

Lesson 1.3

Media Impact on Industry Growth



Media Impact on Industry Growth

Media refers to a means of communicating a message to large numbers of people

Media Impact on Industry Growth

It was not until the 1936 Olympics (broadcast by ABC radio) that Americans were truly exposed to the amazing talents of Jesse Owens, one of America's greatest athletes of all time



Media Impact on Industry Growth

Now, fans can follow athlete performances live through television, radio, Internet as well getting information through national papers, local papers, magazines, and industry specific journals



Media Impact on Industry Growth

Media rights (or broadcast rights) are fees paid by broadcast companies to sports or entertainment properties for the opportunity to provide live coverage of the property's games and events on television, the radio or the Internet

Media Rights

Many media rights deals provide exclusive coverage rights

Because of the NFL's deal with DirecTV, no other television network can broadcast out of market games in their respective geographic markets. In other words, if you are a Green Bay Packers fan living in Virginia, you would need to order DirecTV for the opportunity to watch Packers games in your home each week.

- In 2014, DirecTV renewed their deal with the NFL through 2022 at a reported average of \$1.5 billion per year



Media Rights

Nearly ten years after Comcast Sports Northwest (a cable television provider who also owns a regional sports network) partnered with the Portland Trail Blazers for exclusive TV distribution rights, nearly 50% of fans in the Portland area still cannot watch Blazers games if they are DirecTV or Dish subscribers.



Media Rights

Media rights contracts are not reserved for national broadcasting companies as sports franchises work to maximize revenues by selling regional broadcasting rights to regional partners, in addition to generating revenue through national broadcast deals.

Time Warner Cable paid a reported \$3 billion for exclusive rights to broadcasts Los Angeles Lakers games in the L.A. market through the 2032-33 season



Media Rights

Rights fees have grown at a rapid rate

Media rights fees for the Rose Bowl (per year) were \$2 million in 1974, \$30 million in 2012, and reached \$80 million annually when ESPN inked an 11 year deal in 2015.



Media Rights

According to Plunkett Research, today the NFL generates over \$6 billion annually from their contracts with major television stations and providers.

To put that in perspective, the NFL earned \$2.4 million in broadcast rights in 1960 (adjusted for inflation, that's \$19.4 million today).



Media Rights

Why are media rights important to sports and entertainment properties?

In a word...

REVENUE!



Media Rights

NASCAR generates a reported \$820 million annually in media rights for television broadcasts from Fox, a 46% increase from the previous deal.



Media Rights

According to the Chicago Tribune, a dispute over the value of the Chicago Cubs' broadcast contracts complicated efforts to sell the iconic franchise.

Because media rights are such an important piece to any major league sports organization's bottom line, negotiations to sell the franchise momentarily fell apart until the issue could be resolved.



Media Rights

According to Nielsen (a company who measures ratings): "Ratings are used like currency in the marketplace of advertiser-supported TV. When advertisers want a commercial to reach an audience, they need to place it in TV programs which deliver an audience. The more audience a program delivers, the more the commercial time is worth to advertisers."



Media Rights

Why are media rights important to broadcast companies?

Companies want to invest in advertising that will reach as many consumers as possible and sports and entertainment events provide an effective platform for advertisers to do that

Media Rights

In 2015, the Super Bowl set a record for American television viewing when the Nielsen Co. estimated 114.4 million people watched the New England Patriots' 28-24 thrilling victory over the Seattle Seahawks.



Media Rights



Super Bowl 51, played in 2017 between the New England Patriots and Atlanta Falcons drew the fourth largest audience in TV history with more than 111 million viewers while setting a new streaming record with an average of 1.7 million viewers per minute

Media Rights

According to figures released by FIFA, more than one billion fans tuned in to watch the 2014 World Cup in Brazil –the games reached 3.2 million in-home television viewers, and another 280 million watched matches online or on a mobile device –a record setting 695 million fans tuned in for the final game, which is a 12% increase from 2010.



Media Rights

According to the research firm Kantar Media, advertisers have spent \$4.55B during CBS' coverage of the men's NCAA basketball tournament over the past decade



Media rights examples Network/Cable TV

The NBA recently extended its deals with TNT, ESPN and ABC through the 2024-25 season, generating over \$2.66 billion per year in revenue for television broadcast rights (more than double what the league earned through its previous rights deal).



As a result, teams now have more money than ever to spend on payroll, and player salaries will increase exponentially.

Media rights examples

Network/Cable TV

NBC won a bidding war to retain its rights to broadcast the Olympic Games through 2020 for \$4.38 billion.



ESPN signed a deal reportedly worth nearly \$500 million for the exclusive broadcast rights of Wimbledon through 2023



Media rights examples

Satellite TV

DirecTV's exclusive agreement for broadcast rights for out of market NFL games was extended in 2014 for eight years at a reported \$1.5 billion per year (a 50% increase on an annual basis over the previous deal).



Media rights examples Satellite Radio

Reuters suggested in an online news story that Sirius satellite radio has invested “billions” on rights to the NFL, NBA, NASCAR.



Media rights examples

Network Radio

In 2009, the NFL extended its deal with Westwood One as its exclusive network radio partner in a deal worth over \$30 million



Media rights examples

Multimedia rights

Within the 17 months of acquiring Host Communications and folding it into its college division, IMG invested more than \$700 million in multimedia rights fees



Media Impact on Industry Growth

Radio, cable and broadcast television programming measure their effectiveness through **ratings**, which are expressed as a percentage of the potential TV audience viewing at any given time

Media Rights

Basically, a rating refers to the number of households or people tuned into a particular radio or television program at a specific time

FOX Sports 1's telecast of the United States Women's 2-0 win over Colombia in the 2015 FIFA World Cup was the network's most-viewed soccer match ever, attracting 4.7 million viewers (also making it the third most-watched in FOX Sports 1 history).



Media Rights

Nielsen can identify peak hours in which the most people are tuned in to watch or listen

Viewing of the US vs. Colombia World Cup match peaked from 9:30 to 9:45 p.m. ET



Media Rights

Nielsen can also identify specific markets in which ratings were the highest

St. Louis led all markets for ESPN's USA vs. Colombia telecast with a 5.3 rating, followed by Washington, D.C. (5.0), Philadelphia (4.9), Orlando (4.4) and Norfolk (4.3)



Media Rights

Why are ratings important?

Without ratings, broadcast companies would have a difficult time selling advertising and sports/entertainment programs would not be able to command million dollar rights fees

Ratings will fluctuate from year to year, but a ratings increase or decrease will have an impact on the sports property and broadcast company

Media Rights



When NBC renewed its hockey deal (at a cost nearly triple the previous rights deal), the decision was heavily influenced by the fact that overall NHL television ratings in the United States had increased by 84 percent over the last four years.

Media Rights

After the previous year's July 4th telecast of the Nathan's Famous Fourth of July International Hot Dog Eating Contest set a viewership record with nearly 2 million live viewers, ESPN announced in the summer of 2012 that they extended the broadcast rights deal through 2016

ESPN extended the deal Major League Eating (parent company of the Fourth of July International Hot Dog Eating Contest) again in 2014 for ten years, guaranteeing the rights to broadcast the annual event on its various platforms through 2024



Media Milestones in Sports

1921 - *First ever baseball game broadcast on radio*

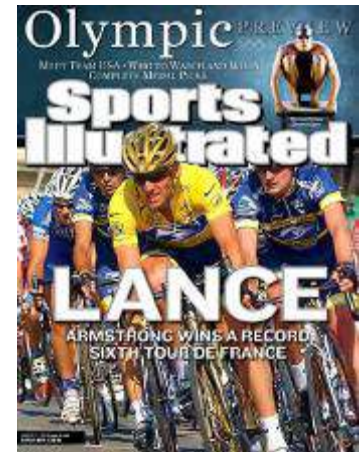
1935 - *First full season baseball broadcast on radio (Chicago Cubs)*



1946 - *First major sports event on TV (Joe Louis Boxing Match)*

Media Milestones in Sports

1954 - *Sports Illustrated* introduced



1970 - *First Monday Night Football TV broadcast*



Media Milestones in Sports

1995 – *DirecTV and the NFL offer first subscriber based pay-per-view programming (NFL Sunday Ticket)*

1999 – *Major League Baseball broadcasts the World Series on the Internet*

2002 – *The pay-per-view boxing match between Mike Tyson and Lennox Lewis generates a record \$103 million in sales*

History of SEM

LESSON 1.3

Media Milestones in Sports

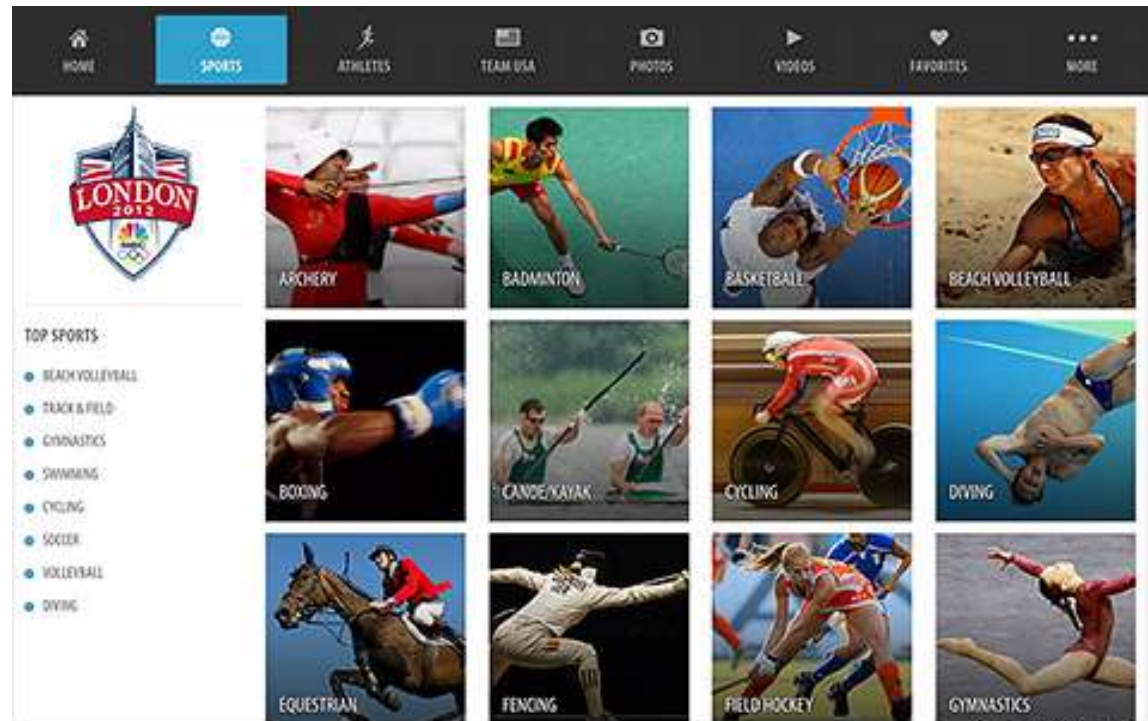
2009 – CBS' free online broadcast of the 2009 Men's NCAA Tournament reaches an audience of 7.5 million

The screenshot shows the NCAA March Madness website interface. At the top, it says "COMPLETE SCOREBOARD | LIVE BRACKETS | MORE VIDEO | THE EDGE | SHOP | NCAA.COM - NEW!". Below that, it says "PRESENTED BY" with logos for at&t, Coca-Cola zero, and PONTIAC. The main content area features a video player showing a basketball game in progress. The player is titled "NOW PLAYING: 8 West Virginia vs. 9 Wake Forest". The video player includes a progress bar and playback controls. To the right of the video player is a vertical orange banner that says "SIGN UP FOR FREE VIP ACCESS" and "NCAA.COM". Below the video player, there are "Message Boards: West Virginia | Wake Forest" and a "BUZZ BUTTON" with options for "SHARE THIS VIDEO", "FULL SCREEN", and "HELP". At the bottom, there is a "GAMES:" section with a dropdown menu set to "Round 1 - March 20, 2009" and an alert: "Alert: UNC's Henson shoots 25 points at the hell". Below this, there is a table of games with columns for "Video", "Audio", "Historical Highlights", "Tournament Leaders", and "Schedule Presented By".

Game	Score	Time	Gamecenter	Full Game	Game Highlight	Butzer Beater
West Virginia vs Wake Forest	25 vs 38	1st Half 2:20	NOW PLAYING			
Florida vs Jackson St.	20 vs 46	1st Half 2:20		PLAY		
Utah State vs Wyoming	62 vs 68	Final		FULL GAME	GAME HIGHLIGHT	
Arizona vs Purdue	25 vs 38	1st Half 2:20				PLAY
Butler vs Old Dominion	75 vs 94	Final				FULL GAME
Maryland vs Davidson	45 vs 57	Final				FULL GAME

Media Milestones in Sports

2012 – *NBC provides unprecedented LIVE coverage of EVERY Olympic event by streaming content online in addition to its traditional television coverage*



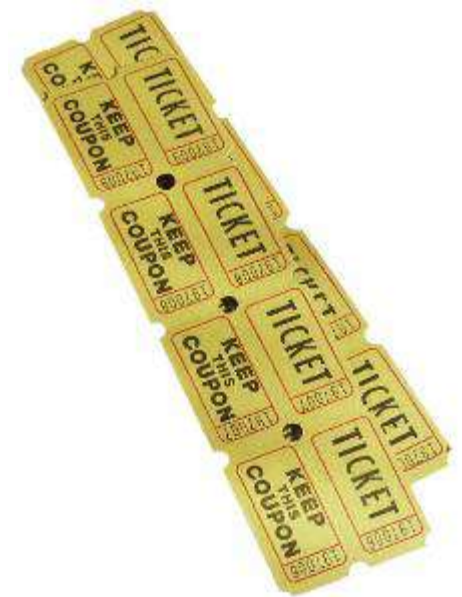
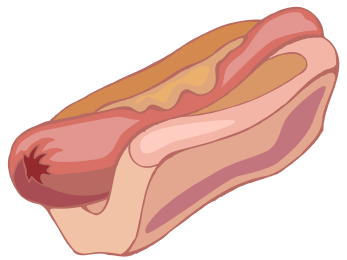
COURTESY: NBC

Media Impact on Industry Growth

In the early days of team sports, revenue came from:

Ticket Sales

Concessions



Media Impact on Industry Growth

Today, media provides alternate revenue sources

- National Television Contracts
- Local Television Contracts
- Cable Television Contracts
- Sale of Radio Rights
- Streaming Internet Audio
- Online Revenue
- Team Specific Publications

Media Impact on Industry Growth

Sports and entertainment business coverage has become widespread and easily accessible

National publications devote consistent coverage to the business of sports

A Portland, Oregon radio station offers a weekly, hour-long sports business talk show (Sports Business Radio) that is nationally syndicated and carried on Sirius satellite radio

Today, local newspapers all around the country offer readers sports business related coverage on a regular basis on their websites