Street & Smith's SBJ SPORTS BUSINESS JOURNAL

OPINION

It's tough sledding in sports media; plot your course carefully

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For rights owners, negotiating sports media agreements was never easy, but it was straightforward, pre-COVID:

■ Estimate rights for fair market value.
■ Identify at least two interested linear networks with capacity.
■ Determine which will provide the best consideration package, optimal schedule and quality production.
■ Negotiate and close.

If shelf space existed and the money was right, the sport would get both the largest potential audience on established platforms *and* revenue, reaching substantially all sports fans. Plus, since almost everyone (100 million homes) subscribed to cable TV,non-sports fans essentially subsidized fans and sports programming seemed practically free. Live sports emerged as the most attractive, valuable form of entertainment, becoming the linchpin of the cable bundle/sports marriage. Here are a few things to keep in mind:

Today, sports retains its unique competitive advantages, but it's hard to recognize the media business:

■ Just about 40% of homes still subscribe to most linear cable sports networks, and RSN re-tiering is lowering that while further increasing fan costs.
■ Cable affiliate revenue is declining. Lost revenue from disconnects now exceeds the price increases networks and distributors can pass on to remaining subscribers — shrinking network margins and the available funds to pay for sports.
■ While broadcast stations can technically reach all homes in a market, just two-thirds of viewers actually have access (15% via antennas). Students recently told John that they thought they had to subscribe to Paramount+ to watch a recent **NFL** playoff game.
■ Typical linear network audiences are a small fraction of before. Shockingly, the average combined four-network 18-49 adult prime-time entertainment audience is down to just 1.6 rating points (from mid-40s) — a mere 0.4 per network!
■ Thus, these once-mighty linear channels no longer provide the large, assured audiences, lead-ins, and promotional value for sports they did a decade ago.
■ Meanwhile, streaming services, social media platforms and video games each generate more total screen time than all linear TV networks combined.
■ The viewing habits of those under 30 do not resemble their elders. Most simply don't watch linear network programming, let alone full games, with the same frequency. It's the first generation watching pirated sports feeds.

Input A is now Input B. Most viewers' default video programming setting is streaming, not "live" linear TV. New strategies are needed to engage younger fans.

Today, every event, on every network, competes for audience not just against each other (like the "old" days) but also against every viewer's highly curated, and practically unlimited, SVOD favorites list of movies and TV shows, culled from deep libraries of all content ever produced. Younger audiences also choose from an endless supply of free, ad-supported short-form videos on social media networks, **YouTube**, a host of video games or play uncapped in free virtual worlds like Fortnite or Roblox. Even top-tier sports struggle to draw large audiences across attractive demographics to generate growing media rights value in this unprecedented, hyper-competitive environment. Indeed, only the weekly ritual of fall football appears safe — so far!

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To grow revenue and fan bases, all sports media properties must think differently:

1. If you're not a top dog (SBJ, Jan. 29, 2024), look out! Expect your media model and rights revenues to be challenged.

2. Just licensing your events to a linear network alone, and hoping to attract a large fandom, is unrealistic and no longer a viable strategy. A single vanilla feed is unlikely to satisfy an increasingly diverse fan base. Instead, you will need multiple platforms and a variety of targeted products.

3. Researching your fan base is a must. (not just relying on Nielsen or syndicated services). Do a SWOT analysis on your media business. How many are willing to pay for your content? How much are sponsors willing to support you? How and where do your viewers spend their time? How do they define fandom? Do they bet on your sport? Where are your new opportunities?

4. Multiple media relationships/platforms will become the norm. "All means and media hereafter developed" grants are mostly behind us. Options are proliferating: linear (broadcast and/or cable), subscription, 4K, FAST channels, channel stores, viewing parties, social, gaming/gambling/sub-second latency, short-form/highlights, radio/podcasting/audio, data products, merch and collectibles, even super-high-resolution "back to the future" closed circuit.

5. Shorter-term agreements are in. The NFL deals run through 2033 but the league has an out after 2029. The 10-year **WWE** agreement includes both a five-year out and 10-year extension for Netflix. The **NCAA** "other" championships deal is now eight years, down from the previous 12, smartly co-terminus with the men's basketball championship. Leverage has its benefits.

6. What is your direct-to-consumer model? Even if you don't want to go it alone, it's critical to know what pricing and revenues are possible, and how much it would cost to operate. Have a production, sales, and fulfillment plan in place, should it be needed. Some small properties have surprisingly sizable DTC audiences. This knowledge is a useful backstop for negotiations.

Change is already underway:

- This is the second season of MLS's exclusive deal with Apple.
- The Suns/Golden Knights/Jazz have moved their games from RSNs to OTA and DTC.
- NASCAR once had two media packages; now it has five.
- ESPN/Fox/WBD announced a new sports streaming joint venture.
- The CFP is expanding to 12 ... or is it 14 schools?

Seismic change has hit the sports media world. We're not going back. Be prepared for a variety of alternatives, some incremental, which may look quite different. For licensors, there are new buyers, but their priorities might be different. In an era of increasing tumult, it's always wise to plan ahead.

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