

Weathering the financial storm

Catherine Davies, author of a new TV Sports Markets report on the the US, Canada and Latin America, rounds up the biggest deals and identifies trends in the US market.



The state of the sports rights market can usually be measured by the health of the economy. When times are good, broadcasters will spend and sports rights, especially the major leagues in American football, baseball and basketball, are the most coveted rights around, in the US anyway. But given the dire state of the American economy these days, the TV market for sports rights in the US should be disastrous, right?

Well, yes and no. Yes, because major sponsors such as beleaguered US automaker GM have been dropping like flies, and sponsorship money provides the clubs and league with the funding they need to bring in the best players and provide the best spectacle, which in turn maintains and increases competition – and rights fees – from broadcasters. And yes, because media and entertainment giants like the Walt Disney Company, owner of the ABC network and sports juggernaut ESPN, and Time Warner have reported poor numbers for the last quarter of 2008, with worse to come, and are shedding jobs and making cutbacks across the board.

But no because there are also several signs that the market will remain stable over the next two to three years – and by then, the US economy should be on the road to recovery.

The biggest properties are protected by long-term rights deals that will keep the money flowing and the audiences happy: the NFL has contracts with NBC through to 2011 and ESPN to 2013, MLB has deals to 2013, the NBA's contracts run through to 2016 and NASCAR's rights are secure to 2014. US college sport championships in football and basketball have secured major broadcasting deals running for 10 years and more.

And even without long-term deals, broadcasters are likely to at least maintain current fees – witness UK pay-television operator BSkyB's recent deal for English Premier League rights for a credit-crunch defying £1 billion – because the major leagues deliver the biggest and most demographically valuable audiences. This year's Super Bowl between the Pittsburgh Steelers and the Arizona Cardinals was no exception, drawing 98.7 million viewers, the highest Super Bowl audience ever, according to broadcaster NBC.

Major league action draws top audiences week-in, week-out. Recent figures show that audiences are up for college football and NBA on ESPN, with NBC drawing its biggest audience, (4.4 million), in 44 years for an NHL game on January 1st. Across the border, Canadian sports network TSN reported a 27-per-cent increase in audiences in the three months to 30 November, with marked rises for CFL football, NHL ice hockey, the NFL and the NBA.

When times are as tough as these, people seem to be curtailing spending on so-called luxuries - restaurants, cinemas, nights out, travelling - and instead hunker down at home in front of the TV with a take-away pizza. And the cut-backs do not extend to cutting out the pay-TV

subscription, with none of the major operators in the US: cable operators Comcast and Cox, satellite platforms DirecTV and Dish and new entrants, and telecoms operators FiOS TV and U-Verse TV showing signs of a slowdown.

In fact, the switch-off of the analogue signal in the US last month is expected to spur many of the 6.5 million analogue over-the-air holdouts to finally go down the pay-TV route.

So, there's more people at home, watching more TV on more channels, and for the nearly 100 million US households hooked up to cable, satellite or broadband television, there's a lot more sport to watch – thanks in large part to all-powerful ESPN, which has been snapping up many of the most popular sports events that have traditionally been a mainstay of over-the-air network television.

In any market with a strong pay-television industry, cable and satellite channels have an increasingly strong edge over their free-to-air rivals because they benefit from a dual income stream of advertising and subscriber revenue.

In ESPN's case, this is even more marked: the main channel, ESPN, is available in over 98 million households, and with its massive portfolio of top sports, it commands a carriage fee of \$4 per subscriber per month. No wonder, then, that it was able to outbid incumbent network Fox to college football's Bowl Championship Series, offering \$500 million over four seasons to Fox's \$400 million. The BCS title game in 2010 will be the first major US sports championship to be aired on cable.

Post-season games in various leagues, including MLB and the NBA, have already moved to cable, as has the NCAA women's basketball final four. But cable's push is extending to other sports too: ESPN recently acquired the rights to golf's British Open for a reported \$25 million per year, making it the first major men's golf championship to have all four rounds carried exclusively on cable.

And it won't stop there: ESPN is expected to bid aggressively for the 2014 and 2016 Olympic Games, which were an unqualified success for incumbent NBC Universal last summer, with record audiences across all platforms.

But voracious competition for the very best and most popular sports properties, which draw the desirable male 18-45 audience, has left its marks on other sports, perceived as less appealing to advertisers and sponsors. There's still no dearth of outlets for second-tier leagues and Olympic sports; in fact, the appearance of new cable sports channels and webcasters like NBC's Universal Sports, coupled with the explosion of broadband, means that there's more scope for exposure for pretty much any sporting event, although actually securing a rights fee will become an increasingly distant dream. Many former 'top' sports are now forced to negotiate time-buy deals to secure network coverage.

The IAAF secured live and highlights coverage on NBC for its 2007 and 2009 World Championships, but only through a time-buy in partnership with its major sponsors; similar deals have been struck by USA Track and Field and USA Figure Skating. The emergence of Michael Phelps was a bright spot for swimming's international governing body FINA, though, which even his drug-taking antics are unlikely to dim: the federation secured a rights deal with NBC for the World Swimming Championships this summer.

Upcoming rights deals for major properties are likely to reveal the continued strength in the US sports market, despite the economic downturn: the NFL will open negotiations for its conference and Sunday Night packages in the coming months, while the IOC will have to re-open its postponed talks for the 2014 and 2016 Games in the next couple of years.

Both properties are likely to earn reasonable increases on their present fees. Spanish agency Mediapro has reported strong competition for Liga football rights from 2009-10 to 2011-12, with incumbent rights holder GoITV up against eager pretenders such as Fox and – who else – ESPN.

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