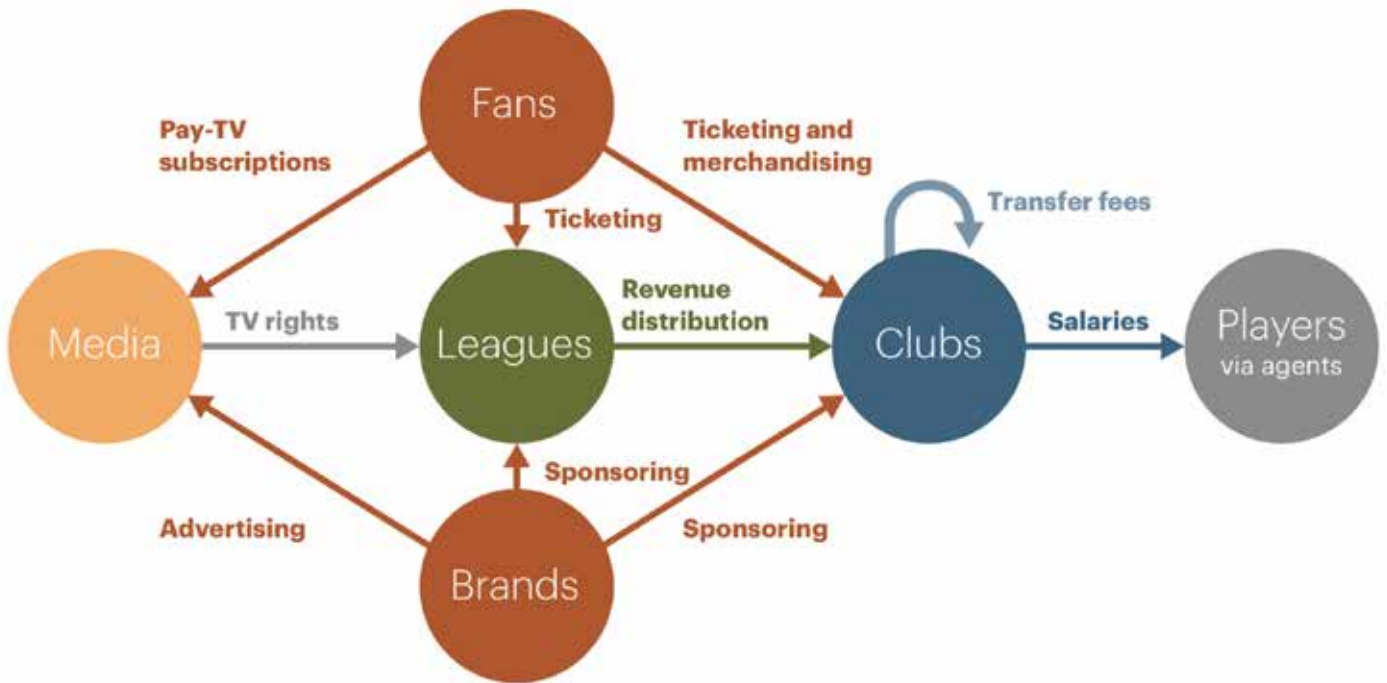
**Sporting events market**  
(\$ billion, 2013)



<sup>1</sup>NFL (U.S. football), MLB (baseball), NBA (basketball), NHL (hockey), NASCAR (motor sports), NCAA (college sports).  
Sources: A.T. Kearney analysis



## The sports ecosystem: the flow of money



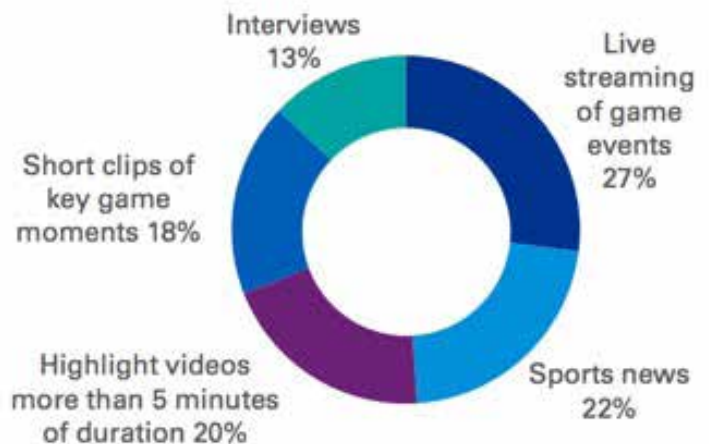
## Appendix C – Sports Industry Data

### Global sports market size by key segments<sup>21,22</sup>

Segment	Market Size (2014)
Sports events	INR5.1 lakh crore (USD80 billion)
Sports apparel, equipment and footwear	INR19.7 lakh crore (USD310 billion)
Sports clubs (fitness, health and sports training)	INR6.7 lakh crore (USD105 billion)
Infrastructure construction, food and beverage and betting	INR6.3–12.7 lakh crore (USD100–200 billion)
<b>Total</b>	<b>INR37.8–44.2 lakh crore (USD600–700 billion)</b>

Source: "Winning in the Business of Sports", A.T. Kearney, 15 February 2014

### Online consumption of sports content



Source: Know the fan: The Global Sports Media Consumption Report, 2014

Source: The Business of Sports (2016, KPMG)

# Appendix D –

## Nielson Sports Article: South East Asia's Sports Industry

### SOUTH EAST ASIA'S SPORTS INDUSTRY: START-UPS, SINGAPORE AND SERIOUS POTENTIAL

Major investment is coming from Asia and many major events are heading to Asia. The continent's growing importance in global sport is clear, but within Asia there are many diverse markets – each with their own distinct sporting landscapes. Even within South East Asia, a region of, at a rough estimate, some 650 million, significant differences between countries can be identified. “Unlike more heterogeneous markets, the challenge is what's happening in Singapore isn't at all in line with what's happening in very near neighbour Malaysia or China,” confirms Claude Ringuet, who heads up Repucom's South East Asia division from its headquarters in Singapore.

“But I think there's an increasing thirst in this part of the world for engagement with sport,” Ringuet continues.

“If you look at a developed market like Singapore, its focus is on academic excellence of the population but since the creation of the Sports Hub and the new national stadium there's been a noticeable increase in the general population's interest in sport and entertainment, and an increase in the government's engagement in sport at a macro level. Major events like the success of the F1 race have also contributed to this shift.

“In developed South East Asian countries – football in general has always had massive interest and popular engagement, in particular European football and the Premier League. While they've had difficulties with their local leagues and their development and commercialisation, fans have remained very passionate about the top European clubs and leagues. This has in part driven a desire for countries in South East Asia to identify new products to satisfy local fans and local talent.”

#### LEAGUE CREATION: A MAJOR OPPORTUNITY

Claude Ringuet | Repucom



Claude Ringuet, Managing Director South East Asia and Greater China

The development of new leagues is an area where Ringuet sees significant potential across the region. Repucom is already working closely with the Pakistan Cricket Board, notably to develop and execute the first edition of the Pakistan Super League, the

country's new franchise-based Twenty20 cricket competition. The first edition launched on the 4th of February in the United Arab Emirates and features five franchises – Islamabad United, Karachi Kings, Lahore Qalanders, Peshawar Zalmi and Quetta Gladiators – and concludes on 23rd February.

“It's about bringing the league to life,” Ringuet says of Repucom's role, “and that is the big opportunity in this market: league creation.”

Other start-up leagues in the region are taking shape, including the oft

talked about ASEAN Super League, a new club football tournament slated for launch in 2017 or 2018 which has been designed around participation from countries across the region, and a potential new football league in the Philippines. “There's increasing affluence,” Ringuet points out when asked what's driving this spate of new properties. “In all the markets, without fail, there's been an increase in the middle income population groups, particularly in markets like Indonesia where you've got this significant increase in disposable income of the urban middle class and upper class. There's greater disposable income to spend on enjoying sport and entertainment. This applies to interest in ownership of local clubs and in some cases significant global franchises”

Among the next steps will be persuading the many Asian brands already engaged in global sponsorships of the merits of these new, closer-to-home leagues. “Brands are certainly taking a bit of a wait and see approach in terms of the evolution of sports and entertainment in Asia,” suggests Ringuet.

“I think there's still a propensity to throw money at the mature, developed leagues as they exist overseas. Although there has been interest in the expansion into Asia of leagues like the NBA in China and PGA Tour I don't think there's necessarily been a massive leap of faith by brands into those plays yet, but there's obviously interest and enthusiasm. It's still very much money going out into the mature market leagues like the Premier League or La Liga from the sponsors here trying to grow their brand awareness and equity in markets in Europe and the US. But in talking to many brands and stakeholders in Asia that we've engaged with in the past, they are very interested in what is going to be the next league or viable global product that's going to launch in this part of the world.”

#### SINGAPORE: SETTING THE STANDARD

Having staged a Formula One race on its streets since 2008 and hosted last year's Southeast Asian Games, Singapore is well-versed in how to stage major events. The opening of the Sports Hub, the city-state's new multi-purpose sports and entertainment facility, in 2014 led to a number of major event wins including concerts – Madonna, for example – and appearances from top national football teams, as well as building a 2016 calendar that includes a round of the HSBC Sevens World Series, year one of a five-year agreement, and three Super Rugby games featuring the new Japan Sunwolves team.

“Singapore stands quite independent from other South East Asian markets,”

Ringuet says. “It's the most progressive of the markets and there's been significant investment. The biggest challenge for the Singapore government and the owners of the Sports Hub is really how they utilise the asset and what marquee events they are able to bring into the stadium – they don't have a league that regularly uses the facility. I think there'll be an increased focus on attracting major events and working out ways to drive fan engagement and attendance in stadia. Singapore itself is a country of five million people, it's never going to be a massive hub of ongoing domestic sport but it will be an importer of major

sporting and general entertainment events given the affluence of the local community.

“The other thing that’s really picking up in Singapore,” Ringuet adds, “is mass participation events. We’ve gone from very little, the Standard Chartered Marathon and the JP Morgan run, to now having pretty much every major mass participation event in Singapore, whether it’s the Spartan Race, Men’s Health Urbanathlon, Ironman or Colour Run. All of these have now come to Singapore, as a result of demand from big corporate clients and a population keen on less competitive traditional timed races and sports events.”

#### SINGLE-SPORT DOMINATION AND ATTRACTING EVENTS

In other markets in the region – Thailand, Malaysia, Indonesia and most other small South East Asian nations – a single sport dominates: football. The Philippines, where basketball is dominant, remains an exception. “In all those cases there’s a major gap between the top sport and the number two,” Ringuet notes. “There is a focus in those nations around the ongoing development of football; they’ve all been impacted to an extent from internal governance challenges in recent times and they are all trying to find alternative revenue streams and ways to monetise their domestic leagues. We’re therefore seeing the development of these new leagues, where the league models are evolving to lead to more professionally run and managed events that are able to attract top local talent and more renowned marquee foreign players.

“Malaysia are definitely looking to bid for a FIFA World Cup at some distant future date – they are exploring that now, in addition to hosting the next edition of the Southeast Asian Games [in 2017]. Malaysia has done a fair job in terms of their ministry engaging with the corporate community to attract and leverage those events – and obviously since 1999 they’ve staged the Formula One race in Kuala Lumpur.”

In other markets, however, Ringuet believes that bidding for and attracting international events is a much longer-term play. “Thailand has a strong domestic football scene and is the regional benchmark but struggled to drive interest and growth beyond football and Muay Thai. Like the Philippines, although it did bid for the 2019 FIBA World Cup [it

lost out to China] last year, and Indonesia, finance and infrastructure are big challenges. It’s currently extraordinarily difficult for these countries, given their current infrastructure, to pick up anything of a marquee nature.

“In Asia as a general rule, everyone still looks up to the Premier League from a commercial and a marketing perspective,” Ringuet continues. “Regardless of whether the clubs make money or not in the Premier League, it’s still looked at as the aspiration for Asian countries. It’s still obviously the league that the fans here engage with the most. You walk around Singapore, Jakarta or Manila and the number of people you see walking round in a Manchester United or Liverpool shirt, in particular, is incredible. There’s still a massive affinity for the EPL and a large gulf between that and the Bundesliga, La Liga and everything else. It’s still the aspiration.”

#### LONGER-TERM PLAYS: THE MARKETS TO WATCH

Offering a longer-term perspective, Ringuet has identified the first glimpses of potential from Vietnam and Myanmar. “They are very long-term players but they are just starting to gather momentum,” he says. “Everyone thought Vietnam was opening up probably quicker than it really did, but there’s significant multinational brand presence there now investing in manufacturing and distribution. With the interest in football, they’ll definitely be an up and coming market in the long-term.

“Myanmar is the same. The Myanmar Football Association has received considerable support from key individuals and corporates in the past to invest in opening up the country and sport, and they are making the right noises now. The populations in both of those countries are very large and there’s definitely intent to grow a sporting mindset. They are the potentials: other markets like Laos and Cambodia are just too far away in terms of development at the moment.

“The biggest opportunity is the creation of new leagues and deeper engagement with fans in the region,” Ringuet concludes. “It’s an extremely difficult market to engage but I think people recognise that there’s a massive opportunity – and a challenge. If faced correctly the results for stakeholders in these emerging markets can be very material.”

## Appendix E – Forbes Article

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### FIBA Partners With Startup To Crowd-Source Sports Commentary For Basketball World Cup

Have you ever put on the TV to watch a highly anticipated sports match, only to find out that the commentator that you don’t like was calling the game? You probably felt that it ruined the broadcast, or at least made the game less enjoyable than it could have been. Did you feel like you could do a better job, or wish that you could call the game yourself?

For the U19 Basketball World Cup, sports fans got just that opportunity.

The International Basketball Federation (FIBA) partnered with crowd-sourced sports commentary startup Spalk to give fans the opportunity to call games in the World Cup. The international competition took place from July 1st through July 9th in Cairo, Egypt and saw Canada come away with the gold medal as they beat Italy in the championship.

Amateur and professional sportscasters interested in calling the games were able to do so by signing up for an account on Spalk and picking the games they wanted to commentate on. It didn’t take much to get started. The only equipment required was the following:

Laptop with google chrome

Stable internet connection

Free Spalk account

External microphone (optional)

As a direct result of the partnership, 200 people signed up to the platform to add their commentary to the broadcast. The additional coverage provided viewers with more customization to their sports viewing experience.

Through Spalk, viewers could flip through commentary options and choose the one that best fit them. Like commentary driven by numbers? Prefer to listen to your native language? No problem. Users could customize the broadcast based on things such as style, language and bias.

For international competitions, such as this one, culture is central to the occasion. The involvement of countries from around the world and people from different backgrounds, places increased importance on

options. A one-size fits all approach to broadcasting isn't going to be relevant to all fans. By crowd sourcing sports commentary, it brings more diverse perspectives and appeals to a greater audience—resulting in a better broadcast.

FIBA's experiment with using Spalk to augment coverage of the U19 World Cup got this right.

## Appendix F – Stuff Article

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### Spalk eyes US market for 'unique' sports commentary technology

On the far side of the roomy offices of business incubator Icehouse there is a picture of Justin Marshall on the wall.

Underneath the picture sits a young company keen to "get rid" of the polarising rugby commentator.

Now that company, Spalk, has got \$500,000 in its locker and a proven tournament where 93 people commented on 32 different games as it embarked on an ambitious 12 months ahead.

"We've got quite a unique pitch," chief executive Ben Reynolds said.

Spalk's idea was two-fold: selling technology it had to existing sports broadcasters and letting amateur sports use its You Tube-style platform to broadcast content.

But to understand the business you first have to understand where it all started for the group of mates back in 2015.

They would get together and commentate different sports for fun, slowly attracting an audience of thousands of people.

It was impossible to synchronise their commentary with the video feeds of games, and so they built something to fix it.

Reynolds said Maori Television approached them in early 2016 because it wanted to have multiple alternate languages commentating its sports content.

Spalk's first event was the high school basketball championships in October last year, when professional English commentators, professional Maori commentators, and fans commenting in a variety of languages were all part of the broadcast.

The team of three quit their jobs and became six, at which time they developed a clear strategy.

"We figured if Maori TV have this problem, probably other people do too, and we started looking more in the broadcast market, rather than just amateur sports."

The company had decided to shift away from the idea of being crowdsourced commentary to one they called demographically targeted commentary.

For instance, broadcasters might be put off by a young kid in their basement commentating a feed.

But when you considered a good portion of the Auckland central business district was made up of recent immigrants, Reynolds said Spalk allowed broadcasters to offer that audience specialised content with a commentator relevant to them.

"Suddenly that audience is more likely to watch your content, rather than wherever else they're stealing it from online."

Reynolds said he had had talks with the Australian Football League and Cricket Australia, both which wanted to get more girls playing the sport.

"Having Shane Warne commentating isn't necessarily particularly appealing to a 12-year-old girl.

"Having somebody else instead doesn't alienate your original audience, it just means those other audiences can pick who's the most relevant to them."

To do this at the moment, broadcasters would need multiple commentary boxes at the stadium, which was cost prohibitive.

Each stream you produced would need a different audio track.

"But the clever piece of technology that we've built is when a user clicks, 'Hey I don't want to listen to Justin Marshall, I want to listen to whoever else' ... our system swaps out the audio track in real time and keeps it synchronised.

"It's a single video, multiple audio track."

The company recently completed a \$500,000 investment round and was targeting another in the United States by the end of the year, where sports broadcast rights were worth \$25 billion a year.

Its own broadcast platform on its website was still young, Reynolds said, but the company planned to tap into the US college sports market with it.

Earlier this month, Spalk was used for the International Basketball Federation's (FIBA) under-19 basketball world cup in Cairo, Egypt, where 32 games were commented on by 93 different people.

FIBA head of digital Nicolas Chapart said the Spalk collaboration had been extremely positive.

"More than 4 million people have tuned in to watch the group phase games and having fans commentating the games has greatly contributed to this success."

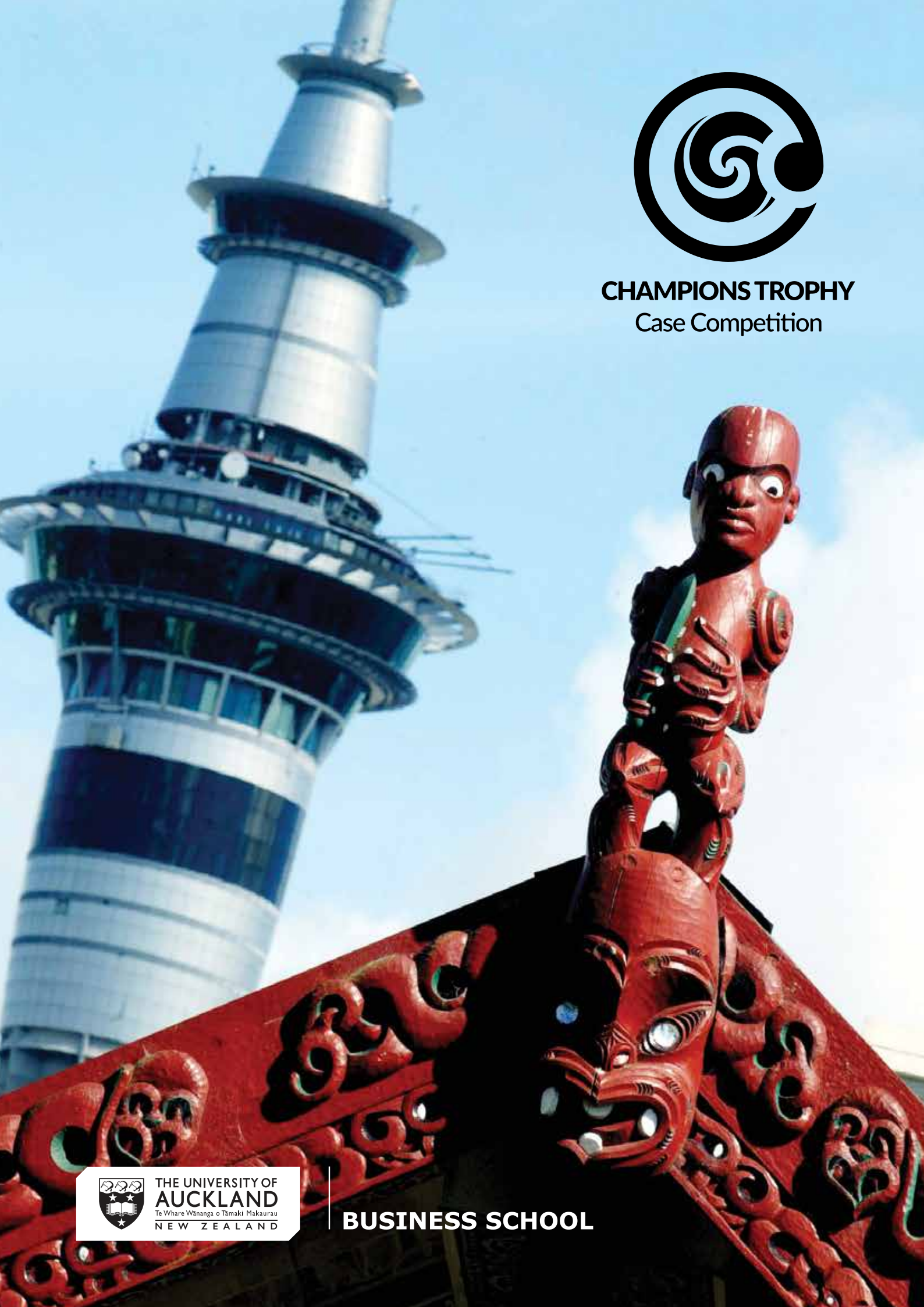
"Spalk will definitely help us to localise and enrich our live stream experience while also keeping production costs under control."

- Stuff





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