

# **Sports over IP: dynamics and perspectives**

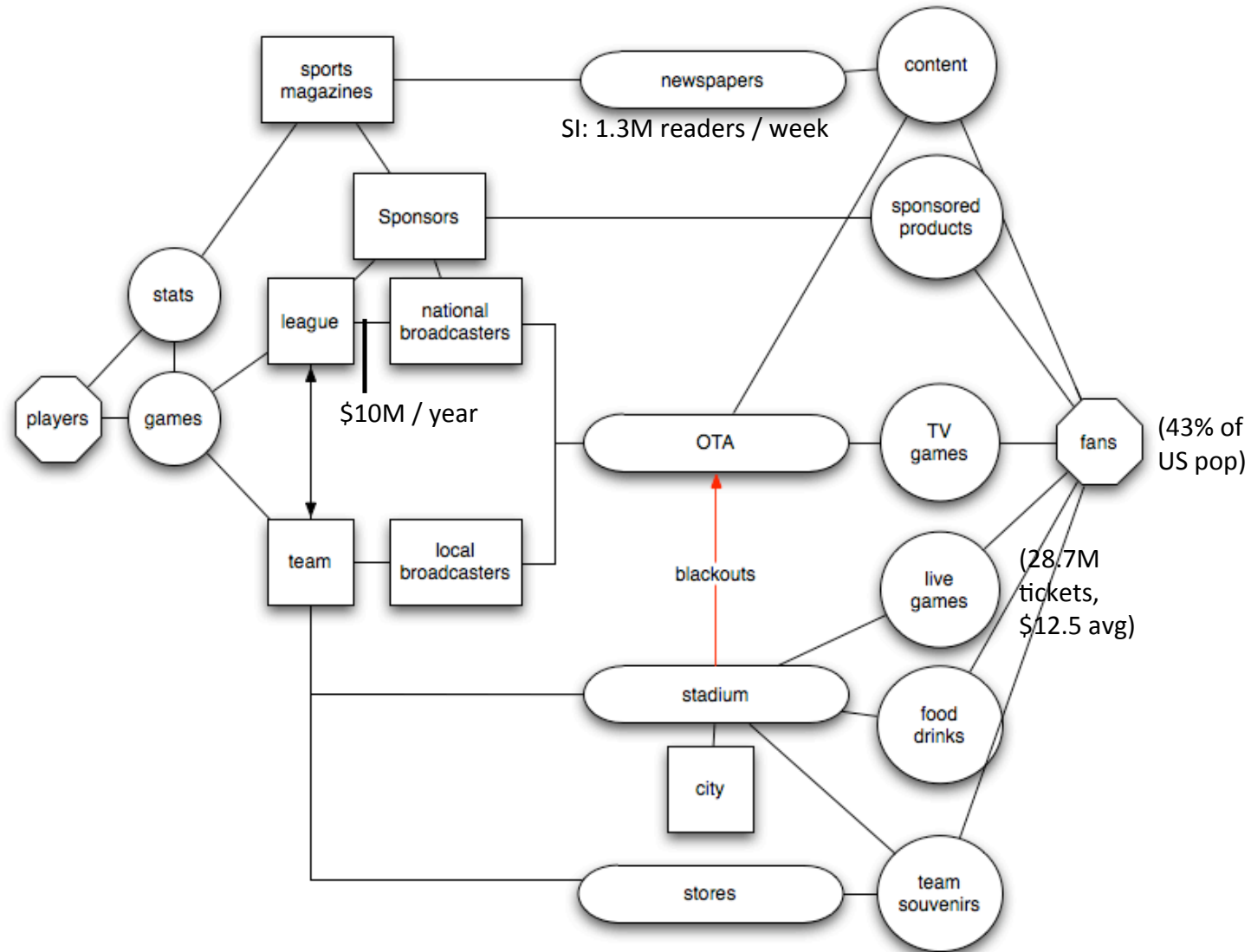
Emmanuel Blain

Charles Fine

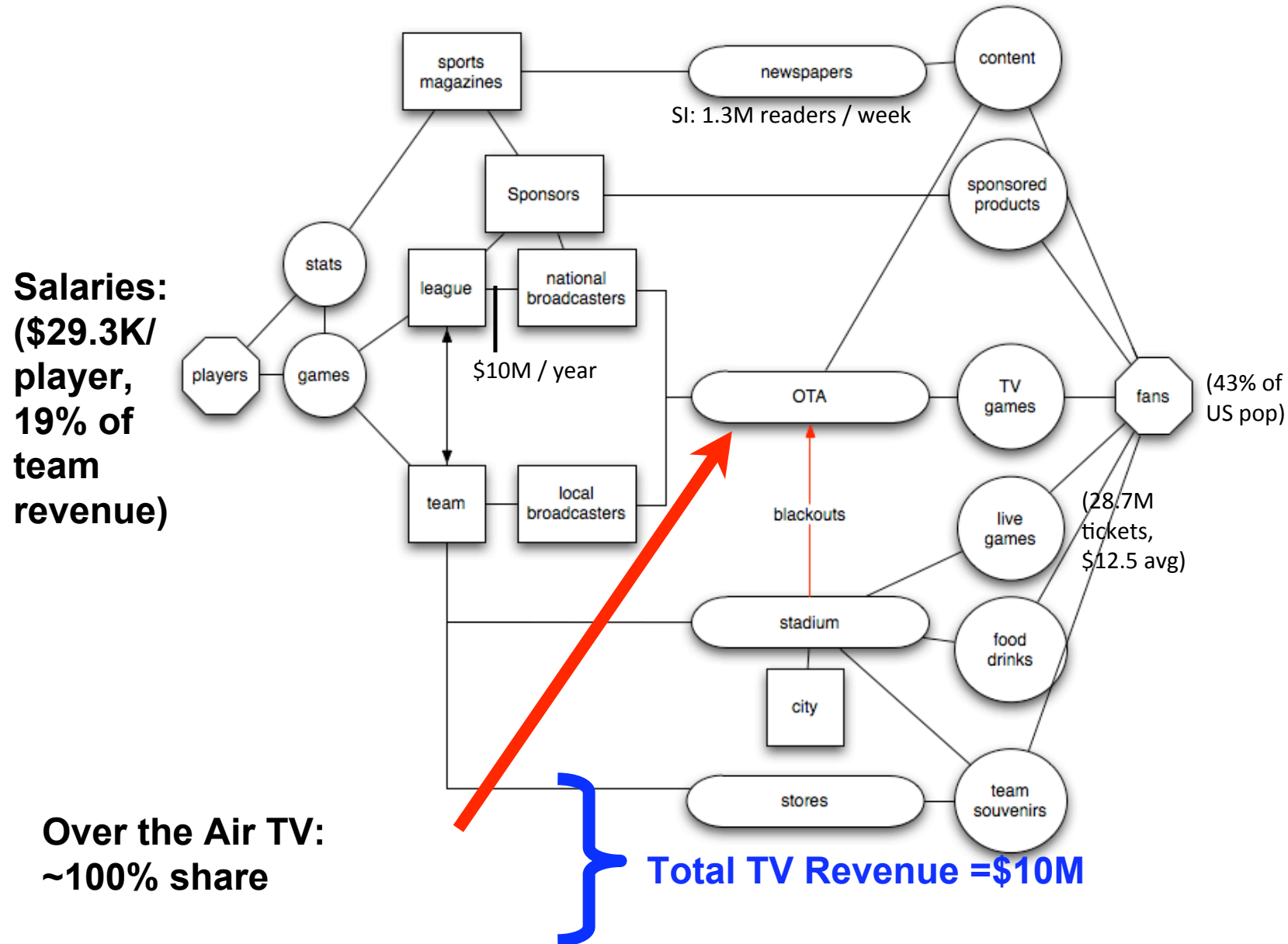
# Outline

- Framework – History of sports broadcasting
- Problem: What happens when you go over IP ?
- Antitrust considerations
- System Dynamics model
- Application: Big leagues and Small leagues

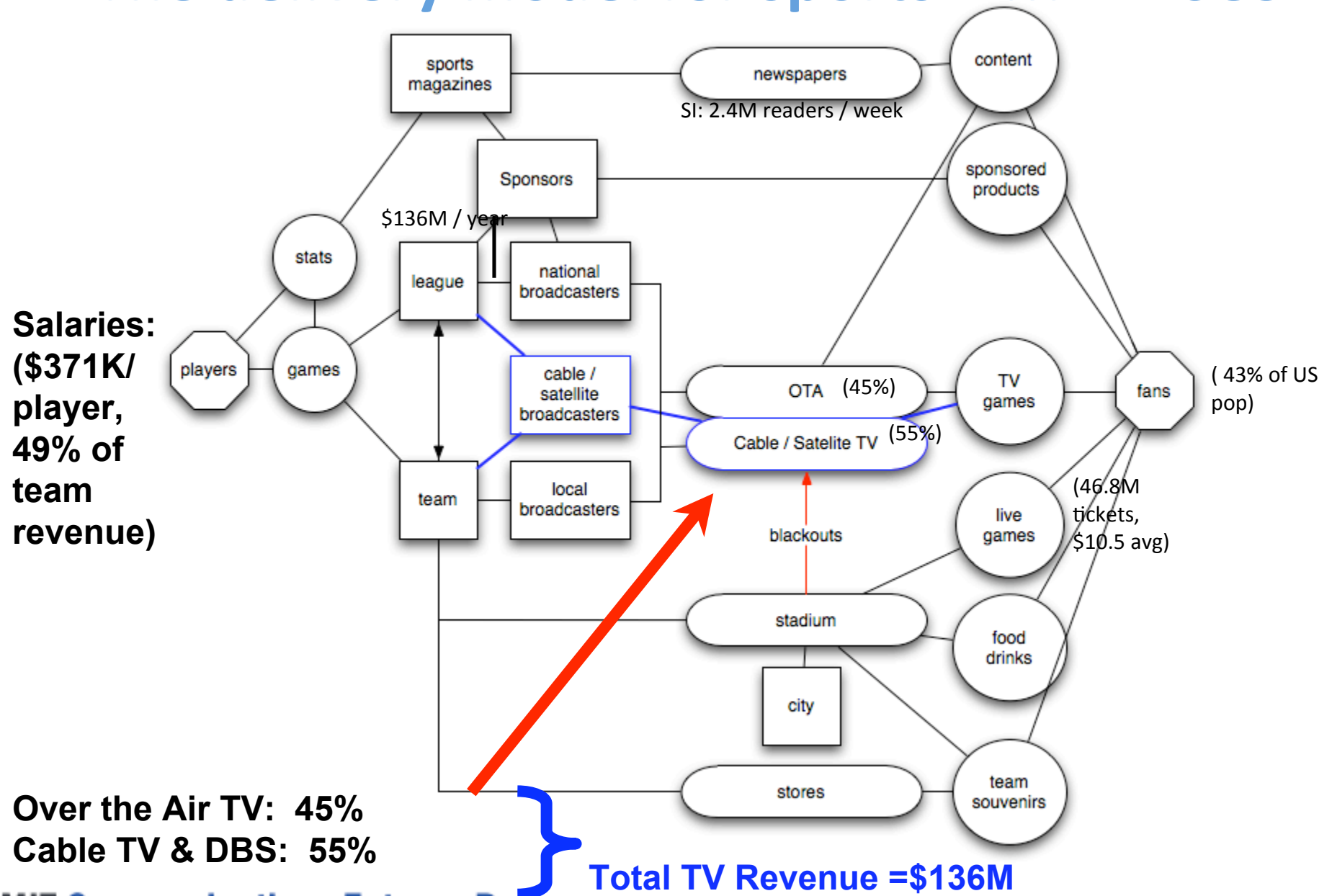
# The delivery model for sports - 1970



# The delivery model for sports – MLB 1970

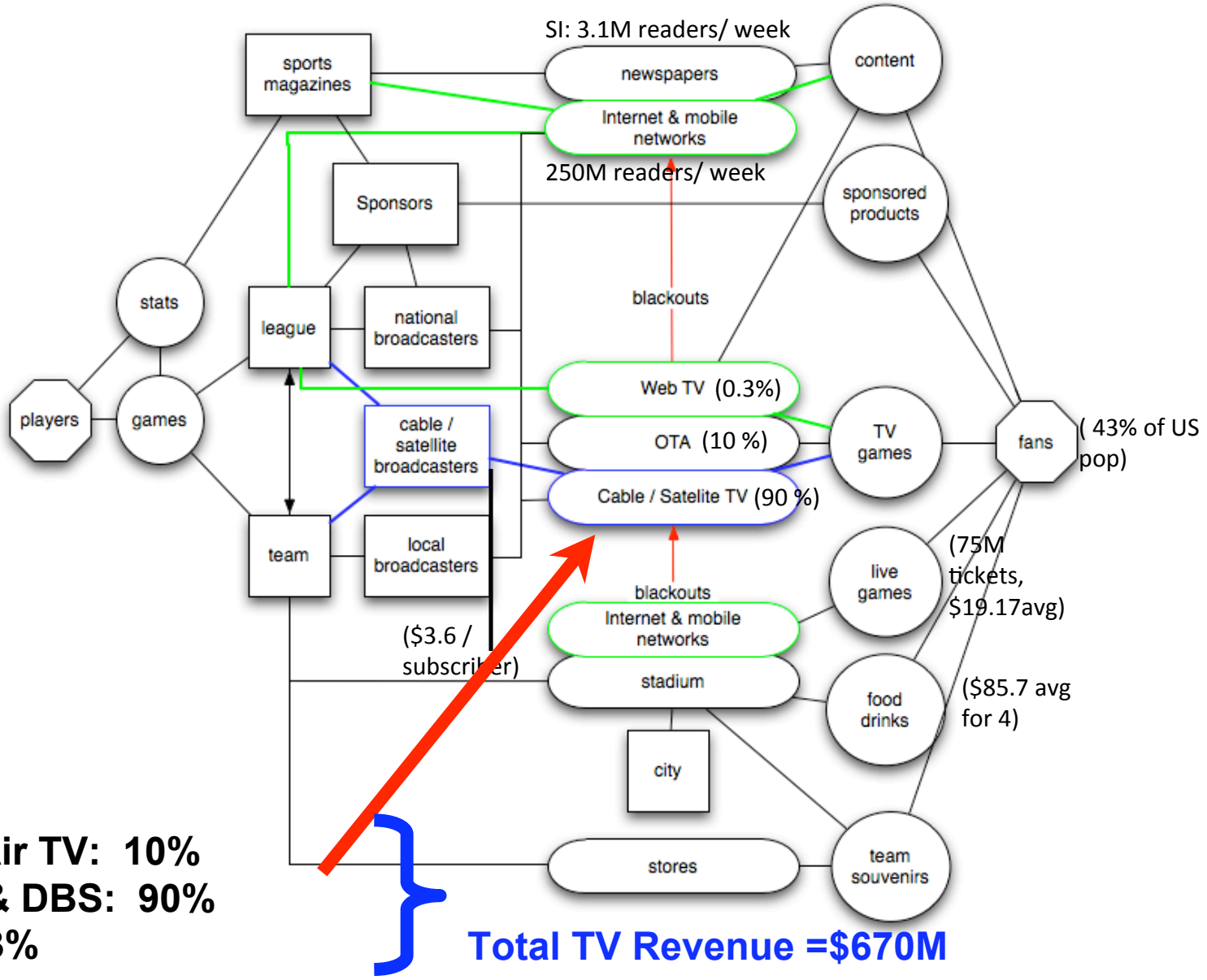


# The delivery model for sports – MLB 1985



# The delivery model for sports – MLB 2005

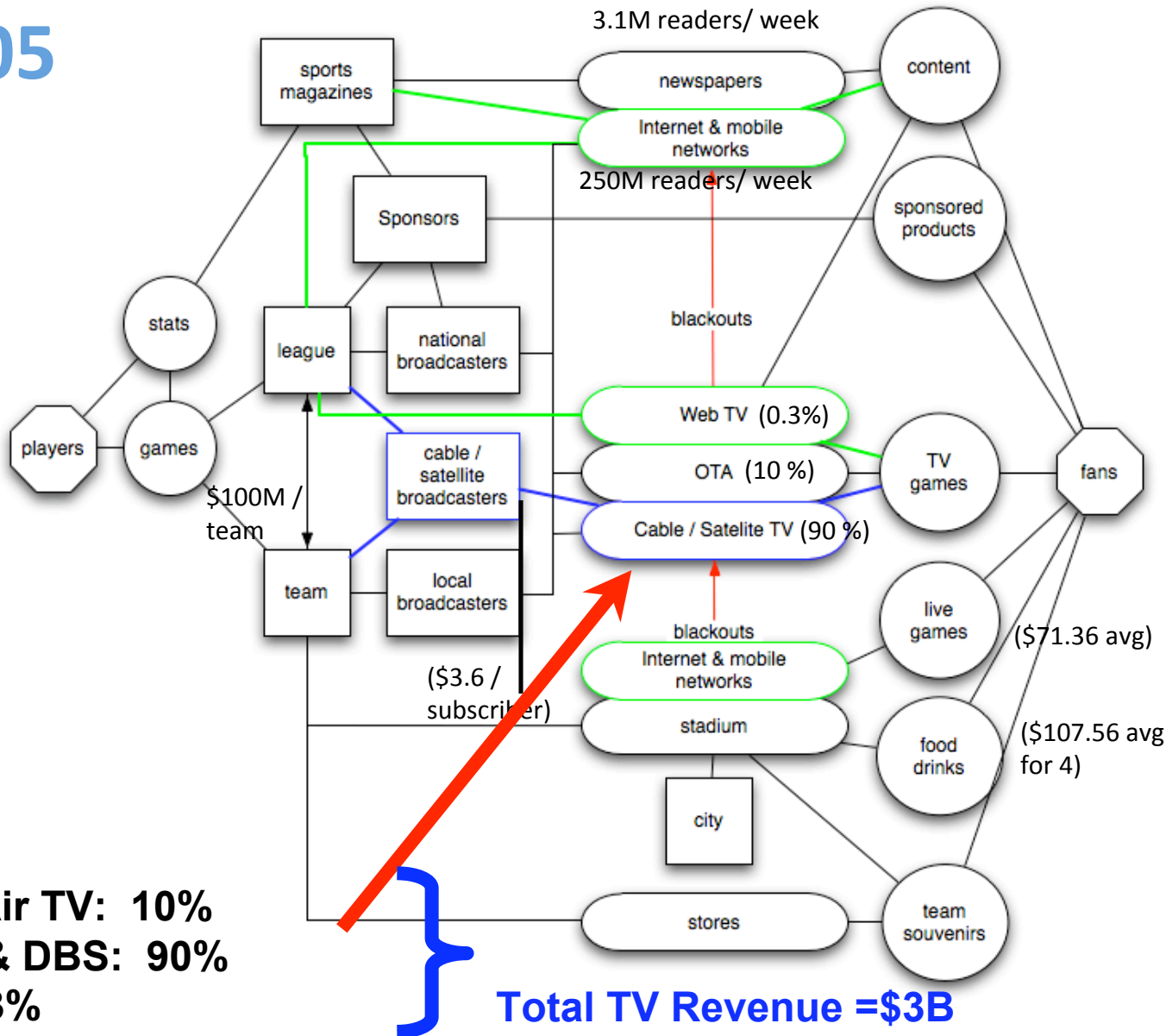
**Salaries:**  
 (\$2.9M/  
 player,  
 55% of  
 team  
 revenue)



**Over the Air TV: 10%**  
**Cable TV & DBS: 90%**  
**WebTV: ~.3%**

# The delivery model for sports – NFL 2005

**Salaries:  
(59% of  
team  
revenue)**



**Over the Air TV: 10%**  
**Cable TV & DBS: 90%**  
**WebTV: ~.3%**

# The national TV channels landscape

## – OTA channels

Television Network	Founded	% of U.S. households reached
PBS	1969	~99.00
ABC	1948	96.75
NBC	1946	97.17
CBS	1948	96.98
FOX	1986	96.18



# The national TV channels landscape

## – more and more cable channels

Name	Owner	Notes
CBS College Sports Network	CBS Corporation	formerly CSTV
<b>ESPN</b>	<b>Disney/Hearst Corporation</b>	
<b>ESPN2</b>		
<b>ESPN Plus</b>		<b>A service that syndicates college sports to local broadcast and regional cable stations.</b>
<b>ESPN Classic</b>		<b>formerly Classic Sports Network; sometimes used as an overflow for ESPN and ESPN2</b>
<b>ESPNNews</b>		<b>24 hour sports news</b>
<b>ESPNU</b>		<b>college sports</b>
<b>ESPN Deportes</b>		<b>Spanish Language sports network</b>
Fox College Sports		News Corporation
Fox Sports en Español	formerly Fox Sports Américas	
Fuel TV		
<b>MLB Network</b>	<b>Major League Baseball</b>	<b>launched January 1, 2009</b>
<b>NBA TV</b>	<b>National Basketball Association</b>	<b>formerly NBA.com TV</b>
<b>NFL Network</b>	<b>National Football League</b>	<b>launched November 4, 2003</b>
<b>NHL Network</b>	<b>National Hockey League</b>	<b>launched October 1, 2007</b>
Outdoor Channel	Outdoor Channel Holdings Inc.	
The Sportsman Channel	The Sportsman Channel LLC	
<b>Versus</b>	<b>Comcast</b>	<b>formerly Outdoor Life Network/OLN</b>

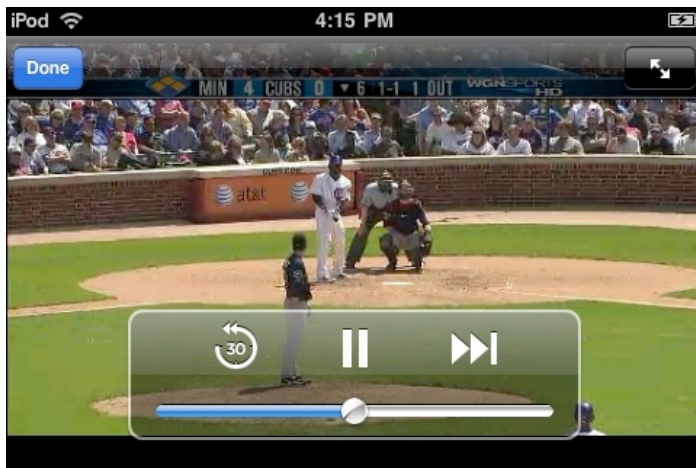
## OTA is really in a difficult situation

- Cable channels now have a competitive advantage:
  - Dual revenue stream (ads + subscriptions)
  - More than 60% penetration in the U.S.
  - Easier to aggregate Regional Sports Networks that still benefit from high ratings
  - Leagues official channels are owned by leagues: **\$0 broadcasting rights !**
- More and more deals are cut with these channels (e.g. NFL)

Period	AFC Package	NFC Package	Sunday Night	Monday Night	Thu/Sat Night	Total Amount
1982-1986	NBC	CBS	<i>None</i>	ABC		\$420 million/yr
1987-1989	NBC	CBS	ESPN (2nd half)	ABC		\$473 million/yr
1990-1993	NBC	CBS	TNT (1st half) ESPN (2nd half)	ABC		\$900 million/yr
1994-1997	NBC	FOX (\$395 million/yr)	TNT (1st half) ESPN (2nd half)	ABC		\$1.1 billion/yr
1998-2005	CBS (\$500 million/yr)	FOX (\$550 million/yr)	ESPN (\$600 million/yr)	ABC (\$550 million/yr)	ESPN	\$2.2 billion/yr
2006-2011	CBS (\$622.5 million/yr)	FOX (\$712.5 million/yr)	NBC (\$650 million/yr)	ESPN (\$1.1 billion/yr)	NFL Network (\$0/yr)	\$3.085 billion/yr

# Now going online... MLB example

- MLB.com is the #1 online portal for baseball (well ahead of ESPN.com)
- MLB.TV rebroadcasts games on a computer via Internet **since 2002**. The blackout and out-of-the-market policies still stands, but **time-shifting** is possible.
- Now streaming to iPhones as well  
➔ **Place-shifting**



# Scenario Classification

Three main “disruptive” architectures :

**#1: Content is king** -- Sports over IP using MLB.TV:

MLB takes control over almost the whole value chain, from content creation to aggregation/distribution

ISP as “dumb pipe”

**#2: Broadcaster is king**-- Sports over IP using Fancast/Versus:

ISP uses an in-house platform to gather content and customers

Customers pay for cable, get content online for free

**#3: Rebroadcasting** Sports over IP using justin.tv (pirate):

[Justin.tv](http://Justin.tv) is the app and access provider

ISP as “dumb pipe”

# Scenario Classification

Parallel with digital music :

**#1 Content is king -- Sports over IP using MLB.TV:**

Madonna contracting her tour promoter for her CD releases

**#2 Broadcaster is king -- Sports over IP using Fancast / Hulu:**

Warner using online platforms (iTunes) to sell mp3s

**#3 Sports over IP using justin.tv (pirate):**

Napster, KaZaa

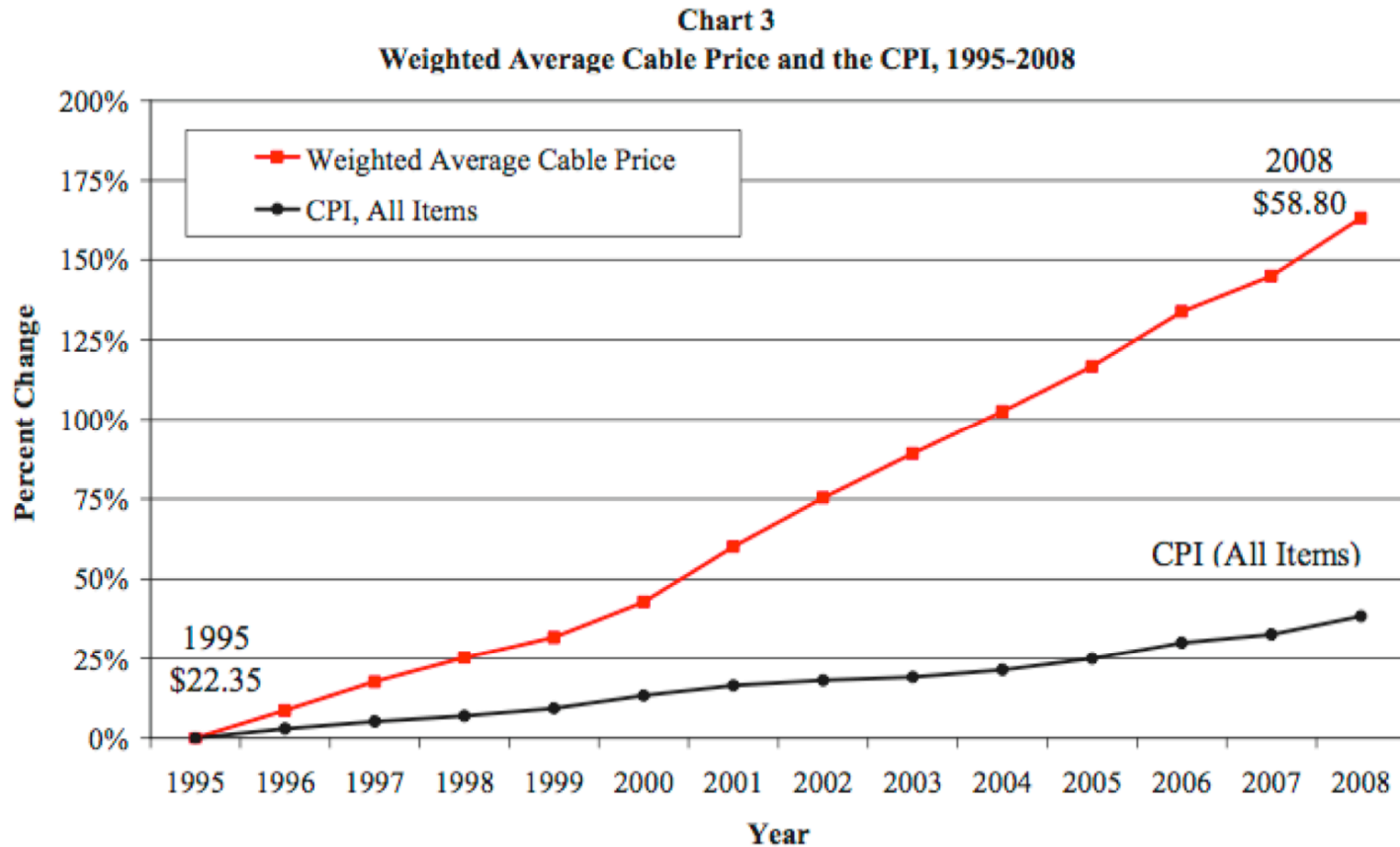
*Is the same sequence going to happen for Sports? Will those three models compete with each other? Is one going to prevail?*

# SpolP and Antitrust

## Overview of the regulation for Cable :

- 1960s: the FCC did not want to regulate cable
- First regulatory move : **Cable Communications Policy Act of 1984**  
(deregulation with constraint on margins)
- Re-regulation: **Cable Act of 1992**  
(regulation of basic rates for cable providers)
- Finally, deregulation: **Telecommunications Act of 1996**  
« effective competition will keep prices down »

# SpolP and Antitrust



Where is the value going ?

# SpolP and Antitrust

## Overview of the regulation for Sports Broadcasting:

- **Sports Broadcasting Act (SBA) of 1961**  
(league = single entity, allowed to act as a monopoly)
- ... and that's it.
- Is this really still adequate today ?

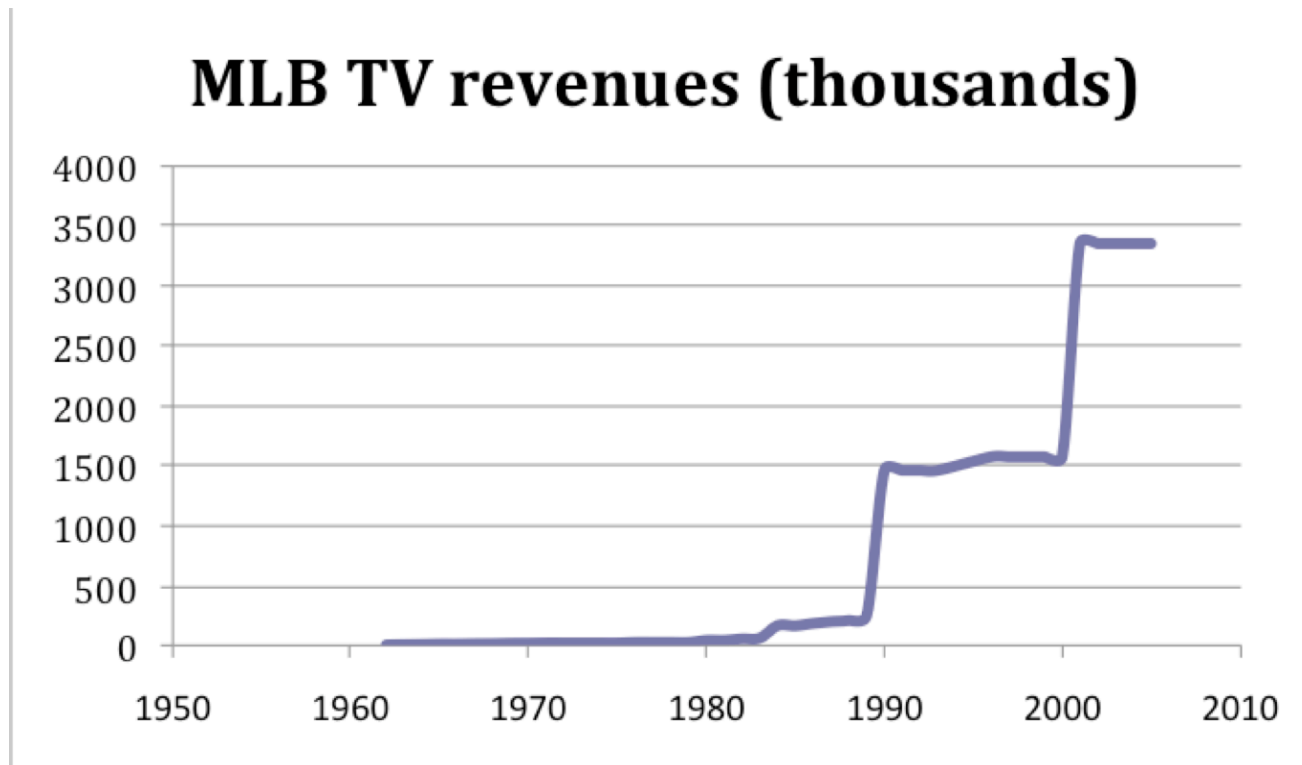
## Update:

*American Needle vs. NFL*



# SpolP and Antitrust

Market power for the leagues...



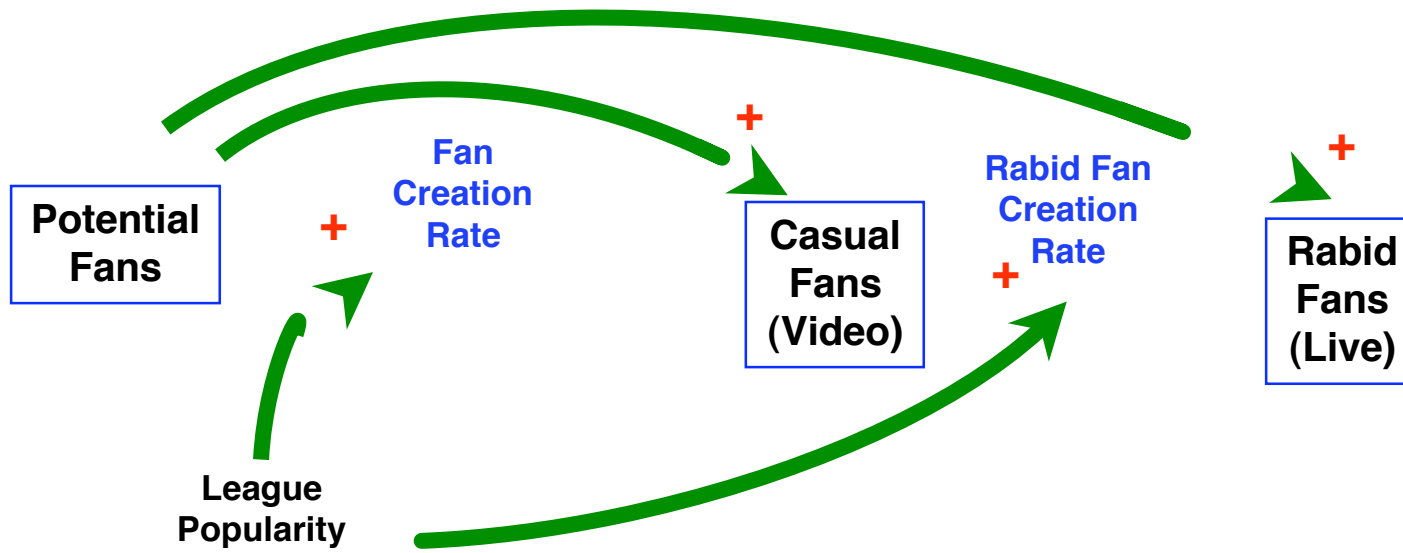
# SpolP and Antitrust

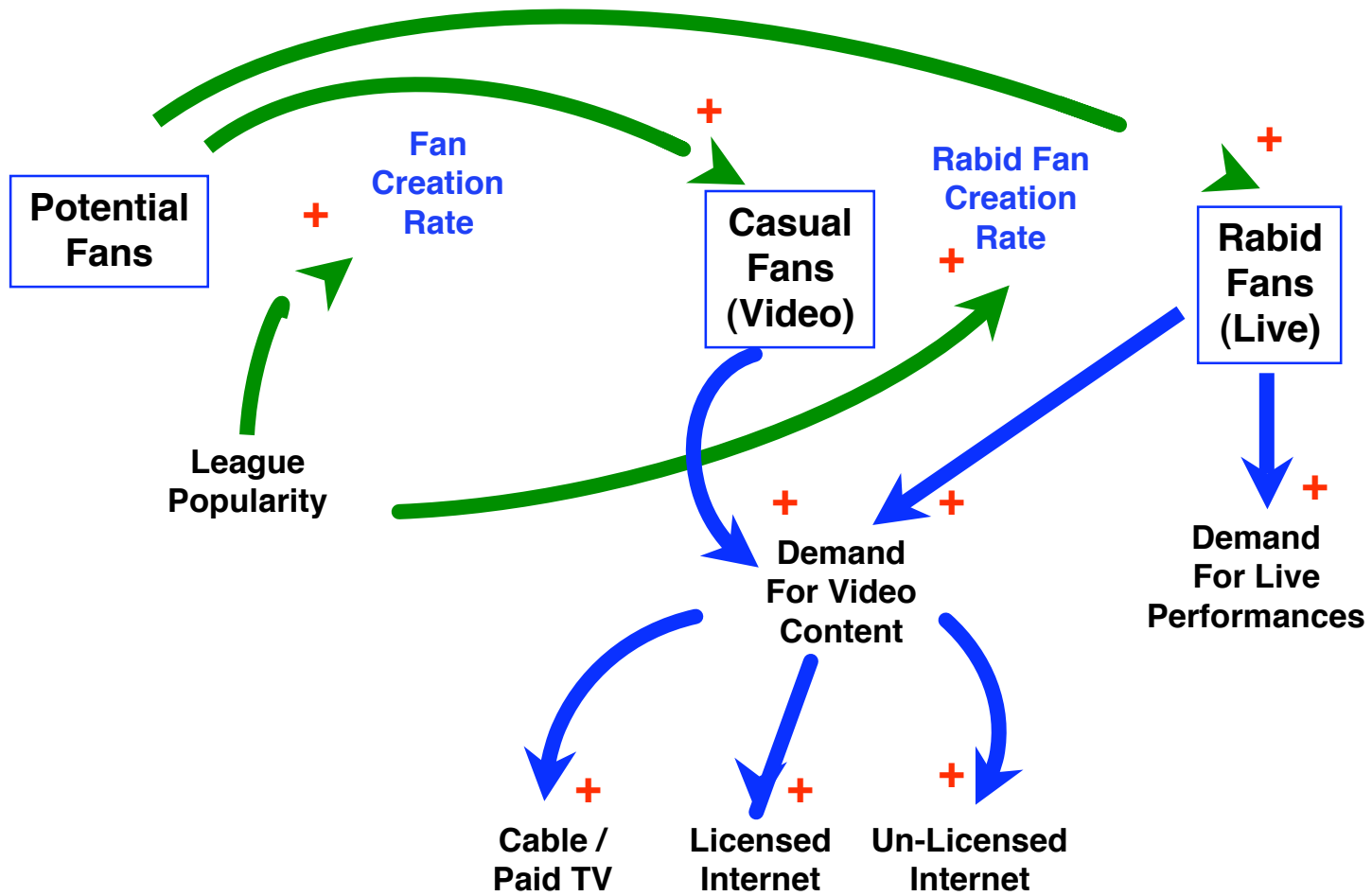
## Lessons:

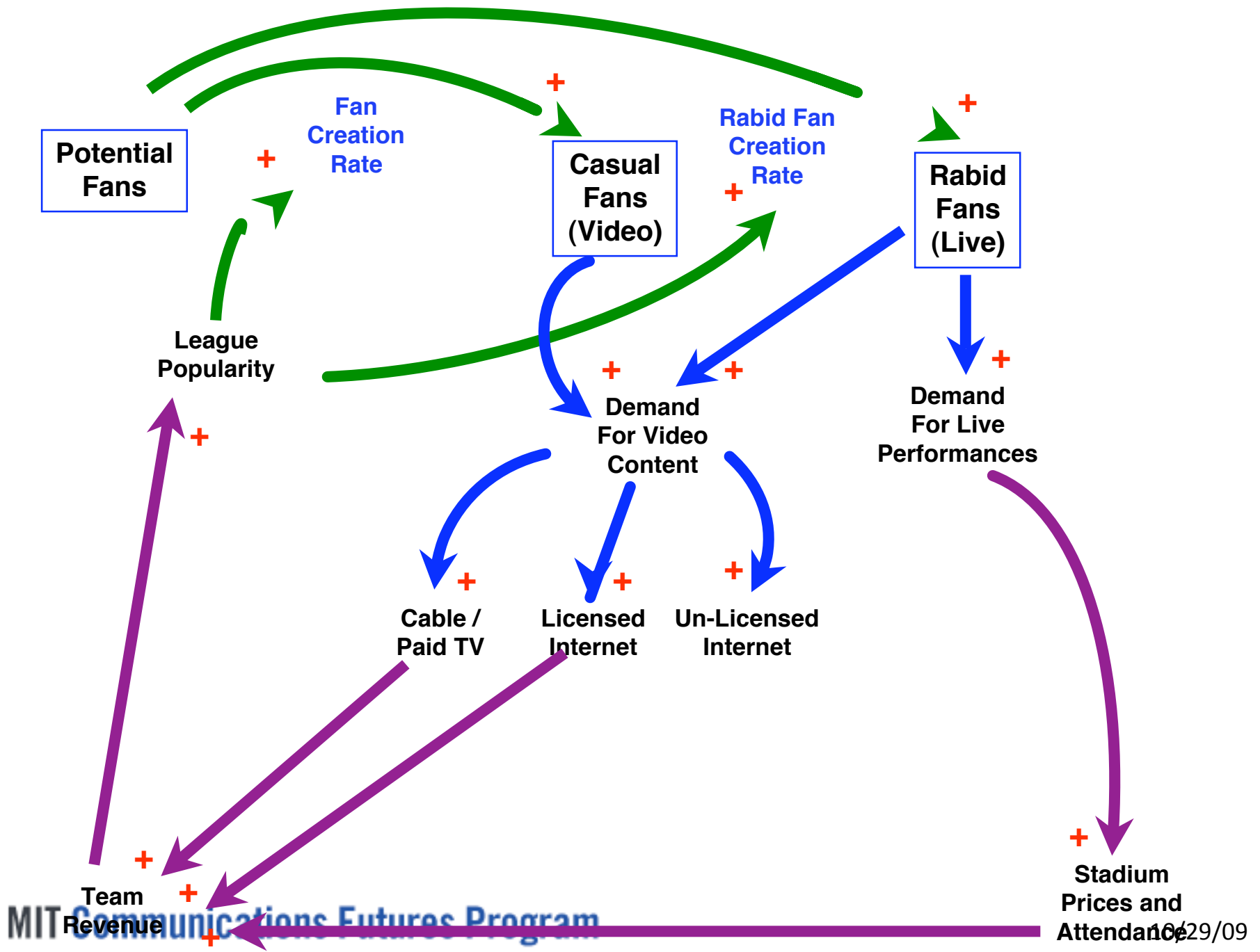
- Regulation is broken (Sports Broadcasting Act is not relevant)
- Regulators are watching broadcasters, want « effective competition. »
- Back-and-forth regulatory moves make long-term projections difficult  
→ What will be done about Web broadcasting?
- For now:
  - Cable providers & broadcasters will have to respect **net neutrality**
  - Leagues may have to completely **disintegrate** content production and distribution (e.g. MLB & MLBAM) to comply with Antitrust

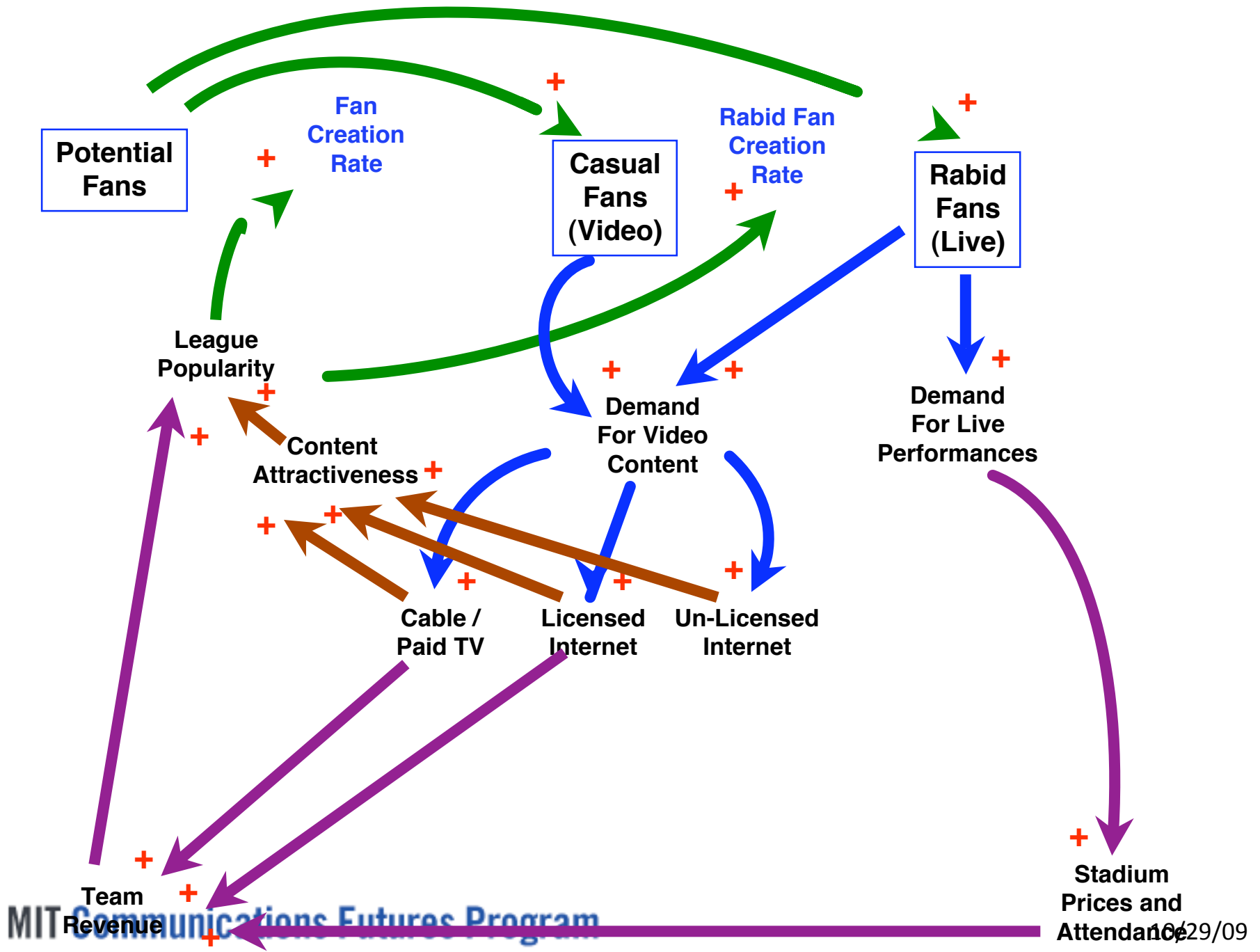
# SD model: Methodology

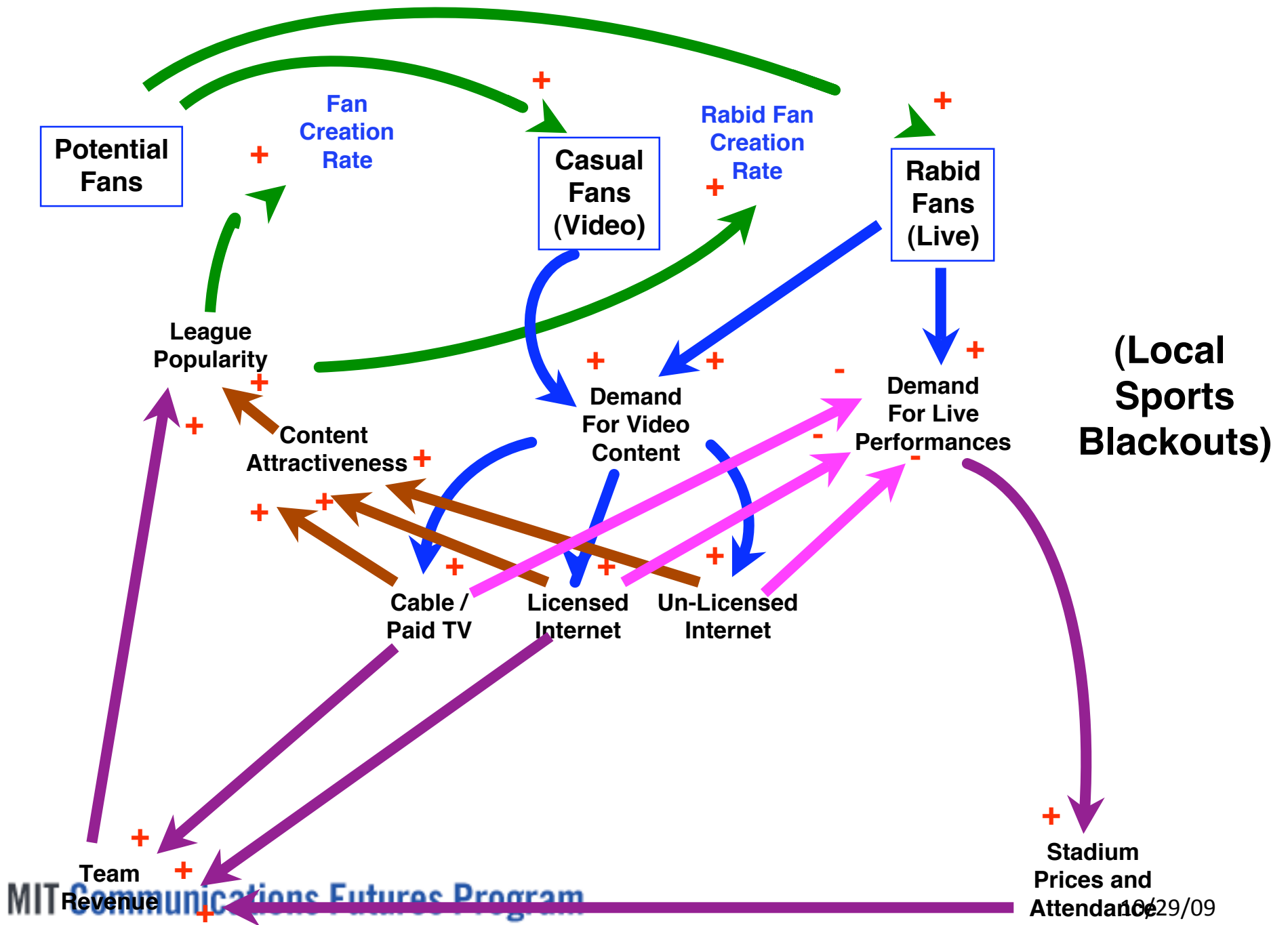
- Use of System Dynamics to model the market for Sports viewing and the interactions between fans, leagues, broadcasters and policymakers.
- Competitive model between:
  - Cable TV (e.g. ESPN)
  - Web TV (e.g. MLB.TV)
  - Pirate Web TV (e.g. justin.tv)



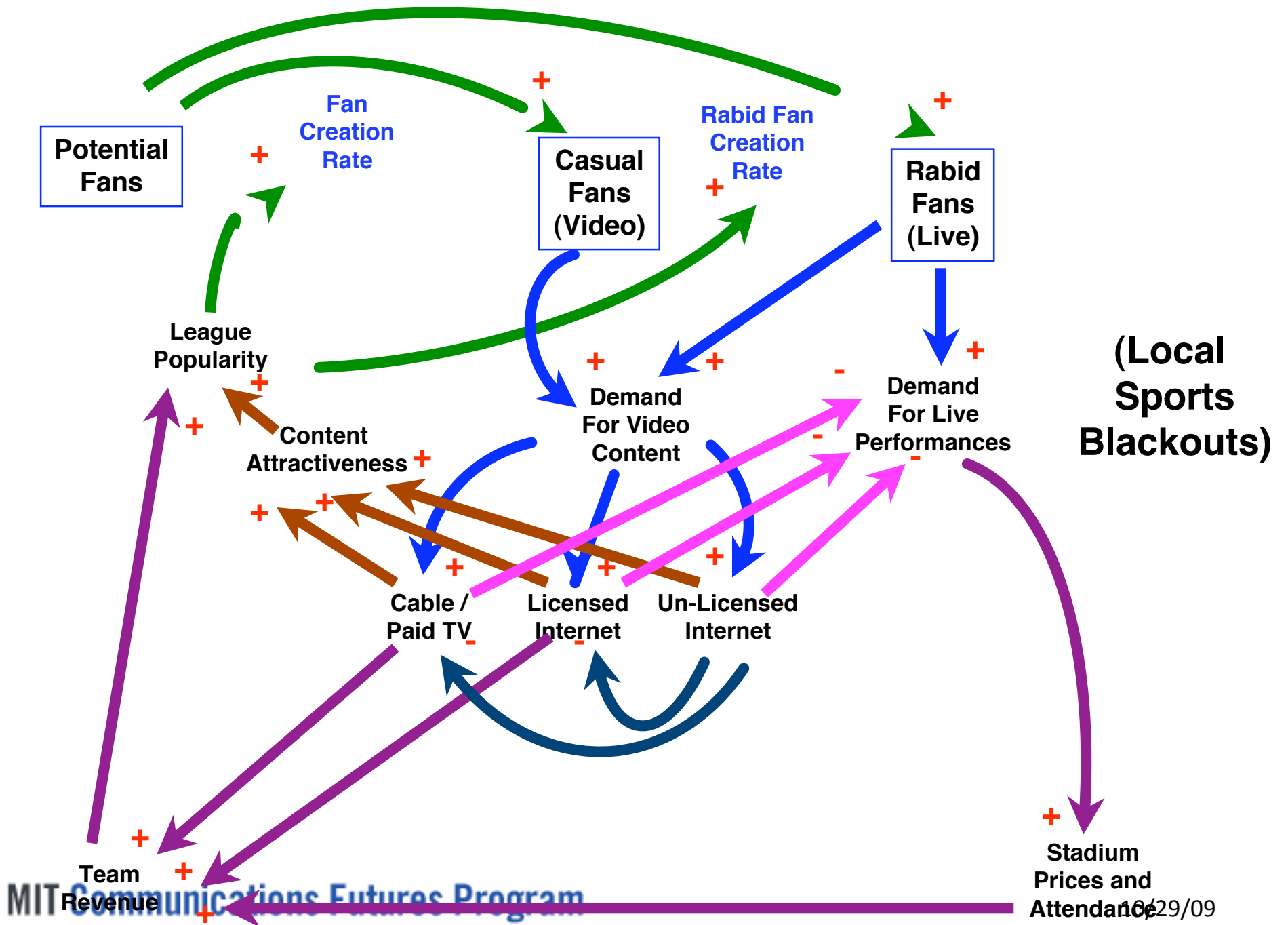


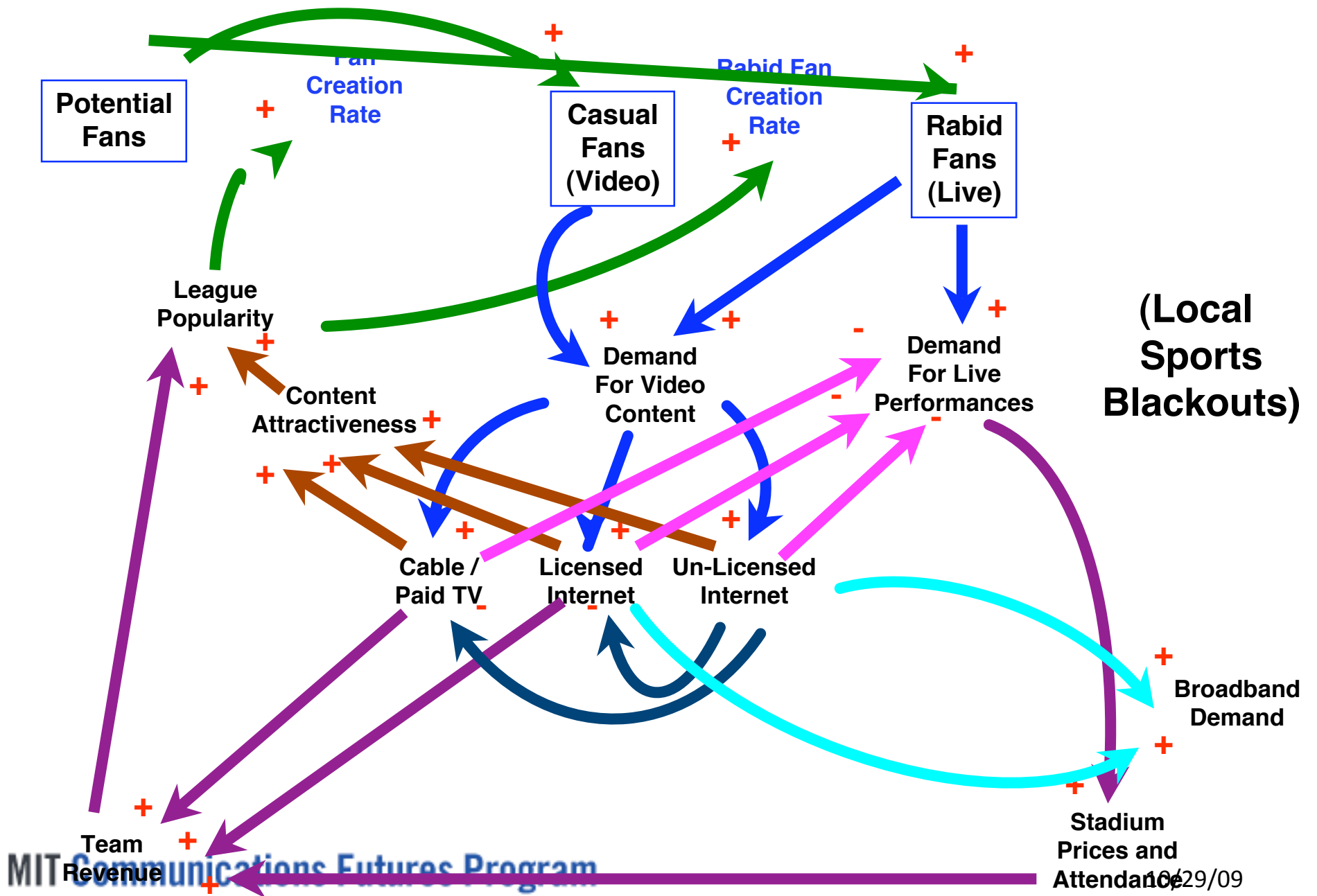


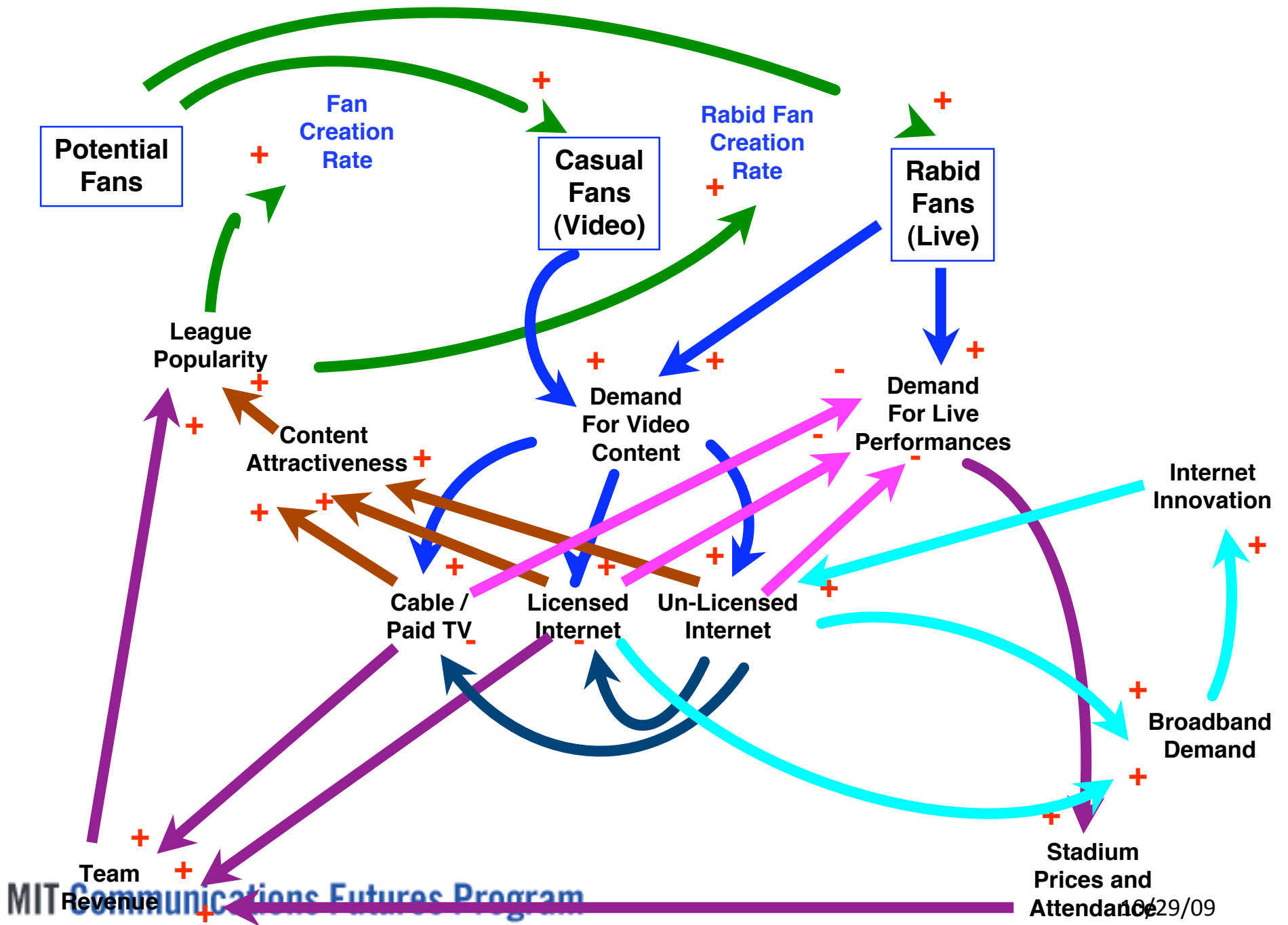


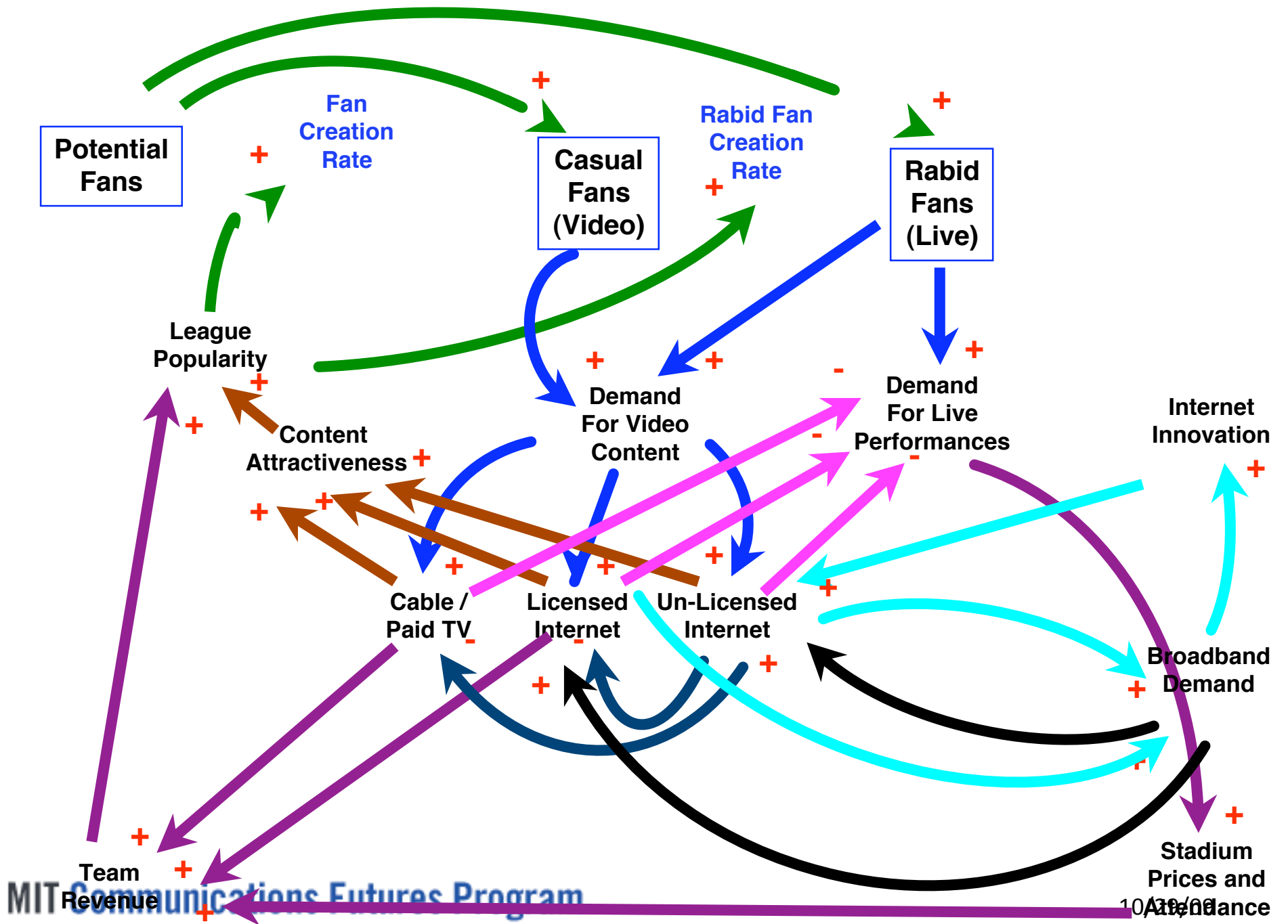




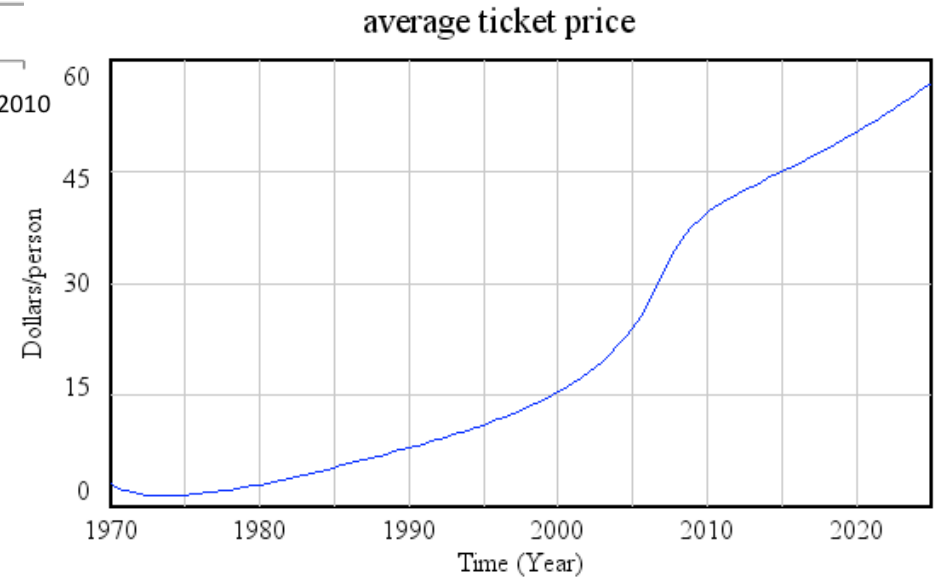
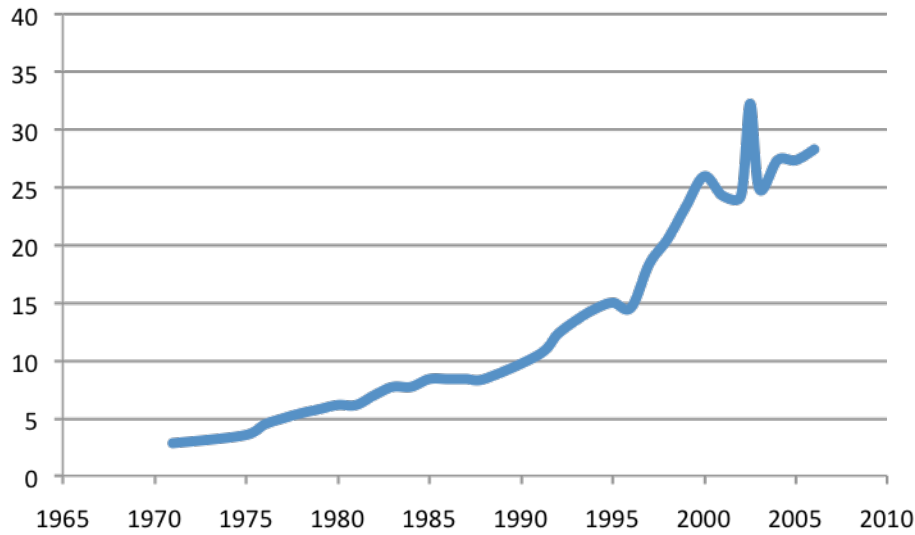








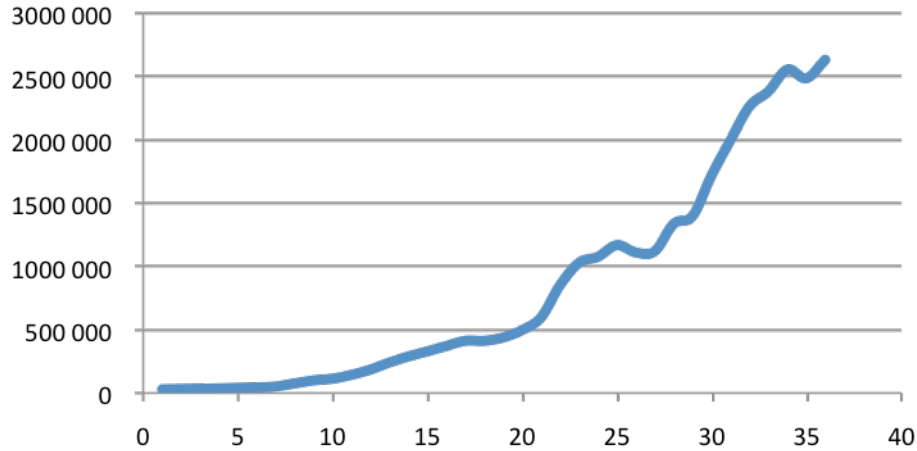
# MLB average ticket price



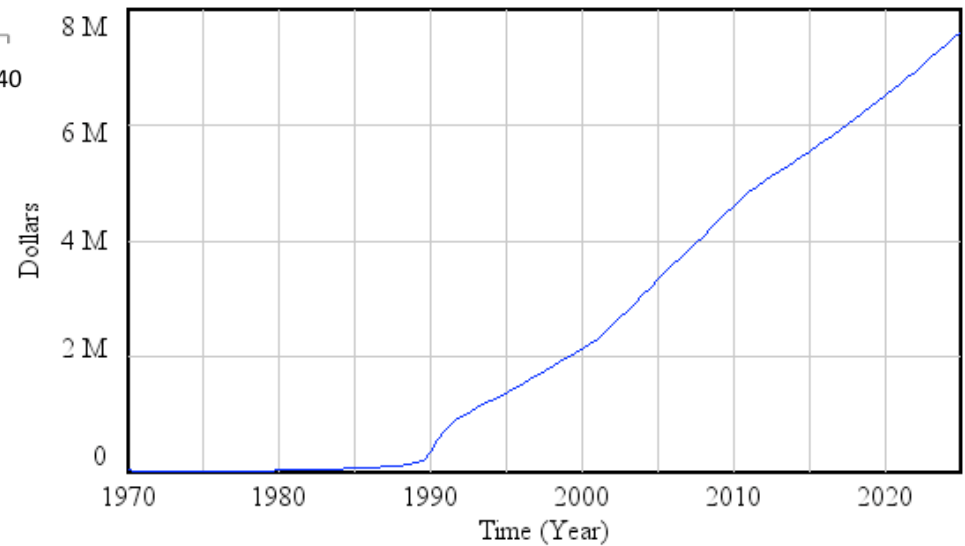
average ticket price : Test

# MLB players' salary

## MLB Player salary

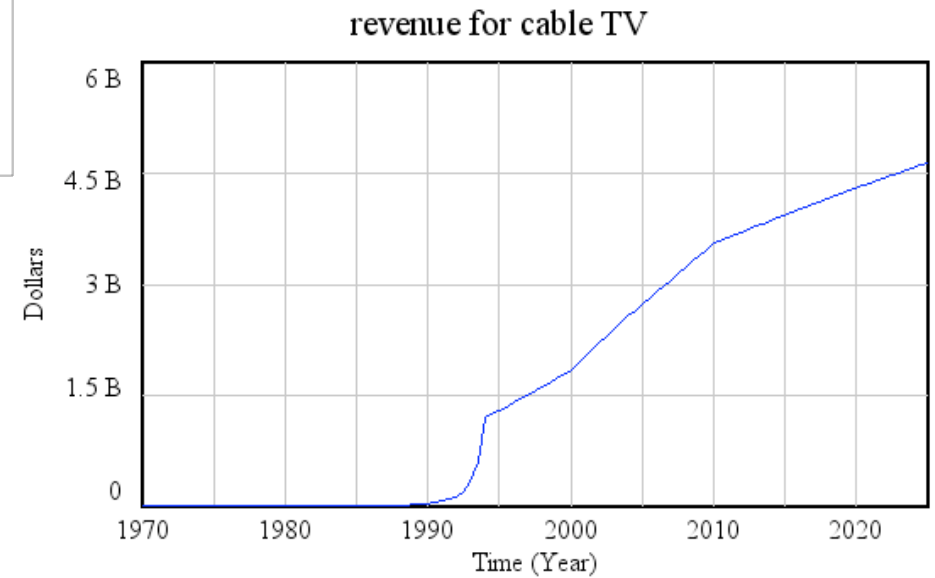
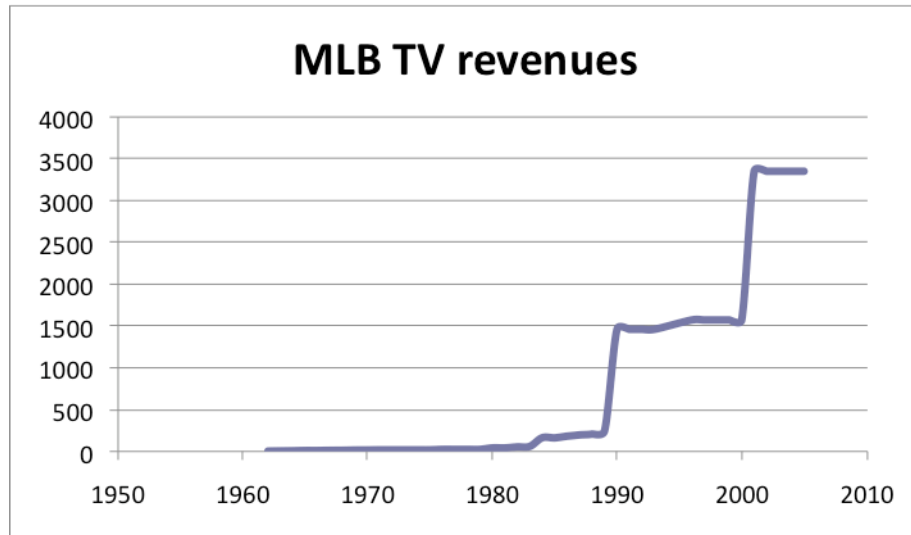


## average player's salary



average player's salary : Test

# MLB revenues from traditional TV



revenue for cable TV : Test

# Application: Small leagues vs. Big leagues

## Example of small league over IP: Sail.TV

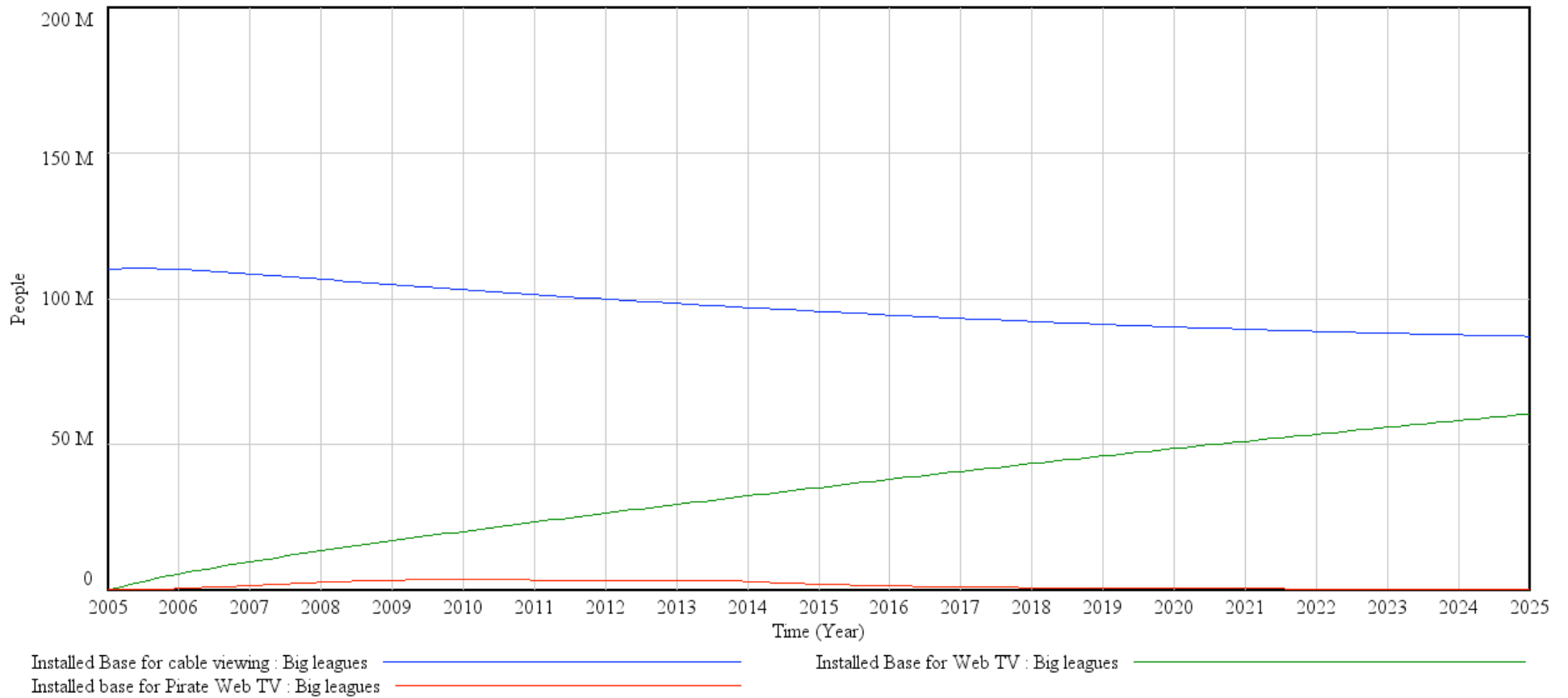
- Created in 2006 in the UK
- Free Web TV, totally ad-supported.
- User-generated content can be uploaded
- content is available on-demand (for free for now)
- Featured the 32<sup>nd</sup> America's Cup
- Very small share of online traffic.



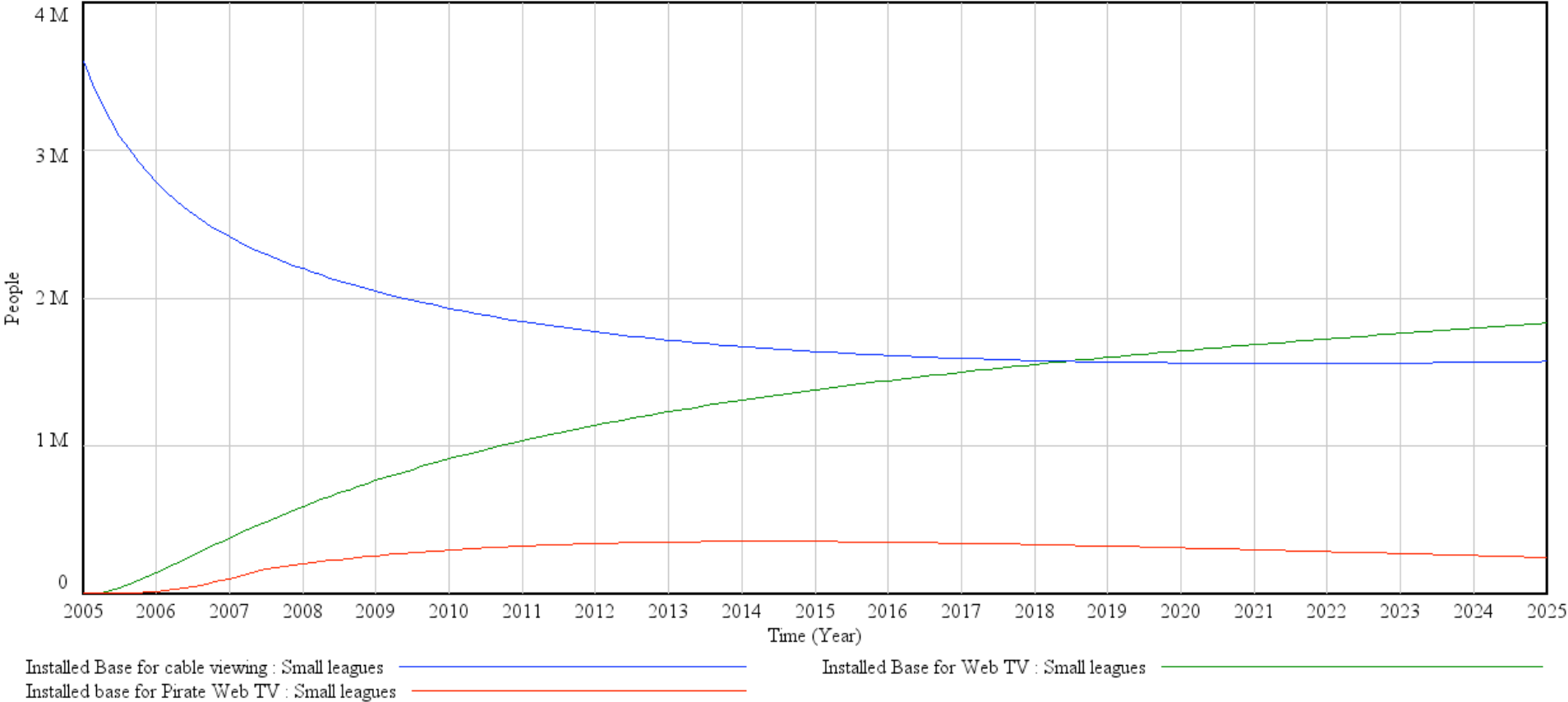
# Our bet

	Big leagues	Small leagues
Content is king	😊	😞
Broadcaster is king	😞	😊

# Big leagues



# Small leagues



# Conclusions

- SpoIP is slowly disrupting traditional Sports Broadcasting
  - Leagues moving down the value chain
  - Cablecos moving up the value chain?
  - Piracy threat
- The legislation needs to be fixed
  - Sports Broadcasting Act irrelevant nowadays
  - Does Web broadcasting need to be regulated? How?
- Different challenges and opportunities for small and big leagues

**Thank you !**

**Any questions ?**