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Cost of Living and the Impact on the Sports Industry



Ministry
Of Sport

YouGov® Sport

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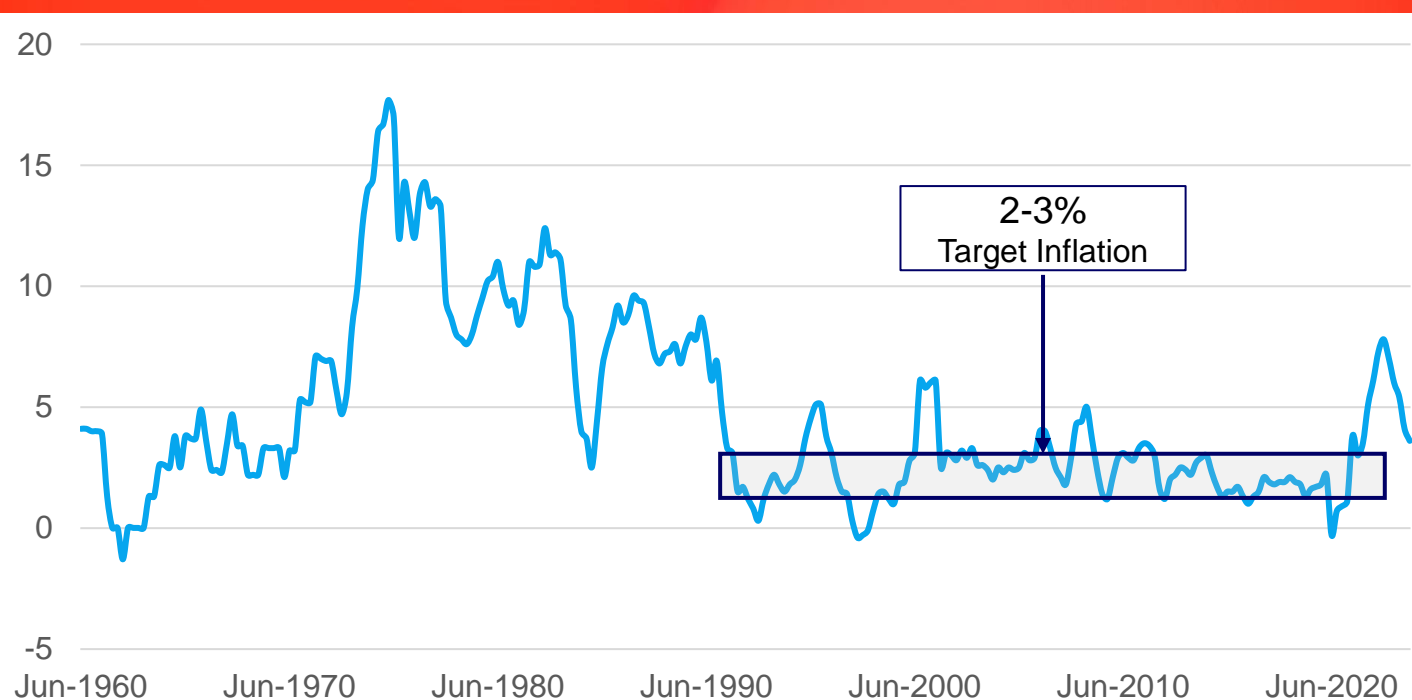


Introduction

Rising costs of living are currently an inescapable part of Australian life. The issue impacts most Australians, driving up costs for the goods and services we rely on for day-to-day needs and wants. The sting is felt constantly; groceries, rentals, mortgage repayments, fuel, and even the activities and hobbies that entertain us, are all getting more expensive.

While we currently 'feel' the pressure of inflation, it is also necessary to have some form of objective measure. The Consumer Price Index (CPI) is an imaginary basket of goods and services which the ABS tracks to provide a simple and clear measure of the level of inflation in the economy.

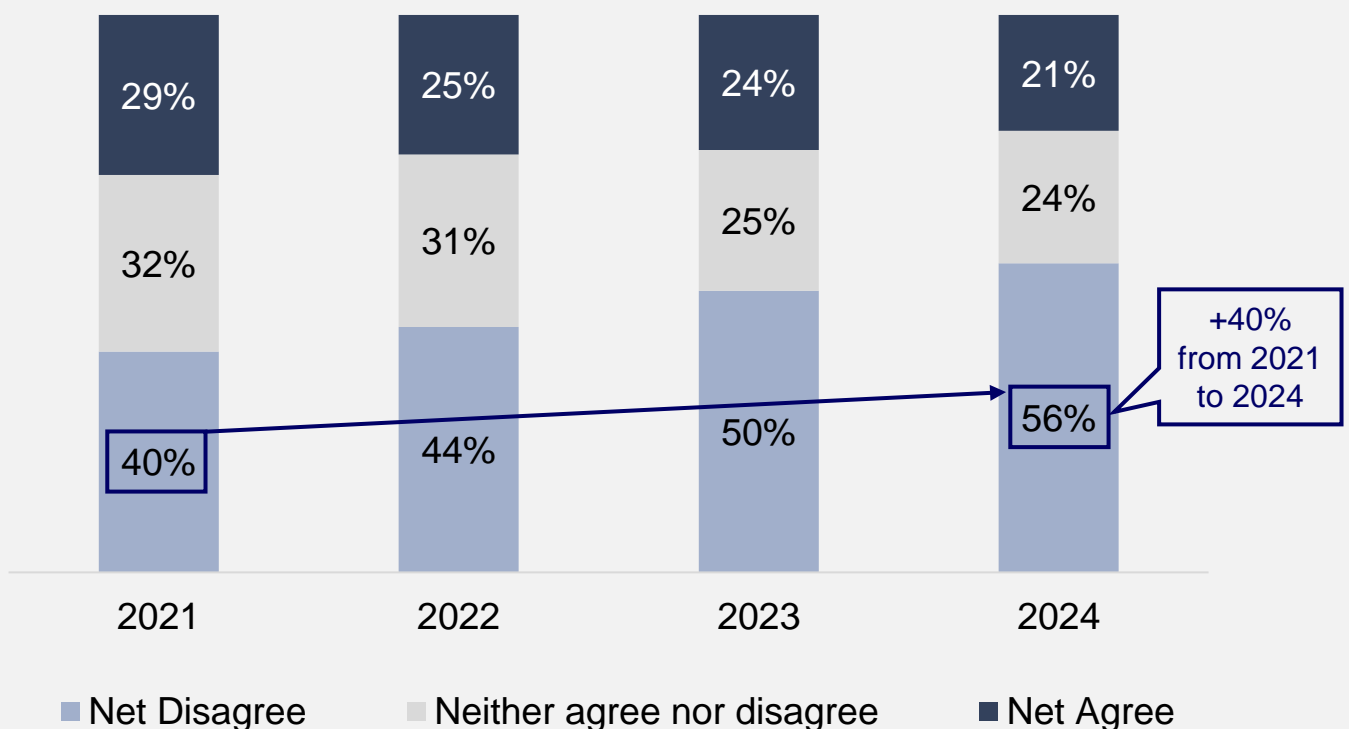
Inflation has remained roughly within the Reserve Bank of Australia's target range since the 1990's, followed by a steep increase in CPI since June 2020, which was only arrested in December 2022. While the rate of inflationary increase slowed across 2023, it remains above the target range, and results in an overall decrease in the purchasing power of the dollar.



Introduction

YouGov data shows that the rise in inflation is impacting how Australians feel about the cost of living - since 2021 Australians increasingly 'disagree that the cost of living in Australia is manageable', from 40% to 56%, an increase of 40% over a 3-year period.

I find the cost of living in Australia manageable



As Australians are forced to cut back on their spending, how is the impact being felt across the sports industry?

This whitepaper will investigate the interplay between the rising cost of living and sport, exploring the full spectrum of the sporting landscape, from grassroots participation and community club support, through to professional league engagement and commercialisation trends.



SECTION 1

Lay of the Land

Entertainment

The sports industry is in its essence a form of entertainment (in the form of spectator sports) and leisure (in the form of participation). Thus in-line with the cost-of-living crisis, all Sports Organisations are now competing for a smaller piece of the consumer entertainment 'pie', alongside entertainment and leisure/recreation providers.

YouGov data shows how the entertainment landscape is changing...

Decreases in spend are seen primarily in areas of entertainment such as: Formal Eating (50% of Australians 18+ who eat out at formal restaurants have reduced spending) and travel is also being heavily impacted (43% of International travellers and 42% of Domestic travellers have reduced spending).

The Music/Entertainment scene is also suffering, along with the inevitable scaling back of Retail Shopping.

Whilst Unique Sports Event Goers are seeing 42% scale back in their spend (clearly Matilda's games have proven the exception!!!), other areas of the sporting landscape are holding up well. Professional Sports Match goers are seeing a relatively low proportion indicating decreased spending and have the highest proportion indicating they have in fact increased their spending (21%).



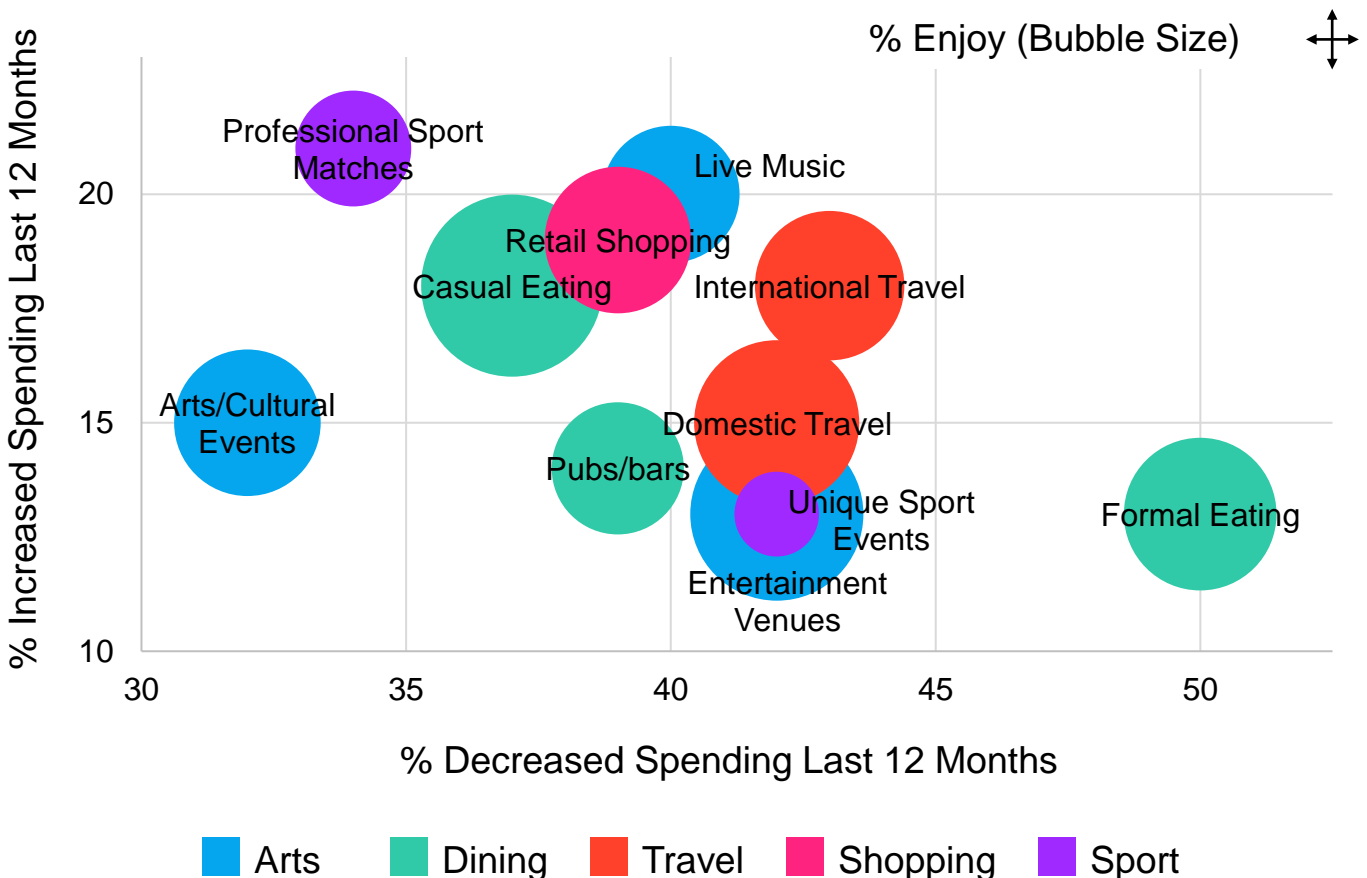
Entertainment

The chart below plots decreased spending on the X-axis and increased spending on the Y-axis, while the relative size of the 'bubble' reflects the % of Australian adults who enjoy this form of entertainment.

None of the entertainment activities measured saw a greater proportion of increased spending compared to decreased spending, reflecting the reality of reduced discretionary incomes – in 2023 Australians' entertainment dollar does not go as far as it did, even just a few years ago.

However, the positioning of Professional Sports Matches on the chart in comparison to alternate entertainment forms does suggest it is not as vulnerable to the rising costs of living, despite depending on the same disposable dollar from consumers' pockets. The professional sporting landscape will be investigated in further detail later in this paper.

Entertainment Spending





Impact on everyday hobbies and activities

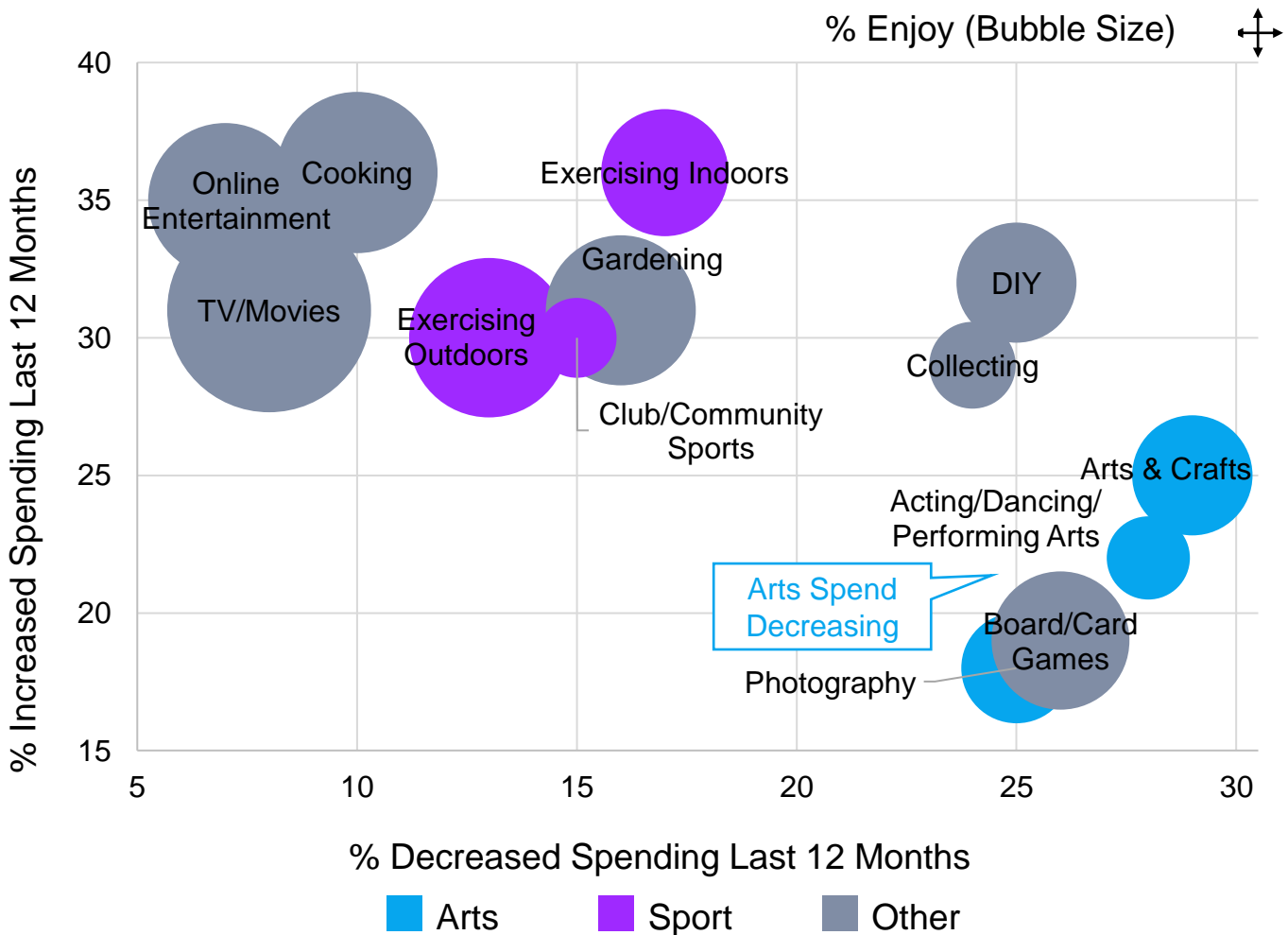
Hobbies

Looking more broadly at the entertainment landscape, as it intersects with the grassroots sector of sport, we can see that decisions around which hobbies / in-home entertainment activities to spend on are also shifting...

Rising costs are leading to increased spending in various categories such as Cooking, which is being impacted by supermarket prices and also areas such as Online Entertainment, as Australians shift their spending to more affordable at-home forms of leisure.

The Arts in particular appear to be an area where Australians are being more discretionary, with; Photography, Dance, and Arts & Crafts all areas where spend is being limited.

Hobby/Activity Spending

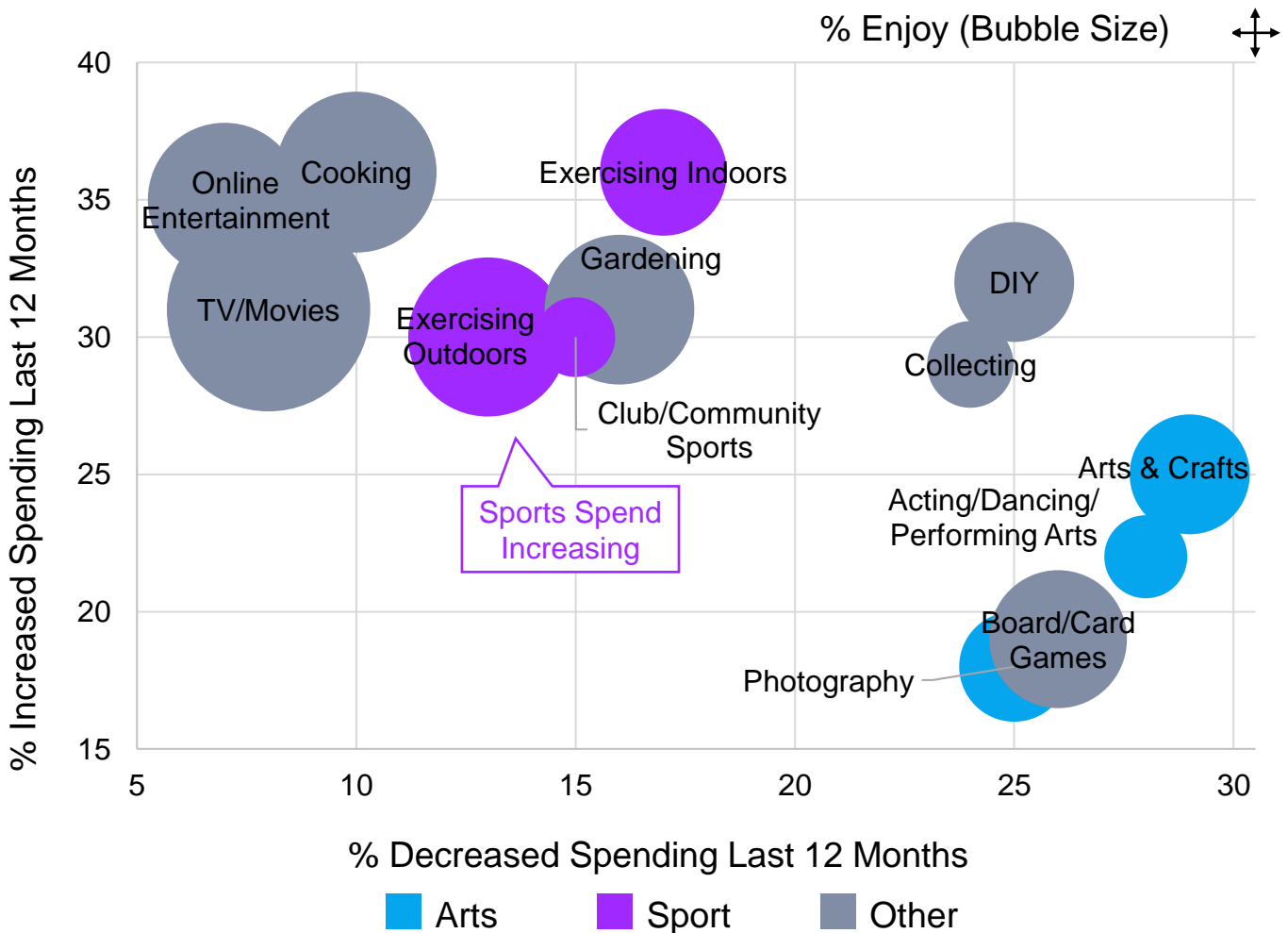


Hobbies

When it comes to grassroots sport, Australians who exercise are spending more on keeping healthy indoors e.g. buying equipment, app subscriptions etc. to assist exercise at-home or on gym memberships (36% increasing spend). They are also spending more on out-of-home options such as; exercising outdoors (30% increasing spend) and organised club/community sport (32% are increasing spend).

Whilst it is positive the evidence does not show Australians walking away from their clubs, spend increases may also reflect rising costs in community sport, as clubs fight to remain sustainable. Further in this paper we will also discuss trade-off decisions / switching behaviours which may be taking place.

Hobby/Activity Spending



Demographic Impacts

Thinking of Australians as a total, homogenous group only paints half of the picture for us though. How we are impacted by the rising cost of living can be influenced by many factors, including demographics. While much is made about the difficulties that young people face in the current economic climate, across all forms of entertainment, activities and hobbies, those aged 18-34 are the least likely to have decreased their spending in this space, not willing to forgo entertainment. They are also more likely than 50+ to have increased their spending on every activity they enjoy, except for International Travel, which may currently be out of reach.

Generally speaking, no major differences are currently being noted between metro and regional Australians, and those with and without children are being equally affected. Perhaps unsurprisingly, there are some clear differences between lower-income and higher-income Australians. An especially salient point is that those with a household income less than \$50,000 per year were almost twice as likely to reduce spending on Professional Sporting Matches (44%) as those who earn \$150,000+ a year (23%).



Lay of the Land

As we dive deeper into the different areas of the sporting landscape, we seek to paint a clearer picture of both the opportunities and threats to the industry.

In the grassroots sector, this includes the potential swapping of paid activities such as club sports to free activities such as walking or cycling. Encouragingly, low proportions indicated decreased spending here, compared to other hobbies. This suggests Australians are less likely to cut back on their physical activity before other hobbies. Similarly, it appears that fan's love and investment in their professional sports teams will lead them to trade-off other forms of entertainment before they cut back on their sports spend...





SECTION 2

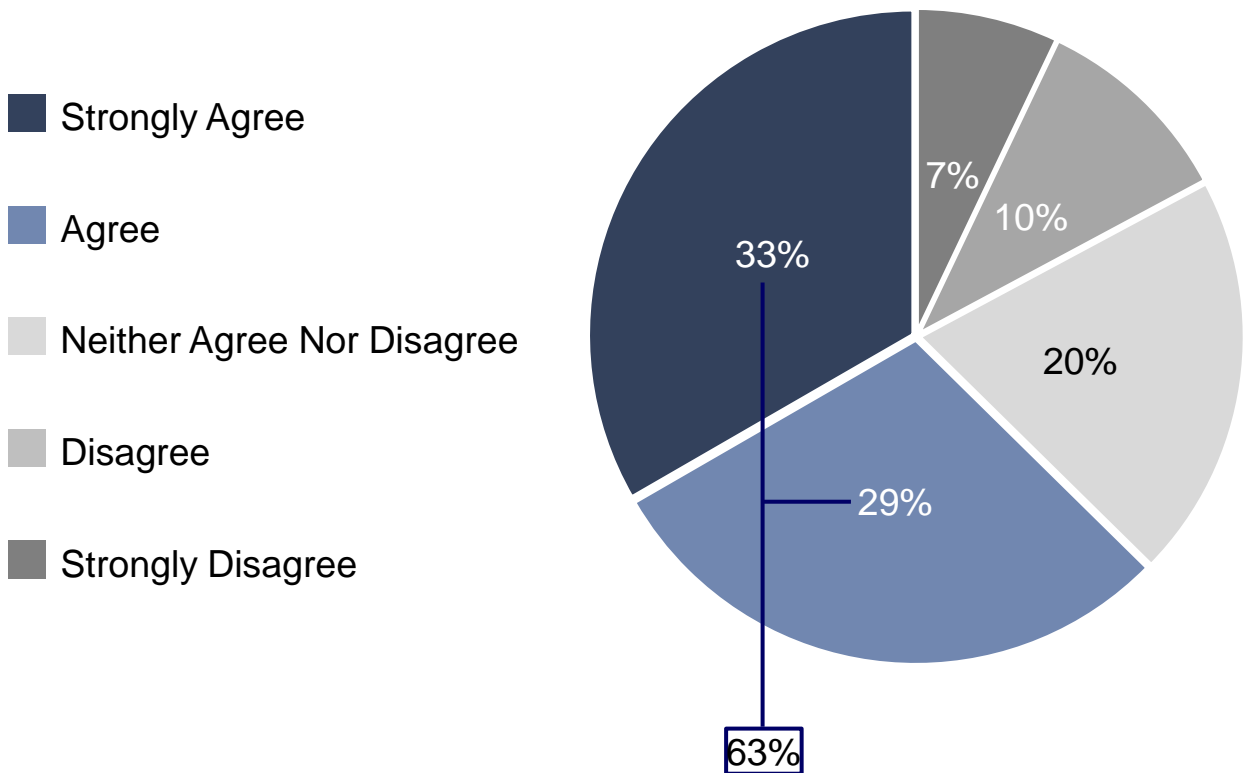
Grassroots Sport

Grassroots Sports

Grassroots participation is commonly thought of as the lifeblood of a given sport, creating the future athletes and fans of the game, as well as being integral to the health of Australians.

YouGov Sport data suggests that the rising costs of living poses both a threat and an opportunity to grassroots sport.

I've swapped paid sporting activities for free ones



Grassroots sports, particularly those that are club or organisation based are at threat from rising cost of living pressures causing Australians to swap out their paid activities for home-based activities. Two thirds of Australians (63%) have swapped out paid for home-based activities.

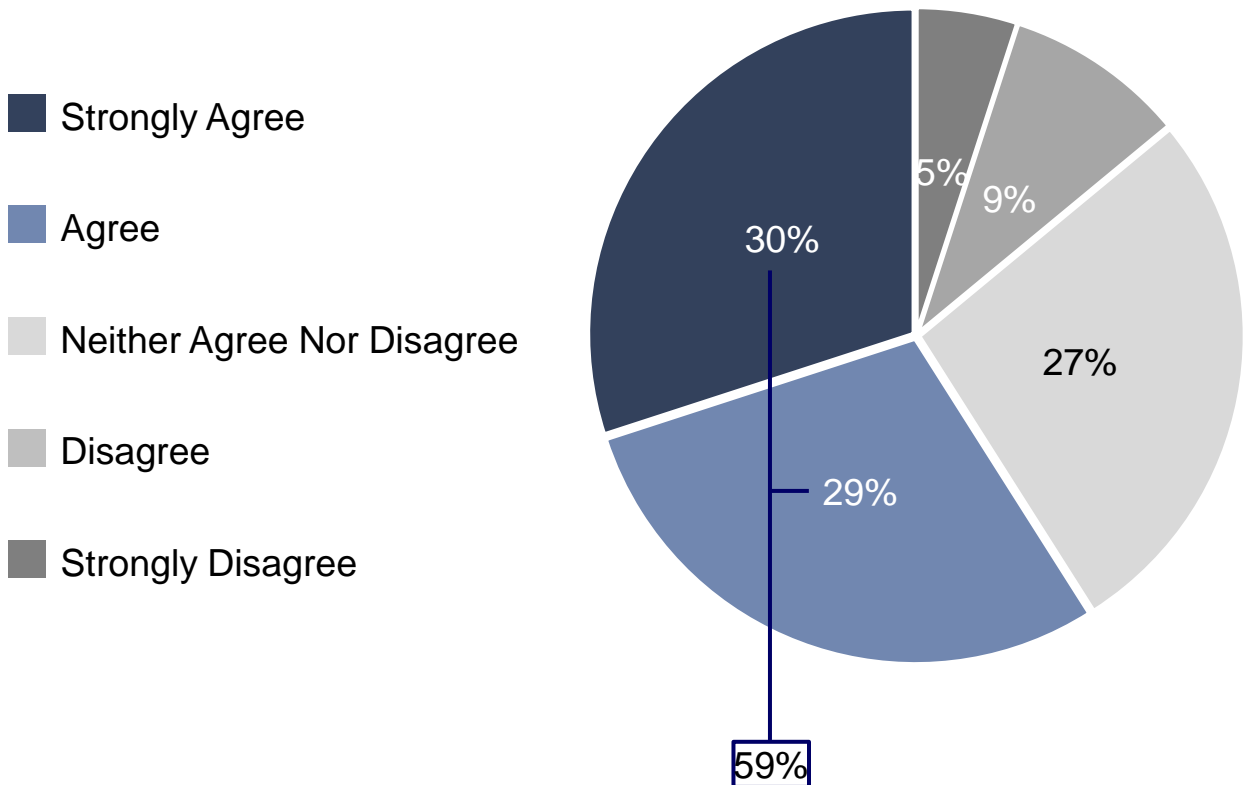
Grassroots Sports

Grassroots sports depend on the participation of both adults and children, not only in the short-term for player registrations, but also in the long-term as lifelong participation fuels talent production for elite levels.

This participation is currently under threat due to cost of living pressures. YouGov Sport data indicates that over half of parents (59%) are having to become more selective about the sports and activities that they or their children participate in.

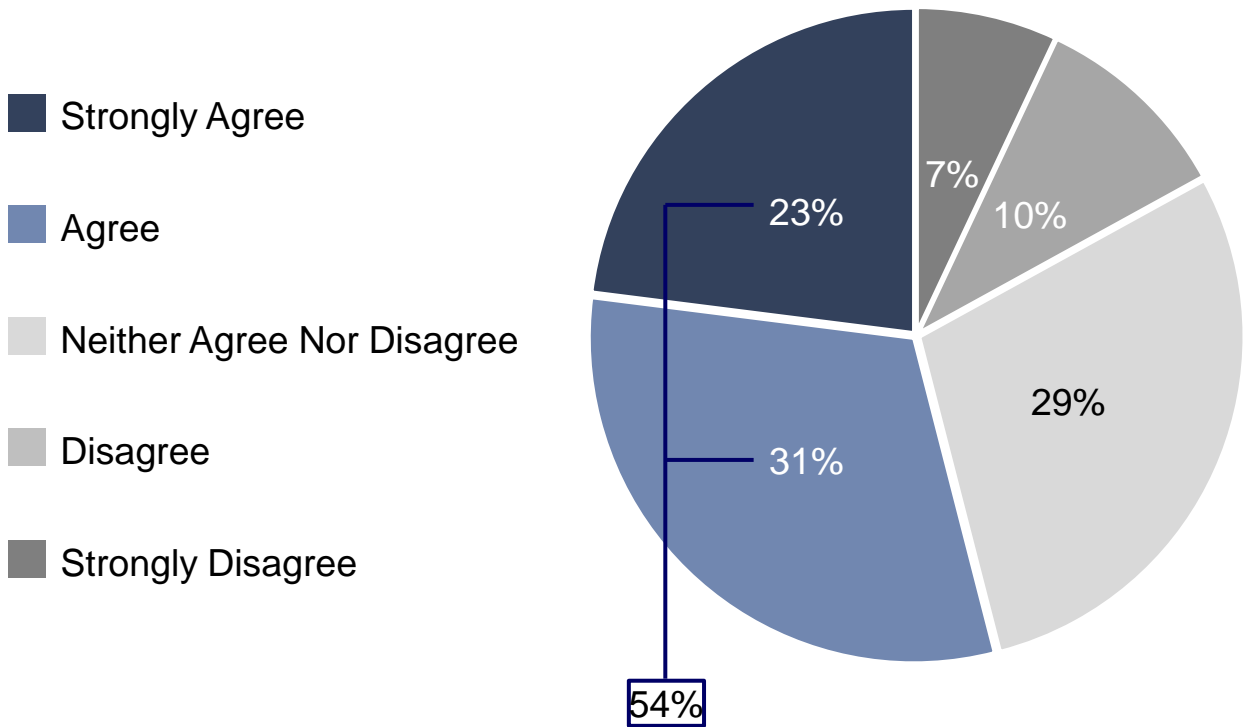
Grassroots sports organisations will therefore need to consider how to maintain their value proposition and relevance to adults and families, to maintain consistent levels of participation.

I've become more selective about which sports or activities my child or myself participate in



Grassroots Sports

I am seeking out more local/community-based sporting events or activities



While the threats to grassroots sport's organisations are noted, there are also opportunities which exist for them. Cost of living pressures are leading to Australians seeking out more local/community-based sporting events or activities.

Over half (54%) of Australians indicated that they are seeking out more local/community-based sporting events or activities. This is a clear opportunity for grassroots sports organisations, as it shows that there is an appetite for attendees in their local grassroots sport's scene and for participation in things like family fun days, bring-a-friend / have-a-try days etc. which are either free or relatively low-cost forms of entertainment.



What does this mean for the future?

YouGov Sport data is a reminder to grassroots sports organisations that they will have to operate with intent and purpose moving into the future. While under threat from rising costs of living and the subsequent trade-offs and sacrifices from participating adults and families, there is also the opportunity to increase relevance and prevalence within their local communities.

As Australians are becoming more likely to seek out community-based sports entertainment, the opportunity exists to attract more spectators and fans, expanding a revenue source outside of player registrations. Providing low-cost, community-based sporting events allows grassroots sports to occupy a unique place in the overall entertainment landscape, and capitalising on this will be key to ensuring the longevity of a club or organisation. Along with the absolute necessity of rigorous cost management to ensure registration fees, uniforms etc. can remain affordable for participants.



SECTION 3

Professional Sport



Sports fans love their favourite teams. They are emotionally invested in performances, they dress in the colours, they may join the club directly through a membership, and they go to games to express out loud their support. Earlier in this report we saw that ‘Professional Sports Matches’ had the highest proportion out of given activities which indicated an *increased* spend in the last 12 months (21%) and one of the lowest proportions who have *decreased* spending (34%). Here we will investigate the interplay of rising costs of living with sports attendance and its associated costs, as well merchandise and memberships.



Live Attendance

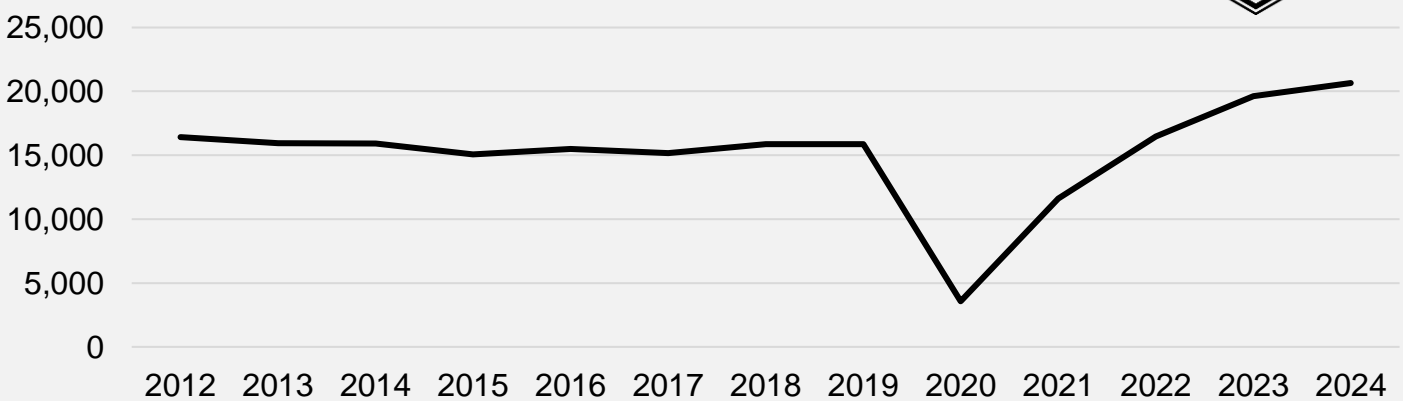
Attendance figures for the two largest Australian sports leagues (AFL and NRL) paints an encouraging picture, as both leagues recorded strong average attendance numbers in 2023 and 2024, which is the period most closely associated with the cost of living crisis.

While Covid-19 lockdowns caused major disruption across 2020 and 2021, these figures show that average attendance in 2023 and 2024 eclipsed any season from 2011-2019, for both of the leagues. What is shown here is that a fan's love of the game remains strong, and they are prioritising supporting their team, even when money is tight.

AFL Average Crowd Size per Game



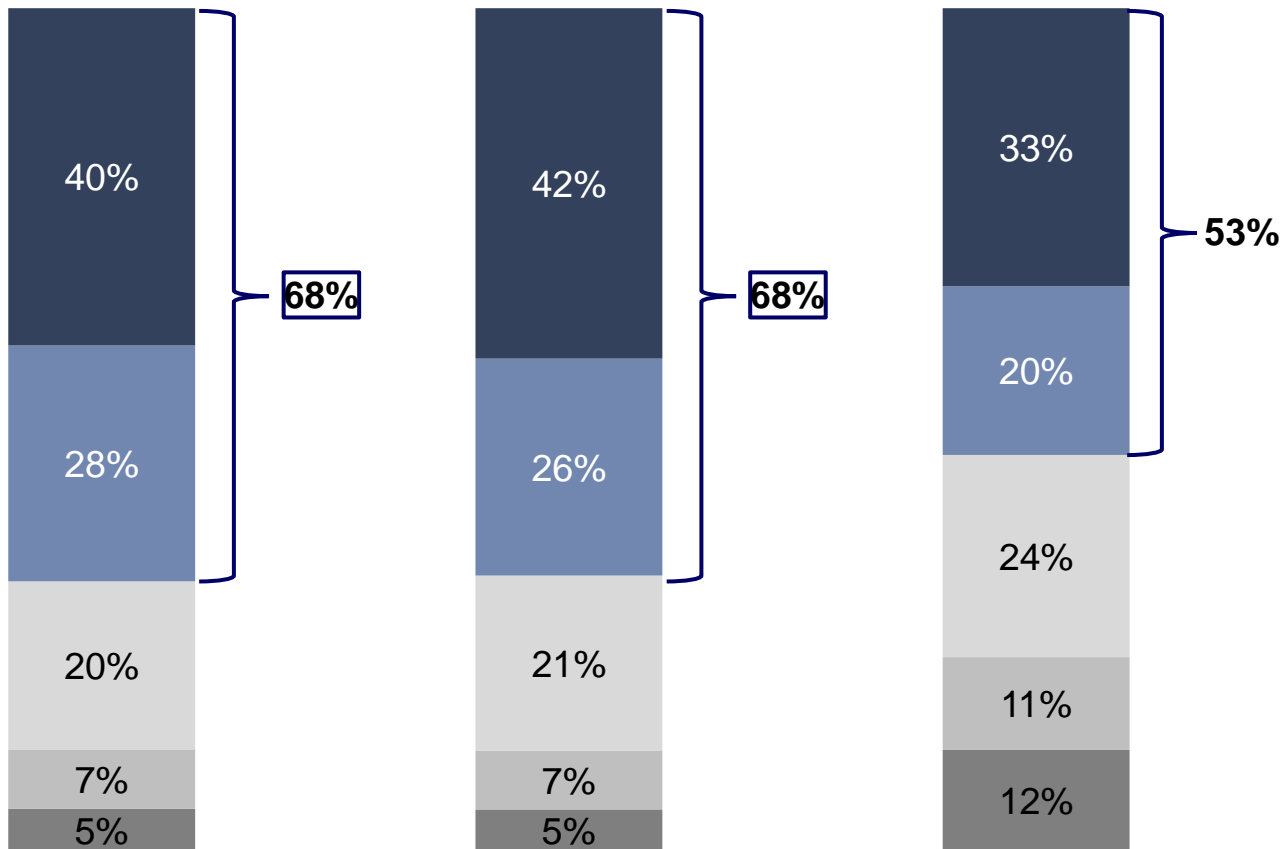
NRL Average Crowd Size per Game



Cost of the Day

While attendance figures are highly encouraging, tickets are only one spend component when it comes to the way that fans interact directly with their teams; and must also be reconciled with the fact that a large percentage of sports attendees have said their spending on 'Professional Sporting Events' is decreasing. Evidenced by YouGov data that fans are saving money on the 'extras' i.e. reducing their spend on food/beverage at events, cutting back on merchandise, and even pausing their supporter memberships.

Spending on Live Sports



I have reduced my spending on food and beverages at live sporting events

I have cut back on purchasing new sports merchandise

I have paused my supporter memberships

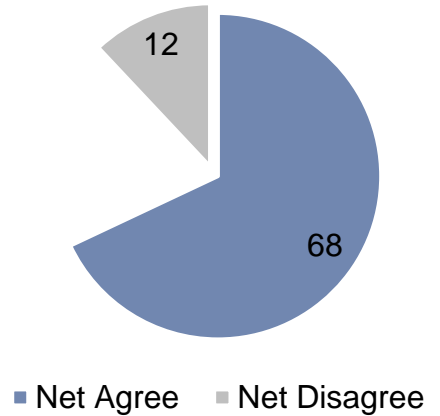
- Strongly Agree
- Agree
- Neither Agree Nor Disagree
- Disagree
- Strongly Disagree

Cost of the Day

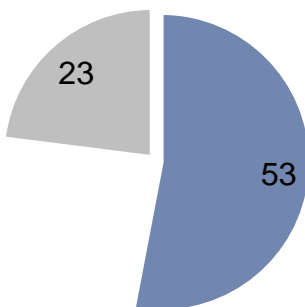
Over two thirds of those respondents who attend sporting events indicated that they reduced their spending on food/beverages and merchandise (68% respectively).

Here we see that while fans are dedicated to their teams and continue to show up and support them, there is also a clear move towards reducing the overall 'cost of the day' to save money where possible on the extras.

Spend Decreased – Food & Drink / Merchandise



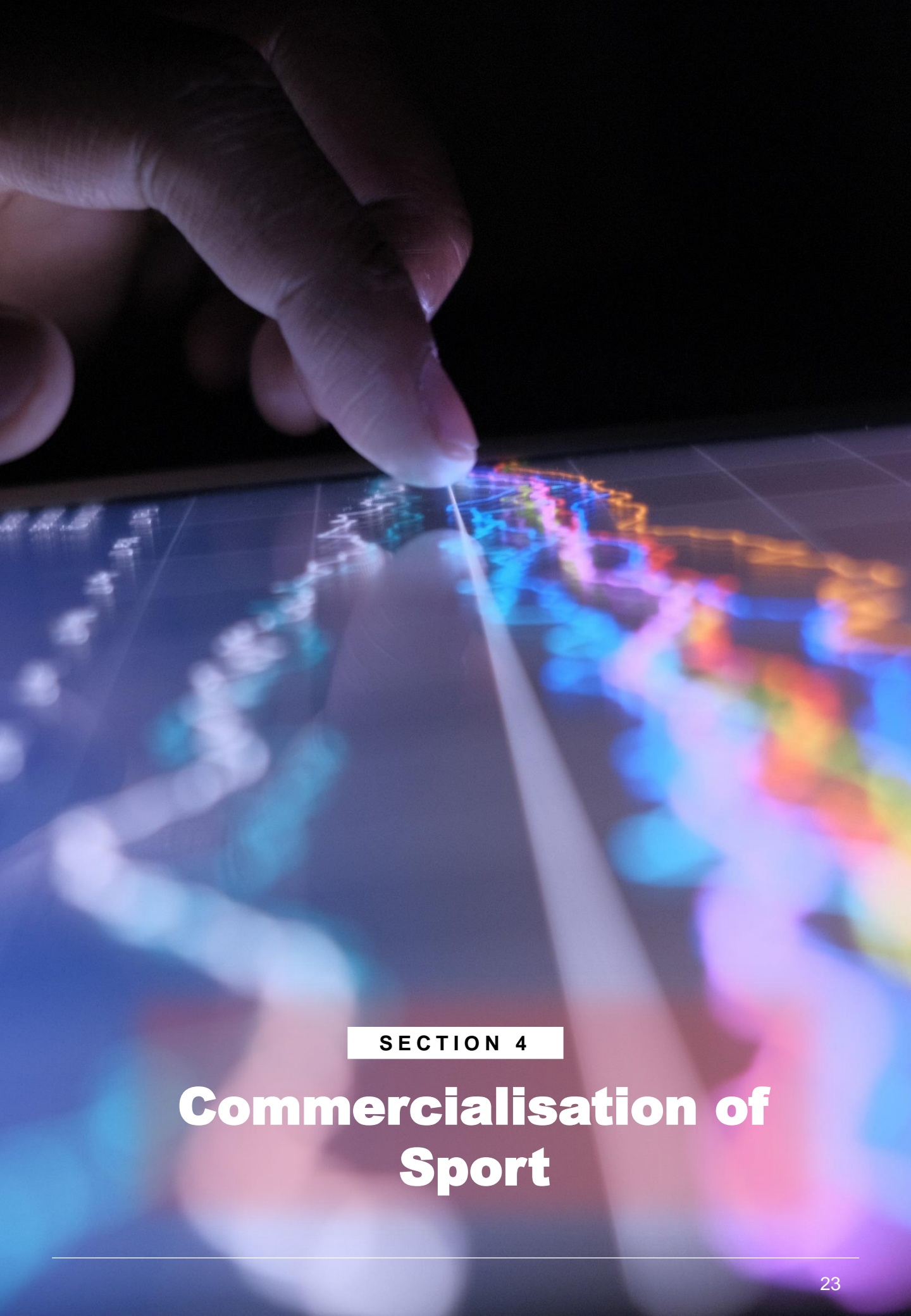
Paused Supporter Membership



Supporter memberships vary in cost and contents across leagues and sports, but typically offer fans a way to financially support their team in exchange for perks such as free/discounted merchandise, priority seating etc.

Reduced spending here further illustrates a reduction in spend on the 'extras' i.e. fans are continuing to attend games while reducing their overall spend.

For leagues and teams YouGov Sport data indicates that while they are relatively insulated from the cost of living crisis as fans prioritise continuing to support their teams, they are still at risk of reduced spending on other revenue streams. It will be vital to ensure that these 'extras' are a high-value proposition to encourage extra spending.



SECTION 4

**Commercialisation of
Sport**

Commercial Partnerships

Commercial partnerships are an integral part of the revenue streams on which professional sports leagues depend. These partnerships are entered to support the key commercial objectives of the sponsor, a form of advertising that is intended to support a brand's exposure, relevance and customer acquisition, retention and revenue growth. This is especially relevant in the midst of a cost-of-living crisis, as all brands are competing for the same consumer dollar. YouGov Sport regularly tracks over 600 brands amongst over 150,000 sports fans through our Brand Index product suite, a daily tracking study that has been in market for over a decade.

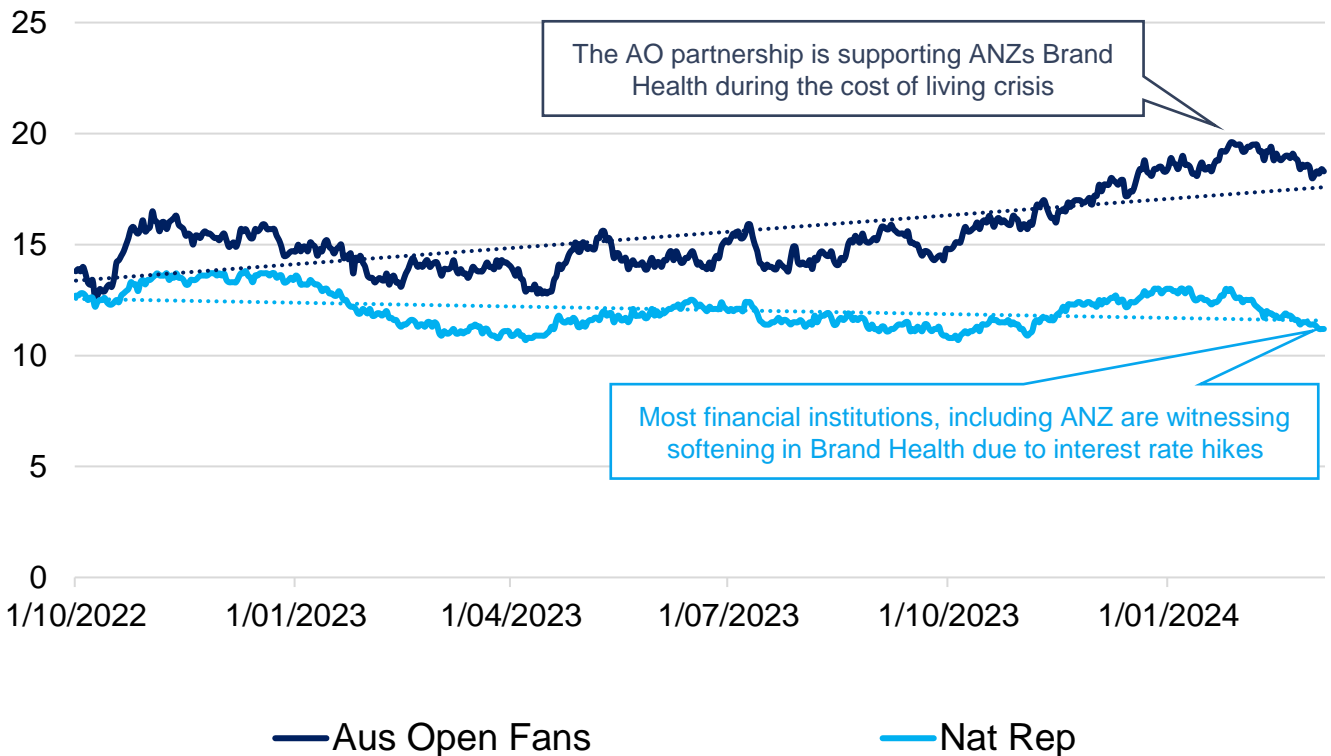


ANZ & The Australian Open

ANZ has been a major sponsor of the Australian Open, held every year in January, for many years. By plotting their Brand Health score (an average of several cut-through metrics tracked by YouGov) amongst Australian Open fans, against the national average, a clear growth trend can be seen for Australian Open fans. This contrasts to the national average, where a decline is observed over the same period. Particularly strong growth amongst Australian Open fans can be seen in the lead up to the 2024 tournament.



ANZ Brand Health



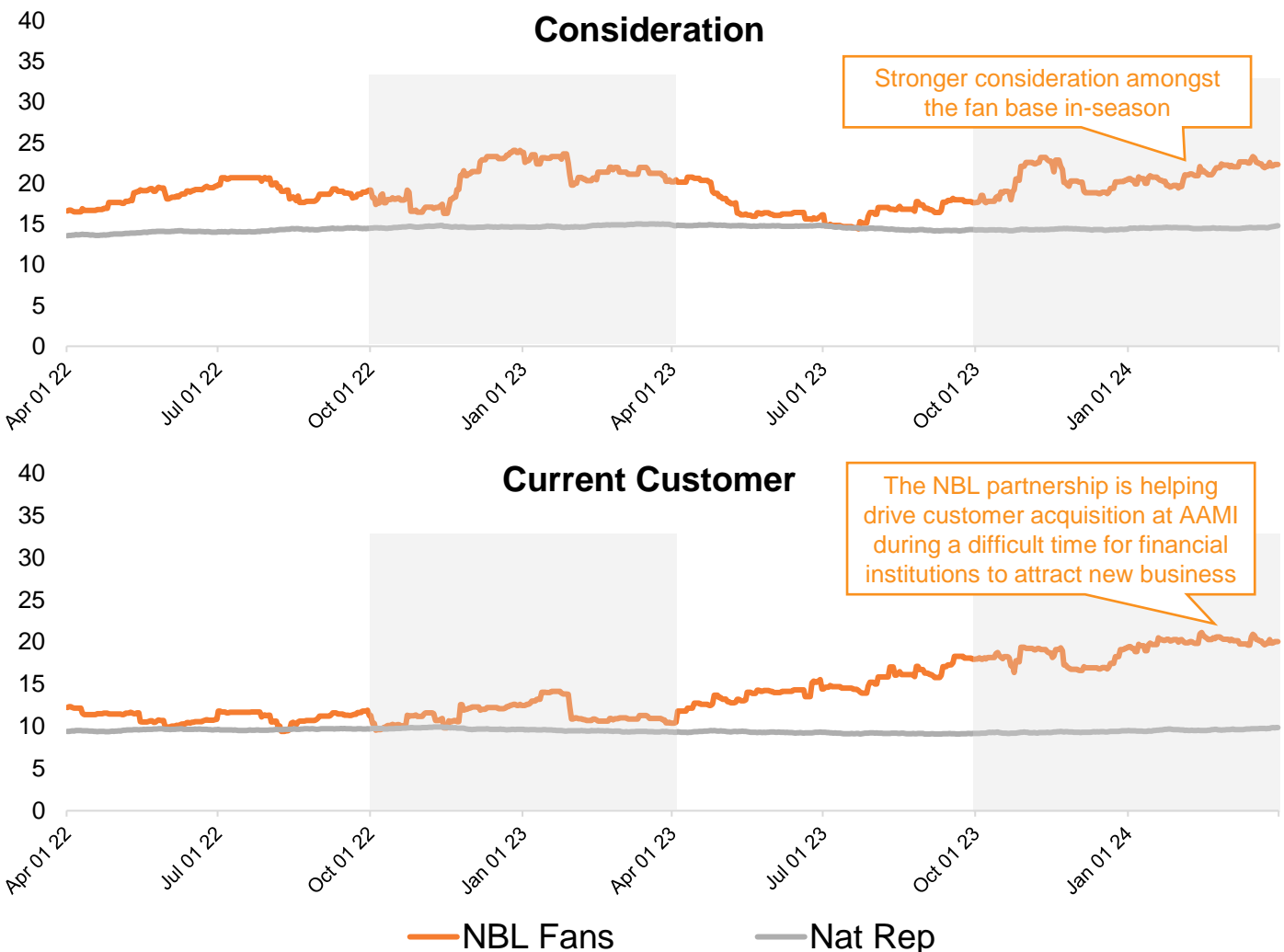
AAMI & NBL



Success has also been seen for other financial services companies through their sports partnerships.

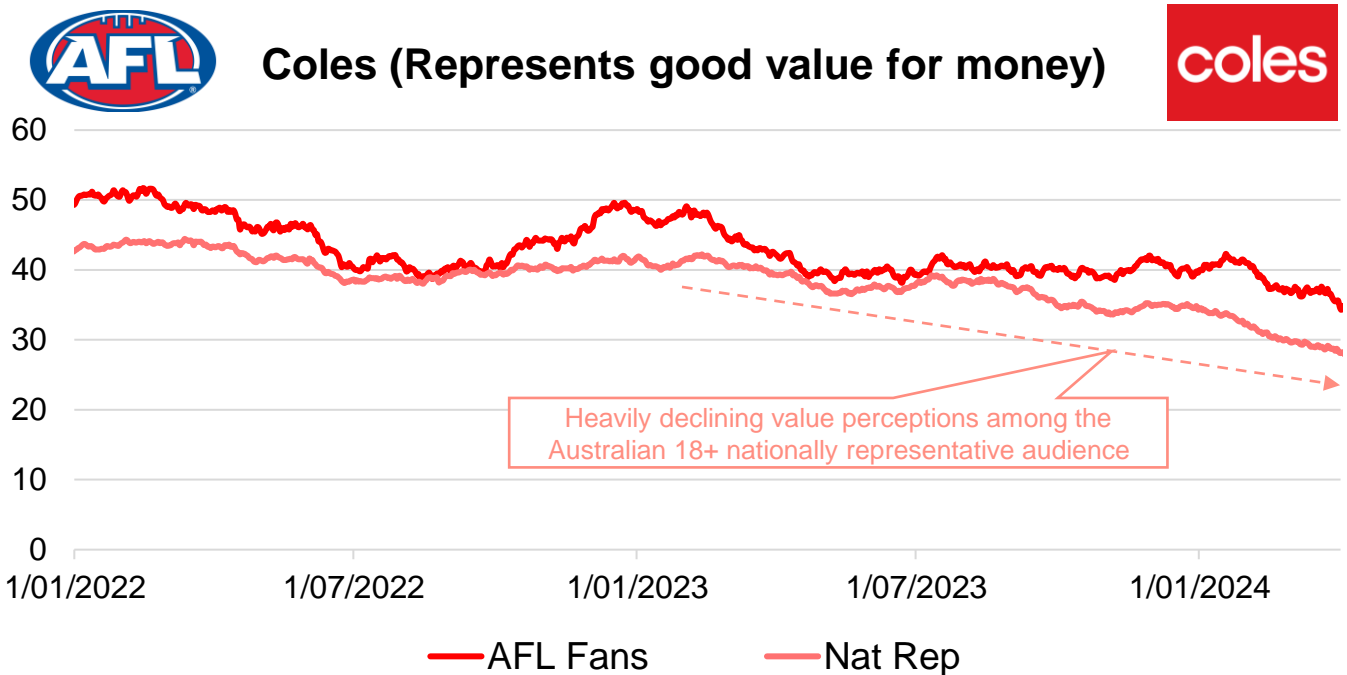
AAMI has established a partnership with the National Basketball League which has been driving customers directly to AAMI. The NBL season runs from October through March, highlighted in grey in the charts below.

Both Consideration and Current Customer, key metrics linked to commercial outcomes, have seen an upward trend across the 2023-2024 NBL season, with Current Customer in particular reaching its highest level.



Coles & AFL

Finally, a key measure to investigate given the cost-of-living crisis is the impact on the perception of value on brands and whether sports sponsorship can help drive stronger perceptions. Perceptions of the grocery category have been hit particularly hard at this time. Despite this, there is evidence that AFL/AFLW fans who are exposed to the Coles brand through their partnership, are more likely to continue to agree that Coles offers value for money.



While the proportion agreeing that Coles represents good value for money is declining amongst both AFL fans and the national average, there is a notably higher proportion of AFL fans who agree. Further, while there was only a small gap between the two groups throughout the first half of 2023, the gap has since widened.

Brands should continue to spend (and consider greater spend) on partnerships during the cost of living crisis, to mitigate negative impacts, particularly in categories most affected by declining perceptions, such as; grocery, finance and utilities.