



# Sports Industry in South Africa

Industry Profile  
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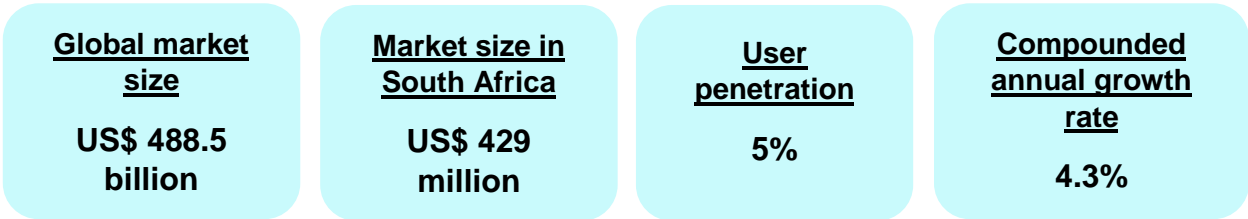
## Executive Summary

- In the last five years, the underlying potential of Africa's sport industry is best captured in the NBA's expansion across Africa culminating in the 2019 announcement of the launch of the Basketball African League (BAL).
- Since 2003, the NBA has steadily increased its presence in Africa starting first with Basketball Without Borders, its primary development and community outreach program, and the 2017 establishment of the NBA Africa Academy in Senegal, eventually expanding into areas of commercial interest.
- In 2016, the league reached a multiyear deal with Econet Media to broadcast over 500 NBA and WNBA games each season and in 2015, 2017 and 2018 played an All-Star NBA Africa game in South Africa.
- With the continent's middle-class estimated to reach 1.1bn with 690m smartphones in Sub-Saharan Africa by 2050, there will be many eyeballs to watch future games at home and fill today's unbuilt or underused stadiums.
- Association football has historically been particularly popular amongst persons of black African descent and is South Africa's most popular sport. The South Africa national soccer team is nicknamed Bafana Bafana. South Africa hosted the 2010 FIFA World Cup.
- Rugby union used to be the most popular sport in South Africa amongst white South Africans traditionally, but not anymore. Today, it is a sport that is played amongst all races in South Africa. The national rugby team is nicknamed The Springboks. South Africa hosted the 1995 Rugby World Cup, the first one hosted in Africa.
- Cricket is traditionally the popular sport among the white British diaspora and Indian South African communities, although it is now followed by members of all races. The national cricket team is nicknamed The Proteas. South Africa hosted the 2003 ICC Cricket World Cup and 2007 ICC World Twenty20.
- South Africa is among a few countries which have participated in world cups of all three major sports - Cricket, football, and rugby. England, New Zealand, and Australia are among other such nations.
- Other popular sports include: boxing, hockey, tennis, golf, surfing, netball, running and also obstacle course racing.
- South Africa hosts the Saddle Seat World Cup every four years, which includes the American Saddlebred, Morgan horse, and South African Boerperd horse breeds. It is the highest level of competition for Saddle seat Equitation riders.

# Industry Overview

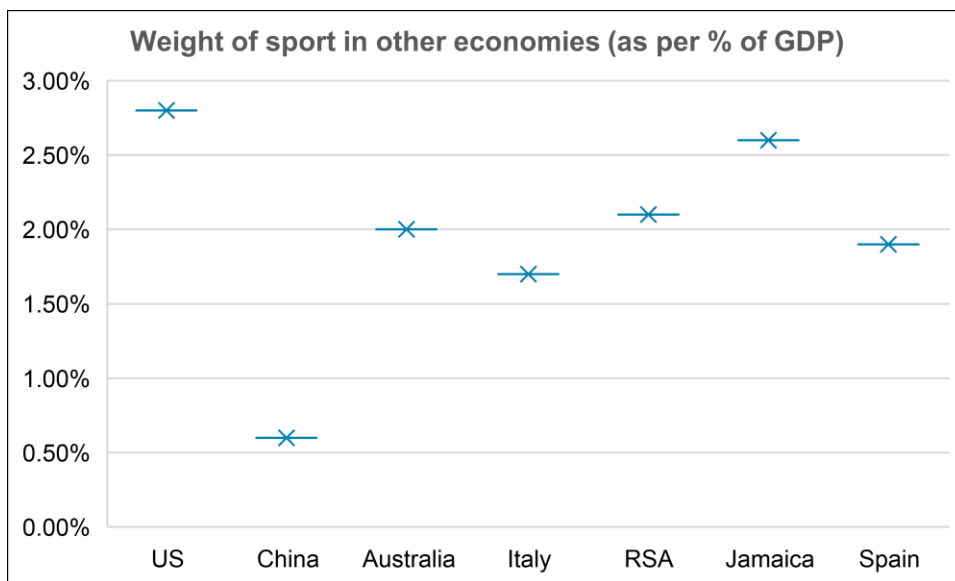
- The global sports market reached a value of nearly \$488.5 billion in 2018, having grown at a compound annual growth rate (CAGR) of 4.3% since 2014, and is expected to grow at a CAGR of 5.9% to nearly \$614.1 billion by 2022.
- The eCommerce market segment Sports & Outdoor includes leisure products relating to sport and outdoor activities. Sport and outdoor items also include clothing, shoes as well as sport and outdoor equipment, for example hiking poles, backpacks, fitness equipment, hunting devices, sporting weapons, swimming accessories and winter sports gear.
- Revenue in the Sports & Outdoor segment is projected to reach US\$429m in 2020.
- Revenue is expected to show an annual growth rate (CAGR 2020-2025) of 10.4%, resulting in a projected market volume of US\$705m by 2025.
- User penetration will be 5.0% in 2020 and is expected to hit 9.0% by 2025.
- In global comparison, most revenue will be generated in China (US\$97,826m in 2020).

# Keys Stats

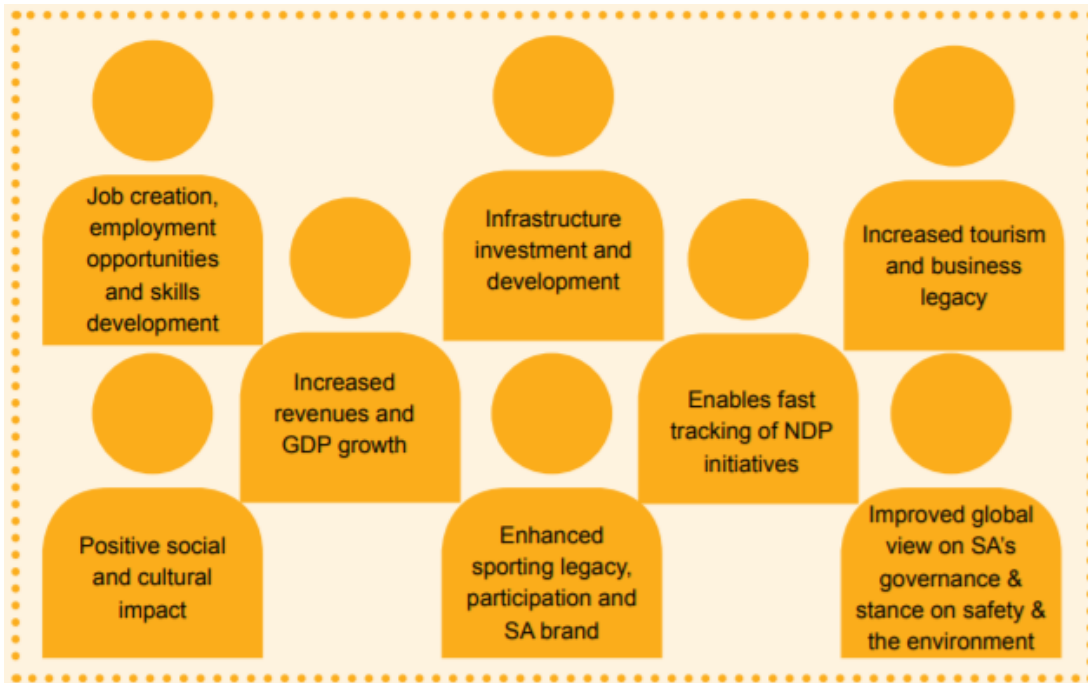


## Economic contribution

- The direct contribution of sport to the GDP varies from country to country, but generally, relevant literature indicates contributions ranging from 1 - 2% of the GDP. South Africa's annual sport-related spending is estimated as being in excess of R3 billion with inevitable spikes during mega sporting events like the 2010 FIFA World Cup.



- The potential of sport to contribute to economic growth is enormous as numerous studies have shown. However, this will be nullified if the increasing burden of inactivity is not addressed. Physical inactivity is draining economies. By 2030, the direct costs of physical inactivity in China and India are estimated to each increase by more than 450%. To put these increases in context, the 2030 annual direct costs are expected to be more than mainland China's current health care budget, and nearly four times what India currently spends on secondary education in a year.
- When South Africa submitted a bid in 2018 to host the 2022 Commonwealth Games in Durban, an economic impact study was commissioned. The study estimated that, in total, international visitors were expected to contribute up to R12 billion in direct expenditure. Furthermore, the Games were expected to deliver up to R20 billion in output to the economy, translating into an estimated R11 billion GDP growth. The impact on the GDP shows that sport and sporting events have economic benefits, however, there are also important broader benefits that leave a lasting legacy;



## Prospect of Rugby World Cup in South Africa in 2023

- Grant Thornton were commissioned to conduct an economic assessment to demonstrate the benefits that could be gained from hosting the Rugby World Cup in South Africa in 2023. These benefits are illustrated below;
  - ✓ R27.3 Billion - direct, indirect and induced economic impact
  - ✓ 38,600 - temporary jobs created or permanent jobs sustained
  - ✓ R5.7 Billion - flow to flow income households
  - ✓ R11 Billion – direct spend
  - ✓ Almost 200,000 - foreign tourists estimated to visit South Africa
  - ✓ R1.4 Billion - estimated tax benefit for government coffers

## Soccer in South Africa

- Without doubt football (that is, soccer) is the most popular sport in Africa. Indeed, football is probably the most popular sport in every African country, although rugby and cricket are also very popular in South Africa. The South Africa national soccer team is nicknamed Bafana Bafana.
- Football was introduced into Africa more than 100 years ago by the British, Belgian, French, and Portuguese colonialists
- In the past few decades, African football teams and players have gained a solid international reputation. Today, more than 100 footballers from all over Africa play on first division professional soccer teams in Europe, South America and in the United States. Beginning in 1970 the continent of Africa was given one guaranteed place in the World Cup championships.
- Based on the great improvement in African football, by 1986 Africa was awarded two places, by 1998 Africa had four guaranteed places, and in May 2002 at the World Cup tournament hosted by South Korea and Japan the continent of Africa as represented by five teams: Cameroon, Nigeria, Senegal, South Africa, and Tunisia. Only Europe and South America had more national teams represented at the World Cup than Africa.
- The South African Premier Soccer League (PSL), boosted by a lucrative TV deal, posted record revenue of more than one-billion-rand last season. TV rights and sponsorships from banks, telecommunication and engineering companies were responsible for the 1,005 billion (\$68 million/62 mn euros) bonanza.
- The PSL runs a 30-round league, which the SuperSport channel screens throughout Africa, and the first prize increased 50 percent to 15 million rand for the 2019/2020 season.
- On average, most footballers earn between R100,00 to R120,000 per month. Algerian clubs earn about R17,000,000 less per year, they pay their players, on average, more than double what South African teams pay theirs.

## Rugby in South Africa

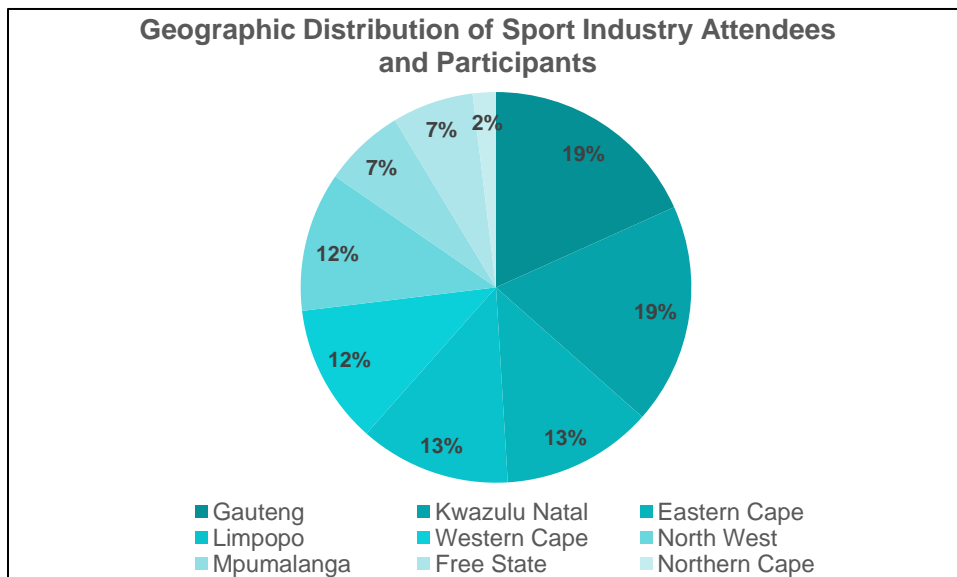
- Rugby union used to be the most popular sport in South Africa amongst white South Africans traditionally, but not anymore. Today, it is a sport that is played amongst all races in South Africa. The national rugby team is nicknamed The Springboks. South Africa hosted the 1995 Rugby World Cup, the first one hosted in Africa.
- Over 650,000 South Africans are registered rugby players, making it the second most popular sport in the nation. There are 1,526 clubs in South Africa.
- Coming in as the best-paying club, the Western Province Rugby Union is at the top of the performance ladder and has a cool R78 million to spread out among 128 contracted players annually. This comes down to players earning an average of R609,375 per year.

- The Blue Bulls pay their players an average of around R405, 331 per year. The Bulls have a budget of R68 million for 151 players annually. Neighboring union, the Lions, play the field with a budget of R66 million per year for 117 players, which boils down to R564,103 per player. Coming in at fourth place is the Durban-based franchise, the Sharks, with an annual budget of R65 million between 111 players.
- On average, a South African rugby player makes R1,055,440 per season of Super Rugby, obviously excluding win-bonuses.

## Cricket in South Africa

- Named The Proteas after South Africa’s national flower, in 2012 the South African National Cricket Team became the first national team to be ranked number one in all three formats of the sport (test, ODI, T20). Even though they have a reputation of being “chokers” on the big stage and have never made it past the semi-finals of the Cricket World Cup, ICC World T20, or ICC Champions Trophy tournaments, cricket still has immense popularity in South Africa, especially among English speakers, the Asian/Muslim communities, and Afrikaans-speaking whites.
- The South Africa players who holds the (National) contracts earn between (\$100k – \$440k) as for retaining fees. The highest-earning captain in international cricket stands to make nearly 20 times as much as the lowest-earning; the top cricketers in the world earn around US\$1 million from playing international cricket.
- The top paid cricket playing countries are Australia, England, India, South Africa, etc.

## Sport Industry Attendees and Participants



## Sport Equipment and Apparel Industry

- The sports equipment market includes ball sports equipment, adventure sports equipment, fishing equipment, golf equipment, racket sports equipment, winter sports equipment, and all other sports-dedicated equipment.
- The South African sports equipment market had total revenues of \$1,337.8m in 2017, representing a compound annual growth rate (CAGR) of 5.3% between 2013 and 2017.
- Clothing, footwear and accessories specialists account for the largest proportion of sales in the South African sports equipment market in 2017, sales through this channel generated \$348.9m, equivalent to 26.1% of the market's overall value.
- Sales through the online channel are gaining traction, with the channel expected to grow at a CAGR of 21.3% during 2014-2019.
- Specialist retailers dominate the sport and leisure equipment market in South Africa, having accounted for 80.3% of the sales in the segment.
- Hosting a world class cycling event in South Africa has a huge impact on its cycling market. Major brands usually jump at the chance to get involved, the events attract more cyclists to the area who are likely to purchase cycling-related items, the cameras (television, print, online) line the routes and provide exposure, etc.

## Key Trends

### Sponsorship Landscape

Sponsorships have become a "buyers' market" for brands, while the burgeoning youth market should be a strong focus for sports disciplines seeking to grow a fan base. That's the top line from a new commercial trends study by research company Nielsen Sports. Its report refers specifically to following important trends that will affect the sports industry in 2020 and beyond, and makes some recommendations;

- ✓ Increasing competition, fragmenting audiences, greater business sophistication and a proliferation of products are producing a variety of challenges and opportunities for rights holders and brands
- ✓ Rights holders and sponsors should be looking at better data to make sense of sponsorship. This includes understanding fan behaviour to build lasting relationships with fans and consumers
- ✓ Sports properties and media should be innovating, with rule changes in core formats, incorporating e-sports (video games and competitions), and making tech advances to foster fan engagement

## Opportunities

### **Sport Tourism**

Sport tourism has become a prevalent and growing global phenomenon and an increasingly significant niche tourism market. The growth of sport tourism has been driven by increased global interest in sporting events on the back of the massive expansion in satellite and digital television coverage. With more leisure time, more disposable income and relatively cheap travel, sport is no longer just an add-on for travelers – in many instances it is the sole reason for travelling in the first place.

The unprecedented rise in the number of people travelling to and from sport events all over the world has given rise to the term “sport tourism”. Sport tourism can generally be described as travel focusing primarily on either engaging in or observing a sporting event as an official, journalist or as a spectator. Sporting events are now big catalysts for general tourism, which also promote return visits to the same country or city as well as word of mouth encouragement or advertisement for others to visit.

According to Department of Tourism, the main reason by far for foreign tourists visiting South Africa is leisure activities including sport and recreation. Between 2013 and 2015, an average of approximately 68% of tourists indicated that the purpose of their visit was leisure; the average for business purposes was 22%, medical reasons 3%, religion 1% and other 6%.

### **Growth of Online Retail**

With consumers in South Africa becoming increasingly price-conscious there is a growing demand for retailers that can offer both quality and value. Sport and Outdoor retail in South Africa is due to pass the \$121 million mark in 2020 as ecommerce begins to go mainstream. Bricks and mortar stores can use online stores as a channel that consumers can use to make purchases outside of existing retail stores. This can be done using online order and deliver but may include hybrid options such as “click and collect” in which shopping can be done online and collected in retail stores, or the facilitation of returns to offline stores. For a brick-and-mortar based store, the profit is reduced due to rising labor costs, rising warehouse costs and losses due to bad handling of the goods. When you have an ecommerce store, you can use the direct-to-consumer method.

### **Cycling is the New Golf**

Cycling is experiencing a massive boom in this tough economic climate, even though participation requires expensive equipment. This can be attributed to the versatile market cycling attracts — from health-conscious leisure riders, to competitive road and mountain bikers, to commuters using a bicycle as an eco-friendly or affordable means of transport.

Cycling is the new golf is a phrase that is said about the growing popularity of cycling. Instead of hosting a corporate golf day, companies will now host a mountain biking event for customers, because they can reach a much wider audience.

Men between the age of 35-45 are embracing sports cycling, the way previous generations embraced golf as a networking opportunity.

# Challenges

## Managing Stakeholders

Sports organisations are finding it increasingly difficult to balance the needs of all their stakeholders – it used to be all about the fan who would simply vote with their feet, but now the fan has a louder voice via social media. At the same time a corporate world of sponsors and broadcasters, can shape the fans' experience more than ever before.

For the sponsor, all the benefits that an association with sport can have, can be destroyed by poor behaviour on the part of players and administrators, or by corruption, and the governance saga surrounding Cricket SA.

As sponsors allocate increasing amounts of money to sport, there will be intensifying pressure for far more sophisticated measurement techniques to demonstrate the returns on that investment. Sporting bodies and associations are increasingly seeking to introduce new regulations in an attempt to control the cost base and levels of debt in their sports and leave a sustainable business model for future generations.

All sporting bodies are walking a tightrope, as they attempt to balance increased commercial demands on their sports, with the often conflicting need to maintain the integrity and unpredictability that make sporting competitions so exciting and appealing to their supporters.

## Millennials

Now more than ever, the sports industry is faced with an uphill battle of finding ways to entice millennials to actually attend games. The rise of technology has made it exponentially easier to view sporting events from the comfort of their own homes. Not to mention, professional sporting groups such as the NBA and NFL have also made it easier through mobile applications and their own TV stations (NFL Network, for example). It's hard to say why millennials just don't go out any more. Still, this age group will continue to challenge the sporting industry in years to come.

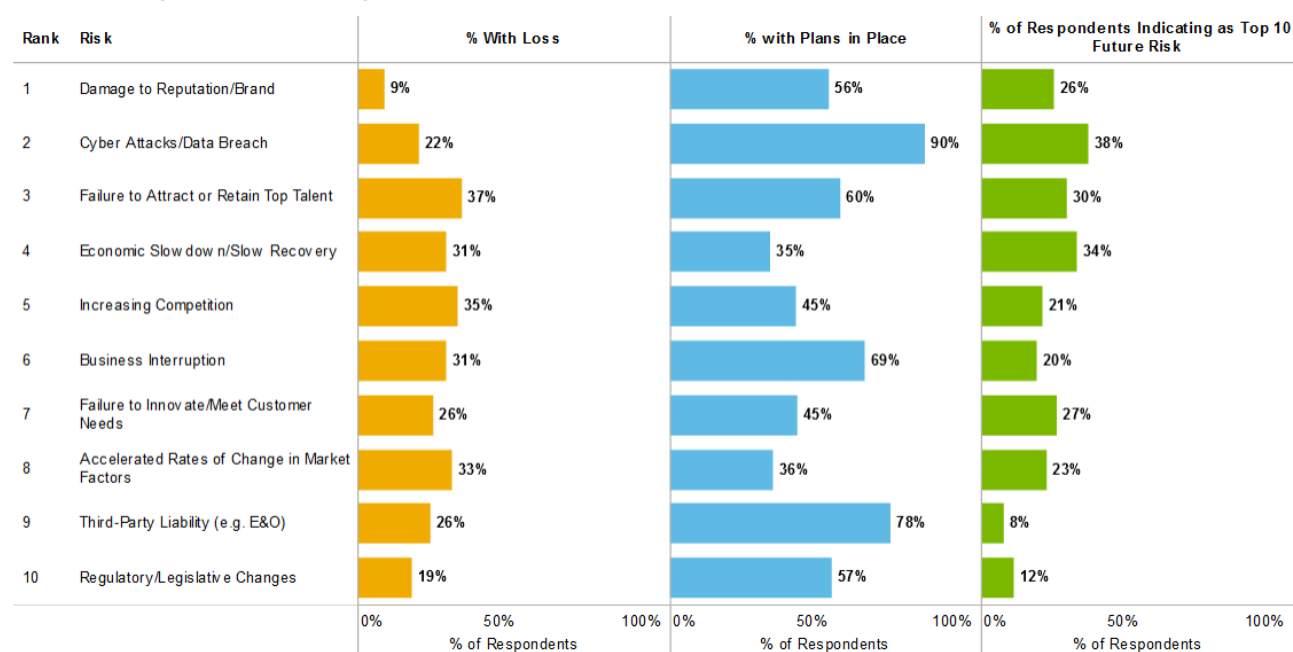
## Technology Integration

One other challenge the sports industry faces is keeping up with the pace of technological advancements. Many fans connect with their favorite teams through social media, which puts pressure on teams to constantly keep updating their Facebook timelines and Twitter feeds. Likewise, venues must also keep up with the pace. Not having wifi can be a major turn off for fans who want to stay connected throughout the game. Thus, if teams are not proactive with social media and do not have the capability of enticing fans with modern technology, fans will simply not follow them nor go to games in person.

## Major Sport Goods Companies in South Africa

| Companies                   | City/Town            | Province      |
|-----------------------------|----------------------|---------------|
| Nike SA (PTY) Ltd           | Midrand              | Gauteng       |
| Soweto Sports               | Brits                | North West    |
| Prime Scuba                 | Cape Town            | Western Cape  |
| Audrey Elizabeth-Crawford   | Port Elizabeth       | Eastern Cape  |
| Gimtrac (PTY) Ltd           | Sunderland Ridge Ind | Gauteng       |
| Kacheman                    | Durban               | KwaZulu-Natal |
| Reebok Sa (PTY) Ltd         | Durban               | KwaZulu-Natal |
| Mark 2 Sports Products      | Johannesburg         | Gauteng       |
| Thuthukani Manufacturing Cc | Balito               | KwaZulu-Natal |
| Active Soul                 | Milnerton            | Western Cape  |

## Top 10 Risk Exposure to Professional and Personal Services Industry (Globally)



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## Links

- <https://www.statista.com/outlook/259/112/sports-outdoor/south-africa#market-globalRevenue>
- <https://www.theafricareport.com/44838/africas-booming-business-of-sports/>
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