

Is it 'Back to the Future' in local TV sports?

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To paraphrase Mark Twain, the death of local sports TV has been greatly exaggerated. Yes, RSNs are challenged, and teams now must consider a range of alternatives from over-the-air broadcast to streaming. However, for most sports fans, local coverage of major league pro teams is still their passion. On a relative basis, it's never mattered more. Looking forward, consider:

1. Regional sports networks are still the place where sports fans virtually gather. They are predictable, always-on, hometown destinations, synonymous with local baseball, basketball and hockey, as well as pre/postgame and in-depth, behind-the-scenes content. RSNs still generate wide exposure in most markets, and as "dual-revenue stream" businesses (subscriber fees plus advertising) still generate more revenue than most alternatives. Many RSNs are frequently the highest-rated prime-time channels in their markets. However, RSN revenue and audiences, like cable in general, are shrinking and aging; and some MVPDs either no longer carry the networks or provide smaller penetration. They are now just part of a solution in a broader universe of team options.

2. Local broadcast stations are back as destinations for some teams. The Suns, Jazz and Golden Knights (all dominant teams in smaller to midsize TV markets) are switching to broadcast from RSNs in 2023-24. Their OTA carriers (Gray, Sinclair and Scripps, respectively) serve an entire metropolitan area via a single feed, and can generate more ad revenue to support the rights than any alternative. However, local TV no longer has the reach it once did. About a third of homes no longer receive their local broadcast channels — even with potential access via antenna, cable, satellite, or streaming. The promotional and lead-in audience that OTA delivers also represents just a small fraction of what once was. Simply placing games on a station no longer provides the mass exposure that teams crave. However, the audiences stations have lost make local sports rights relatively more important to them, possibly leading to higher retrans payments, giving teams negotiation leverage.

3. Streaming is ascendant. Netflix, Prime Video, Peacock, **Apple TV**, Paramount+, Disney+, Max and **YouTube** have revolutionized how Americans consume most types of video entertainment, and have begun to do so with sports as well. Most soccer is now streamed (**MLS** exclusively); Thursday **NFL** is on Prime Video; and **MLB** has packages on Peacock and Apple. In addition, streaming offers customization and

personalization that fans will grow to expect. But today, the majority of major sports content remains on traditional linear channels, and streaming still suffers annoying latency (game action lags score apps). The Diamond RSNs, MSG, Marquee and **NESN** have begun a transition game, offering a direct-to-consumer option in addition to the traditional cable/satellite feed. Some of the Diamond (Bally Sports) RSNs already deliver a substantial number of unduplicated homes via their DTC offerings. If a team puts most of its games on free TV, it should view pay streaming as attractive incremental reach for the digitally savvy, but not necessarily as a big net revenue generator, because free is potent competition for pay.

4. Direct-to-consumer packages are a tough business. Teams/schools may also choose to go directly to their fans (DTC). They can produce a virtual season ticket (and PPV), further deepening direct relationships with their fans (avoiding the middlemen), building a subscriber base. However, this adds risk and much additional expense, both for the team to produce, sell and execute, and for fans used to getting games “free” on cable, and now faced with myriad other SVOD subscription options.

5. Your league might be your partner. NBA League Pass, MLB Extra Innings, and NHL Center Ice, along with their respective national channels, can provide infrastructure and packaging options to enable teams to market a local package directly to their fans, combined with national assets. While none has yet been announced, look for MLB to lead here, as it has already obtained rights to Padres and **Diamondbacks** games; others could soon follow.

6. Is this the moment for independent streamers? There are dedicated sports streaming operators, such as Flo Sports (which carries lots of Olympic sports) and **DAZN**, which features boxing. Neither has yet entered major league U.S. sports, but they have shown interest.

7. What are the economics? A well-distributed RSN can still afford to pay the largest rights fees because of its dual revenue streams and fairly wide distribution. Even in their diminished state, RSNs will still be the preferred choice for many teams for years. However, broadcast is in a position to provide wider exposure. In theory, all homes can receive OTA-TV. The digital signal quality is better than ever. But relying on ads alone will not provide the same return for most teams. That’s the reason teams originally abandoned OTA. Will offering the majority of home games on free TV affect the gate? Streaming, if done as an extension of broadcast or RSN, can supplement the audiences and reach some younger fans that don’t subscribe to cable but who do have data service. But pricing (above zero) becomes the potential gating factor.

For pro teams, the RSNs were a lucrative “set it and forget it.” Like classic full-season tickets, that era is over. Now, the hard work begins at home. True community building is necessary in order to engage and manage a modern fan base to match or exceed previous revenue. The good news is that level of digital and physical interaction is exactly what your fans want.

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