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THE BUSINESS OF MEDIA | POST-EVENT THOUGHTS

For years, sport rights were the weapons of choice for pay-TV operators and triple-play platforms in the battle for owning the home. But with traditional viewing and subscriber revenues showing signs of decline, can sports bodies continue to win fans and grow the yields that their stakeholders have been accustomed to?

In October 2017, as part of A&M's quarterly breakfast series on the Business of Media, we asked five key executives to debate the issue in front of an invited audience of 90 of their peers and members at The Club at The Ivy.

The panellists, who all spoke 'behind closed doors' and in a personal capacity, were:

- Maurice Tollenaar, Head of Media Rights & Production Services, UEFA
- Murray Barnett, Head of Global Sponsorship and Commercial Partnerships, Formula 1
- Louise Johnson, MD of Omnicom's sports and entertainment agency, Fuse
- Sameer Pabari, SVP of Discovery's Eurosport; ex-Director of Media at Manchester United
- Jon Florsheim, ex-CMO of BSkyB and Senior Advisor at A&M

For those who could not make it on the day, media commentator and journalist Kate Bulkley and A&M's Paul Naha-Biswas share some of the edited highlights below.

THE BUSINESS OF SPORT

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Premium rights will go up – but there's a limit

With the kick-off for the next English Premier League round imminent, the next few months will mark a new chapter in sports rights, broadcasting and sponsorships. And we will see for the first time the appetite for premium live sport of the big tech giants, led by Facebook and Amazon.

Overall, our panel was optimistic that the value of live EPL rights is set to increase once again, though there was disagreement as to how big the leap in costs would be.

In particular, the panel questioned whether BT will have as big an appetite as it has been in past EPL auctions. As Jon Florsheim, the ex-CMO of Sky UK and ex-MD of Consumer for Eircom in Ireland, put it: "Once you're in the sports rights game it's pretty hard to get out. It's been called the slippery slope. But as a platform you have to justify each spend on its value and what it will do for your business. And this is particularly the case with telecoms businesses because sport is not the core product. The core product is the pipe, be it broadband, mobile or IP TV."



Fragmenting audiences necessitate new ways to measure and monetise engagement

Despite continued demand for live linear rights, particularly for premium rights like EPL, audiences for live sport are fragmenting. Consequently, the sports rights market is heading for a new phase, claimed the panelists, especially in terms of the way that audiences are viewed, measured and served.

According to Louise Johnson, Managing Director of Fuse (Omnicom's sports and entertainment agency), a new valuation and monetisation model is needed that goes beyond the media value of the live rights. "As audiences fragment we need to evaluate digital partnerships better – so platforms need to evolve how they measure audiences, particularly younger audiences who are not going to pay for TV."

Live is the centre around which entertainment platforms are created

For F1, the live sporting event provides a 'halo' for a cascade of other audience touchpoints and interactions, says Murray Barnett, Head of Global Sponsorship and Commercial Partnerships at Formula 1, which is now owned by Liberty Global. The idea of judging the success of a sports rights deal simply by the number of viewers watching the live broadcast is simply "lazy metrics," added Murray. "It's about creating an entertainment platform that has motor sport at the middle of it and what is really important is understanding who are the fans so we can adjust our messaging and our products to suit. It's about the depth of engagement as well as the breadth of engagement."

Increasing sports costs could break the pay-TV ecology

Sport rights account for two thirds of the total programming spend on multi-channel TV, but only 8 percent of the total viewing, according to a recent Enders Analysis report. The pressure on retail prices to pay for the higher rights fees is putting pressure on traditional platforms' business models. And the big expensive rights could miss younger audiences altogether, which is a problem not only for sports associations worried about future fans but also for the big brands who pour money into sponsoring live sports. Fuse's Johnson says that brands are looking for a "fan first" strategy from their platform partners. "Traditional broadcasters are putting walls up for fans and things that they care about and this won't hold."

Digital and OTT can co-exist alongside traditional TV windows

Brands, says Johnson, are interested in a connected, live experience for fans and this is why a new generation of sport media platforms from Facebook and Copa90 to Minute Media are really accelerating. "A lot of our brands like Nissan and Pepsico want to work with them."

UEFA's Head of Media Rights and Production Services, Maurice Tollenaar, says that UEFA is seeing another "phenomenal uplift in prices" for live sports because of rising competition for rights, including from OTT platforms, which are becoming an important part of the future for everyone, from rights holders and traditional broadcasters to tech platforms like Amazon and Facebook. "We [at UEFA] won't put our flagship competitions like Champions League on OTT anytime soon, but we are looking at OTT options to promote our futsal, youth and women's properties."



Should we fear the tech giants?

One potential new partner could be one of the big tech giants. Although it is hard to gauge exactly the appetite for live sport from Facebook, Amazon, Google, Twitter, Apple and others, they are clearly coming and have already begun to step into the sports rights market, for example, Facebook's recent (failed) bid for Indian Cricket rights and Amazon's non-exclusive purchase of NFL rights. It is clear that the tech players bidding for live sport also heralds a turf war for consumer data.

Sameer Pabari, SVP of Business Development at Eurosport, believes that moving beyond 'plain vanilla' pan-European sports broadcasting into a focus on more premium, local and relevant programming is the key to attracting and keeping audiences and this includes working closely with digital platforms like Snap to create and deliver content that will appeal to a different audience segment. Pabari believes that although the big tech platforms have deep pockets to afford getting into the live sports rights business that they are also willing to partner up. "There is an opportunity to co-exist because, for example, Facebook is a free (ad supported) business and Eurosport is primarily a pay TV business, so we can see how we could potentially bid together for rights and get even greater reach without sacrificing any of the fundamental economics," he said.

Not just the usual suspects

Fuse's Johnson says the addition of the tech platforms into the sports mix is "very exciting" for brands because it brings in so many new possible ways to connect with audiences and ways of "augmenting" live events. E-commerce platforms like Alibaba and Amazon will be particularly powerful in sport, said F1's Barnett. He previously did a rugby deal in China with Alibaba where the platform had a much better idea of who the Chinese rugby fans were than the World Rugby federation because they were tracking their purchase behaviour around rugby merchandise and tickets. "This is where Amazon will have real smarts, like knowing when your beer is running out and offering to deliver it to you by halftime," said Barnett. "It's about the ability to gather the data about the audience and monetise it. For a Sky or an ITV, this understanding of their customer is still fairly low."

