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Media

In a changing world, TV experts Ed Desser and John Kosner share how fans will watch sports in the future

By David J. Halberstam 04/22/2021 0

Media experts Ed Desser and John Kosner break down the NFL's mega rights deal and project what's ahead for sports television

Ed Desser and John Kosner worked together at the NBA for a significant number of years under the tutelage of the late commissioner, David Stern. It was a precious way to learn the business. Stern built the NBA from a drug infested league that failed to get its championship playoff round on live television to a multi-billion dollar entity with huge global footprints. Anyone who worked for the driven Stern knows that he was hands-on and a taskmaster. But so many will also tell you how much they learned interacting with him regularly.

For 23 years, Desser served as the senior media executive in Stern's NBA office and ultimately as President of NBA Television and New Media Ventures. He now has more than 40 years of experience in sports media, performing valuations, determining strategy, and negotiating major media deals in the local, national and international TV marketplaces, and serving as an expert witness.


Ed Desser (l) with John Kosner

At the NBA, Kosner was in charge of U.S. broadcasting during the Dream Team era. He then spent 21 years at ESPN where he helped build the world's leading digital sports destination, a powerhouse in short- and long-form editorial content, streaming, social media, podcasting and fantasy sports. In 2018, John and Stern created Micromanagement Ventures, a portfolio of sports technology start-ups focused on media, betting and player health. Stern passed on New Year's Day 2020 after a brief illness.

Kosner and Desser negotiate sports media agreements for rightsholders. They're both ahead of the curve and clearly project conceptual frameworks that will dictate future television deals. The average fan might not know their names. Yet they're well known and greatly respected in the suites of top television and network executives.

In light of the whopping $113 billion NFL deal, I checked in with them to get their takes on how the deal breaks out, what viewers can expect, the entities that they think could be big TV players down the road and how in a changing world we're likely to consume sports down the road.

Q& A – Ed Desser and John Kosner

Both of you worked for the late David Stern at the NBA. He had a reputation of being somewhat of a taskmaster. What are each of your memories of David? Any fun recollections?


David Stern and John Kosner (left), months before the commissioner's death.

Kosner: I got to work with David twice – the first time after Ed hired me from CBS Sports, 1987-1994, and then after I left ESPN, David and I worked together in 2018 and 2019. My first go round, I got very accustomed to screwing things up and then hearing about it in high volume and frequency from David – leading to multiple "firings." When we reconnected in 2018, David was a more content, relaxed person and my work experience with him was great fun. But he never lost his competitive edge. David kept his phone number private so when you saw the "no caller ID" show up on your phone you knew who it was. One time, I was working with David on an investment/advisory deal with a startup and the startup rejected one of our key terms. I sent David an email late on a Friday night, stating that success was unlikely because the startup "can't do the deal we want." As soon as I sent it, I felt this familiar shudder – No!!! David's going to call me right back and say: "Listen, you ____, it's *not* that they can't, it's that *they won't*. You're fired!" Two minutes later the "no caller ID" popped up on my phone. The difference this time was that after David read me the riot act, he had a good laugh when I told him that I got exactly what I deserved.


David Stern (l) and Ed Desser in earlier years

Desser: I too was "fired" multiple times by David…sometimes more than once in a day, sometime deserved and other times just for dramatic effect! Perhaps that was the reason he had both John and me working there at the same time! There are so many stories I could share about my 23 years at the NBA (plus another 5 before that locally, and 16 since working on NBA-related deals), but I think it's best to just say there has never been a smarter, harder-working, more gifted, and more transcendent sports executive. David understood how every aspect of the business worked, and what needed to happen to advance the state of the NBA: "everything is a priority." He recognized the power of new technology to supercharge opportunities, which was especially valuable for me. He never took himself too seriously, but made sure that we understood that "no one was going to care about the NBA more than we did." He made my career possible, and I will forever be grateful for all the opportunities he provided, the support he gave, the lessons he taught, and his friendship.

Kosner: Can't say any of that better. I would just add that David was also self-taught. He reinvented the industry but only after he learned each part of it (broadcasting, marketing, basketball operations, community service, next-gen technology, etc.).

Desser: I was one of his early teachers, before he mastered the subject and taught me a thing or two about sports broadcasting!

Did the enormity of the $113 billion NFL TV deal surprise you in any way? Other than a few tweaks here and there, be they ABC joining the Super Bowl rotation and Amazon getting Thursday nights, the distribution of rights mirrors what the league and networks have now.

Desser: The NFL deals collectively are the most outrageous, audacious, overpriced, but completely worth it media deals in sports history. The power of the NFL as a property, a brand, and a perfected form of entertainment, is something that can launch series, networks, businesses, and technologies in the USA. It is simply unmatched. It defines the high-water mark that all others seek to attain. While the deals are innovative (e.g., carving out gambling rights, making Amazon exclusive on Thursday nights), they largely continue the NFL's long practiced approach, staying with established incumbent partnerships, while continuing the practice of "slicing the salami," as David would say, just a bit thinner each cycle. No one gets all they want, but everyone is happy to be inside the tent.

Kosner: I was pleasantly surprised that Amazon paid $1 billion annually to get exclusive rights to the Thursday night games. Amazon's purchase of these rights is the most significant deal in our industry since Fox took the NFC package away from CBS in 1993. What Amazon does with these rights – innovative production, multiple feeds, heavy stats, Twitch, shopping, X-ray – is going to be the most fascinating part for me. I'm also very curious about the streaming plans for other broadcast partners. They are each approaching the challenge differently.

The huge dollar amounts required of the networks for the NFL might very well diminish what the networks have left in the till for other sports broadcast rights. As such, it's been reported that the NBA is seeking an early renewal of its rights deal with Turner and ESPN. The league is hoping to triple its rights fee from $24 billion to $75 billion. The current deal

ends in 2024-25. From an overall revenue picture, other than the NFL, which of the sports will fare best in a landscape that can be financially tighter?

Kosner: I believe the strong will get stronger. The NBA is uniquely popular among young fans and basketball continues to grow globally. If the NBA does not re-up early with ESPN and WarnerMedia, it could become the first league to strike a truly global media agreement with one or more tech companies when its current deal expires mid-decade.

Desser: The upward trajectory of major sports rights is unabated. There is still nothing else quite like sports to gather a huge, reliable audience. The pool of available funding is growing from streamers and potential gambling opportunities, while the pay television market continues to slowly shrink. Caught in the middle will be the sports properties that don't command sub fee allocations, and which can't bring large amounts of content and subscribers to streaming platforms. They will have to adjust to the new normal, but will find a host of alternative options available as streamers look to build sub-bases in the current phase, creating new leverage for previously marginalized properties, provided that they have devoted, well-heeled audiences. Combining out-of-market rights with national rights is also a key "new" opportunity for MLB, NBA, and NHL.

NBC had the whole kit and caboodle in an exclusive NHL deal. ESPN recently bought a chunk of the rights beginning next season. NBC would like to cut a deal for the half that remains but has drawn a line in the sand. It will pay just so much. Thoughts?

Kosner: The NHL's deal is indicative of what's coming. The traditional rights buyers are all launching streaming services (except for Fox) and that is where they are investing. The NHL gets the ESPN and ABC platforms for its biggest events but the real news here is that the NHL's outer-market package and its vast number of games is moving to ESPN+. Did ESPN backstop the deal to pick up the other half of the NHL if it doesn't find a buyer between incumbent NBC, Fox and CBS?

Desser: The news here is that after 20 years of being a secondary national sports product in the US (primary in Canada), the NHL has become sought-after by multiple networks. This will be transformational to the NHL's national revenue picture, which has lagged for some time since ESPN abandoned it in the early 2000s. Gary Bettman and David Proper have done a great job building the league into a true major league media property.

The sponsorship market seems hot. No issues there. Is it sponsorship revenue alone that is fueling these eye-popping deals?

Kosner: The ad market is hot now, but with ratings down across the board, will there be enough sports GRPs (gross rating points) to buy? Part of the energy here is coming from betting companies looking to build brand as legalized sports betting accelerates state by state – and to use sports to sign up more first-time depositors.

Desser: Sponsorship helps but the main driver of revenue is pay TV subscriber fees and current + future subscription revenue from SVOD (Subscription Video on Demand). The future revenue adds leverage to the valuation as they (like entertainment companies and Wall street) consider the lifetime value of a sub, and right now, valuations on new streaming services are very high for that reason.

Amazon struck hard and is putting lots of dough behind Thursday nights. Can other major digital retailers like e-Bay for instance take an interest. E-Bay engages with 35% of American consumers?

Kosner: I doubt it but it wouldn't surprise me to see telecom giants like AT&T, Verizon and T-Mobile jump in, using sports to supplement their Netflix, Disney+, Discovery+ offers. They're the real bundle now.

Desser: I'd also consider competitors of Amazon as potential players…Walmart, Costco, Target are unlikely to completely leave entertainment content + retail to Amazon alone (Amazon Prime is a subscription service which packages together free shipping, entertainment programming, music, photo storage, and many other items to create subscriber value). That could also pave the way for 3-way tie-ups with Apple, Netflix, and Google.

Kosner: I have to admit, David, that Ed seconded your point so maybe I need to reconsider …

How will Amazon measure the results of its investment? Where does it expect to generate its revenue beyond advertising? Can the NFL be a profitable package?

Kosner: Amazon is an eCommerce company – so, gaining new Amazon Prime members (lift), better retention of those Prime members (less churn), targeting TV advertising to those members, presenting them with new commerce opportunities, perhaps a new Black Friday initiative … In general, Amazon can use its superior personalization to grow affinity with NFL fans and take a chunk of ad sales in NFL broadcasts. Most media companies have some sort of black box analysis to tell them whether or not a particular sports or entertainment package is profitable. Amazon is perhaps the most analytic of all sports TV rights buyers. I expect them to make the point internally and externally that their NFL investment is profitable for them.

Desser: Amazon is unique with ads, promotional value and subscription like traditional networks, plus the data analytics, commerce and future options like ticket sales, travel packages, merchandise and even prescriptions. Figure Amazon to also play in the gambling space as a data-based operation. Thus, Amazon can make money via content in many unique ways giving them a competitive advantage. And added sports content provides justification for Prime price increases as well, which they have proven is highly inelastic. The formula is working very well, as Prime now boasts more US subscribers than all pay TV operators combined, next only to traditional OTA (over the air) broadcasters.

Is the very threat of social media and Direct to Consumer (DTC streaming) marketing forcing the Regional Sports Networks (RSNs) to dig deeper into their pockets so that they're not marginalized?

Kosner: Yes and RSNs have to embrace both to survive and re-invent themselves.

Desser: RSNs have valuable, exclusive content that fans want. The marketplace is changing, but content is still king. RSNs are the incumbents, so they start out with established revenues and credibility that newcomers don't have. Teams are very cautious about how they approach the platform (media). That is the primary way most fans experience their products. That isn't something easily entrusted to newcomers. Change will happen, but RSNs still represent value in a changing ecosystem.

What's the next piece of intrusive technology that will affect the way fans consume games?

Kosner: Sub-second video latency to enable in-play betting, instant highlights, watch party tech and other features.

Desser: The NFL carved out an opportunity in this space in the new deals. Look for others to follow. I also think the idea of live cut-ins as a new product is intriguing.

There is the issue of *Sunday Ticket.* We know that DirecTV won't bid again. Where is it headed and how can it differ from a distribution perspective? Any last minute, surprise bidders?

Kosner: *Sunday Ticket* could go non-exclusive. it's an appealing product for streaming platforms.

Desser: Yes, unlike the other NFL packages, *Sunday Ticket* has always been an à la carte subscription offering, that requires a buy-through, meaning that you had to first buy a DirecTV subscription in order to get *Sunday Ticket*. This means that it has both direct and indirect revenue opportunities for a licensee. Amazon, ESPN+ or YouTube tv could offer *Sunday Ticket* as a way to get new prime, ESPN+ or YouTube TV subscribers, and then still charge for *Sunday Ticket* subscriptions on top. And, like HBO, this need not be exclusive. DirecTV could even keep non-exclusive rights at a lower cost as a retention tool. While it might drive fewer new sign-ups, a non-exclusive deal with multiple players could maximize total NFL à la carte subscription sales.

Will the NBA, MLB and NHL ever go an NFL model and sell all their rights to one network that would also get local distribution rights?

Kosner: if the RSN business unravels it's likely that some sort of hybrid arrangement will emerge.

Desser: Historically, there was only so much shelf space for NBA, NHL, and MLB on a national basis. This drove the current national/local bifurcation approach. While any change will impact teams in different ways, depending on market size and attractiveness, something more like the NFL model could very well emerge in places from the changing dynamics of the regional business.

What do these leagues and networks do about recapturing young viewers?

Kosner: Most need a new playbook and will have to re-examine their current rights agreements and philosophies around exclusivity, distributing live games and highlights. You have to be where your audience is – and that is going to be increasingly fragmented.

Desser: This is something that sports has never had to deal with before. The built-in father/son bonding and things like Little League created automatic affinity for young fans. Sports has taken this automatic fan development for granted historically. Now under 30s don't have pay TV, and prefer Esports rather than playing catch with Dad. Teams and leagues will have to find new ways to get where future fans are in order to indoctrinate them and power the business for future generations.

Betting has been embraced by the leagues. DraftKings recently announced that it's purchasing VSiN for $100 million. How will it change the way we watch games in the next ten years or so?

Kosner: We are likely to see separate streaming feeds that feature in-play betting. However, most betting activity will probably take place on your phone than on your TV set. The movement of betting companies to get into content (such as DraftKings purchasing VSiN) will probably be hit and miss. I favor connections to live games, influencers versus establishing your own sports media company.

Are you surprised by the continued growth in franchise values – despite the deep losses suffered by the scourge of Covid?

Desser: Covid is mostly (though not entirely) a transitory event. While it has long term implications, humans continue to be hard-wired to gather. Sports, concerts, weddings, and even business dinners are all things we enjoy. However, never before have we needed to question the wisdom of getting into a room with 20,000 others. This will pose a long- term hang-over, but there is also pent-up demand to eat, play, watch, travel, gather and cheer. The growing number of the world's billionaires, with little left to spend on after buying a few homes, a jet, and saving humanity, are left with sports franchises as a real life play toy and the ultimate status symbol.

Kosner: The rich "franchise team" will continue to get richer. There is plenty of wealth out there and very few beachfront properties. Values of the 32 NFL teams will benefit from the new TV and betting data deals. Smaller market teams with less certain local TV rights potential may not be as successful.

Desser: It is the most exclusive of all "clubs," with "initiation" starting in the multiple billions of dollars.

What are the two of you focusing on and what kind of questions are you being asked?

Kosner: I am fascinated by the explosive growth of the video games business and believe it provides a roadmap of sorts for sports.

Desser: I am constantly focused on how the old world of pay TV sports will evolve as a practical matter. The underlying dynamics of changing taste, availability of broadband, expectation of on-demand products of all sorts must co-exist with a historical business model based on nearly everyone paying a small amount for nearly every kind of programming they could want in a huge package. Like when cable evolved from broadcast, and again when digital/DBS (Direct Broadcast Satellite) provided an alternative to cable, the new world of SVOD (Subscription Video on Demand), DTC (Direct to Consumer), and AVOD (Advertising supported Video on Demand) superimposed upon an installed pay TV base provides financial and practical exposure challenges for the sports industry. Trying to be ahead of that curve provides a fascinating, dynamic puzzle to solve.

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For more information on our guests visit:

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