

## **IOC's new gatekeeper strategy could close the door on EBU**

*Catherine Davies*

*The International Olympic Committee's preference for direct relationships in key markets looks set to further loosen the grip of the pan-regional broadcast unions that have traditionally acquired Olympic television rights.*

The IOC, which is in the middle of its European sales process for the 2014 and 2016 Games, said that its new "gatekeeper" approach, whereby it sells the rights directly to a single operator in any given territory, produces "better communication, better results and a strong bond", as well as the potential for considerably increased revenue.



The IOC has already concluded two deals in Europe, following on from Sky Italia's deal in Italy with a deal in Turkey with commercial broadcaster Fox. The deal is thought to be worth about three times what Turkish state broadcaster TRT will pay for the 2010 and 2012 Games under an EBU deal.

Further direct deals will follow in at least the UK, Germany, France, Spain. But if most observers expected the IOC to cherry-pick the big five countries, few believed its gatekeeper strategy would extend to second-tier markets such as Turkey.

IOC media director Timo Lumme did not discount further direct deals with companies seeking the rights in "two or more" countries. Likely candidates could include Modern Times Group, in Scandinavia and the Baltic region, and Central European Media Enterprises in eastern Europe.

However, Lumme said that the IOC was not planning to turn away completely from the "generic union approach". The European Broadcasting Union, which has held Olympic broadcast rights for every Games since 1960, is still in the running for rights in the rest of Europe.

The IOC received about 20 bids for the 2014 and 2016 Games in the first round of negotiations that took place earlier this summer. The EBU's first offer, covering all markets, is believed to have been a slight increase on the fees paid for 2010 and 2012 but was rejected as "unsatisfactory". Bidding is now in a third round.

### **Gatekeeper advantages**

The IOC began a strategy of targeting individual markets for the 2010 and 2012 cycle, notably carving out China, Hong Kong and Brazil from the traditional pan-regional relationships with the Asia-Pacific Broadcast Union and the OTI in Latin America. The IOC has yet to conclude its Latin American sales for 2010 and 2012 and Mexico and Argentina could also be carved out.

Lumme said that the IOC would seek to keep growing its portfolio of direct deals as markets develop and new operators emerge. Picking out a country like Brazil allowed the IOC to develop the quality and breadth of Olympic coverage as well as secure increased television fees, which rose from the \$12 million Globo paid for the 2008 Games as part of the OTI deal to Record's \$60 million for 2010 and 2012. Such deals "stimulate competition, and competition drives quality".

In their capacity as a "one-stop shop" broadcast unions can and have been good partners, Lumme said. The IOC is "not in the business of having 300 separate television contracts; that would be unsustainable". But union deals can lead to the IOC losing control over what is happening to the Olympic brand when there is no direct operational link into each market.

Lumme said that it worked well for the IOC to be "directly in touch" with national rights-holders, as opposed to having a relationship through a third party. The IOC works closely with its gatekeeper partners to nurture the Olympic brand and lays down clear guidelines that state how the rights can be utilised and guarantee a minimum level of free-to-air coverage.

The IOC can also rely on the expertise of its individual gatekeeper partners to optimise the 5,000 hours of inventory offered by the Olympic rights. "In the case of Fox Turkey", said Lumme, "they are much better placed than we are to find partners on other platforms, to maximise their own investment and service the domestic market."

#### High risk strategy

Dismantling the EBU's pan-regional deal is nonetheless regarded by some senior industry executives as a "very high risk strategy – particularly in this economic climate."

Carving out Italy made sense, given public-service broadcaster Rai's historic reluctance to pay its fair share within the EBU, Sky Italia's status as an experienced and senior sports broadcaster and its coverage capacity as a satellite platform.

But some believe that carving out Turkish rights for Fox, a single general entertainment channel which has little history of sports broadcasting, is a step too far.

EBU members, which are mostly state-funded public-service broadcasters, have large sports departments and considerable expertise in covering the wide range of Olympic disciplines, both during the Games themselves and in the intervening years. One broadcast executive pointed out that "The Olympics are not the same as single sports like football or Formula One, where it's very easy to switch rights-holders who can quickly build a new department."

The IOC could get very good revenue increases in a range of smaller markets. But whether it significantly surpasses the European total of €726 million for 2010 and 2012 will depend on the big five markets. "Is there competition in big markets like the UK and Spain?", asked one executive. "Is it worth unravelling the whole EBU relationship? That's a hell of a premium to pay."

"The Olympics are important for the EBU, but not at any price. If the EBU decides to walk away, the IOC could be in trouble."

Abandoning the EBU completely, or even emasculating it by taking out key markets, could also have ramifications on the wider coverage of Olympic sports outside the Games. The EBU has multi-year deals with 14 Olympic sports – including minor sports such as judo, wrestling and weightlifting – and its commitment to those would be jeopardised if an increasing number of members lost the rights for the Olympics.

Turkish state broadcaster TRT is already thought to be considering the future of its sports channel, TRT3, and dropping its coverage of Olympic sports.

#### Pay-television potential

The IOC's negotiations in key markets will be helped by growing interest from pay-television in what until now has always been regarded as a free-to-air product. As one broadcast executive said, "There's a growing awareness among pay-television operators that there's money to be made from the Olympics. It's great content when you have multiple platforms."

Lumme concurred: "The tyranny of football has distracted people, but Beijing reminded them of the power of the Olympic brand. We've now got a multi-year deal with Sky Italia – they understand that the Olympic brand offers something very different, but very appealing."

France is a case in point. Pay-broadcaster Canal Plus tried desperately to extricate itself from a three-Summer-Games contract, from 2000 to 2008, to which it was committed through its prior membership of the EBU, despite being expelled in 1998. Even last year senior executives at the broadcaster expressed relief that its obligations would expire after Beijing.

But Canal Plus did extraordinarily well in Beijing, with audiences up 17 per cent on the Athens Games in 2004, despite a much poorer time zone. Canal Plus is said to be in talks with public-service broadcaster France Télévisions to sublicense pay rights for the 2010 and 2012 Games.

Both Canal Plus and rival platform Orange are thought to be interested in bidding for 2014 and 2016. Orange already has a rights deal with the French Olympic sports association, the CNOSF, and shows a range of Olympic sport on its broadband and ADSL services.

The IOC first broke its model of selling to free-to-air television last year, with gatekeeper deals in Hong Kong and the Philippines with pay-broadcasters I-Cable and Solar Entertainment. Those deals were followed up with deals with satellite broadcasters Sky Television in New Zealand and Sky Italia in Italy.

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