CHAPTER 2

Business of Sports Media

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LEARNING OBJECTIVES

- To learn how the media system generates revenues.
- To understand the symbiotic relationship that sports, media, technology, and oversight have had for over 100 years.
- To study the shifting audience and consumption patterns that sports teams and leagues are chasing.
- To understand why second and even third screens matter more today than ever.
- To consider the impact that legalized sports betting is having on media content and creation.
- To understand how the concept of aggregating viewers drove the creation of regional sports networks and college conference networks.
- To learn why media companies will pay more for some games and not others.

Evolution and Revolution

Without question, media exposure and media revenues are increasingly driving the sports ecosystem. Some leagues and teams depend on 50% or more of their annual revenues from their media arrangements. There are many other components that comprise a team's annual budget, but the growing emphasis on maximizing media dollars has transformed sports in the last two decades.

The top of the heap continues to be the amount of media ascribed to the National Football League. Year over year, the NFL's weekly slate of games consistently rank in the top 10 of the Nielsen ratings, the primary indicator for determining who is watching and how much advertisers will spend to reach that audience. In 2020, a year with no parallel for the attention of the American public, the NFL continues its reign, despite the traditional viewership downturn of about 7% during a

Presidential election year (Murphy, 2020). The Super Bowl, year in and year out, has become a touchpoint in American culture. Even in this day of fractured audiences, the Game still manages to attract over 100 million viewers, making it one of the only "must see" events left on the calendar (see www.sportico.com/business/media/2020/2020-tv-ratings-nfl-1234619216/).

How did we get to this point? Certainly, it's the innovation of the communication devices. Since the late 1800s, with the advent of capturing radio waves on a transmitter, to the telegraph and telephone, a key method of getting Americans to adopt a new technology was to put sports on it. Just as it is today, fans will go to any lengths to access their favorite teams, whether it's via a digital or print newspaper, radio broadcast, or television program. One of the best early examples of the power of communications technology was Notre Dame's use of radio broadcasts around the country in the 1920s and 1930s. Stringing together different radio stations from the Midwest to the East Coast, the Fighting Irish became "America's College Team" because more fans were able to listen to the games (Gullifor, 2001).

When television emerged in the late 1940s and early 1950s, Saturdays were for college football with the Game of the Week. By the early 1960s, the NFL took over Sundays, and football cemented its relationship with communications technology, rarely ceding the playing field to other professional sports. Quickly, the NCAA took over control of selecting who would appear in the prime broadcasting spots on Saturdays, setting the stage for the riches of many of the premier programs in NCAA Division I college football today (Smith, 2001).

In 1978, ESPN was born. Imagined by Bill Rasmussen, a former employee of the now defunct Hartford (CT) Whalers NHL franchise, ESPN was originally only going to be a Connecticut-focused channel. Rasmussen told *Forbes* in 2012 about his idea:

> It was originally going to be a cable channel focused on Connecticut college sports—we had a lot of college sports that weren't going to get on NBC, CBS, or ABC. Someone suggested we could put it on a satellite—I didn't know anything about satellites, and as it turned out, neither did anyone else in the room. They suggested I call someone at RCA about getting on their satellite. That would be like someone suggesting today you should call Apple for more information—remember, this was the summer of 1978. I found the one RCA sales rep who must have been sitting by the phone waiting for my call, and the next day, in a conference room I rented from the local cable company for $20, I met with the man from RCA along with my son, Scott. He told us all about what satellite packages were available, including a 24-hour package that no one had ever bought. When Scott went over the pricing structure, he realized the 24-hour package was the best option. Of course, we didn't have any money, but I called the man from RCA the next day and said, 'We'll take one of those things.' 'One of what things,' he asked. 'One of those 24 hour things.' (We didn't even know they were called transponders at that point). He was surprised and said, 'you will?!!' We were extremely fortunate because they had a clause in the contract that said we didn't have to make the first payment until 90 days after our first use of the satellite! (Schwabel, 2012).

As cable became more popular, more sports teams and games appeared. New networks, needing to jump start their channels and drive subscribers to demand their cable companies place the network on the guide, often used sports as a way to quickly generate revenues. Specialty channels emerged, including MLB Network, The Golf Channel, The Tennis Channel, and the Olympic Channel, which capitalized on fans' growing demands to follow specific sports. This also allowed the league rights holders to capture incremental value in addition to the rights fees collected from media companies (Murphy, 2020).

Over time, regional networks were developed to attract sports fans across multiple demographics. In Philadelphia, Comcast created the Comcast Sports Network (CSN), which was the exclusive broadcaster for the Philadelphia Phillies, Philadelphia Sixers, and the Philadelphia Flyers. If you were a fan of Philadelphia sports, you had to subscribe to the channel on cable or satellite, but only Dish Network; Comcast would not allow the games to be shown on Direct TV. That synergy attracted local college basketball and football games to demand to have their games shown on CSN as well.

When NBC began broadcasting the Olympic Games in Berlin in 1936 (via radio), followed in 1996 by the Atlanta Olympic Games, NBC has maintained its role as the broadcasting and media partner of the American feed for the International Olympic Games, including the Winter and Summer Games. As of the Tokyo Games in 2021, NBC will have been the exclusive media partner for 11 consecutive quadrenniums.

General Electric owned NBC for a time in the 1990s; NBC and Comcast joined together to form NBCUniversal, one of the largest media and entertainment companies in the world. That partnership allowed for growth in the regional sports network categories across the country, creating even more bundled demand for cable and satellite companies (Comcast, n.d.).

In the mid-1990s, the broadcast landscape changed dramatically when Congress passed the Telecommunications Act of 1996. Hailed as the first major overhaul of telecommunications law in 62 years, the act created competition for television networks via high-speed Internet. Dial-up Internet access was gradually replaced with higher transmission speeds (ranging from 25 mbps to 100 to 200 mbps per household) available today. Those speeds have permitted more and more video content to be delivered via the Internet, rather than cable, satellite, or over the air (FCC, n.d.; Smith, 2001).

The Hill.com wrote in 2016,

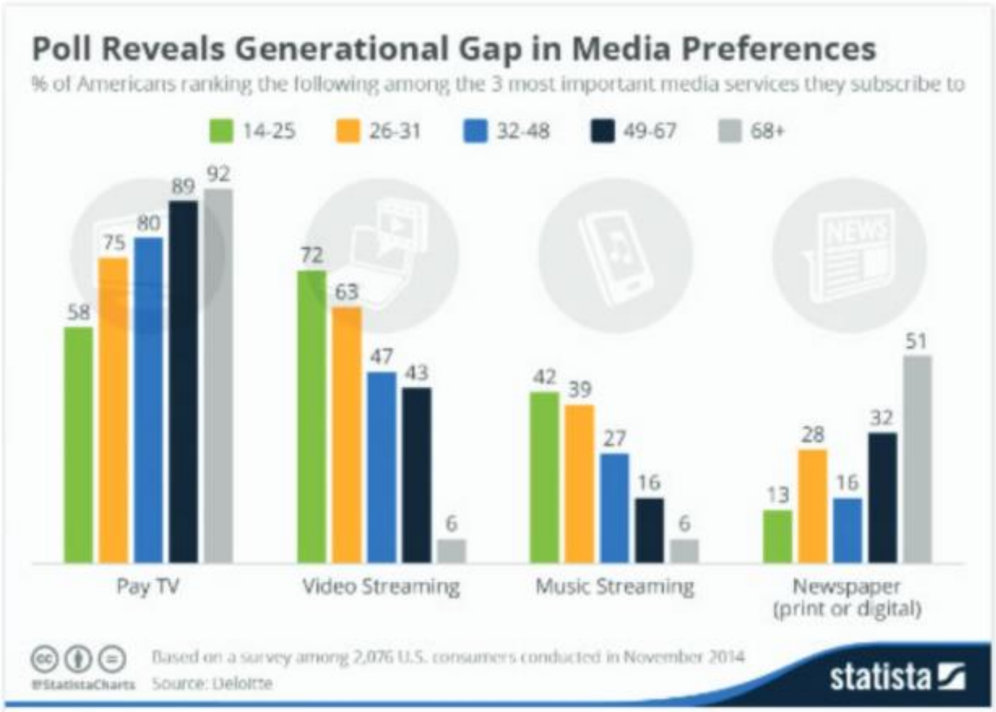
> Technology has … changed substantially since the law was signed in 1996. Internet speeds have risen, with Americans making the switch from dial-up to broadband, which in turn has disrupted the old order in other industries, like broadcasting. And more recently, the rise of smartphones has forced regulators to confront challenges posed by mobile networks (McCabe, 2016)

Today's technology revolution in the media business creates multiple revenue streams for sports leagues and teams at all levels. Today, it's likely if you are a youth sports travel team, your team has likely had its game "streamed" via your high school, travel ball, or community organization. The remarkable changes in the ability to deliver high quality video content on less expensive equipment and a WiFi or cellular connection has transformed our ability to livestream almost anything. Want to show your son at the local batting cage hitting line drives to your grandparents in another location? You can do that on your mobile phone. Want to livestream a state championship field hockey game? You can do that on an iPad (Krings, 2020).

The challenge for sports finance professionals is now how to best engage and monetize fans, sponsors, and investors to take full advantage of these advances. The emergence of platforms like YouTube, Instagram, TikTok, Twitter, Facebook, Amazon Prime, and many others have allowed individuals and organizations to create their own channels, targeting specific content limited only to a creator's imagination. With the advent of podcasting, another channel has opened up for teams to share their culture and strategy (Feldman, 2020).

The growth of 5G technology will greatly accelerate wireless signals and the data being sent across them in the very near future. Requiring more antennas and additional coverage both inside and outside of structures, it will create even more bandwidth for streaming.

Take a look at the graphic here that demonstrates the generational divide in consuming media.



Source: Copyright © Statista.

Revenue Basics—Advertising

How is revenue generated in the media business? For decades, it was a unit of time that was purchased on an over-the-air device, that is, a 30-second advertising spot on a morning radio show. Radio stations attract different demographics, so if your service or product was appealing to a certain demographic (18-49-year-old males, as an example), your company would purchase "ad time" on that radio station in 30 second increments.

The same strategy worked for years with television. Ad rates rose as the television audience grew bigger for a particular event. As shown earlier in the chapter, companies like Nielsen and others specialize in tracking who is watching that event and for how long. Measurement by third party companies like Nielsen is the currency that determines what ESPN, Fox, and others can charge. For example, if a network like ESPN has 25 million viewers for the College Football Playoff, their ad rates are higher for a product or service to buy time during that game. Conversely, if it's a regular season major league baseball game of 5 million viewers, the ad rates are generally much lower (Murphy, 2020).

How many ads one can sell in any particular game drives the majority of the broadcast revenues. Each sport or event has different available blocks of time in a game. For example, basketball has quarters or halves, with breaks between each, and timeouts called by coaches during play. Conversely, soccer is a much freer flowing game of two halves; there is rarely time for typical 30-second ad spot during play.

As the desire for revenue has grown, sports channels have expanded the revenue pie by adding in "quick pitches" in between breaks in the action. In baseball, specific innings are sold as promotions for certain products. The announcers could tell the audience, "if the home team hits a home run in this half of the inning, XYZ product will donate $1,000 to a local animal shelter." There are countless other examples of in-game product placement, all adding to the revenue generated for that particular event.

If a game is on a local network (as defined by the geography of that area), ad rates are measured in CPMs (cost per thousand). Simply, it means if you want to reach a thousand viewers, we will charge you a specific rate. If the local evening news attracts the most viewers to the nightly news, the television station will charge more than a local afternoon talk show. If the CPM is $200 and the evening news attracts 500,000 viewers, the cost for that 30-second spot is $100,000 (Thorp, 2019). It is in the station's best interest to drive viewers to the most expensive property in their inventory, and typically those are local news and local sports. How much more? Whatever the market will bear. Networks do offer ad packages sold to higher rated programs the opportunity to advertise for minimal costs on lower rated programs to increase sales.

A newer trend in local advertising involves geofencing. Because so many households and devices are connected to cable or Internet, it is easy to identify the location of the viewer. Geofencing places a virtual fence around a zip code area, a county, or some other geographical area targeted (and coveted) by the advertiser. If a local sporting goods store wants to advertise in their local market, they could employ this technique. It can be a win-win for the media company and the advertiser, as generally it costs less than a typical ad, while delivering a higher ROI (return on investment) for the sporting goods reseller. And geofencing allows for multiple ads to be run at the same time, targeting many specific locales.

Affiliate revenues are more lucrative than advertising rates and subscriptions. In the 1980s and early 1990s, networks like ESPN used to pay the cable or satellite company to carry their programming; in the mid-1990s, that model flipped when ESPN bought the NFL (Murphy, 2020). This is where the real economic battles are being waged, via streaming services, apps, satellite radio, and on-demand events. A company like ESPN had a massive advantage to buy sports content for decades because they had two sources of income to use—subscribers (or subs), who paid a monthly fee to their cable or satellite provider to get the channel (or channels, as ESPN has multiple outlets, including ESPN2, ESPNU, and ESPNews), and demand higher ad rates because of the size and demographics of their audience.

In order to compete for sports content, traditional OTA (over the air) broadcasters began charging in 2013 a new fee, related to "retransmission consent agreements," was imposed (Bode, 2013). This fee was paid for the right to carry the "over the air" channel on the distributed networks (cable and satellite). Collected from every cable subscriber whether they watched sports or not, it suddenly gave national broadcasters like CBS, ABC, NBC, and FOX a chance to remain competitive while bidding for sports content. It also has driven the price of sports content higher and higher.

For years, cable and satellite companies charged customers more for video content than Internet streaming, assuming that viewers were coming to them primarily for video content. Today, that no longer applies. In fact, cable companies have upended their business model to try to hold on to customers on the Internet side, as the great unbundling of cable channels accelerated in 2020. Today, these same companies know their future lies in holding on to market share via Internet usage, higher and faster speeds, and the massive amounts of data they collect on the viewing and streaming habits of their customers.

The biggest question for rights holders going forward is this: Will sports support a "Direct to Consumer" model? Will fans (aka subscribers) be willing to pay \$20 to \$40 to watch baseball every season? And what happens to the baseball fan after the season is over—will they pay another \$20 to \$40 to watch basketball?

Traditionally, sports networks charge higher sub fees because live sports production has been so expensive. Post-COVID-19, many efficiencies have been discovered and implementer. But sports may still end up tied to the "bundle" of a cable or streaming service simply because these companies need to spread the costs among a larger group of consumers.

Another significant worry is the "cord-cutting" or "cord-shaving" consumers have been doing. Once well over 100 million subscribers paid monthly for cable or satellite access; some analysts predict that these platforms may dwindle down to 50 to 60 million subscribers. The sports networks have survived quite nicely inside a pay TV ecosystem. What happens when enough consumers have left that world completely behind? How will sports rights be subsidized?

Expenses of Executing a Media Rights Deal

Once the Grant of Media Rights is agreed to and the contract is signed, sports media companies like ESPN, FOX, and CBS have to spend money to get the games on. The production of live events has traditionally been expensive, if you consider bringing all of the technology and crew to the site of the game. Since COVID-19, the emphasis has shifted to doing more and more work remotely, meaning trucks, crew, and remote satellite uplinks don't have to be moved around.

Networks like the ACC Network have gone so far as to build out their own production studios on campus, investing up to \$10 million of their own monies to bring their onsite work up to 4K standards. Viewers expect to see high-definition content, so the games must be produced on HD or 4K quality equipment.

Production managers build out budgets that include:
- The actual costs of buying the media rights;
- The estimated production costs of fulfilling the contract;

- What technology needs to be installed on site versus what can be brought in (includes the fiber connection to the home studios);
- SG&A: Selling, General, and Administrative Expenses assigned to the contract; and
- Marketing expenses.

Sometimes, if a media company really wants to bid for a property coming on the market, they may have to decide to forgo renewing another contract. ESPN did this when the NFL contract was up for renegotiation; they decided not to renew their NASCAR agreement (Murphy, 2020).

Generally, the pecking order for securing rights goes like this.

1. National Football League
2. College Football
3. National Basketball Association
4. Major League Baseball

Building a Media Network

If you want to start your own media empire today, there are a thousand things to consider as the marketplace keeps shifting. We'll review a few of them here, as they are important in understanding the synergies of the industry.

- **Technology.** As you construct the physical and satellite locations for your company, the ability to transmit content in real time is crucial. Access to gigabyte Internet speeds is challenging, and may require your company to build infrastructure as well as partner with companies who companies that already built what you need. Inside, you'll need to "future proof" your technology so that you don't need to upgrade it every year. Finally, you'll need to build in redundancies so that if one part of your network distribution crashes, another part can immediately pick up where the disruption occurred. What happens if you don't build in redundancies? Your networks crash in the middle of the Super Bowl, as happened to both the Comcast and Fox Sports live streams in 2017 (Liptak, 2017).
- **Second Screening.** If 2020 taught the sports industry anything, it is that viewers under 35 are consuming more content on their phones and iPads during a game than are actually watching the game on a big screen television. Nielsen reported that more than 90% of Americans watching sports were holding a second screen. The website e-marketer found that the number of hours per day individuals were consuming content on their phones exceeded the number of hours watching television for the first time in history. Some described the shift as a move toward "ambient" TV, meaning it was noise in the background, akin to elevator music (Feldman, 2020). This shift requires analysis from teams, leagues and media companies to think about

the platform's viewers are on during a game. Viewers are immersed in the second (and third) screens; the business model requires that you create "sticky" content (content that makes them stay with it) in order to drive revenues.

- **Data, Data, Data.** Media companies know more about their viewer's habits, consumption patterns, social networks and other personal data today than ever before. Data aggregation will only accelerate in the coming years. How will you monetize that data? Will there be any newly imposed government restrictions that limit the amount and kinds of data you collect? How does the unlimited ability to collect your viewer's habits compare to other countries rules? As an example, Germany and other countries in the European Union have much tighter standards for data privacy (International Trade Administration, n.d.).

Regional Sports Networks

As mentioned earlier in the chapter, the rise of regionally focused sports networks (hence the name regional sports networks or RSNs) in the early 2000s sparked the rise of acquiring and gating local sports teams on to cable or satellite sport "tiers." Previously, each professional or college team would negotiate their regular season games individually with multiple local stations, typically "over the air" stations that had the widest reach. In fact, many local stations were loath to lose their connections to local professional teams, as it gave them regular content for many months in a season.

As mentioned earlier, the Telecommunications Act of 1996 and the creation of more than 500 channels on a cable or satellite system created opportunities for specialized sports networks. Over the next decade, Fox Sports Networks became the de facto model for how local sports could be packaged. These networks included Fox Sports Arizona, Fox Sports Carolinas, Fox Sports Detroit, Fox Sports Florida, Fox Sports Indiana, Fox Sports Indiana, Fox Sports Midwest, Fox Sports New Orleans, Fox Sports North, Fox Sports Ohio, Fox Sports Oklahoma, Fox Sports San Diego, Fox Sports San Diego, Fox Sports Southeast, Fox Sports Southwest, Fox Sports Sun, Fox Sports Tennessee, Fox Sports West Prime Ticket, and Fox Sports Wisconsin. Other channels like the YES Network and SportsTime Ohio also emerged (Harris, 1997).

NBC launched their own sports networks in that same time period. NBC Sports Bay Area, NBC Sports California, NBC Sports Chicago, NBC Sports Washington, NBC Sports Boston, NBC Sports Northwest, and NBC Sports Philadelphia, along with SportsNet New York. AT&T and Spectrum also launched sports channels during that time period, along with Altitude Sports, Buckeye Sports Network, Comcast, Cox Sports Madison Square Garden (MSG), New England Sports Network (NESN), and Mid-Atlantic Sports Network (Steinberg, 2017).

How many of these networks do you recognize today? For some readers, you may have heard of very few. This industry has been ripe for mergers and acquisitions as media companies have worked to consolidate their empires to include not only sports but movies, entertainment, theme parks, and streaming services. There are dozens of defunct networks today that lost out on the bidding wars for sports content. It stands to reason that the larger companies are able to make stronger bids for that content when the contracts are up. It is a key reason as to why sports media rights are so valuable; they are truly "must see TV" (to coin an old phrase)—people rarely want to "time shift" a live game.

In many of the professional sports chapters in this textbook, you will read more about their negotiated arrangements with television networks and streaming platforms.

College Conference Channels

An equally notable pattern emerged in 2007 when the Big Ten Conference, arguably the most powerful athletic conference in college sports at that time, struck a partnership with Fox, and decided to launch their own cable channel. Originally called the Big Ten Channel, the network followed a pattern familiar to those who were part of the early development of RSNs—acquire media rights to a host of content that could fill 24 hours a day, 7 days a week of airtime for Big Ten fans around the country. Coming on the heels of the Mountain West Conference network's 2006 launch, the Big Ten Network (BTN) faced multiple early hurdles in getting distribution both regionally and nationally, as Comcast refused to negotiate carrying the network on their cable system, thinking it would compete with their sports networks. More details about BTN's arrival on the sports media scene can be found in the case study (Weaver, 2009).

A few years later, the Pac-12 became the next Division I athletic conference to launch their network. Done in an entirely different economic environment, the rush to create a profitable network led to the most recent conference realignment for the Pac-12 in 2010 and 2011. Called the Pac-10 in 2010, the conference presidents hired a new commissioner, Larry Scott, to not only assume the duties of an athletic league but to act as the head of a sprawling media empire that would generate billions for the universities—or at least they hoped.

One key metric both conferences needed in gaining revenues was to acquire households in dense regions of the country. Large metropolitan areas (and the high-profile Division I football programs located became targets for adding additional schools. At one point, Commissioner Scott was seen landing his private plane in Austin, Texas (home of the University of Texas); Norman, Oklahoma (University of Oklahoma); Boulder, Colorado (University of Colorado); and Salt Lake City, Utah (University of Utah). By 2011, Colorado and Utah joined the Pac-10 to create the Pac-12, and Texas and Oklahoma kept the Big 12 alive and negotiated a more favorable revenue distribution for themselves with the newly formed Big 12 Network and the Longhorn Network (Gall, 2012). The Pac-12 Network, by most accounts, has underwhelmed everyone—fans, coaches, athletic directors, and presidents.

Not far behind, the Southeastern Conference (SEC) announced their new 24-hour cable partnership with ESPN after another frenetic round of rumors in schools abandoning their old conferences to join the SEC. After the dust settled, three more schools joined the SEC. Saturdays Down South told the story this way:

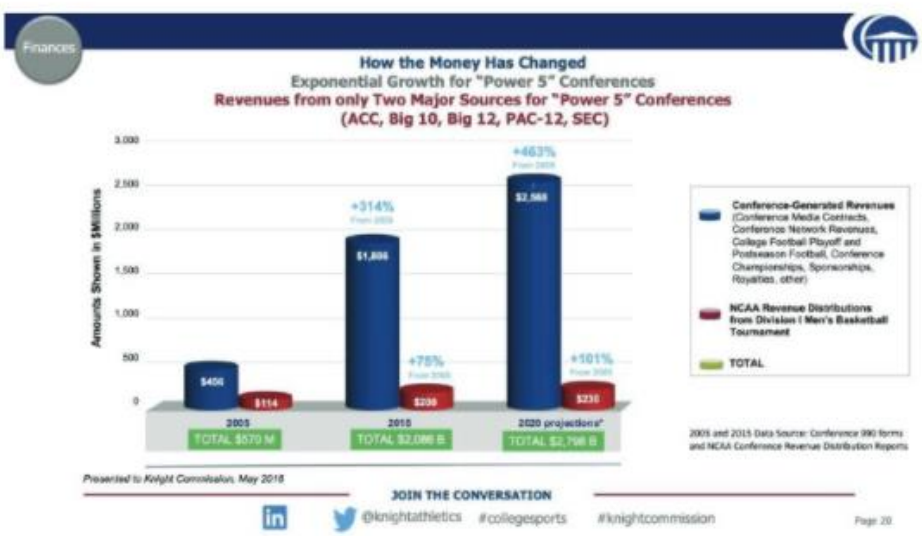
> Rumors began to pick up steam after Texas A&M officials met to discuss the impact of Texas, a fellow Big 12 member, launching its own television network. After two decades of interest, Texas A&M was given a 72-hour deadline in August 2011 to decide between the Pac-10 and the SEC, choosing the latter in the end and leaving the Longhorns and the Big 12 behind. With Texas A&M's addition, rumors continued to swirl that the SEC would take another team. West Virginia, then in the Big East, and several ACC schools were among the teams mentioned; however, the ACC raising its exit fee to \$20 million amidst all the realignment thwarted the idea of adding FSU or Virginia Tech.
>
> Late in 2011, the Big 12 indicated that Missouri was on its way out, not including the school among its expected members for 2012-13. It became obvious why when, in November 2011, the SEC announced it would be bringing Mizzou into the fold.
>
> Texas A&M's decision to ditch the Longhorns and their television network turned out to be a good call. A year after the Aggies and Tigers officially joined the conference, SEC commissioner Mike Slive and ESPN president John Skipper announced a 20-year partnership between the two entities to launch the SEC Network, which would make its debut in August 2014. In its first fiscal year, the channel helped generate a record-setting \$455 million in total revenue for the conference (Weisband, 2014).

In 2019, well behind its peer group, the Power 5 Conferences, the Atlantic Coast Conference (ACC) announced the start date of their long-awaited sports network, a partnership with ESPN. Unlike the

Big Ten Network, which provided $3 million upfront to each Big Ten school in 2007, the ACC told schools they would have to build out their own on-campus television studios and produce the games themselves. Also a participant in the conference realignment merry-go-round, the ACC picked up Syracuse, the University of Pittsburgh, and the University of Notre Dame (for nonfootball competition only), while losing the University of Maryland to the Big Ten Conference in their second round of adding members. After that upheaval, the ACC required all members to sign a grant of media rights that lasts until 2027, effectively ending any further poaching of ACC teams to other conferences for the foreseeable future. The GOR requires if a school leaves for another Conference before 2027, all of their media rights are retained by the ACC, a powerful incentive to stay together (McMurphy, 2013).

The ACC Network is currently owned by ESPN, and the ACC receives an annual payment for the media content provided on the linear and streaming platforms. Their financial relationship is entirely based on the network's successful carriage on cable and satellite systems and digital channel providers, also known as vMVPDs (Murphy, 2020). As of October 2020, the ACC Network had yet to be picked up by Comcast, who serves 20 million homes in the ACC footprint (Hite, 2020). Justin Connolly, the ESPN's executive in charge of distribution, told The New York Times, "We don't really view it as 'Hey this is just a linear television channel.' Hundreds of events produced by the network will be presented digitally, and ESPN's distribution strategy has included streaming providers" (Draper, 2019).

The Explosion in College Sports Media Revenues



Source: Knight Commission on Intercollegiate Athletics

Tier One, Two, and Three Revenues Matter in College Sports

Beyond Conference networks, the Power 5 Conferences and powerful independents like the University of Notre Dame also have access to additional revenues from networks with larger audiences. A mid-season football game between Michigan and Ohio State would be elevated to ABC or Fox's national platform. Auburn and Alabama would be elevated to CBS's national platform (at least until the contract transfers to ESPN). Those networks are offered "first rights of refusal" for the premium games (often moving them to "primetime window"). These games are called Tier 1 events, and attract the most hype, the most advertising dollars and are generally available to the widest possible audience. They also pay the conferences more money (see chart "College Football Rights Deals by Media Network"). In recent years, conference championship games have added more revenue to the mix, and because of their significance to the College Football Playoff, often times are treated as Tier 1 properties (Colombo, 2020).

Tier 2 events are the remaining football (and, sometimes, men's basketball) inventory that will remain on a conference's own channel. Tier 3 events are all the other regular season inventory (soccer, lacrosse, softball, volleyball, ice hockey, etc.). These events are used to aggregate smaller amounts of viewers together to create attractive audiences for advertisers (Cotroneo, 2019).

Another revenue stream is the "sub rate" (subscribers) to a conference channel. The monthly cost of the subscription varies inside and outside of the conference footprint. The footprint is defined as the states that each university in the conference resides in. The channel costs more inside the footprint than outside the footprint.

This concept resides only in a cable system model; for satellite and streaming, one size and one price fits all (unless it is part of a bundle with other content). A good example is a streaming bundle of Disney+, Hulu, and ESPN+—separately, they would cost a subscriber $18 or more a month; bundled together, they are advertised at $13 a month.

Streaming services like ESPN+ aggregate a wider range of content; things like the Ivy League Network, Conference USA Network, and MMA sports are all available on streaming platforms. It provides access for a number of disparate sports properties who want their content delivered on the sports network and are willing to produce most of the content at their own expense.

College Football Rights Deals by Media Network ($mm)
*Indicates which conference is being broadcast
Data compiled from ESPN, Sports Business Journal and other sources

COLLEGE FOOTBALL TV RIGHTS	2017	2018	2019	2020	2021	2022	2023	2024	2025
ESPN/ABC									
*SEC	144	151	158	166	174	183	192	292	307
*Big Ten	160	168	176	185	194	204	205	216	226
*ACC	139	146	153	160	168	177	186	195	205
*Big 12	88	92	96	121	127	134	140	147	155
*Pac-12	96	101	106	111	116	122	128	137	144
*AAC	18	19	20	21	63	66	69	72	76
*Mid American	20	21	22	23	24	25	27	28	30
ESPN/ACC Totals	**663**	**696**	**731**	**788**	**868**	**911**	**947**	**1087**	**1142**
FOX									
*Big Ten	200	210	221	232	243	255	256	269	283
*Pac-12	96	101	106	111	116	122	128	137	144
*Big 12	79	83	87	91	96	101	106	111	117
*Big East	36	38	40	42	44	47	49	51	55
*Mountain West	-	-	-	20	21	22	23	24	26
FOX Totals	**411**	**432**	**453**	**496**	**521**	**547**	**563**	**593**	**624**
CBS									
*SEC	62	65	67	70	74	77	81	-	-
*Mountain West	17	18	19	20	21	22	23	24	26
CBS Totals	**79**	**83**	**86**	**90**	**95**	**99**	**104**	**24**	**26**

Streaming

This chapter has briefly touched on the importance of streaming as an extension of the technology shifts in media consumption. However, it is critical to understand how important streaming has become to emerging sports, niche sports, smaller college conference sports, and even high school and youth sports. The ability to attract a wider audience to your event or program is an obvious advantage for sport organizers; the challenge becomes in breaking even revenue wise, and ultimately using it as a revenue tool for your financial portfolios.

There are two forms of revenues for streaming events: a pay-per-view model and a subscription model. Both are widely accepted by fans, and due to technological advances, they make the payment and access processes nearly seamless. Live sports streaming can attract new fans, for sure; it can also attract new product partners and placement, new sponsors, and even new participants.

There are financial and logistical considerations involved in launching a live stream event. Cost of the equipment, selecting a video hosting platform, promotion of your event, monetization, test runs (and redundancies should the live stream crash!), and, most importantly, considering your viewer and the devices they will be using (phone, tablet, big screen TV, etc.; Krings, 2020).

League	Network	Skinny Bundle	Pure Play	Tech and E-Sports
MLB.tv	B/R Live	DirectTV NOW	DAZN	Amazon Prime Video
NBA	CBS Sports HQ	fuboTV	Flo Sports	Facebook
League Pass	ESPN+	hulu with Live TV	HotStar	Twitch
NFL Game Pass	Fox Soccer Match Pass	Sling TV	Stadium	Twitter
NHL.tv	NBC Sports Gold	SONY Playstation Vue		
UFC Fight Pass		YouTube TV		
WWE Network				

Adapted from Harry Stevens/Axios

Emergence of Legalized Betting and Media Consumption

One of the most dramatic changes in the media space has been the acceleration of legalized sports betting in the United States. More states have granted permits to open physical casinos, thus allowing for the explosion of online betting in a particular state. If you are physically located in a state that permits online gaming, all you need is your mobile device.

In the Commonwealth of Massachusetts alone, illegal sports betting is a $680 million business, primarily in offshore casinos, while U.S. gamblers made $196.2 billion in illegal bets nationwide, 47 times the size of the legal sports betting market (Glaun, 2019).

It couldn't come at a better time for the sports media industry as a whole, as generational shifts in viewers (skewing older fans—55+ in many cases, while younger fans aren't inclined to want to watch an entire 3 ½ football or baseball game [and some are even less inclined to pay the higher ticket prices]). Gambling on the final score (or who scores first) gins up the interest in the game, and knowing how "the line" is moving becomes important to winning money.

According to *The New York Times*, "Sports bettors watch about twice as much sports coverage as non-bettors do." Almost $5 billion was wagered in Las Vegas in 2017, before states began to legalize betting. Sports broadcasters, always looking to appeal to their audience, are investing in gambling graphics, pregame and postgame shows, and in game chyrons. Knowing that their audience is also watching a second screen, media companies are delivering content that dives behind the scenes, providing injury reports, weather analysis, and loads and loads of analytics to allow fans access to more information (Draper, 2018).

Late in 2020, William Hill Bookmakers announced a partnership with Monumental Sports in Washington, D.C. to build a sports book inside the Capitol One Arena Bix Office. The arena is home to the Washington Wizard NBA franchise, and the Washington Capitals NHL franchise. William Hill also announced that they were the exclusive sports betting partner of the Washington Mystics WNBA franchise and all of Monumental Sports properties (Rangappa, 2020).

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New Competitors Entering the Sports Inventory Space

Sports inventory will continue to be one of the hottest properties in the world, as fans cannot get enough sports. Sports finance professionals are keeping a very close eye on the FAANG+M (Facebook, Amazon, Apple, Google, Netflix, and Microsoft) companies for their emergence into this space. They have the largest amount of cash on hand, and all have proven to be disruptors in whatever space they enter.

Sportico reported in 2020, "Despite the nattering of digital futurists and other Wall Street naysayers, the legacy broadcasters have reason to believe that they will maintain a stranglehold over football's most prestigious time slots." The "legacy" broadcasters are CBS, NBC, and Fox, with ESPN holding down the Monday night slot as part of the ABC legacy. Each of these networks counts on the large audiences NFL games deliver to drive announcements and promos to their own programming. It is simply the biggest lead-in for any nonsports show on their network. NFL chief media and business officer Brian Rolapp threw some cold water on the FAANG fire. "Our entire model is about reaching as many people for as long as we can. We can reach 25 million people [on broadcast TV], and I have not seen a live event on the Internet that can serve 25 million concurrent users at a high quality" (Crupi, December 2020).

While the NFL model may continue broadcasting on traditional over the air networks for the foreseeable future, emerging and niche sports are thriving on some of the FAANG platforms (Facebook, Apple, Amazon, Netflix, and Google). One has to look no further than YouTube (a Google company) to see the success in sports. Microsoft has made its entry into the tech side by its prominent relationship with tablet technology on the football and soccer sidelines. Instagram (a part of Facebook) has become the platform of choice for many new sports looking to broaden their appeal. And Amazon has paid \$200 million at the NFL to stream Thursday night football for Prime users through 2022 (and an occasional Saturday game on Twitch), hardly very much for a company that has a \$1.6 trillion valuation (Crupi, August 2020).

Financial officers need to be aware of the speed in which media and technology are shifting the underpinnings of the industry. While Netflix and Amazon have yet to do more than put their big toe in the water, the "digital futurists" alluded to earlier are pretty convinced it will happen at some point.

CASE STUDY

The creation of the Big Ten Network, a television and broadband endeavor devoted to the 11 Universities that comprise the Big Ten Conference launched in August of 2007, immediately sent a ripple throughout higher education. Instead of receiving broadcast rights fees for the televising of selected football and basketball games, the presidents in the Conference decided to start their own broadcast venture. While conference television networks seem "normal" today, the vision of former Big Ten Conference Commissioner Jim Delany back in 2004–05 was prescient. This content was originally published in Forbes.com.

How Jim Delany's Media Intuition Changed the College Sports Ecosystem

Think back to the television landscape in 2004—regional sports networks were all the rage, most owned by Fox, Comcast, AT&T, while independent distributors like Raycom were buying and redistributing games. ABC, CBS, and NBC were all lopping off the best Big Ten games in football and men's basketball, leaving the remaining games for ESPN to pick up. There was a ton of inventory left on the table that Delany knew could be "monetized," if the right set of circumstances arose.

The Big Ten's agreement with ABC/ESPN was scheduled to expire in 2006, and network executives were already signaling that a future deal would not include an increase in revenues. Frustrated, he began to think about whether the Big Ten Conference could create its own "Channel"—sort of like its own regional sports network. The idea itself was not that far out of the box, but other factors were, especially the timing of other media rights deals expiring (including professional deals like the NFL, NBA, and the Olympics), which greatly impacts the amount of cash media companies can bring to the table at any given point.

Another major hurdle was distribution. The eight-state footprint that encompassed the Big Ten Conference in 2004 was a hodgepodge of cable and satellite systems—each would require negotiations that would place the channel on their systems. Add to that the "sub rate" (the rate subscribers would pay to access the channel), on a basic tier, it might cost only 10 cents, but be available to every household; on a sports tier, it might cost $4, but be purchased by fewer homes. Streaming technology was nowhere in the lexicon—every game needed to come to a fan's TV via a cable or satellite feed.

Delany had to solve another massive problem—who was going to pay for all of the startup costs? There were three models available that Delany asked the university presidents and chancellors to consider: a wholly owned conference entity (like the Pac 12 is today), a branded channel owned and subsidized by a media entity (SEC on CBS), or a partnership with a media company (preferably at 51% or greater so that the conference could control content and value-based decisions around advertising, adding new conference members, etc.).

By far, these were some (but not all) of the major decisions Delany and the council of presidents/chancellors had to make in the run-up to the creation of the Big Ten Network.

Leadership requires out-of-the-box thinking; take a look at some of the ways Delany creatively led the Big Ten Conference through a three-year evolution of building a network from scratch. I noticed the following in reviewing archival e-mails, memos, and directives from that time period.

- Delany was cognizant of the quarterly financial goals of each competitor in the media space—he knew when they need inventory, and when they needed to preserve cash by studying their financial reports.
- He was astute at playing the networks against each other—whether ABC/ESPN really believed he would pull off an owned conference network was one thing, but he was able to convince them he had the ability to do it.
- He knew exactly when the NFL, NBA, MLB, Olympics, and FIFA rights would expire and anticipated who might be bidding for them.
- He articulated clearly the value proposition that the Big Ten Conference brought to the table compared to the aforementioned entities. He made no mention or comparison to other collegiate properties; instead, he presented the conference to presidents and network executives as if the Big Ten Conference *deserved* to be in the mix with those properties.
- Building on this, he emphasized that the Big Ten Conference was simply *better*—better financials, larger alumni associations, more All-Americans, more National championships, better traditions, and broader-based sports programs.

He also presented the values of the Big Ten in a compelling way.

- The conference had a long and deep tradition of revenue sharing and an "all for one, and one for all" mentality. Delany often said "We'll compete like hell on Saturday against each other, and cheer each other on every other day of the week." There was little history of outward infighting, unlike many now defunct conferences. The Big Ten Conference was viewed as a stable enterprise.
- He kept in mind throughout the process what a valuable public relations tool a 24-hour-a-day/365-day-a-year channel could be—he called it "shopping the conference's identity across 8 (now more) states." The network was *designed* to be a public relations vehicle, not a media or journalistic effort. That belief was never more obvious than when the Sandusky scandal broke at Penn State—the network adequately covered the breaking news on head coach Joe Paterno's and former President Graham Spanier's dismissals (as well as the 2012 NCAA sanctions and fines) , but compared to ESPN and other outlets, it was low key and straight forward. Interestingly enough, Spanier was one of the few Big Ten presidents to take advantage of the platform, hosting his own show called "Expert Opinion" on current college sports issues. Delany never wanted the conference to lose control of the advertising and the editorial oversight—a point embraced by the presidents.

Certainly, the conference during Delany's tenure has not been without controversy; journalists have documented that 11 of the 14 institutions have been mired in scandals since 2010. Still, BTN never shied away from covering the scandals, with Dave Revsine leading the reporting nearly every time.

Finally, and from the earliest stages, Delany and the presidents/chancellors all agreed they wanted a 50/50 split on coverage of men's and women's sports. Any partner would have to agree to that, and if you think about it, that could have been a major sticking point. Women's sports (beyond basketball) have had no track record on linear television beyond small audiences. The same could be said about many men's sports. The trick was to find a partner who could aggregate those fans into demographic groups that could pool viewers. The early answer was to market to each fan base—Iowa fans to all Iowa sports, Minnesota fans to all Minnesota sports, and so on. Today, with the BTN+ app, more of the women's sports content appears on the digital side, and the linear channel on your cable or satellite system is stacked with football and men's basketball-based content.

Delany reflected on this in an interview with CBS Sports' Dennis Dodds, saying, "As much as anything, Fox [network partner] has allowed us to brand it in a way that is comfortable to us. It's the only network that I know of that made a commitment to men's and women's sports across the platform."

In July 2006, after the signing of all the contracts with Fox, and in the one-year run-up to the Big Ten Network's launch, Ohio State athletic director Gene Smith sent an e-mail to Karen Holbrook, then president of OSU, with this comment: "On another topic, the Big Ten ADs are aware you are on a small team dealing with Jim Delany's compensation. We hope he is recognized for this unbelievable deal that he ushered in that will benefit our institutions. What he has accomplished is truly amazing. He has no peer in our industry and is light years ahead of other commissioners. He is simply the best. I hope our conference can be generous and think beyond our normal restrictions."

Two weeks later, the presidents awarded Delany a $1.5 million recognition bonus and newly renegotiated contract that included a 16.7% increase in base salary, a $1 million annuity, and graduated retention incentives. Fast-forward to 2019, USA Today and others report that Delany's compensation has reached over $5.5 million and $20 million in bonuses.

When Jim Delany retired at the end of June 2020, the Big Ten Conference had had four commissioners prior to his arrival in 1989. One could argue persuasively that his impact will be felt for years to come—all you have to do is open the nearest video screen and watch (Weaver, 2020).

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