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The Future of Televised Sports in the Digital Age

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INTRODUCTION

Once upon a time it was a single night of sitcoms. But today, in this age of proliferating media and fragmenting audiences, if there is a single genre that is still Must See TV, that can consistently deliver the elusive young male demographic so prized by advertisers, and that can reliably aggregate the biggest live TV audience of the year, then that genre quite simply is sports television.

If you want to understand the critical importance of the future of televised sports to the evolving media business, simply consult the Nielsen Company's stats for Super Bowl XLII, played this past February: That game had the biggest audience in the history of the Super Bowl, 97.5 million viewers, with a startling 41 percent watching in high definition, and, *among all programs*, it was the second-highest-viewed *of all time*.

The cost of a 30-second ad, in the first Super Bowl, in 1967, was \$40,000, according to Nielsen research; 40 years later, it had soared to \$2.6 million and, according to reports, it ticked up to nearly \$3 million per 30-second spot in 2008. And the 2008 game contained almost 51 minutes of advertising.

According to News Corporation CEO Rupert Murdoch, the 2008 Super Bowl telecast generated all told *\$250 million in revenues* for the company's Fox Broadcasting. And as Jeffrey Immelt, CEO of General Electric, predicted recently on PBS' *Nightly Business Report*, this summer's Olympics in Beijing is expected to make a *profit* "at NBC [of] \$50-\$100 million, something like that, just on the network; and in the system profit, it's probably two or three times that." And the 2008 March Madness NCAA college-basketball tournament telecasts are expected to garner a record \$545 million in advertising revenues for CBS, according to TNS Intelligence calculations reported by *Variety*.

But will televised sports continue bringing home the gold in the globalized, digitized future? Before we peer a few years ahead, let's go to the tape.

THE PAST

That sex sells has been a truism since the beginning of the home medium. But so do sports. To a great extent, in fact, sports drove the early adoption of television itself, with television-set sales spiking in the early days whenever networks broadcast big football or baseball games. Today, HD set sales soar as big game days approach.

Sports also drove technological innovations in the television medium, with, for example, Roone Arledge's innovations in sports at ABC being adopted first by news, then by music videos and even films. Later, sports rights were crucial to the rise of cable television and to the creation of the Fox Broadcasting Company, the so-called fourth network that was the lynchpin of News Corp.'s American television empire. In the early 1990s, Fox, then a struggling also-ran network with a precarious future, turned itself overnight into Must See TV when it snagged a major NFL rights package away from CBS, bidding hundreds of millions more than the Tiffany Network for a four-year window.

THE PRESENT

Televised sports are proliferating, both on air and online. And recently, the premier sports brand on television, ESPN, announced an expansion into sports-themed feature films. Foxtel, News Corp.'s Australian pay TV division, is planning to use its exclusive online rights to the 2010 Winter Olympics and the 2012 Summer Olympics, among other sporting events, as the foundation for a dramatic Internet services expansion, according to a report in the *Australian*, a News Corp.-owned newspaper.

Sports still are a central driver in the television business, as the Super Bowl and ESPN and News Corp.'s expansion plans, among others, yet again demonstrate. Sports are newly controversial, too, and not just because of the steroid and other scandals.

Cable and satellite providers that telecast sports networks and media companies that own sports networks continue to battle over high license fees, sometimes even leading to threats that fan-favorite networks will go dark. (ESPN, for example, commands the highest per-subscriber fees of any basic cable or satellite network -- around \$3.50 per sub, compared to less than one dollar for most other networks, according to *The New York Times* -- and its top rates regularly draw the ire of the cable and satellite system operators that have to pay them, but who, nonetheless, don't dare deprive sports fans of their favorite network.)

However, all sides in the battle for fan dollars are capable of over-reaching, from time to time. For example, the NFL Network, once a seemingly sure thing, has been roughed up by cable companies and satellite providers alike; so much so, that the NFL Net has lost approximately 12 million potential subscribers in the past two years, because of carriage restrictions by Dish Network and Comcast Cable, according to a trade paper report, and in some quarters its very future is in doubt.

As the recent congressional steroid hearings again confirmed, Washington is always peering from the sidelines at televised sports, and legislators are quite capable of calling time outs and assessing penalties in any media business battles that arise. In fact, at this writing, House Telecommunications & Internet Subcommittee Chairman Ed Markey, a veteran Massachusetts Democrat, has called a hearing on the subject of "Competition in the Sports Programming Marketplace," which is expected to look at recent battles over rights, fees and carriage, and at which the leading business figures of the televised sports world are expected to testify.

And sports, whether in the form of Electronic Arts' *Madden NFL* or Nintendo's sports-friendly Wii, are still driving technology. Avid sports fans are often the same young males that advertisers pay a premium to reach. And they are disproportionately early adopters, so they've led the stampede to buy Internet-enabled smart mobile devices and high-end high-definition sets. They may have a TiVo or other personal video recorder, but fans still overwhelmingly prefer to watch their favorite teams and sports live,

not recorded, which is something that the next generation of mobile video providers are counting on.

Of course, sports are not just about who won and who lost, but about the point spread, too. And increasingly, sports gamblers are turning to the Internet and Web sites like GamblersTelevision.com, not just to place bets, but for news and scores and tips on beating the odds. According to a poll of attendees at a recent Association of National Advertisers forum, the Internet is the first place responders go for scores and news, while traditional TV is a distant second. For game day highlights, ANA responders are still evenly split between the TV and the computer, but as streaming and download speeds increase that balance is expected to tip decisively in favor of the Internet, too.

THE FUTURE

American sports are proliferating globally. The National Basketball Association, for example, is planning to expand its basketball league to five or more European cities. And of course the Internet makes everything sports made-in-America, from NFL stats to NASCAR video, available at a click.

In the U.S., televised sports will continue to proliferate, too. Drawing the increasing respect (and dollars) of advertisers are women's sports leagues, youth-oriented made-for-TV events, like Moto sports and the X Games, and even once-shunned mixed-martial-arts cage fighting (which, at this writing, is still banned by the state of New York, among others), coming soon to no less than CBS. Increasingly, high-stakes poker (on ESPN and elsewhere) and online fantasy sports (on game networks like G4) are taking their turns in front of the cameras, too.

Disney-owned ESPN, which has been a cable fixture for almost 30 years and once had the genre to itself, has spawned a host of other cable and satellite sports channels, often dedicated to a single sport, such as the Golf or Tennis Channel, or to a single league, such as the Big Ten Network, or even to a single team, such as the New York Yankees' YES Network. And a senior Google executive has joined a maverick Wall Street banker to launch the United Football League, a competitor to the NFL that plans to play its first game later this year. The game plan, according to *The Times*, is to field teams in cities that don't have an NFL franchise, which includes 21 of the 50 biggest TV markets in the country.

New media mean new audiences and new uses for established content, too, as no less a mainstream media figure than Michael Eisner, former head of Disney, is betting. In his latest incarnation as an Internet and new media showman, he is, according to a *Times* profile, creating sports-themed DVDs aimed at infants and toddlers, and preparing digital brand extensions for Topps, the venerable bubblegum and sports-trading-card company he recently acquired. In fact, according to some analysts, the ongoing Internet extension of fantasy sports leagues may yet become one of the biggest and most lucrative of online adaptations of once-marginal sports properties.

So far, professional football, by far the favorite sport of HDTV owners, according to Nielsen research, is leading the charge to the digital, on-demand future. "Football fandom has evolved into a full-contact, full-immersion experience with the field of play spanning an array of media not yet conceived in the 20th century" is how Nielsen Sports SVP Tom Ziangas put it recently, referring to devices ranging from TiVos to PDAs and Slingboxes. And where football fans are going, other fans, equally avid but less numerous, will soon be following.

Yes, the passions of sports fans are still driving new media technology. For example, this year baseball fans of the Boston Red Sox will be able to watch video from spring training in Florida, via year-old Boston.TV, which also offers local high-school sports video content on the Net. College and universities, no strangers to the financial benefits of sports, are developing their own online video players, with an eye toward building "virtual stadiums," where students can both watch games and interact in real time on a social network.

Ad-supported sports-related services on Internet-enabled mobile devices are in their infancy, but the potential for growth is huge, especially in an era where more respondents say they'd rather do without their TV sets, land lines and even Internet-connected computers than give up their mobile devices. According to Nielsen, younger demos are especially receptive to advertising on their cell phones; in particular they welcome the proposition that more ads will lower their monthly bills.

In fact, ESPN, whose Web sites attract some 18 million unique users per month, and Nielsen are leading the way in exploring exactly how consumers interact with their TVs, computers and mobile devices. Last October, the two companies announced what they called "an initiative" aimed at outlining for "buyers and sellers of television advertising ... the interaction of new digital platforms with traditional television viewing." That initiative aims to measure the "unduplicated reach of ESPN's traditional television programming, ESPN.com and ESPN mobile video," as well as the viewership overlap among the three platforms.

In parts of Asia, long a bellwether for American media technology, mobile phone television services already are beginning to roll out Extreme Sports and Golf Asian Tour channels, among other offerings. And in the United States, First Light Net is one of the new companies employing the mobile Internet's "mobi" domain name to bring sports fans Net-based services for their mobile phones and other devices, such as its Fishing-Guides.Mobi, a resource for hyper-local information targeting anglers on the road.

Sports fans are avid producers of user-generated content (UGC) in general, too, so their favorite sports moments are soon posted on YouTube and other video-sharing sites. Revenues from existing sports networks' dot-coms are increasingly important to media companies' bottom lines, and as UGC is monetized, expect sports rights holders, whether teams or media companies, to follow Viacom's lead and threaten or actually file lawsuits.

Already both the National Football League and Major League Baseball have laid down Net-video *Private Property* markers. MLB now prohibits news organizations from streaming more than two minutes of video or audio that originates at league facilities, while the NFL maintains an even stricter forty-five second limit, according to the *Sports Business Journal*. And the leagues have limits on just how many days those game snippets can stay online, too.

All sports rights holders and broadcasters are eyeing brand extensions on the Internet, too, so expect to soon see sports-centric ventures on the model of NBC-Universal's and News Corp.'s Hulu.com, which just recently came out of Beta test.

And what is potentially the biggest development of all, live video channels -- and that certainly means live video *sports* channels -- are coming sometime in 2008 to YouTube, according the U.K.'s *Guardian* newspaper.

That could mean that, in the near future, live local sporting events will be streamed as a matter of course -- and backed on YouTube by the advertising resources of mighty Google. There is, at this writing, plenty of room in cyberspace for online sports video expansion, and monetization; according to 2007 research conducted by the Consumer Electronics Association, 58 and 57 percent of respondents, respectively, reported using their computer in the past month for listening to music and listening to or watching a weather forecast, while just 18 percent reported listening to or watching a sporting event, fewer than watched a movie (21 percent) or a TV show (20 percent) or even got a traffic update (19 percent) in the same period.

There is a gathering sense on Broadcast Row and Madison Avenue that all of television in the Digital Era almost upon us will migrate to the Web, that "broadcast networks" as we now know them will become quaint artifacts of the past, and that all of television will become an on-demand medium. In that imminent online future, when anyone with a high-speed Internet connection will become his or her own network scheduler and programmer, shows that aggregate live mass audiences -- an *American Idol* finale, say, or the last episode of the next *Sopranos* -- will become rarer and more valuable. And in that digital matrix, sports, which ran up big viewership scores in TV's infancy, will continue to bring home the gold, especially as streaming and downloading speeds increase enough to support high-definition video. By 2012, nearly 33 million North American broadband subscribers will have connections fast enough to support online HD video, according to a recent broadband report from Parks Associates, up from 5.7 million in 2007.

US advertising revenues at sports-related Web sites will reach \$1.1 billion in 2011, up from \$407 million in 2006, according to a recent estimate by eMarketer. And by 2011, according to eMarketer, the Internet will account for 10 percent of all sports advertising, up from 4.9 percent in 2006.

Organized games and other sporting events have been popular since before the dawn of history, and they will continue to be so, but there are a couple of questions about the

future of televised sports that will need to be addressed to keep from diminishing sports' values and brands. Among them:

1) In the Digital Age, will the future of televised sports be global or hyper-local? Digital broadband capabilities, especially as they are expected to evolve over the next few years in the United States, mean that there will be room across the spectrum for both. But if hyper-local sports garner only hyper-local advertisers, they are likely to remain merely a source of incremental advertising revenues for big media companies. Unless that obstacle is surmounted, there will be little incentive for cable operators and other big players to commit resources to systematic carriage of local leagues and events. On the other hand, video on the Net, where the long-tail business model holds sway, may be where local sports are best monetized.

2) In TV's early days, sports sometimes accounted for as much as one-third of network prime time. Entertainment genres that have dominated TV -- Westerns, sitcoms, cop shows -- have risen and fallen and sometimes disappeared for years from television altogether. Today, to own a major sports franchise in a major American market, whether it's a winning team or a losing one, is to have a license to print money, as more than one observer has noted. But are televised sports, especially as they proliferate online in the Digital Era, in danger of over-exposure, too? Time, and advertising and marketing dollars, will tell.

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About the Author

Louis Chunovic, a Senior Fellow at TransMedia Institute, is a veteran journalist and a published author. He has reported on the businesses of media for more than two decades, and during that time has covered national political conventions, media mergers and acquisitions and new media technologies.

His byline has appeared in *Advertising Age*, *The Advocate*, *American Film*, *Automotive News*, *Boston Metro*, *Broadcasting & Cable*, *Broadcast Week*, *Cablevision*, *Electronic Media*, *Entertainment Weekly*, *The South Florida Sun-Sentinel*, *The Hollywood Reporter*, *The Journal of the Writers Guild of America*, *The Las Vegas Sun*, *The Los Angeles Business Journal*, *The Los Angeles Times*, *MovieLine*, *PC World*, *Pulse Magazine*, *The Saint Paul Pioneer Press*, *The San Francisco Examiner*, *Screen Magazine*, *Score Magazine*, *The Torrance Daily Breeze*, *TV Guide*, *US Weekly*, *Weekly Variety* and others.

His books include *Why Do People Love America?* (Sanctuary Publishing, 2005), *One Foot on the Floor* (TV Books, 2000), *True Tales of American Justice* (TV Books, 2000) and *Bruce Lee: The Tao of the Dragon Warrior* (St. Martin's Press, 1996).

Chunovic also is the former on-air Entertainment Reporter for KTTV, Fox Broadcasting, in Los Angeles. He has appeared on CNBC, CNN and NPR, as well as on many other television and radio outlets, and has been quoted by *The New York Times* and *Congressional Quarterly*, among others. He lives in the New York City area with his wife.

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