How should smaller properties cope with the shrinking sports media pie?

BY ED DESSER AND JOHN KOSNER

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By now, most are aware of cord-cutting, streaming growth, and the related tectonic changes hitting the sports media industry. Elite properties like the **NFL**, **NBA**, and "Power" college conferences will remain strong draws for the traditional sports TV players, as well as the new tech ones — earning continued exposure and rights fees. But in an era of diminishing pay TV revenue where bigger players, especially the NFL, are taking a far greater share of the shrinking pie, how do small and midsized sports compete in this new normal?

Let's start by recapping the score:

- NBC has shut down NBCSN, reducing linear shelf space;
- The entire RSN business is in danger of collapse;
- The remaining national sports cable networks have been losing 1-2 million subscribers per year;
- Pay TV affiliate revenue increases are only barely keeping up, and most all of that goes to support the major sports; and
- Network broadcast prime-time adult entertainment audience ratings are disappearing: down 93% over the last four decades.

What to do?

I. Prepare. Don't leave your sports media negotiations to the exclusive negotiation period. Properties should be doing long-term scenario planning, considering options, looking at adjustments, and rethinking their business models. One can't expect double-digit growth to continue uninterrupted without meticulous preparation. Know your agreement(s), when they end, and project what the world may look like at that time.

II. Be Flexible. Just being on a national sports cable network is not the end all be all anymore. Reach is down. Not only are these networks' average viewing much smaller but so is the effectiveness of any promotion from them that you've been promised. Paying a network for airtime, only to have them fail to deliver a sizable audience — or worse still, rely solely on you to do so — is wasteful. Consider all the alternatives.

Viewing is increasingly fragmented. Streaming is ascendant; it's how more and more audiences expect to find most content. Emerging talent like Pat McAfee at FanDuel and properties like Barstool and Overtime have scored significant viewership and attention operating off the pay TV grid. But while there is no barrier to entry, streaming comes with significant fixed costs, and heavy reliance on the host property to market, sell, and produce. You can go it alone, or partner with a streaming partner to save some of those hassles — but if you're on another's platform you give up the benefit of direct business relationship with your fan base … a huge incentive to pursue direct-to-consumer (DTC) to begin with. Research is necessary to estimate buy rates, packaging options, and pricing. Unlike being on cable, streaming is hardly turnkey.

III. Think the Way the Potential Buyers of Your Sport (Networks and Fans) Do. When we started working together at the NBA four decades ago, NBA Finals games aired on late-night tape delay. In fact, the NBA drew lower audiences than horse racing, boxing and bowling. Our NBA was certainly not today's global juggernaut. Our league office colleagues and teams had to think differently — and we did. We started literally by itemizing our media "assets" and assessing how they were and should be utilized. Rick Welts, then the president of NBA Properties, created compelling decks (using actual slides!) that helped us create and then refine our narrative.

Ask yourself a bunch of questions:
■ What is "the story" of your sport? Do you have a tight version of that ready to present in multiple forms of media?
■ How well do you understand your community of fans? Are you able to marshal them?
■ Are you willing to take chances ("do anything") to distinguish your product? If so, how and how much?
■ Are you investing in storytelling, including and especially from your athletes, to get audiences outside your core to care? It's now part of lore that **F1** commissioned "Formula 1: Drive to Survive" on Netflix and now its ratings have exploded on **ESPN**. The truth is it's easier for small properties to take fans behind the curtain — there's less to lose.
■ Do you have a real-time data feed available for your events — key to data and betting company deals and fan fantasy and wagering?
■ Do you have your own updated "assets" list?

It's all less risky than you might think. Failure to take chances probably places you further behind the juggernauts, and the new sports audiences relish (and now expect) customization, curation and behind-the-scenes access (live and on demand). Accommodate their preferences!

IV. In This Quest, Technology is Your Friend. You don't need an army to appear to have one. Sophisticated sports artificial intelligence startups can create and instantly distribute personalized sports video highlights to all leading social media networks simultaneously. Others can identify your social media audiences and your super users who spike awareness for your sport. Need to add real-time interactivity to your app? There are partners for that. Best of all, these startup companies compete themselves and are hungry to build businesses like yours to be able to tell their success stories too.

In this world of Goliaths and infinite choice, nothing comes easy for small to midsize sports properties. Nonetheless, these exercises we are suggesting can be both exhilarating and lucrative. Start this necessary work today!

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