KAGR

KRAFT ANALYTICS GROUP

THE FUTURE OF LIVE EVENTS & SPORTS

THE REEMERGENCE OF FANS POST COVID-19

Regular Updates #2

June 17, 2020

BACKGROUND

Last month, we launched KAGR's "Future of Live Events & Sports: The Re-Emergence of Fans Post Covid-19." We have seen enormous interest from folks in and out of the industry reaching out to learn and provide perspective. In our 2nd update, our goal remains to **predict fan interest in attending games and live events as they resume**, identify the actions venues and organizations are taking to **address fan safety**, and to help the industry come back as quickly and safely as possible.

Using our framework[1] and analysis, we continue to track where attendance could be highest based on **market factors, venue initiatives, and fan avidity**. We have sifted through all the noisy data to bring you insights on how live events and sports will be **different as a result of the COVID-19 pandemic**. We are adding new data sources to track this rapidly changing situation.

June 17 2020: Update Overview

Several leagues (NBA, MLS, WNBA, and NWSL) have set dates, locations, and opponents as they return to play in venues with no fans. Other professional sports (PGA and NASCAR) have locked in plans for a slow return of fans. And as market restrictions continue to loosen, teams are strategizing ticketing and capacity scenarios for the post-COVID venue - focused on the core questions, **will fans come back, what will they expect, and how has their willingness to pay changed?**

In this update, we will explore:

- Changes in market level factors including emerging COVID-19 hot spots and the impact of increased openings for retail and recreation
- Impact of digital fan engagement on willingness to return to live events and sports, and challenges with current platforms
- Safe capacities for the post-COVID venue, and what we can learn from early events

[1] See Figure 4 on page 8, "KAGR Fan Demand Framework"

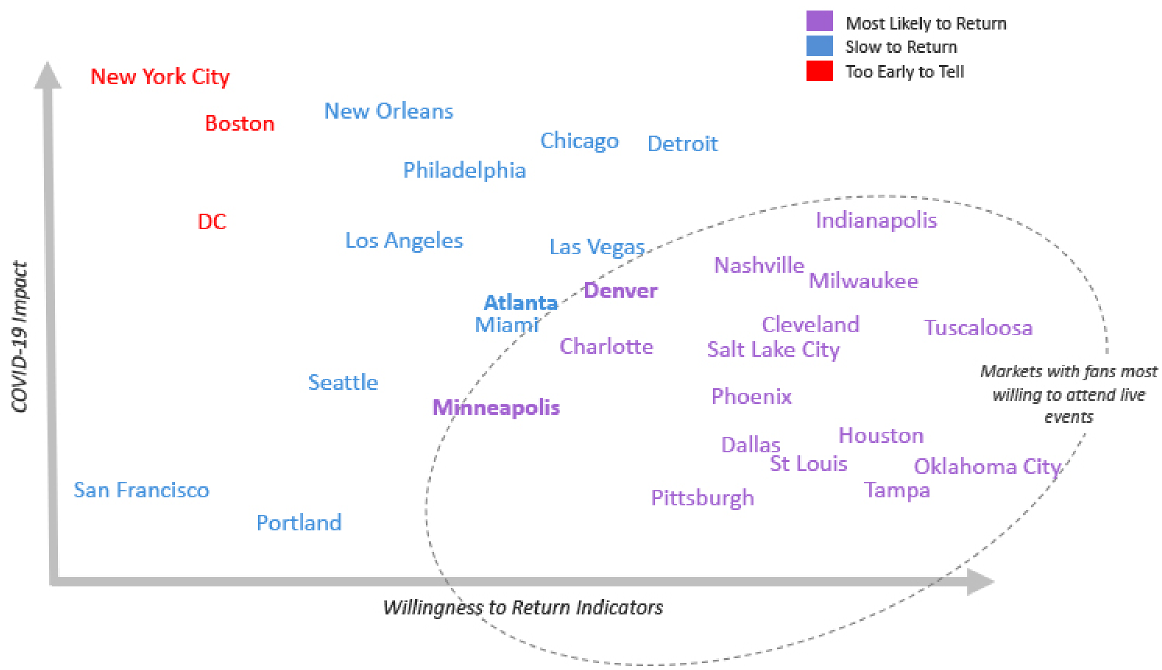
MARKET ANALYSIS

Our KAGR Fan Demand Index monitors and helps understand the likelihood of fans across 30 markets to return to live events (Figure 1). This index uses a variety of market data including COVID-19 factors, economic indicators, and other consumer behavior information.

Over the last two weeks:

- New confirmed COVID-19 case numbers **remain constant in total, with new emerging hot spots**
- All markets have now initiated or completed a **phased re-opening** plan
- **Restaurants in 23 markets** are open for dine-in with at least 25% capacity
- **Movie theaters are permitted to open in 16 markets**, with the largest Cineplex operator (AMC Theaters) targeting openings in July for almost all of its locations
- Consumer behavior, specifically visits to retail and recreation, has remained constant across markets since the Memorial Day weekend (after a 10% increase from mid-May)
- Overall Fan Demand Index is up 3% since the Week of June 1st Update Report

FIGURE 1. KAGR FAN DEMAND INDEX BY MARKET GROUPS



Three of the thirty markets saw shifts in the KAGR Fan Demand Index over the past two weeks.

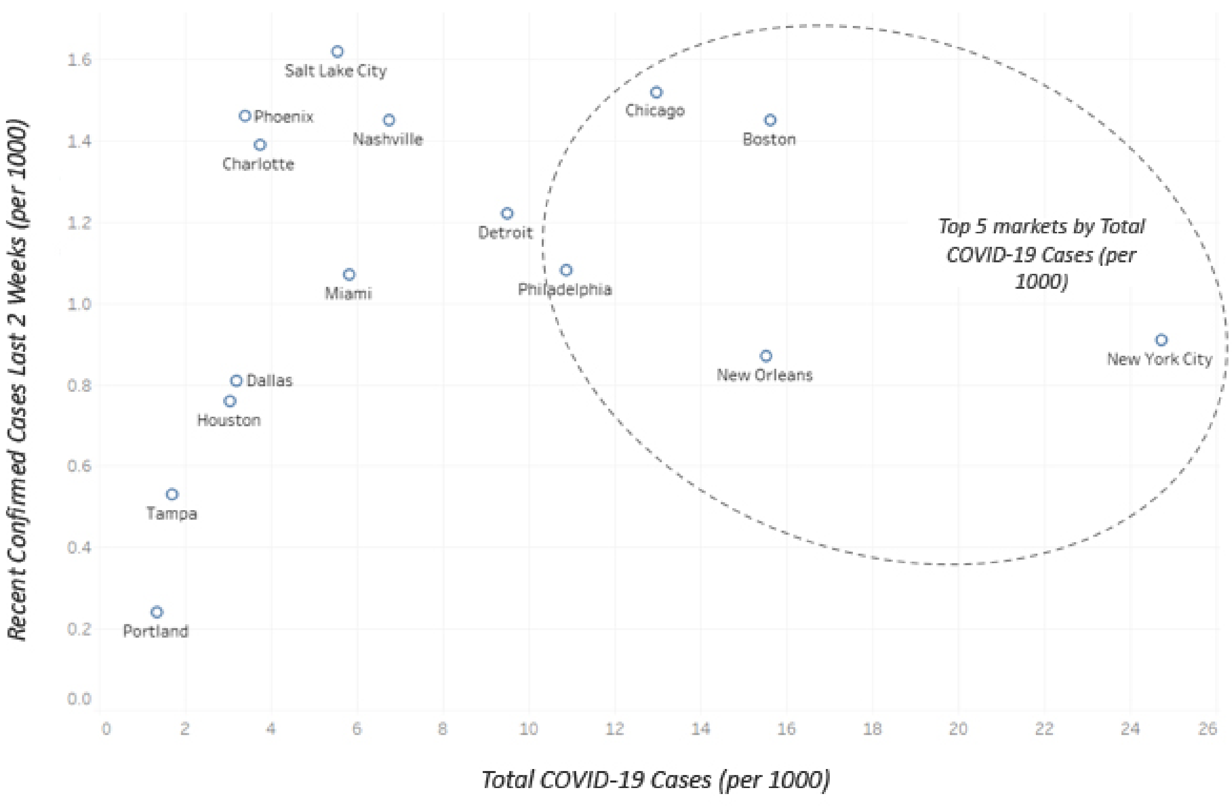
- **Positive Trends:**
    - **Minneapolis** and **Denver** moved from “Slow to Return” to “Most Likely to Return;” in both markets the number of new COVID-19 cases decreased, and consumer behavior increased as restaurants re-opened for dine-in service

- **Negative Movements:**
    - **Atlanta** moved from "Most Likely to Return" to "Slow to Return." While Atlanta was one of the first cities to open, COVID-19 cases have remained high and the market continues to experience high unemployment rates

- **Too Early To Tell:**
    - **New York City**, **Boston**, and **Washington D.C.** have remained in the "Too Early to Tell" group for several weeks; New York City and Washington D.C. remains in Phase 1 of their re-opening plan. Boston recently entered Phase 2

TRACKING & EVALUATING NEW HOT SPOTS

Significantly, we are closely watching **10 markets with sizable COVID-19 increases in the past 2 weeks** including Phoenix, Charlotte, Detroit, Houston, and Tampa (Figure 2), and how those compare to the top 5 markets[2] in terms of total all-time COVID-19 cases. We are tracking the impact COVID-19 increases will have on other market factors, including consumer behavior and ultimately what level of increase would lead to greater restrictions by the local government.



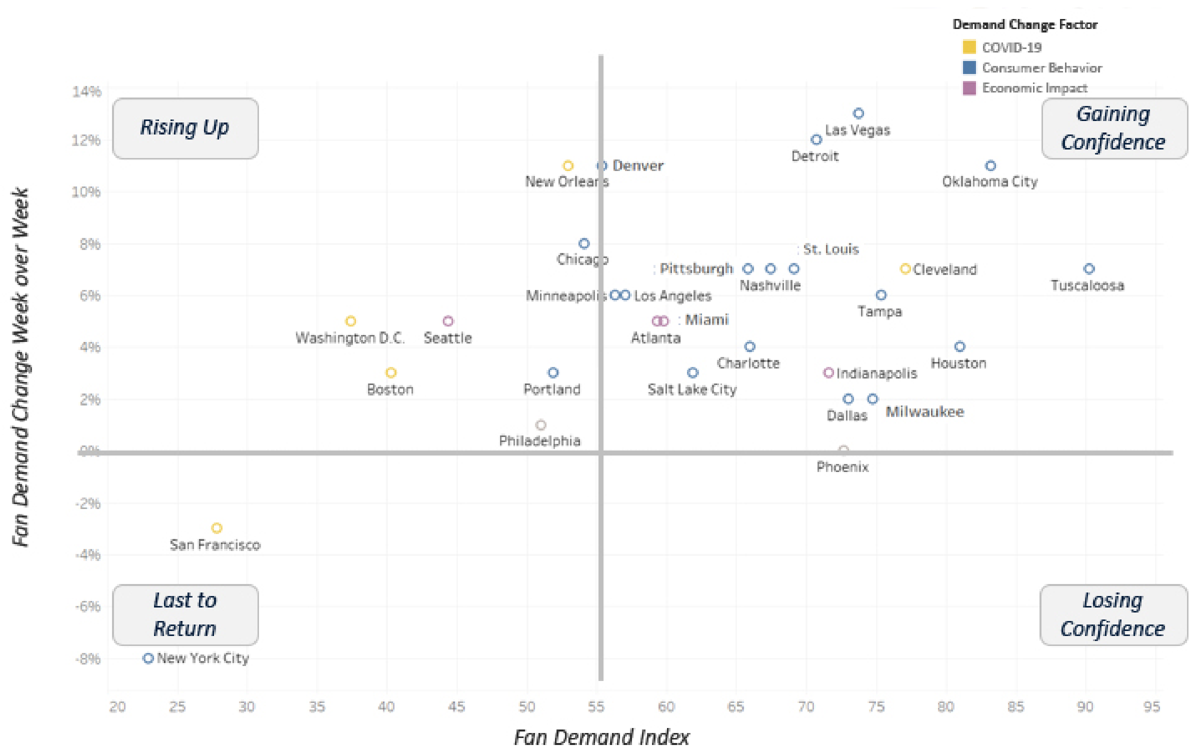
[2] Top 5 Markets by Total COVID-19 cases include New York City, Boston, New Orleans, Chicago, and Philadelphia. Washington D.C. is a close 6th with 10.57 cases per 1000"

WEEK-OVER-WEEK KAGR FAN INDEX CHANGES

A deeper dive into the Fan Demand Index highlights 28 markets with week-over-week changes, 26 of which were positive (Figure 3). **67%** of those changes are **driven by customer behavior** as phased market openings continue to progress as indicated with increased consumer confidence and comfort. 14% of the week-over-week changes are a result of economic factors, including overall decreases in unemployment rate.

- **Las Vegas** and **Detroit** saw the highest positive changes in Fan Demand at 13% and 12% respectively, as both markets continued to re-open. Over the last two weeks, casinos in Las Vegas have re-opened, and Detroit experienced a 70% increase in restaurant reservations
- Conversely, **New York City** and **San Francisco** saw the greatest negative change as market-based restrictions remain in place

FIGURE 3. KAGR FAN DEMAND INDEX BY MARKET



FAN AVIDITY AT A GLANCE

As live events and games with fans become a nearing reality, we evaluated Fan Avidity along three dimensions: team/player community involvement, digital fan behavior, and ticket sales for season tickets and single game.

First, last month in the KAGR Executive Preview Report, we analyzed information across the NFL, NBA, NHL, and MLB on how teams and players supported their communities and staff during the pandemic. Specifically focused on how sports fans would "support a league based on how it conducted itself during the pandemic." At that time, we found NBA teams driving the most relative increase in social media engagement from COVID-19 related actions for the top 3 markets (as measured by online Fan Avidity).

We have also looked broadly at how teams are engaging their fans online (Twitter and Facebook):

- **NBA teams saw the most net new followers (3.2M)**, with the Rockets and Lakers leading the charge (858K and 806K respectively)
- **All other leagues experienced a slight decrease**, with the exception of 6 teams[3] in the NFL
- The **Miami Dolphins** were one of those exceptions, as their efforts leading up to the NFL draft led their Facebook group to double in size (60K), becoming **#1 in group size for all U.S. sports**. Further, an April survey indicated these **"passionate" Dolphin fans were 16% more comfortable returning** than average fans

Our earlier analysis highlighted how **leagues and teams that continue to find ways to engage with their communities will deepen avidity**. We will aim to further decouple how extending beyond COVID-19, including the impact of recent Black Lives Matter protests (in all 30 markets) has impacted fan perceptions. Given our research is uniquely based on publically available data and web scraping, we recognize KAGR's research is hopefully capturing insights of a more representative US population.

To that end, as leagues start with no fans leverage digital platforms to drive engagement, knowing the customer type engaging is critical. In our analysis, many platforms including Facebook lack the ability to tie online behaviors to specific fan and demographic information. This data is critical to assess groups which might be overlooked by surveys while ensuring a **personalized online experience**.

In looking to project potential attendance, online fan engagement when triangulated with demographics of the early returner segment (31% of fans) from previous findings and **leagues on-sale**, offers new learnings and insights. Across major leagues, our analysis continues to show strong Season Ticket Member (STM) renewals as less than 10% are requesting refunds. Conversely, single game tickets are impacted significantly. An industry insider with game tickets across six markets saw the **number of tickets sold on the secondary down 48% year-over-year**; with potential for less supply, however, average ticket **price on the secondary is up 12%**.

[3] Teams include Miami Dolphins, Cleveland Browns, Los Angeles Rams, Buffalo Bills, Kansas City Chiefs, Tampa Bay Buccaneers

PRODUCT/VENUE OVERVIEW

With fans attending events coming into view, leaders across the industry are asking, **what is a safe venue capacity** with COVID-19 concerns? We have sifted through early policies, and research, engaged with experts, and found perspectives vary greatly.

- Currently, to adhere to current CDC guidance for social distancing (6 feet apart), many venues are anticipating capacities limited to 20% - 25%; of note, markets in Asia consider 3 feet an acceptable social distance. If this gains widespread acceptance, capacities would increase. We are also exploring whether newer venues with increased ADA Design principles will be better suited to optimize social distancing restrictions
- In Texas, major college football programs are expecting a maximum of 50% capacity in the stands this fall
- Delaware North, owner of the TD Garden in Boston, estimates that as many as 70% of seats may be filled come game time; their science-backed "Safer Stadia" study releases in the coming week

In the next month, the first U.S. professional sporting events will officially open its gates to fans. Each league has approached capacity and attendance policies in slightly different ways:

- **NASCAR:**
    - o The first ticketed event will take place on Sunday June 21st at the Talladega Superspeedway; NASCAR will **allow up to 5,000 guests** in the front stretch grandstands/towers and tickets will be **limited to fans within a designated proximity (150 miles) to the track**. Guests will be screened prior to entering the gate including temperature check, face masks will be required, and movement in and out of the venue will be limited
- **Golf:**
    - o The Memorial Tournament at Muirfield (July 16-19th) will be the first PGA Tour event to allow fans; a **maximum of 10,000 fans will be allowed in the gallery at one time** (20%-25% of Muirfield capacity). All attendees will have their temperature read upon entry, be required to wear masks, and the course will be marked with one-way corridors between holes. The number of spectators on each hole will be limited

FAN PRIORITIZATION NEEDS AT VENUES

As event attendance comes into view, teams and venues are analyzing the impact of social distancing restrictions, and defining ways to ensure their loyal season ticket base have access to games in a fair and equitable manner. Potential approaches include:

- Auto-assigning events/games and seat locations based on tenure or spend
- Conducting a lottery for each game, especially the most attractive games
- Ranking most likely fan segments to return based on previous behaviors
- Splitting the season into equally attractive n-game packages (where "n" is driven by number of games, STMs, etc.) and allowing STMs to select their packages in designated waves
- Allowing STMs to identify section cohorts (i.e. family and friends) to optimize the number of fans in any section

Current considerations require a well-coordinated process across key functions (i.e. ticketing, marketing, operations). For example,

- How should venues configure seating blocks to maximize attendance?
- What ticketing policy changes will be required to govern refunds and returns?
- How should personal seat license contracts be handled?
- How best to prioritize the constituencies outside of STMs (e.g. player families)?
- How best to handle if a STMs' seat is unavailable due to distance restrictions?
- How best to handle upgraded or downgraded locations?
- How will fans react as players test positive?

We are also tracking vendors that will support the safety of the post-COVID-19 venue. One is the Global Biorisk Advisory Council (GBAC, a division of ISSA). GBAC has developed a facility accreditation program to **certify that buildings and venues have procedures in place to recover from outbreaks and pandemics.** In less than 6 weeks, GBAC saw **15,000+ inquiries across the U.S.** including several cities (i.e. Dallas, New York City, St. Louis, Philadelphia) and states.

In the coming updates, we will explore other safety measures that teams and venues will need to consider.

LOOKING FOR MORE?

What fan demand questions are you looking to answer? We would love to hear from you.

We welcome your feedback and questions. Please share with us at FutureSportsandEvents@kagr.com.

FIGURE 4. KAGR FAN DEMAND FRAMEWORK