

The sports streaming evolution halftime report

BY ED DESSER AND JOHN KOSNER

6.6.2022



The sports media industry is evolving, as streaming platforms begin to occupy beachfront once exclusive to linear TV. This is the first material platform change since cable arrived over 40 years ago. So where does this evolution stand, and what does it portend for the future?

First, let's recognize what has not changed. Despite the decade-loss of 30 million subscribers, traditional linear networks continue to own the key rights for all major U.S. sports properties. Back to the future, a growing 18 million homes get top events ranging from four **NFL** games/week to the **NBA** Finals, World Series, Olympics, and **PGA Tour**, via a \$15 antenna.

However, much has actually changed. Three of the four major pro leagues have made significant streaming moves. The bellwether NFL has sold Thursday Night (albeit its lowest-profile package) exclusively to **Amazon**. Recent MLB and **NHL** deals have included new streaming rights with AppleTV+, Peacock, **YouTube**, **ESPN+** and Turner. Every major international soccer package (and perhaps soon, most **MLS**) is provided via streaming. Sinclair is planning a direct-to-consumer version of its RSNs, and half of the **UFC** is on ESPN+. Thus ESPN+, Peacock and Amazon are already must-haves for big UFC, NHL, NFL, and soccer fans, in addition to cable.

Recently, streaming's seeming inevitability hit a speed bump: Netflix actually lost subscribers ... and half of its market cap. Suddenly all entertainment companies were under scrutiny. The vaunted NFL may license Sunday Ticket to a streamer, Apple, Amazon or ESPN+, but it hasn't happened yet. Has the pendulum started swinging back to traditional TV?

Far from it.

The traditional one-size-fits-all bundle of linear channels to 90% of U.S. homes is gone. The broadcast networks have lost 95% of their adult 18-49 average prime-time entertainment ratings over the past four decades. Today, "prime time" more aptly describes each of Amazon and Netflix's ~75 million U.S. subscriber universes and even the 95% of 18-29-year-olds who use YouTube; indeed, consumers love streaming (3+ hours/day!). Undifferentiated, all-you-can-eat linear programming buffets are giving way to more targeted, optional packages, all with much better navigation and curation, with or without ads and/or sports, and priced depending on ads, number of streams or resolution quality. Sports are no longer a required buy for all pay TV viewers. For sports fans, however, discovery of what you want has become much harder (good luck figuring where) with an average viewer now using seven different video sources!

Major rights packages including the Big Ten, **NASCAR**, Big 12, Pac-12 and NBA are soon coming to market. Will prior packaging persist, or will the shift to streaming continue? Yes!

Despite losing substantial reach, and more of their audiences, linear networks remain the primary gathering place for live sports. The sports industrial complex retains the experience, know-how, relationships and affiliate and ad revenue streams. Most important, the incumbents need to remain heavily invested in sports. Yet, each of them (except Fox) is also investing heavily in streaming. ESPN+, Paramount+, Peacock, and HBO Max are all in growth mode. They require marquee, monthly, differentiated content like sports to drive and retain paying subscribers.

Digital giants like Apple, Amazon, Netflix and **Google** don't necessarily need sports yet. However, commoditization is contributing to rising churn for all streamers. Every app is basically the same: an endless stream of horizontal tiles. It's harder to distinguish any particular on-demand entertainment content, especially when so much is already free on YouTube and TikTok. Sports is the only genre that drives passionate audience day-and-date "tune-in" nightly at scale. And as leading streamers including Netflix are now embracing advertising, nothing tops sports.

Looking forward, we anticipate that streamers will return to favor — especially those buoyed by sports. That will trigger further growth in sports rights, powered by bigger streaming allocations.

We expect other changes, too. With fast-shrinking pay TV plus slow-growing OTA-only homes, about 90 million today have sports access to the premier events. That leaves a rising 30 million outside the main sports ecosystem, without linear TV! Streaming better serves the 100+ million broadband homes — so look for leagues to further embrace that growing medium.

Also, just 34% of 18-29 fans buy network packages. These millennials spend just 20% of their entertainment screen time on TV, compared with 52% for baby boomers, and are far less interested in entire games.

Streaming-influenced changes in games packages are also on the way. Live, full-length games will continue to be offered, in more ways (ManningCast, BradyCast?), but there will also be a multitude of new sports formats targeted at different fan interests. Real-time "Red Zone"-like offerings of portions of games, heavier use and distribution of customized highlights, and integration of live events with gaming, social media, commerce, gambling and NFTs will continue to change the game-viewing experience. Whoever succeeds in enhancing discovery for live sports viewing will have a true business breakthrough.

When we started at the NBA, the ultimate prize was a big broadcast TV package, with prime-time games, which automatically delivered massive audiences. Viewing is now splintered, but sports always cuts through. We expect more platforms embracing sports to attract ("lift") and retain subscribers (as cable has done for decades). But, for now, the traditional sports media players will leverage their leadership continuity, albeit at thinner margins, as they build streaming businesses. Like the victors of the NBA and NHL finals series, it will take an extraordinary effort to win.

Ed Desser is an expert witness and president of Desser Sports Media Inc. (www.desser.tv). John Kosner is president of Kosner Media (www.kosnermedia.com). Together, assisted by Neil McDonald, they developed league strategy and ran the NBA's electronic media operation in the 1980s and '90s.