



Covid-19 pandemic and Indian sports industry: A critical evaluation

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Abstract

We all know that Covid-19 pandemic is the most dangerous threat to the human civilization in the present time. The outbreak of Covid-19 pandemic has affected almost every corner of the globe. It has affected not only the human life but also the Socio-economic, Political, Cultural, Emotional and even the Spiritual orientation of the most of the people of the world. Nobody is safe now a day. Anything can happen to anyone at anytime. Everywhere there is a tremendous uncertainty and fear of death.

Between January 2020 and March 2020, COVID-19 spread to most countries of the world, with countries imposing international travel bans and region wide lockdowns, to control the spread of the virus. The imposition of such strict measures had an impact on various businesses across the world, including the business of sports. In India, the Ministry of Home Affairs (MHA) imposed the first phase of lockdown on March 25, 2020, which was thereafter extended on multiple occasions and was in force till May 31, 2020.

Sports world is not free from this. They are facing a huge degree of risk and uncertainty due to this Covid-19 pandemic. In a recent survey conducted by CMIE (Centre for Monitoring Indian Economy), it has observed that the major Indian Sports equipment manufacturing companies like Cosco Sports, Nivia, Metco Sport Private Limited, Cricket Stuff, National Sports, Stag International, Monika Sports Industries, Bhalla international etc. have either temporarily suspended or significantly reduced their operations due to the tremendous uncertainty arising from this Covid-19 pandemic. This paper intends to explore an assessment of Covid-19 pandemic and Indian Sports industry.

Keywords: Sports industry, turnover, risk, volatility, uncertainty

Introduction

We all know that Covid-19 pandemic is the most dangerous threat to the human civilization in the present time. The outbreak of Covid-19 pandemic has affected almost every corner of the globe. It has affected not only the human life but also the Socio-economic, Political, Cultural, Emotional and even the Spiritual orientation of the most of the people of the world. Nobody is safe now a day. Anything can happen to anyone at anytime. Everywhere there is a tremendous uncertainty and fear of death.

Indian sports industry is one of the significant contributors of Country's GDP. The market size of the sports industry across India was over 16 billion Indian rupees in 2020. The majority of the media consumption in the sports industry in the country was from the Indian Premier League. Recently however, other domestic leagues like Pro Kabaddi and the Indian Super League have gained popularity. Sports industry is not free from the adverse effect of the Covid-19 pandemic. They are facing a huge degree of risk and uncertainty due to this Covid-19 pandemic. In a recent survey conducted by CMIE (Centre for Monitoring Indian Economy), it has observed that the major Indian Sports equipment manufacturing companies like Cosco Sports, Nivia, Cricket Stuff, National Sports etc. have either temporarily suspended or significantly reduced their operations due to the tremendous uncertainty arising from this Covid-19 pandemic.

The situation is not different in the other parts of the world also. The degree of Risk, Uncertainty and Volatility has gone up beyond the manageable limit. Mr Ratan Tata has rightly said that "2020 is the year to stay alive, don't care about Profit and Loss".

Background

Between January 2020 and March 2020, COVID-19 spread to most countries of the world, with countries imposing international travel bans and region wide lockdowns, to control the spread of the virus. The imposition of such strict measures had an impact on various businesses across the world, including the business of sports.

In India, the Ministry of Home Affairs (MHA) imposed the first phase of lockdown on March 25, 2020, which was thereafter extended on multiple occasions and was in force till May 31, 2020. The MHA permitted the opening of sporting complexes and stadiums, without spectators, from May 18, 2020. However, sports gatherings were not permitted. The aim of the relaxations was to allow athletes in the training centers to resume training. The Sports Authority of India (SAI) issued a standard operating procedure for its training centers and athletes were gradually allowed to resume training in accordance with the protocol.

The biggest share here goes to media, where advertisement spends on TV, Digital and Print media contributed to INR 3657 Cores, which accounts for 62% of the total, spends. Sponsorship Spends included On-Ground Sponsorships, Team Sponsorships and Franchise Fee, and this took up 28% of the industry pie, which translates to an amount of INR 1673 Cores. An interesting shift that gained momentum in 2020 was the athlete endorsement which grew 5% over 2019, against the business of sports.

Before delving into the impact of COVID-19 on sports' businesses, it is important that we understand what constitutes the business of sports. There are three primary revenue sources for a live sports event: (i) broadcasting revenue; (ii) advertising and sponsorship revenue; and (iii) match day revenue i.e. ticket sales. These three revenue sources for the sports industry dried out since no live events

took place due to the imposed lockdown and restrictions. Further, the sports business entails not just the live events which are televised and broadcast, but also all the businesses associated or dependent on the occurrence of such live events. The associated businesses include the production of live events, stadium rentals, hospitality, fantasy sports and betting, merchandise and sporting goods, etc., all of which have suffered huge losses. Several companies rely on sponsoring the events to come into public eye and boost their sales. Individuals, who work largely on per event/ match basis, such as umpires and other support staff, athletes with no sponsors/ regular source of income, have also been severely impacted.

Impact of Covid-19 pandemic on sports industry

At the beginning of 2020, no athlete/ fan/ organiser would have imagined that a match, let alone tournaments in their entirety, will be held behind closed doors (in empty stadiums and quiet atmospheres), however, the pandemic brought the sporting world to a standstill. While live sports have gradually resumed over the past few months, it is only under strict health guidelines and without fans. The gravity of the circumstances can be ascertained from the fact that the International Football Association Board (IFAB) mandated that in the event a player is found to be faking or deliberately coughing, he / she could be penalized with a red card, subject to the discretion of the referee. The International Cricket Council (ICC) also amended its playing conditions regulations to ban use of saliva by players to shine the cricket ball, however, the players can use sweat to shine the ball. While new rules emerged on one hand, technological advancements were made use of to create a Pre-COVID era stadium atmosphere and unique ways to create a viewer experience emerged. Danish football club, Aarhus Gymnastikforening (AGF), partnered with videoconferencing company Zoom for one such initiative. Before the match, AGF asked its fans to sign up for virtual tickets in the section of the stadium where they would normally sit, and then grouped them together on video calls of up to eighteen (18) people. Thereafter, a group was projected onto one of the giant video screens set up inside AGF's stadium Ceres Park for a brief period before being replaced by another group. AGF had also set up a smaller screen dedicated for fans of visiting team, Randers. The sounds from the spectators' microphones were also played through the stadium's loudspeakers. This user experience was also introduced in the Premier League. The ability to watch a match from the safety of your homes, alongside fellow fans on giant screens installed in stadiums, did manage to create a unique stadium experience for the fans, the viewers and more so the players. A study conducted by PricewaterhouseCoopers (PwC) has projected that the sports sector will grow at 3.3% for the next 3-5 years, compared to the 8% growth in the previous 3-5 years. The study further projected annual growth rate in sponsorships to reduce to 2.2% in 2020 (4.5% annual growth rate in 2019) and licensing and merchandising to 3.4% (compared to 4.1% in 2020). On the contrary, eSports and video games saw tremendous growth during the initial months of COVID-19 era. Esports streaming platforms reported a surge in growth during the months of March and April, with a 20% increase in usage hours and 75% increase in gaming traffic during peak hours.

During the period of inactivity in sports, there was a significant step jump in the level of social media influencer activity among popular athletes. Here again, cricketers ruled the roost, with a 92% share of the pie. Of the 377 endorsement deals that happened last year, 275 involved cricket players. In November, the Indian Super League (ISL) got underway in three venues in Goa with strict protocols and adherence to bio-bubble considerations. This was the first major sports event to be held in India after the pandemic; giving ample demonstration of our ability to pull off an event of this magnitude under such circumstances. At the beginning of 2020, no athlete/ fan/ organizer would have imagined that a match, let alone tournaments in their entirety, will be held behind closed doors (in empty stadiums and quiet atmospheres), however, the pandemic brought the sporting world to a standstill. While live sports have gradually resumed over the past few months, it is only under strict health guidelines and without fans. The gravity of the circumstances can be ascertained from the fact that the International Football Association Board (IFAB) mandated that in the event a player is found to be faking or deliberately coughing, he / she could be penalized with a red card, subject to the discretion of the referee. The International Cricket Council (ICC) also amended its playing conditions regulations to ban use of saliva by players to shine the cricket ball; however, the players can use sweat to shine the ball. A study conducted by PricewaterhouseCoopers (PwC) has projected that the sports sector will grow at 3.3% for the next 3-5 years, compared to the 8% growth in the previous 3-5 years. The study further projected annual growth rate in sponsorships to reduce to 2.2% in 2020 (4.5% annual growth rate in 2019) and licensing and merchandising to 3.4% (compared to 4.1% in 2020). On the contrary, e-Sports and video games saw tremendous growth during the initial months of Covid-19 era. e-sports streaming platforms reported a surge in growth during the months of March and April, with a 20% increase in usage hours and 75% increase in gaming traffic during peak hours.

Conclusion

COVID-19 has brought in a wave of challenges and opportunities for the sports sector. While several events have been cancelled or postponed, the technological advancements have helped generate viewership and engagement through e-sports. On occasions traditional sports and e-sports have worked together to organize events with real-world players participating in online competitions representing their teams, which were streamed live and well-received. This speaks for the tremendous growth potential should the sports and gaming industries work in tandem. This is also indicative of the immense potential of sports which has found ways to continue to entertain even during such difficult times.

While Covid-19 has given e-sports the boost it needed, however, only time will tell whether it can walk alongside traditional sports. On the other hand, the media innovations that have taken place during this time are certainly going to transform the manner in which traditional sports are consumed which have made it a more interactive experience for both, the athletes and the fans. Since the economics of sport hinges upon a fan base, till such time as the fans can maintain that connect with sport (their favorite teams) in one

way or another, eventually, as soon as they perceive the environment to be safe, people will return to the stadiums.

In any crisis sport is always considered as a uniting factor and now it plays even a more important role in bringing people together from this unfortunate situation. It's just that the sporting bodies across the world have to tackle the situation smartly and be considerate about the safety of the staff and the players, and everything will be back on track!

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