



Impact of Covid-19 on Revenues of World Cricket and Indian Sports

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Foreword

Unprecedented in our lifetime. Covid-19 is testing our patience and self-control. Putting a spotlight on our priorities, delineating essential from non-essential, it has tested our resolve. Impacting all economies differentially, depending on the cycle of arrival, spread and control, institutions be they government, private establishments or micro communities are responding with policy changes and economic measures, with differing philosophy, scale, time and levels. Sport, is no exception. Covid-19 didn't spare the biggest of them all, Tokyo 2020. Now, Tokyo 2020/1.

As Bundesliga resumed on 16th May, 2020, behind closed doors, sport had new hope. Hopefully, the wave of closures that swept the world of sports from the first week of March 2020 as nations locked down will be a distant memory in the next few months.

Across the world of sports with the support and guidance of governments, stakeholders (federations, league organisers, global sports bodies, broadcasters) are demonstrating extraordinary unity to bring back live sports. Their efforts will have a positive impact on the economy of sports.

The focus of this paper is to bring to light the delicate economy of sports with a focus on global cricket and Indian sports landscape across the three most important revenue streams of the sports economy viz media/ broadcast revenue, sponsorship revenue, match day (ticketing) revenue and the impact of Covid-19 on the overall ecosystem. There are 4 key takeaways from this paper:

1. In 2019, the global cricket economy was estimated to be around USD 1.9 Bn with strong reliance for global cricket on India - with nearly 2/3rd of revenues generated on the back of playing in India or India participating. Despite helping generate over 65% of cricket revenues, India realises only 45% (approx. USD 863 Mn), thereby helping grow the game with its participation and enabling other nations to monetise India tours better than tours from most other countries. This potential opportunity of India's revenue contribution (unrealised by India) is alone worth USD 1.2 Bn over a 4 year cycle (2019-2022).
2. Global cricket is heavily reliant on media/broadcast revenues. With nearly 75% of the revenue contribution, media/ broadcast revenues soar over all others. Sponsorship revenues are estimated at 18% and revenue from match day ticketing at around 7%. However, this is not uniform across major cricket economies.
3. The Indian Premier League (IPL) remains as the single biggest event for the global cricket economy. With a contribution of around 1/3rd of global cricket revenues annually the importance of IPL for the global cricket economy cannot be over stressed. If IPL was to be considered a separate cricket body and revenues from IPL were to be removed from the Indian cricket boards revenues, IPL would emerge as the biggest revenue generator for global cricket - higher even than the International Cricket Council (ICC) and Asian

Cricket Council (ACC) revenues combined. Given the large contribution and annual nature of IPL, cancelling the event would be a severe loss of revenue to the cricket economy, something that no sport can afford in the current economic environment. Whilst the jury is still out on the ICC WT20 this year, deferment merits serious consideration, especially since the event can be rescheduled to 2022, possibly negating loss of revenues as the event would still be played in the current 2015-23 cycle of rights.

4. Cricket makes up around 85% of the Indian sports economy with IPL being a major contributor (around 2/3rd of the entire Indian sports ecosystem) and football and kabaddi competing for 2nd place. Majority of Indian sports revenue comes from broadcast and sponsorship, contributing 65% and 30% respectively while ticketing revenue accounts for only 5% unlike a lot of other markets. A very significant proportion of this 5% in ticketing revenue is also generated through ticket sales for IPL matches.

The Indian government has been active in the development of sports and has undertaken several initiatives including a significant increase in the budgetary allocation to sports over the past 5 years to catalyse sports in India. These investments by the government (to the tune of approx. \$300 Mn in 2019) and interventions by private organisations in setting up grassroots programs and academies have not been considered for the scope of this paper.

Bundesliga's resumption, England and Wales Cricket Board's (ECB) talks of resumption of cricket in July, Cricket Australia's talk of a single venue for an entire test series, all of these played at empty stadiums will have an impact on the economics. It will be a while before fans are allowed back into stadiums. Technological innovations may try and recreate the stadium experience and possibly help develop newer revenue streams, the impact of that, if any, is not considered for this study. This study evaluates the economic implications based on two possible scenarios:

- I. **Scenario 1 - Sport returning to TV/Digital platforms by July 2020 and fans in stadia by January 2021.**
- II. **Scenario 2 - Sport returning to TV/Digital platforms by December 2020 and fans in stadia by April 2021.**



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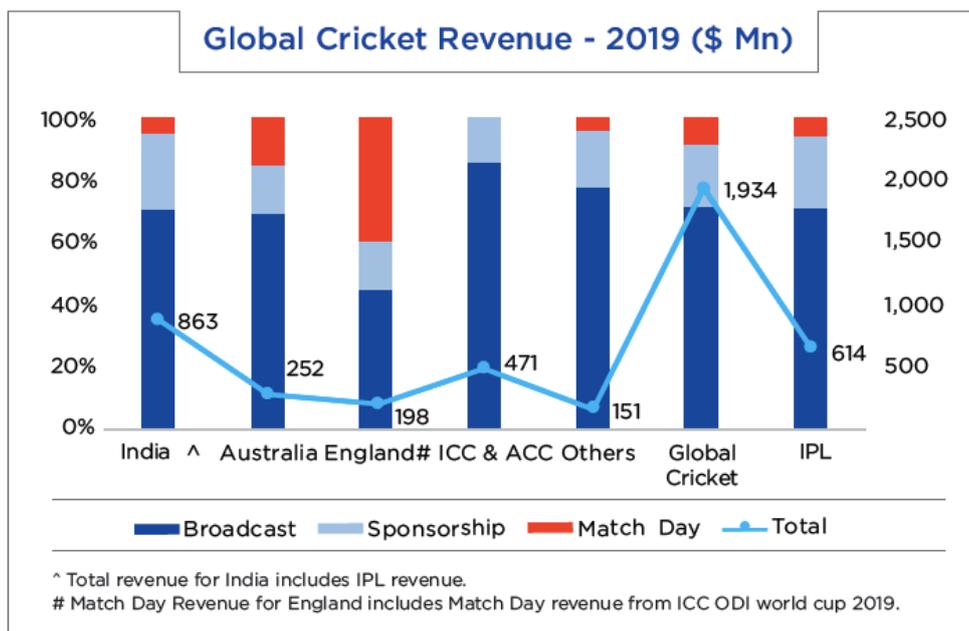
Section 1

A. Global Cricket Economy estimated at USD 1.9 Bn

India, England & Australia account for nearly 90% of cricket revenues in 2019 (excl. ICC & ACC revenues)

From the USD 1.9 Bn revenue for cricket in 2019, an estimated 72% came from broadcast. Sponsorships contributed 20% and match day ticketing/ hospitality was around 8%.

Unsurprisingly this distribution is not uniform across markets. England and Australia have higher match day revenue compared to India, while India outscores on sponsorship revenues. Although broadcast revenue is a very important part of any sport worldwide, dependence for cricket seems more pronounced.



Indian cricket revenue is estimated at 45% of total cricket revenues at USD 862.5 Mn - 75% of this came from IPL. In a non-ICC event year, share of Indian cricket revenue goes up even higher by at least 10%-15%.

In 2019, the revenue generated by India, Australia and England was around 70% of total cricket revenue (and around 90% of revenue generated by all cricket boards when you exclude revenues of ICC and ACC). This is likely to remain the same over the next 2 to 3 years, courtesy the spike in ECB's broadcast deal which kick starts this summer.

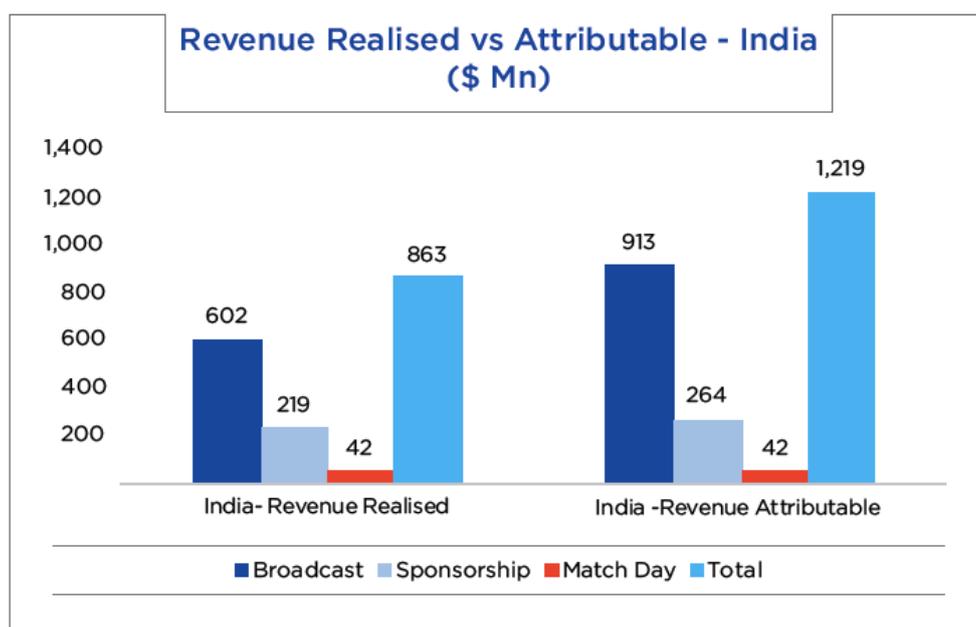
B. India remains a strong driving force

And continues to support other cricketing nations with their tours

The importance of India to the world cricket economy cannot be over stressed. Outside of Australia and England, who have large domestic market deals, both valued at USD 1 Bn over a 4 year cycle, other cricket boards rely on Indian tours as part of bilateral fixtures to attract interest from Indian broadcasters.

For countries where domestic market deals are not large, tours from countries such as India, England or Pakistan become important as they open up substantial overseas broadcast rights, which are substantially larger than domestic rights.

Many cricket boards have provisions in their broadcast deals on the number of games to be played against India during the deal period. Not fulfilling this can adversely impact the broadcast rights value realisation.



Whilst India realises USD 863 Mn, the attributable value of revenues from Indian participation is estimated at USD 1.2 Bn. This delta of USD 300 Mn + a year can be viewed as India's opportunity loss or in a more positive outlook as India's contribution to cricket outside India. Over a 4-year period this value is a staggering USD 1.2 Bn.

Lucrative broadcast and sponsorship deals of ICC and ACC events are also primarily driven by the huge Indian fan base and high viewership from India. Media reports put TV viewership for the ICC Cricket World Cup (CWC) 2019 Final between England and New Zealand played in England at 15.4 Mn on Sky in England and at 183 Mn in India.

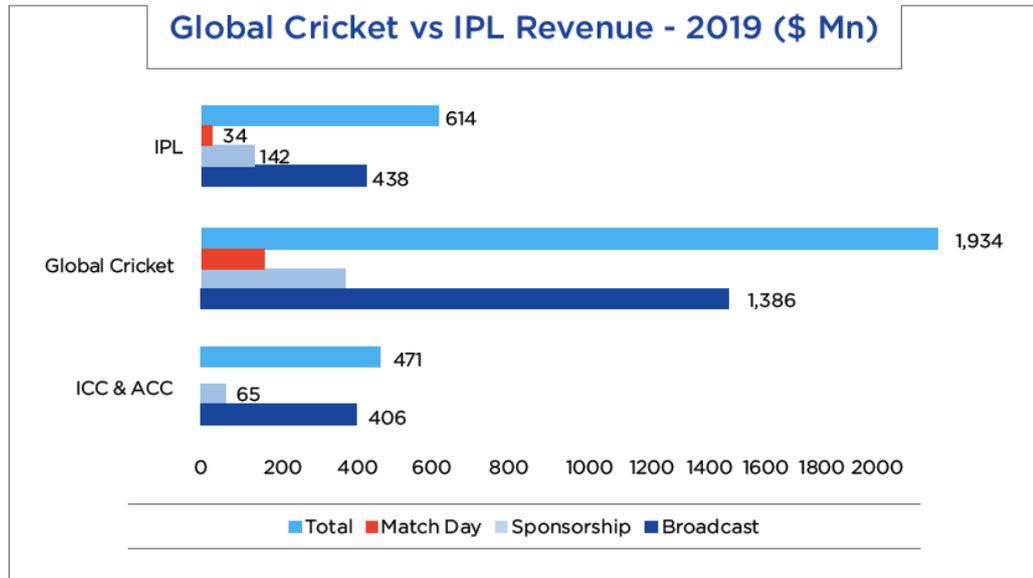
Also, out of the total 706 Mn unique broadcast audience for the ICC CWC 2019, 509 Mn were from India. This dependency on India is also evident from the relatively low value realised by global broadcasters through sub-licensing from all other markets despite the events being hosted in some of those markets.

At the same time, some part of the broadcast revenue for Indian cricket and the IPL is attributed to other countries as global broadcast right holders try and monetise rights across other territories.

The above demonstrates the power of cricket in India and why it remains a powerful advertising platform for brands to connect with the Indian consumer. The massive following cricket has in India fuels the lucrative broadcast and sponsorship market for any cricketing event India participates in, be it a bi-lateral series or the multi-lateral tournaments of ICC or ACC.

Cricket will do well if it can draw on the strength of Indian cricket, including the IPL, to grow the game in other geographies to make it a truly global sport.

C. IPL contributed to almost a third of global cricket revenues in 2019



A third of cricket revenues in 2019 were from the IPL.

With a fair market pricing structure, approximately 24% (USD 100 Mn) of the broadcast rights fee earned by IPL is spent as player wages each year.

In 2019, despite being a CWC year, IPL revenues were estimated to be 30% higher than that of the CWC (not including ticketing revenues of CWC as those are retained by the host). IPL 2020 revenue was projected to be 70% higher compared to ICC World T20 revenues in 2020. With current uncertainty around both these events, this remains a hypothetical scenario.

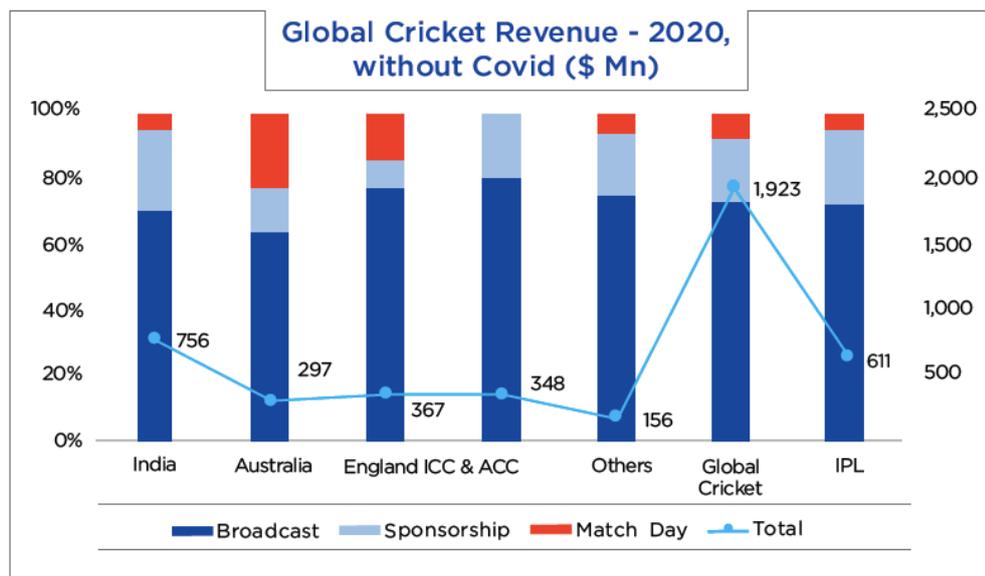
Cancellation of both these events will have a serious impact on cricket economics for this year. However, in the case of an ICC event, as the contracts run through till 2023 and there is no world event scheduled for 2022 a deferment may be possible without loss of revenues. Not hosting the IPL or a bi-lateral season of any country will lead to a loss of revenue, which is far from desirable. In an ideal world, the ICC event scheduled in 2021 in India could be shifted to Australia as it is in the same October window and India could host the event in 2022 by creating a suitable window. This will give adequate time for economic recovery and not overcrowd the calendar.

Also, if ICC World T20 is to happen behind closed doors, the host country (Australia) will have to forego substantial match day revenues. For the IPL, however, even if it is held behind closed doors, the impact is smaller as it is cushioned over 8 stakeholder teams and the economics of IPL can still support a closed-door season.

Looking at it dispassionately, with broadcast partners being the same for both the events, with joint efforts, a workable solution can be arrived at to minimise the impact for all stakeholders.

D. Cricket in 2020-How deep is the impact?

Cricket staring at between 48% to 88% loss of revenues



Cricket revenues in 2020 are estimated at USD 1.92 Bn, driven by ECB's new deal cycle starting this summer and the ICC World T20 and Asia Cup.

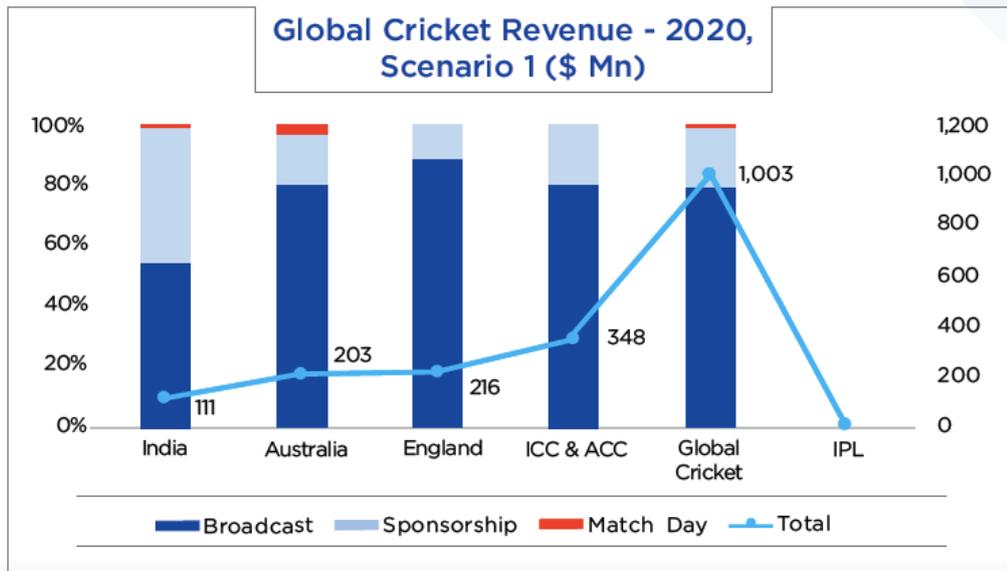
Cricket has been at a standstill from early March and it is unclear when the sport will resume. ECB has estimated an over USD 300 Mn loss of revenue if no cricket happens this summer. With the inaugural season of 'The Hundred' already deferred to next year, it is a race against time to get at least 2 tours – West Indies (WI) and Pakistan in England. This could salvage an estimated USD 130 Mn.

A lot of other countries are watching these developments and preparing their own plans for resumption to soften the impact and salvage their season.

This paper considers 2 possible scenarios:

Scenario 1: 48% loss in revenues where broadcast resumes by July 2020 and fans in stadia by January 2021

Assumes all the matches / tournaments part of the Future Tour Programme (FTP) falling in the window of March to June '20 have been cancelled entirely. Broadcast returns starting July '20 with England hosting WI and Pakistan while stadium revenues have been accounted at zero for 2020 starting March'20. It is assumed that ICC WT20 and Asia Cup happens.



The revenue loss to cricket will be around 48%, out of which 2/3rd will be because of IPL alone.

India and England will be hit hard in this scenario while there will be no major impact on Australia as most of the matches are scheduled in the last quarter of 2020. However, Australia will still be impacted by loss of ticket revenues on account of no fans at the ICC WT20.

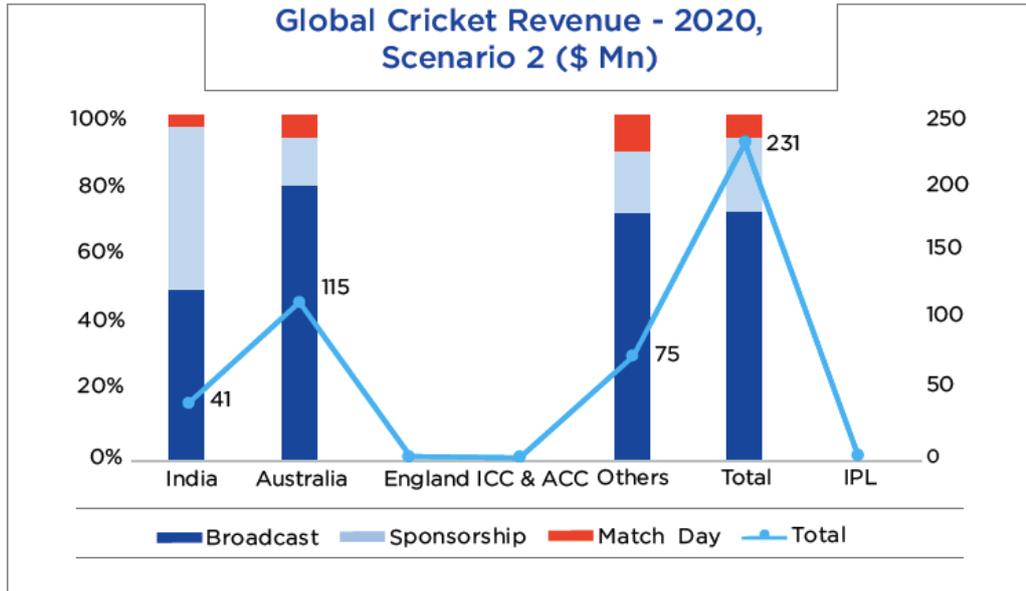
Out of the 48% loss, impact of loss due to broadcast revenue is 64%, while loss due to ticketing revenue is around 18%.

Scenario 2: 88% loss of revenue - a conservative outlook of broadcast resumption by December 2020 and fans in stadia by April 2021 on account of extended Covid-19 lockdown/ secondwave

Assumes that all the matches/ tournaments falling in the window of March'20 to November'20 have been cancelled/ deferred (including IPL, Asia Cup and ICC WT20) and zero revenue for this period for the matches/ tournaments scheduled as per the FTP. All ticketing revenue from March'20 has been assumed to be zero.

Out of world cricket's 88% losses, IPL accounts for approx. 36.1% of the losses while ICC WT20 accounts for another 22.3%. England will be hit hardest as cricket scheduled during the entire English summer will be wiped out.

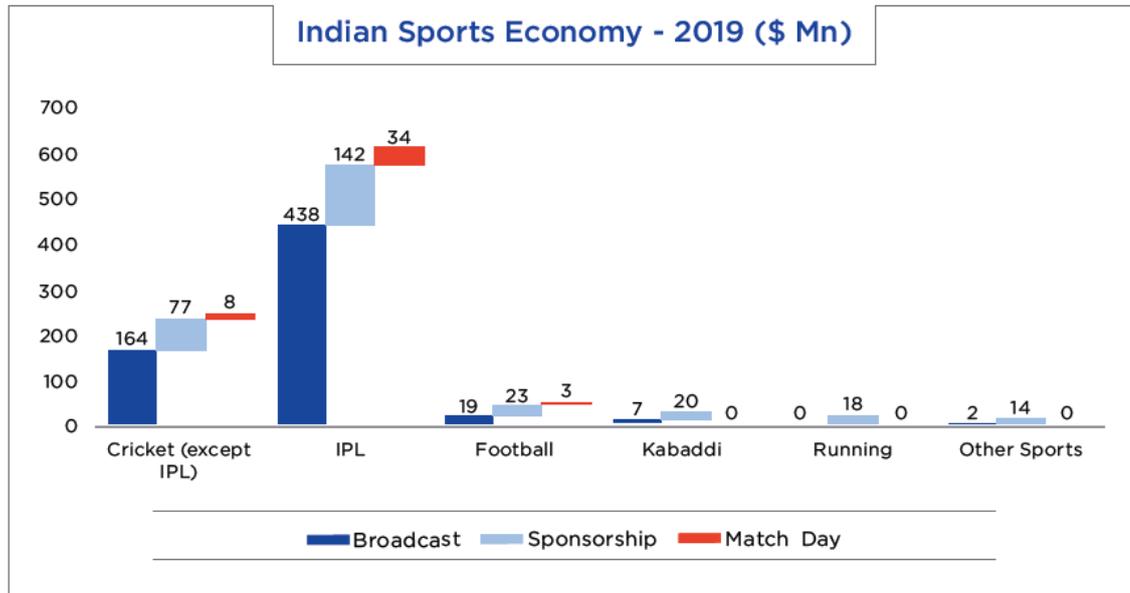
Also, out of the 88% loss, impact of loss due to broadcast revenue is 72%, while loss due to ticketing revenue is around 9.5%.



Section 2

A. Sports revenues in India inching towards USD 1 Bn

Cricket remains mainstay at over 85%



Total revenue of the Indian sports ecosystem in 2019 was around \$968 Mn almost touching the \$1 Bn mark.

IPL has played an important role in the Indian sports ecosystem right from its inception in 2008. Success of the IPL has inspired other sports in India to launch franchisee-based leagues with varying degrees of success. This has benefitted the players and federations and has helped improve the overall quality of play.

With private ownership of leagues and teams, sport has benefitted immensely with deep investments as teams are run and managed professionally, grassroots sports across disciplines seeing substantive interest and infrastructure improving.

With revenues of approx. USD 614 Mn in 2019, IPL contributed to around 2/3rd of Indian sports revenues.

It is early days for non-cricket sports from a commercial attractiveness standpoint. Indian Super League (ISL), Hockey Pro League and Pro Kabaddi League (PKL) have shown that, if administered with a long-term view, professional leagues can lift all aspects of the game.

The current Indian government has increased the sports budget significantly with a 2X

increase over the last 5 years, enhancing India's prospects at world events - recent recognitions in athletics, boxing, badminton, shooting and many other sports is an encouraging sign.

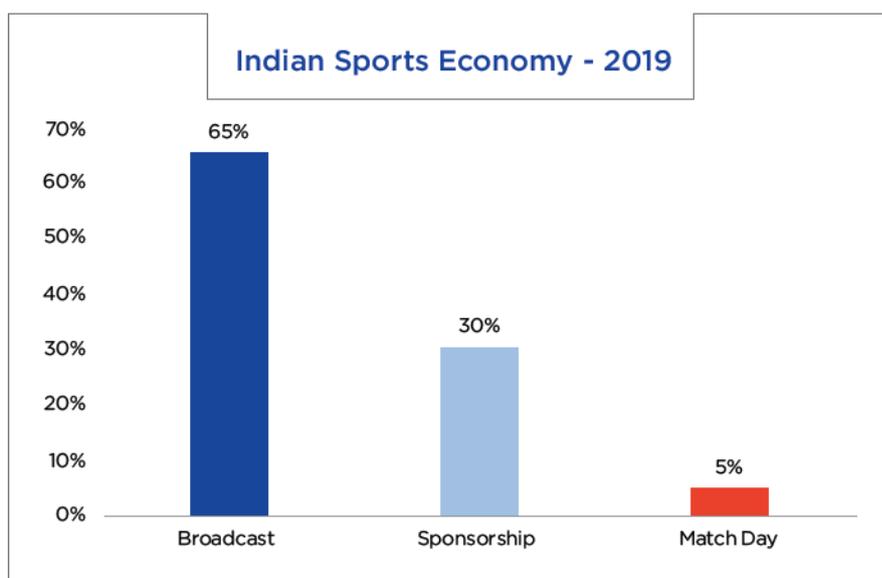
Indian sports broadcasters spend around USD 60-70 Mn annually on rights related to international sporting events (non-cricket) such as Premier League, Grand Slam Tennis, Formula One etc.

Indian sport has been vocal for local for some time now. The launch of domestic leagues in football, kabaddi, hockey, badminton, table tennis etc., has demonstrated the appetite for 'Indian-made' content with viewing at 10X for Indian football over European football leagues. This is possibly one of the reasons for deflation in rights cost of international sporting events over successive rights cycles. Multiplicity of languages in sports broadcast across India has helped reach newer and a more engaged audience.

This only means that there are resources available and an appetite from platforms as long as sport is supported by good quality of play and a sound economic model. Patience and realistic expectations are key to building sports structures in India.

B. Revenues beyond cricket, still some distance to go

Indian sport revenues may shrink 70%-80% without IPL



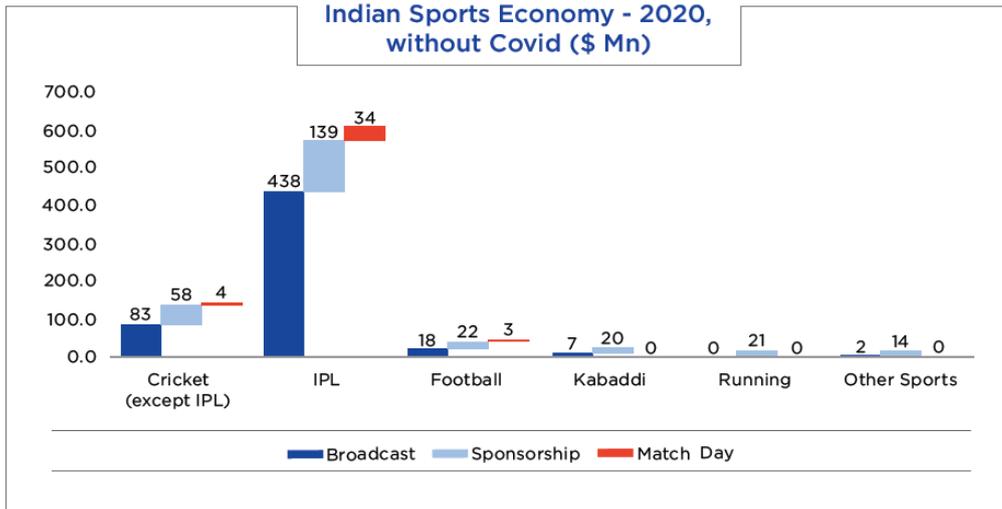
Broadcast, thanks largely to cricket, contributes to nearly 65% of the total revenues. Sponsorship and match day contributed to 30% and 5% respectively in 2019.

But, this distribution is not uniform across sports. While cricket earns massive income from broadcast rights the revenues of other sports are driven by sponsorships (central, on-ground and team) as viewership for these sports is still evolving.

It can be reasoned that sponsorship value is generated through integrated sales structures (of broadcast and ground rights) for some of the leagues as well as large sponsorship deals in participation sports like running.

With significant improvement in viewership/ participation numbers, non-cricket sports are showing demonstrable improvement year on year. The impact of Covid-19, may slow down things substantially.

India lags substantially behind in terms of match day revenues. While some part of it is because of lower ticket prices, a larger portion is due to insufficient hospitality experience and therefore pricing constraints based on quality of experience delivered.



Indian sports revenue in 2020 was projected at USD 863 Mn, down from nearly a billion because of a shorter home season for cricket. This will further be impacted because of Covid-19.

Sometimes the cost of stadium hire and ticketing process far exceeds the revenues generated from match day. With the likelihood of sport moving to closed-door games, the impact of lost revenues from match day is not going to be as significant for non-cricket sports.

If the PKL season is called off and the ISL season is impacted with a late start or a shorter season to accommodate Covid-19 and the FIFA U17 Women's World Cup scheduled early next year, the impact on revenues is greater.

Conclusion

In either of the scenarios, the largest ripple will be felt at the farthest end - organised domestic, club, grassroots and academy levels as a significant percentage of revenues generated are transferred to the states and districts who support that ecosystem, especially in cricket. Sports needs to protect that, whilst retaining their ability to generate revenues amidst the changed economic world order, post Covid-19. Governments across the world have initiated stimulus packages and sports needs to be a beneficiary of that, in however small a measure. Supporting National Olympic Associations as a way to keep focused on the Tokyo 2020 Olympic Games should be a part of the priority.

How the world of sport responds to this situation will largely determine how the impact can be minimised. The last few months have shown the world newer ways of thinking, behaving and doing - how much of that can be mainstreamed remains to be seen.

Business facilitation will emerge as the fulcrum to support, safeguard and continue sport with minimal interruption. Intervention by governments, governing bodies, national federations and corporates will be the need of the hour in critical areas and these include:

- a) Process simplification
- b) Cost optimisation
- c) Enhanced co-operation and
- d) Use of technology

Setting up task forces at national and international levels to facilitate initial response and work on medium to long-term plans could help if the world of sport works as ONE team.

It maybe time for us to learn to crawl, walk and run before we can fly again.



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4. Prasun Bhadani
5. Tarun Mehrishi

Sources

This document sources information from various places including publicly available information and information from corporate websites, annual reports of various organisations and the authors' accumulated knowledge in the field over the years.

Exclusions

Revenues distributed from the ICC to members have not been considered under members revenues. Similarly, revenues distributed from IPL to teams is excluded from IPL revenues. Equally franchise fee paid across various T20 leagues has not been considered as revenue for the boards. Grants from governments, the International Olympic Committee (IOC), Fédération Internationale de Football Association (FIFA) and other global governing bodies has not been considered as revenue. Individual revenues earned by players through commercial endorsements has not been considered. Revenues from sale of sports goods and sports-wear products has not considered. For the purpose of this paper, Indian government's spend has not been considered as this paper focuses on revenue generation by the sport across sponsorships, media rights and ticketing alone.

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