

# *Sport broadcasting*

*The must-have to attract the audience in a fragmented media environment*



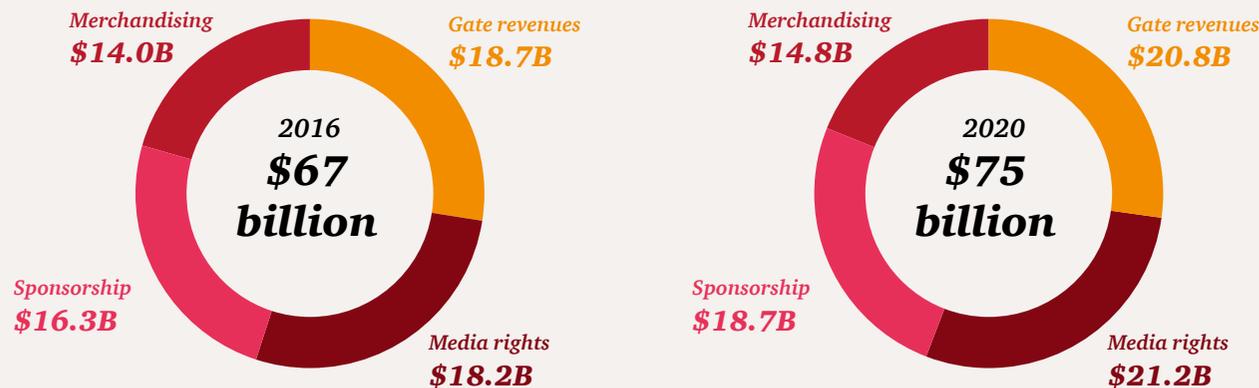


## Anytime and anywhere

The 1936 Olympic Games in Berlin were the first-ever sports event broadcasted live on TV – since then, the sports and media industry has changed significantly. The sports business thrived because the advertising industry figured out that sports are basically the only way to reach certain demographics. Television funded the massive increase in the salaries of athletes and reshaped the financial equation of the sports business. At the same time, sports television has calendared the life of many people with events like the Olympic Games and annual behemoths like the UEFA Champions League. Undoubtedly, without sports, less content would be available for the media today. By the same token, without media, sport leagues could not afford to pay for stadium renovations and foreign stars as they do today. The importance of the sports market and the latest developments in the media sector are the reasons why we dedicate this year’s ‘deep dive’ to the business of sports broadcasting.

Today, broadcasters that have dominated the sports and media landscape for many years are faced with an increasingly competitive market. New competitors and media platforms are leveraging the benefits of live sports content for their business concepts. At the same time, a generation of consumers with different media behaviours and higher entertainment expectations is growing up.

## North American sports market: \$75 billion by 2020



## Digital platforms are getting sporty

For many people, the constant availability and immediate retrieval of information is taken for granted in everyday life. Information and entertainment offers must fulfil the customers’ expectations of being instantly available via a smartphone or some other digital device, true to the motto ‘anywhere, anytime’. This development influences classical media consumption behaviour and is being actively driven by younger generations. Whilst today appropriate services for this kind of media consumption are provided in the music, video and gaming sectors, people will soon find similar offers in the sport sector. This market gap is about to be closed.

Like Netflix or Spotify do in the movie and music industry, DAZN attracts customers with monthly subscriptions and cancellation

policies and affordable prices. The company has been operating in Germany, Austria, Switzerland, Canada and Japan since 2016. Numerous top-tier sport events, including ATP tournaments, Premier League games from England and NBA basketball from the US, are available live and on-demand via different devices. The company, which is a successful bidder for highly coveted sport events, has become a more serious competitor for traditional broadcasters.

Digital media platforms like Facebook, YouTube and Amazon are also trying to enter the market. They have already broadcasted an array of live events. In recent months, these companies have been even more active in pushing the process of signing live streaming partnerships with major sport federations. For example, Twitter entered into a new contract with the National Football League (NFL), which includes the broadcasting rights for future live





shows, live pre-game coverage and exclusive video clips. BT Sport, one of the largest broadcasters in the UK, has collaborated with YouTube – together they saw to it that this year’s UEFA Champions League final was broadcasted live, in **4K UHD** and **VR** for free on the platform in the UK. According to BT’s internal studies, roughly 2 million out of the total 6.5 million viewers watched the match on digital platforms this year. Also, Facebook has shown Major League Soccer (MLS) games, as well as for the first time some live UEFA Champions League matches from this season, albeit to start with only in the USA. Amazon, too, is pressing ahead with its plans for a sports broadcasting package: it has acquired the rights to NFL ‘Thursday Night Football’ this year for \$50 million, as well as the rights for a live audio-streaming service for all matches of Germany’s Bundesliga first and second divisions – which will be exclusively available to Amazon Prime customers as of this season. And last but not least, Snapchat has a daily newsfeed from Sky Sports integrated into its Discover section since this past April.

There are good reasons why the combination of live sports broadcasting and media platforms hold promise. On one hand, the ‘product’ live sport is one of the few things that can lure people regularly in front of the screen and evoke real-time emotions. And on the other hand, the fan of today is doing more than just looking at the screen – the need for more varied entertainment and sports content must be satisfied: live data, second-screen offers, or the interaction with peers is at least as important as the game itself. Thus, media platforms are an interesting complementary channel since they can combine these different components and offer them in a single ‘venue’. This makes it possible to like or discuss live actions within the network, and personalised fields of interests or feeds can be shown alongside the broadcaster’s live stream thanks to precise data analysis. What’s more, the expectations of being able to access all of this regardless of time, place or device can also be fulfilled thanks to the new technology.

Already today, athletes and teams provide exclusive content via their social media accounts and get in direct contact with their supporters. This simplified interactivity encourages fans to spend much more time on the network, and consequently the emotional relationship with the club as well as the athletes is nurtured and intensified. This change in user behaviour has led to an increasing amount of content that is created and shared by and for fans. Being part of the fan base or having the chance to get in contact on and off the field with the team is an integral part of the digital lifestyle of many supporters. The ‘live story’ dimension of Snapchat, Instagram, and Facebook already makes it possible to do this and gets fans’ attention in a timely manner; consequently, some teams have already started to broadcast these stories on the jumbotron stadium screens at the venue. In addition to these benefits, compiling useful statistics and distributing content that is not a component of the rights package from an official broadcaster are further arguments for having an up-to-date presence on modern digital platforms.



*“Having the rights for the local most important sport events is crucial for reaching a significant subscriber base. Ultimately, this is what a lot of people pay their subscription for.”*

**Hans Gabbe**  
Senior Vice President Sports Right &  
Commercialisation | Sky Deutschland

The huge number of users who actively and regularly use these media platforms is also a decisive factor when it comes to viewing figures and assessing new market access strategies. In this regard, the major social media platforms are miles ahead of broadcasters. Offering exciting live sports packages on the platform can attract new users and strengthen this competitive advantage even more.

## **Advanced technology drives fan experience**

Technological advances over the past few years have made it possible to raise the standards: high quality can be guaranteed to a large extent – the TV with a cable connection at a fixed location may become a relic of bygone years for many young people. Over-the-top (**OTT**) is the modern alternative. It enables and pushes the trend towards broadcasting simultaneously on different media platforms. And expectations are that online media content will be accessed even more via mobile devices.

A future broadcasting model, which combines state-of-the-art technology and mobile device streaming, has been tested in practice and is now gaining increased use: VR offers an even more exciting fan experience. For example, a partnership between the PGA Tour and Intel enabled golf enthusiasts to see how the





---

*“Services like Sky Ticket are a good way to serve a broader customer base, as you can watch sports without a linear subscription model and without 12 months contracts and having therefore more flexibility. Besides that, it is an additional revenue stream for refinancing expensive sport rights.”*

**Hans Gabbe**

Senior Vice President Sports Right & Commercialisation | Sky Deutschland

---

professionals at this year’s ‘The Player Championship’ mastered the famous 17th of the course. The broad was accessible via Twitter, Periscope and the ‘PGA Tour VR Live App’. The full VR quality was retrievable with a suitable VR headset.

However, there are two sides of the coin. On one hand, the technology offers an unprecedented level of broadcasting quality for spectators, many experts believe that this technology is a promising tool for the future even though it needs further improvements. On the other hand, separate, suitable equipment is required in addition to the mobile device. Nevertheless, considering the merits of such a broadcasting format, the question is not whether, but when VR can be used as at least an additional broadcasting format. Further improvements in technology, including advances in 5G network connectivity, are coming and will have a positive effect on future fan experiences.

### ***Pay, watch and enjoy***

Advanced technology and changing customer preferences will have an impact on future broadcasting formats. In particular, less-popular sport events could benefit from the development that TV presence does not necessarily mean a big audience anymore. Broadcasting formats that address the desired target group directly and cost-effectively are promising alternatives.

A good example for such a strategy was the agreement between the British Table Tennis Association and one of the most popular sports websites in the UK, TheSPORTSbible.com – more than 2 million spectators watched a qualifying match against Greece on the website’s Facebook page, and further applications of this format are sure to follow. The IIFH Ice Hockey World Championship was also broadcasted live and for free on YouTube in several countries. The success of the format could also encourage other sports associations to follow suit.

With more popular sports such as football or ice hockey it is easier to attract large numbers of viewers –but this attractiveness is also reflected in the purchase price of broadcasting rights and represents a different kind of challenge for media companies. Last year the English Premier League reported increases domestic media rights fees of 71% to £5,136 billion compared to the previous four years rights period. And in Switzerland, the Swiss Hockey League closed a deal with UPC in which it will receive a record volume of about CHF 35 million per season from 2017. Similar price developments are being seen in a multitude of other popular sport broadcasting areas, thus the purchase of such TV formats and exclusive content requires an ever-larger budget.

To cover the cost of rights and offer state-of-the-art broadcasting, additional sources of income must be generated somehow. The



access to livestreams and exclusive content is likely to become an even more 'members only' privilege. Already, the English Premier League can be viewed solely on Pay-TV, and in Germany the UEFA Champions League will disappear from free TV next year. In Switzerland, the Swiss Hockey League will reach its audience only via UPC's digital Pay-TV offer MySports from this season on. However, more flexible access options such as **PPP** or dedicated themed channels - are also likely to become more popular as they are even more target specific and do not require a full subscription for all sport events anymore.

## ***No cannibalisation to result from digitalisation***

Obviously, the sports broadcasting business is being affected by several changes as modern technology enables people across the globe to consume more content than ever before. Market entries by new competitors and the budgets of major digital platforms for right packages are challenging traditional broadcasters.

More personalised content, greater fan engagement and improved screen offers are gaining more importance, mainly due to a change in the ways to consume sport content and watch a live event. New technologies like live-channel services and VR are constantly enhancing the fan experience as the sports fans themselves move closer to their favourite team or athlete.

Rights grantors such as FIFA are benefiting from the fact that the prices for broadcasting rights to popular sports events have risen rapidly in recent years. To which extent the increased costs are passed on to the end consumer depends on competition, technological improvements and future demand. Pronouncements are difficult to make about any potential losers

from the new business models and modern broadcasting options. But one thing is certain: traditional broadcasters will not see their importance diminish in the coming years. Long-term contracts with sport federations, as well as the fact that TV is still the preferred medium to watch sports, make it difficult for other companies to replace them. However, if the trend of rising selling prices for sport packages continues, future cooperation amongst

market players is likely as it is becoming more and more difficult to finance such deals.

A fan's love of sports is a precious and unique thing. The common goal of all participants, therefore, should be not to lose sight of the sport itself but to provide fans worldwide with the best possible sport entertainment, in the stadium and on the screen.

