



LEADERS*Report*

OTT

The shifting broadcasting landscape

March 2017



CONTENTS

- 3. Foreword
- 4. Distributed Content: A Digital Story
- 12. The Netflix of Sport
- 22. Adapt and Grow

Credits

Editorial Director James Emmett	Head of Marketing Laura McQueen	Head of Sport Business Victoria Miall
Art Director Sam Richardson	Sponsorship Director James Elderton	

Foreword

OTT
The shifting broadcasting landscape

FOREWORD

Proskauer

As it turns out, the revolution will not be televised; instead, it appears more than likely that it will be streamed.

For those readers in the United States who grew up with the Big Three (or if you are young enough to include Fox, the Big Four) national broadcast networks as your primary source for content, the rise of the pay-television cable and satellite-dominated ecosystem, which spawned networks like ESPN, CNN and HBO, was nothing short of a miracle. The more recent explosion in the number of Internet-delivered, ‘over-the-top’ (OTT) content offerings has been mind-boggling.

And, with companies like Netflix, Hulu, Amazon, Google/YouTube, Apple and Sony all jostling for your attention, it appears inevitable that one of them will rise up to challenge the incumbent sports media rights-holders and networks. The generation of consumers who grew up with the Internet, smartphones and social media can already stream their favorite movies, television shows and news programmes. Live sports is the final domino to fall, and the revolution is already underway; in just one example, more than 100 million unique users streamed video of the 2016 Rio Games on NBC’s Olympics apps.

At Proskauer, as active participants helping to structure and negotiate many of the largest sports and media deals that shape the way consumers access, buy and view content, we have played a key role in the

growth of OTT. Indeed, on behalf of our sports and media clients, Proskauer has worked on deals resulting in billions of dollars in revenue for, or with, every major programming group, and we have seen firsthand the proliferation of OTT options for a new generation of cord-shavers, -cutters and -nevers.

The implementation of new digital distribution models will not happen uniformly or overnight and without question will cause major disruption to the industry. From the US to the UK and beyond, the biggest and most profitable sports leagues and teams in the world are currently wrestling with the best approach to maximize the value of their media rights in this rapidly changing landscape. Many already have started (and most if not all are contemplating starting) their own OTT offerings to connect directly with their audience. Proskauer has been actively involved in this process as well, advising many professional sports leagues and teams on both traditional and digital content distribution models.

The future of sports content distribution is bristling with new ideas as the industry continues to move toward wider, more feature-rich digital distribution. Proskauer is proud to be at the forefront of this new era of OTT services. With one eye on the screen and the other on the ball, we will continue to be at the intersection of sports and media, shaping the way that people watch the game.



Robert E. Freeman
Partner and Co-Head,
Technology, Media &
Telecommunications Group,
Proskauer



Frank A. Saviano
Associate, Sports Law Group,
Proskauer

A black and white photograph of a handball match. A player in a light-colored jersey is jumping on the left, holding a handball. Several other players in dark jerseys are jumping in the center and right, attempting to block the shot. The background is a blurred crowd in a stadium.

DISTRIBUTED CONTENT: A DIGITAL STORY

DISTRIBUTED CONTENT: A DIGITAL STORY

The TV era as we know it is over. Content producers and distributors alike are adapting to a new era, a new environment, and a whole new world of possibilities.

SIn just a few short years new technology has utterly changed the way sport is watched, consumed and talked about. It has given consumers, fans, viewers – whoever they are, however they are described – the chance to be fully engaged and immersed in a sporting event without ever watching a second on linear television. The ability to stream live or delayed online, see highlight Gifs, near-live clips posted on social media accounts by broadcasters and rights holders, text commentary on websites or via tweets or Facebook posts, delve behind the scenes with Facebook Live or Twitter’s Periscope, review statistics and background information using dedicated apps and discuss and share experiences and updates with friends or strangers on forums or messaging platforms, has armed consumers with a wealth of options. Wherever you are, whatever you’re doing, it’s possible to watch, listen, share and be in touch.

Throw into the mix fan-generated content, some of which impinges on official rights sold to a broadcaster, plus the channels – social media accounts, dedicated apps and websites – utilised by athletes to reach fans directly and the complexities and complications for rights holders and broadcasters, forced to continually adapt and innovate to evolving technology and new audience habits, are clear. This possibility of immediate access is applying pressure to longstanding norms of sports broadcasting, opening up as many opportunities as challenges for every stakeholder.



A brief glance at the numbers outlines the scale of those opportunities. According to We Are Social’s annual digital report in 2016, there are 3.419 billion internet users around the world – 46% of the total population. 2.307 billion people (31%) are active social media users and 1.968 billion (27%) are active social media users via mobile. Strikingly, the number of internet users grew by 10% between 2015 and 2016, some 332 million people. Mobile users increased by 4%, while social media users on mobile increased by 17% (283 million). For sports rights holders, broadcasters and fans, the world is changing – and at some pace.

The rights holder perspective

Historically, sport at the top level has grown up around escalating broadcast rights fees;

“The model remains both relatively robust and perhaps more flimsy now than at any time in history.”

many sports continue to be underpinned by the money major media companies are willing to pay for premium and exclusive rights. That model remains both relatively robust and perhaps more flimsy now than at any time in history, as broadcasters face the challenge of audiences fragmenting across different platforms and the new viewing habits of a generation brought up only knowing an online age. At the same time rights holders are experimenting, seeking ways to properly monetise digital media and making trade-offs in the way they sell rights – and who they sell them to.

The National Football League (NFL) provides a prime example of a major sports league openly experimenting with new broadcast options. In recent years it has carved out new rights, creating a Thursday evening package of games broadcast on its own NFL Network and sold to the CBS and NBC networks – the pair agreed in February last year to pay a combined US\$450 million in February for ten games per season in 2016 and 2017. The NFL, however, held back the streaming rights to its Thursday games, eventually selling a global package to Twitter and in essence creating a tri-cast model comprising network, cable and social coverage.

Golf’s PGA Tour, meanwhile, has adopted a different approach. In 2015 it hit upon the idea of using rights not utilised by broadcasters, launching its own subscription-based PGA Tour Live over-the-top network to provide live coverage of the

early-rounds of tournaments prior to the start of Golf Channel’s afternoon television coverage. In early January, the PGA Tour expanded its relationship with Twitter to include live streaming rights to the first 60 to 90 minutes of PGA Tour Live coverage at 31 tournaments during 2017.

Within the cosy confines of the global sports industry, perhaps the most discussed new media product of recent times has been the Olympic Channel, the most visible manifestation of International Olympic Committee (IOC) President Thomas Bach’s ‘Agenda 2020’ reforms. Conceived as a way to build and retain popularity in Olympic sports and the Olympic movement during the long periods between Olympic Games, the channel, an OTT offering widely previewed at many a sports business conference over the past two years, launched with relatively little fanfare after the closing ceremony of Rio 2016.

In its early months, content has ranged from archive footage of Olympics past, magazine-style features on Olympic athletes and live coverage of Olympic sports that international federations have seemingly been unable to sell. There is still some sense that it has yet to decide exactly what it wants to be. And underlining the fact that even the biggest global sports properties are delving into entirely new territory by building and distributing their own content, the IOC, despite its established Olympic Broadcasting Services offshoot, is leaning on major media players such as US Olympic rights holder NBC, incoming European Olympic broadcaster Eurosport and new worldwide Olympic partner Alibaba to help develop the channel.

Rights holders’ growing demands for enhanced digital media offerings and



MLBAM's Bob Bowman

The traditional broadcaster perspective

In an era when the definition of 'broadcaster' is changing, the traditional heavyweights are being required to, in some cases, fundamentally alter their business models. The major sports broadcasters have built significant digital platforms to allow subscribers and viewers to watch on-demand and on the move. For broadcasters like Sky and BT in the UK, Telefonica, through its Movistar brand in certain European markets, and Optus in Australia, the battle for sports rights now extends far beyond television: quad play – the ability to deliver broadband access, wireless, television and telephone service – is in play, with the resultant increased competition for sports rights and sports content in certain markets.

Depending on how rights have been sold – and in several high-profile cases, the current long-term broadcast rights contracts were negotiated before OTT became a viable option for rights holders and had digital rights packaged up within them – broadcasters are increasingly

the ability to build in live streaming has, inevitably, led to the birth of an industry. Leading players such as NeuLion and BAMTech, the latter a spin-off of Major League Baseball's Advanced Media division, are forging deeply integrated partnerships with rights holders keen to distribute and monetize digital content. BAMTech, in particular, has taken a leadership position, responsible for building not only PGA Tour Live but OTT services for WWE and HBO. Last year's billion-dollar investment by Walt Disney Company was confirmation, if any were needed, of BAMTech's new status as one of world sport's most significant operations.

turning to social media to broadcast near-live clips of goals, tries, touchdowns and other significant action. Designed largely to drive people towards the full live broadcast – either on television or an official live stream – these clips are increasingly topped and tailed by brief adverts, delivering additional value for broadcast sponsors. An industry within an industry has grown up here, too, with the likes of Grabyo specialising in producing and publishing live video to the major social media sites. In a direct-to-consumer world where broadcasters can be circumnavigated, there is an obvious question about the long-term future of the major media companies that have become so essential to sport through their willingness to pay huge fees for premium content. Bob Bowman, widely hailed as one of the pioneers of sports OTT as the brains behind Major League Advanced Media, has a "more sanguine view of TV than others." Speaking last year, Bowman said: "I happen to remember that terrestrial radio still exists. No media form really dies. They might get less important but they're not going to die. And so TV, pay, broadcast, will be here long after I am. It might shrink a little bit, but look at it a different way: if I go from 100 million pay TV households down to 85 million that

doesn't sound good but if I had 10 million people I could sell content to some other way and I now have 40 or 50 million people I could sell content to in other ways, I think that, net-net, I can be way ahead in terms of my revenue.

"The wisest content owners are pursuing every platform," Bowman continued. "A lot of people just aren't going to buy what I bought or people my age bought, but that doesn't mean they're not going to buy content. They just want it in a different form, on a different device and maybe at a different price-point."

What's next?

While Netflix itself has always maintained that live sport is not on its radar, in a world where its subscribers have grown from 74.8 million to 93.8 million in a single year it was perhaps inevitable that a Netflix-style model would emerge in sport. So it proved last year when Perform Group launched DAZN in Germany and Japan. In Germany, a host of rights to European football leagues and other international sport have been acquired, available for a monthly fee at launch of €9.99. In Japan, though, the roll-out has been more ambitious still: in July, Perform announced



(Source: We Are Social)



Internet users and their usage

3.419 billion
total global internet users (46% of total population)

2.307 billion
active social media users

1.968 billion
active social media users via mobile

332 million
number of new internet users from 2015 to 2016

283 million
number of new social media users via mobile from 2015 to 2016

it has acquired exclusive live rights to the J-League in Japan for the next decade. DAZN, available to view on SmartTVs, PCs, tablets, smartphones and game consoles, is charging \$17.50 a month for the service. "With this service, consumers will be able to enjoy sport live and on demand without having to face expensive packages and lengthy contents," said Simon Denyer, Perform Group's chief executive as the deal was announced. "With the help of the internet, we are putting the power in consumers' hands to watch their sport, their way." The J-League rights kick in this year.

For the most part, the world's big new media beasts appear to be taking a considered approach to the acquisition of sports rights. Facebook and Twitter have been active in pursuing deeper partnerships with major sports rights holders for a number of years. Their live broadcast tools have opened up opportunities for behind-the-scenes

coverage and, in cases where rights are centralised by a league, allowed individual clubs or franchises to build their own new content streams – live coverage of stadium arrivals, warm-ups, warm-downs and training. Anything not contractually sold to broadcasters but considered interesting for fans can be delivered live, instantly. Facebook, however, has yet to fully acknowledge it is even a media company, let alone begun investing in premium sports rights. Amazon, meanwhile, is said to be examining whether premium sports content should be part of the long-term strategy for its Prime service, with all the potential e-commerce options that might open up. Google continues to play its cards close to its chest but is often mentioned when major rights come to be sold, influential enough to impact on the sales process without even participating.

Where all this leads is tricky to predict, given the many moving parts. But NBA

Commissioner Adam Silver, talking at January's Consumer Electronics Show, hinted at a possible next step in the way major rights holders distribute media. The NBA has demonstrated time and again that it is a class leader in giving fans exactly what they want, when they want it - it, for example, automatically detects whether a subscriber is viewing its NBA League Pass service on a tablet or smartphone and if needed provides a closer, more mobile-friendly version of its stream – and Silver believes the next step is an even greater carve-up of rights to provide the time-starved consumer even greater choice. "Certainly, we're going from a place where it was one price for an entire season of games," Silver said. "Now just in the last two years, we've made single games available. But I think you're going to get to the point where somebody wants to watch the last five minutes of the game, and they go click, they'll pay a set price for five minutes as opposed to what they would

pay for two hours of the game. "I think you're going to take the same great content, and you're just going to make it that much more available to people who watch it."

With rights holders organising themselves as media companies, media companies changing direction to meet the new needs of consumers, social media platforms and other new media giants gradually deepening their involvement, few of the old rules of sports media rights still apply. In early 2017 came the latest eye-catching development when German bank DKB, a sponsor of the country's domestic handball league, stepped in to pick up the live rights to the Handball World Championships, delivering coverage to Germany fans, for free, via its corporate website. The prospect of more brands as broadcasters, following the pioneering lead of Red Bull, is another factor for sports rights owners to consider as they ponder how best to reach their public in 2017 and beyond. □

THE NETFLIX OF SPORT



THE NETFLIX OF SPORT

As the world's leading digital native organisations – Twitter, Facebook, Amazon et al – wake up to the possibilities of sports rights, we ask, what exactly do people mean when they call a service or company the 'Netflix of sport'?

Of all the new-fangled phrases that now adorn the sports industry lexicon, the 'Netflix of sport' has crept in quicker than most. Though still an early-stage concept rather than a fully fledged reality, it is already a tip-of-the-tongue term, one that has come to signify not only where sports broadcasting is rapidly headed, but also where the wider industry fully expects it to go.

Over-the-top (OTT) services that provide video content direct to the consumer, without the need for a cable subscription - or even, for that matter, a television - have proliferated as consumption has shifted to internet-enabled devices in their many forms. In response to growing viewer demand for the ability to watch content anywhere and anytime, subscription streaming services like Netflix, Hulu and Amazon Video have come to the fore, forging a niche in movies and entertainment, but sports rights holders, too, have begun to view OTT as a viable means of distributing content.

While premium live sport continues to be held up as the last bastion of appointment-to-view programming, as sure as any content to drive TV ratings and advertising revenue for traditional broadcasters, its future as a broadcast product is increasingly accepted to be in digital. Last year, ESPN parent The Walt Disney Company, Discovery-owned Eurosport, Eleven Sports Network, Monumental Sports & Entertainment and the International

Olympic Committee (IOC) all established or ramped up efforts to develop OTT offerings. It was, though, Perform Group, the UK-based digital sports content and media company, that came closest to creating a so-called 'Netflix of sport' when it launched DAZN - pronounced 'da zone' - last August.

"What DAZN is, or what we're trying to be, is the first choice for sports fans that want to watch premium sport in a different way in their market," says James Rushton, DAZN's chief executive. "We don't see DAZN any different to a traditional linear broadcaster in our mindset. We're all about generating great content, providing fans with the sport they want to watch, but delivering it generally in a better, more compelling model both in terms of price and also accessibility."

Now available in German-speaking Europe - a bloc known collectively as DACH that comprises Germany, Switzerland, and Austria - and Japan, the DAZN service has set about replicating the successful Netflix streaming model by offering an array of sports content for a low monthly fee and no long-term contract. Comprising a mix of major international sports properties and other premium local content, its portfolio is built on a market by market approach to rights acquisitions. In its German-speaking territories, the service offers highlights of Germany's Bundesliga and 2. Bundesliga, as well as live soccer from the top divisions in England, Spain, France and Italy, the National Basketball Association (NBA), National Football League (NFL), and an



array of other sports. In Japan, meanwhile, its portfolio is headlined by a ¥210 billion (US\$2 billion) deal for the rights to J League soccer, while it also includes top domestic baseball and the country's men's and women's national volleyball league, among other properties.

That initial rights haul has given DAZN a solid foundation on which to launch its service, which is bankrolled by billionaire music mogul Len Blavatnik's Access Industries Holdings LLC. But, as Rushton explains, there is plenty more to come. "We've been pretty clear," he says, "and we've been on the record several times: there is no set of premium rights that we are not interested in acquiring in any market in the world. We're very lucky in terms of our funding and our relationship with Access Industries. We have an ability, as we've proven with the J League deal, to go out there and secure long-term premium rights, exactly the same way as we've done with the WTA and FIBA in terms of the broader Perform Group."

With Blavatnik's backing, DAZN has the financial muscle to disrupt and compete with traditional pay-TV broadcasters for premium rights in each of its markets. But Rushton believes the service can equally be viewed as complementary to those existing providers, offering an additional option to viewers who may want to supplement their cable package with a DAZN subscription. "We are obviously competitive with incumbent pay-TV broadcasters," says the Englishman. "We wouldn't have gone into a market unless we thought we could compete. Our approach - being fan-centric, offering real premium rights at an affordable price - we think is a real unique selling point and something that those traditional broadcasters, because of their base, will continue to struggle to defend against. But that is not to say, in the consumer's mind, it's an and/or choice."

"I think our pricing, in particular, and because of the set of rights we have, means we can be very complementary to a pay-TV package. I don't necessarily



Access Industries' Len Blavatnik

feel that DAZN is a service that will force a consumer to cut a cord or cut a satellite deal. You can see quite easily in Germany a Sky Deutschland subscriber continuing with a Sky Deutschland package but then supplementing that with DAZN at €9.99."

Strategically speaking, Rushton says DACH and Japan were particularly appealing markets in which to launch the DAZN product because they both have relatively low pay-TV penetration and comparatively expensive, "old-fashioned" pay-TV offerings combined with high smartTV penetration. "The smartTV penetration in both of those markets is almost the same, if not slightly bigger now, than the number of homes that have pay-TV," he says. "The ability to access those households is really interesting. Looking forward, we are obviously going to look at markets that match that similar profile."

Conversely, some markets appear off-limits - at least for now. Challenging markets, says Rushton, are markets like the UK and Scandinavia, where "the traditional telcos have really got themselves together and are creating triple-play or quad-plays in a

"To make an omelette, you've got to break a few eggs."

James Rushton, CEO, DAZN

really substantial way, and are offering fans relatively solid value for money, especially where there is strong competition between two or more parties."

Market variables perhaps explain why there is currently no true 'Netflix of sport' or, to put it another way, no single service offering live and on-demand sports content on an a la carte basis globally. Much of that also has to do with the way existing rights contracts are tangled within a web of restrictions, and the fact that most sports rights holders do not sell their content on a global basis, choosing instead to negotiate deals on a market by market basis.

Still, Rushton is adamant DAZN can blaze a global trail for OTT in sport. Across each of its markets, he says, the service has got off to an auspicious start, having been "really well received, both by the broader industry and also the consumers." Though he won't disclose exact figures, he reveals that its subscriber numbers already run into "hundreds of thousands," and he is confident of surpassing the million mark by the early second half of 2017, when there are plans to launch in at least two further markets.

"We are on track," he adds. "In fact, we are slightly ahead of where we felt we would be in DACH, and in Japan we have the J League launch coming up in late February/ March time. That is not to say that we haven't got huge ambitions for next year and we've got to continue to invest in the

The Netflix of Sport

product and the rights and the markets. But so far the assumptions that we've made around interest and take-up and consumer appetite have been proven to be correct."

DAZN has, however, encountered a few teething troubles. In September, for example, German-language viewers of its coverage of the Premier League's Manchester derby experienced what Rushton calls "a patchy service," prompting the inevitable social media backlash. Rushton puts that particular case down to the innovative nature of the DAZN product - "to make an omelette you've got to break a few eggs," he philosophises now - and he chooses instead to focus on the bigger picture.

"In some ways, it's a nice problem to have," he says. "Whilst the platform obviously needs to be extremely scalable - and we've put in a huge amount of resources with our tech-stack partners to make sure it is - if you have a small blip because you have more concurrents coming in before the start of the game than some of the biggest tech vendors that provide this kind of stuff have ever seen, that's a sign that you're doing something right in terms of your consumer proposition."

While the Premier League outage was a minor hiccup in an otherwise successful launch, it highlighted the technical complexities inherent in the DAZN model. Whereas services like Netflix, Hulu and Amazon Video have to date built their streaming businesses solely around VOD, providing locally cached content by way of cloud-based computing technology, Rushton says streaming live events on a large scale to disparate audiences simultaneously presents a far more sizeable headache.

He explains: "The biggest challenge we have, or for anyone who is trying to do

OTT

The shifting broadcasting landscape

what we're trying to do and on the scale we're trying to do it, is that the consumer expects - and rightly so - a Netflix level of quality: HD, 1080p, can be put up on to your 75-inch LED TV via one of our TV partners, and it works perfectly. We can't always cache live, or it's much more complicated to cache live content than it is on-demand content.

"That means you have to have a slightly more intricate, technical stack. You can't backload the last mile as much as traditional VOD carriers do because it is live, so you have to be more agile in the way you think about end consumer delivery than maybe the likes of the traditional OTT broadcasters.

"But the beauty of the DAZN service compared to, let's say, a traditional linear sports TV broadcaster is that when we're live, we're live. We don't look to schedule content in as much as if we bought all of the Ligue 1 rights in a market, we will broadcast every single game. We won't make editorial choices not to broadcast a game because someone in a production suite somewhere feels that game A is worth more than game B.

"When we are busy - for example in DACH on a Saturday when the European football is going on - we can be broadcasting up to 25, 30 events at any one time, which in itself has its own operational challenges."

"We can be broadcasting up to 25, 30 events at any one time, which has its operational challenges."

James Rushton, CEO, DAZN

Twitter

"Ultimately, we welcome everybody getting involved," says DAZN's James Rushton. "We think OTT is the future of sports broadcasting for a myriad of reasons, and in many ways the more the likes of Amazon, Facebook, Google, Twitter et al can push that, overall I think it will be good for us because more consumers will understand that OTT is not an add-on to linear broadcast TV but actually is and can be a direct replacement."

If talk of a Netflix-style OTT service for sport has circulated for some time, the digitalisation of sports broadcasting itself has rarely been up for debate. For the last decade or so, traditional broadcasters' long-established grip on premium sports rights has steadily weakened as sports properties have embraced digital, carving up their rights accordingly and exploiting new means of distribution to better serve their audiences. In concert, social media has emerged as both a platform for real-

time communication and an effective tool for engaging sports fans and consumers. As user numbers have skyrocketed, the leading social networks have begun to put video content at the centre of their growth strategies, which in turn has led them to see sport - and specifically live sports media rights - as a vehicle through which to differentiate themselves.

It was against this backdrop that Twitter became the first to show its hand last April, striking a deal with the National Football League (NFL) to stream a ten-game package of Thursday Night Football over the course of the 2016 season. The agreement, reportedly worth less than US\$10 million, saw Twitter beat off rival offers from the likes of Yahoo, Verizon, Amazon and Facebook, and remains the company's most significant rights play to date. After Yahoo's successful broadcast in 2015 of one of the NFL's International Series games in London - the first ever American football game to be aired for free digitally - the deal would see Twitter provide repackaged versions of free-to-air TV broadcast feeds provided by US networks CBS and NBC, delivering them to viewers everywhere except Canada.

As part of the agreement, Twitter would be required to run CBS and NBC advertisements, which meant it would retain only a small cut of ad sales from each game. Still, the benefits were clear. The company's foray into sport, spearheaded by its chief financial offer, Anthony Noto, who formerly held the same role at the NFL, is all part of a wider strategy to integrate live video at the heart of its service. Faced with a flagging share price and a daily active user base that has stagnated at around 317 million, the company sees video as both a means of luring new users in large numbers, and an avenue through which it

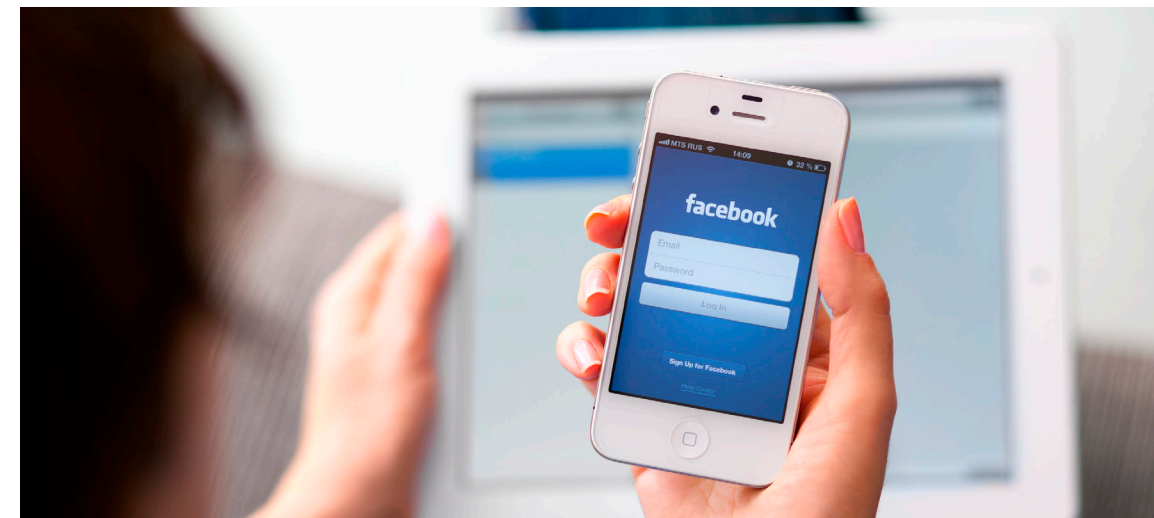


Anthony Noto of Twitter

The Netflix of Sport

OTT

The shifting broadcasting landscape



can transition away from its social network roots to become a go-to destination for live news and events. This was evident in its coverage of last year's Republican National Convention, said to be the world's largest media event after the Olympic Games, and went a long way to explaining its reasoning for investing in the NFL rights. Noto has also noted how the NFL deal has helped pave the way for wider distribution of its app across connected TVs, games consoles and other online outlets. "Our overall video strategy has helped us drive distribution, and the NFL is a key element of that," he told SportsBusiness Journal towards the end of last year.

On reflection, however, Twitter's NFL streams garnered mixed reviews. While its slick, user-friendly interface and clear stream quality were generally well received, buffering issues and stream delays led to complaints throughout the season. Some viewers were critical of an accompanying feed of curated tweets that were often deemed inane or ill-informed, leading to calls for better customisation and personalisation. Overall, Twitter's average minute audience failed to live up to expectations. That audience averaged 265,000 per game throughout this season,

just a tiny fraction of the games' overall viewership, however the total reach number was much higher, averaging 2.7 million. One positive was that Twitter's key audience demographic was largely under the age of 35 and international, both said to be coveted by the NFL.

Having secured that toe-in-the-water NFL deal, Twitter has since augmented its sports portfolio with a host of further rights agreements. Indeed, NFL coverage amounted to just a quarter of the 300 live broadcast hours Twitter carried between August and November. Additional partnerships have been forged with the likes of the NBA, Major League Baseball Advanced Media (MLBAM), the All-England Lawn Tennis Club (AELTC), the Pac-12 Conference, Campus Insiders and the PGA Tour. Twitter has also struck up rights relationships with broadcasters such as Sky Sports in the UK - a deal which see it carry Premier League highlights - and Seven West Media, the domestic rights holder of the Australian Open tennis tournament.

Facebook

Like Twitter, Facebook now sees itself as a 'video-first' platform. Facebook Live, the social network's live streaming service,

debuted in April 2016, with its chief executive Mark Zuckerberg repeatedly trumpeting live video as the future of online content.

In the weeks surrounding the launch of Facebook Live, the company sought to capitalise on the reach of influencers who use its platform, signing scores of content contracts with companies and well-known personalities that include advertising revenue-sharing arrangements and run for varying lengths of time. In total last year, Facebook reportedly committed some US\$50 million to partnerships of this kind, with FC Barcelona, the highest-paid sports entity with which Facebook has a deal, said by the Wall Street Journal to receive just over US\$1 million under a ten-month agreement that runs through March of this year.

Soccer, in particular, was central to Facebook's strategy of getting its live video service off the ground. Last April, for example, the platform live streamed an Orlando Pride game on the Facebook page of the club's then-newly signed star Alex Morgan, while in August it showcased a Manchester United v Everton friendly to Wayne Rooney's personal following. But properties in many other sports have also partnered with the platform. In the run-up to last summer's Olympics, USA Basketball aired nine warm-up games on Facebook Live, while early round coverage of PGA Tour events has also featured. In January, the NBA live streamed a game on Facebook for the first time.

Facebook's sports streams do not only cover live matches, however; they also include coverage of ancillary events such as live press conferences and training sessions. Last January, the company also launched Facebook Sports Stadium, a real-time content hub on which users can

follow posts by friends, teams, leagues and journalists as well as live scores, stats and game info as an event unfolds.

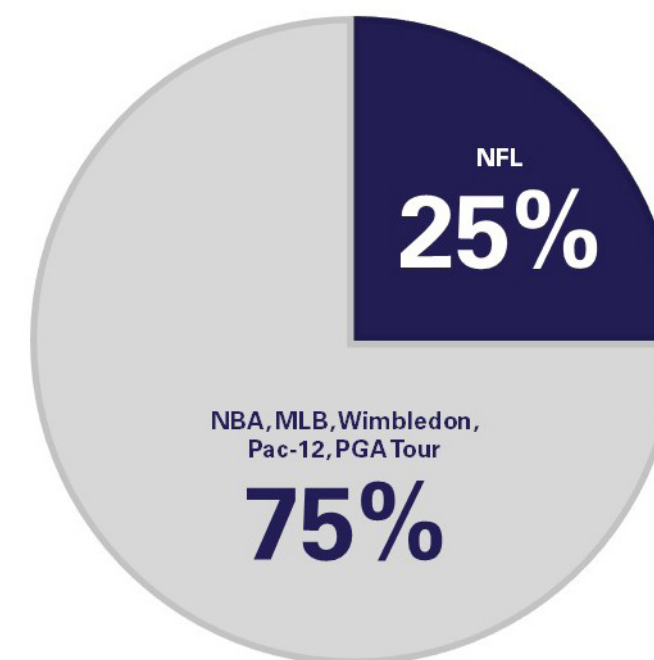
Amazon

In September, Bloomberg reported that Amazon was stepping up its pursuit of live sports rights as it plotted the creation of a new sports outlet to sit alongside or within its Amazon Prime Video service, which offers subscribers unlimited streaming of on-demand TV shows and movies for US\$99 a year. Executives at the Seattle-based online retailer were said to have expressed an interest in acquiring rights to everything from the French Open tennis tournament to elite professional rugby, while other sports 'with global appeal' like soccer, golf, motorsport, basketball and baseball were also reported to be high on their wish list.

At the time, it was reported that Amazon was busy enlisting personnel to realise its ambitions in sport - though what those ambitions were remained unknown. In March of last year, the company hired former CBS and Sports Illustrated executive James DeLorenzo as its head of sports. Former YouTube executive Charlie Neiman joined in May, tasked with overseeing sports partnerships and business development, while an advert for the position of principal content acquisition manager for sports appeared online several months ago.

To date, however, Amazon has played its cards close to its chest. A reported bid for the NFL's ten-game Thursday Night Football proved unsuccessful, despite having been US\$5 million higher than Twitter's offer, while in June the company struck a deal for the Bundesliga's digital audio rights in Germany. Beyond that, its sports programming has taken the form of the non-live variety and original documentary

Twitter Live Sports Broadcasts Between August and November 2016



series like 'All or Nothing', which followed the Arizona Cardinals' 2015 NFL season and debuted last summer, and 'Novak', a run of shows charting tennis star Novak Djokovic's 2017 campaign.

"In many ways we welcome and look forward to understanding exactly how the Amazon business model will work in sport," says DAZN's Rushton. "Obviously saying that, they can be a competitive threat if they decide to try and go direct-to-consumer and launch a DAZN-style service, whether it be multi-sport or single sport, and try to retail that on a standalone basis.

"On the face of it, Amazon is a partner of ours," he continues. "We launched on Amazon Fire Stick and Amazon Fire TV, and so them getting more serious about sport

and understanding the power of sport to drive their Prime service or drive penetration against their competitors in many ways can only be a good thing for services like ourselves, especially bearing in mind the type of rights deals we're doing."

For now, then, Amazon's endgame remains unknown. As well as making plays for exclusive live rights, some have suggested the company might look to carry existing OTT sports offerings as add-ons to Prime Video, as it already does with CBS-owned Showtime. Others point to its vast resources, unmatched e-commerce capabilities, and recent investments in logistics, drone technology and self-driving cars as differentiating factors that would set the company apart from other players in the streaming market. □



**ADAPT AND
GROW**

ADAPT AND GROW

The reports of the death of big broadcasters are exaggerated. Nevertheless, key players across the industry can sense change coming and are evolving their offerings to include a range of digital assets in the constant chase for their quarry: the audience

NBC is changing the way it negotiates advertising deals as digital consumption of its content continues to grow. NBC's 360° coverage of the Rio Games last summer was one of the most successful media events in history. NBC's Olympics' coverage of the 15 nights of primetime competition averaged a Total Audience Delivery of 27.5 million viewers, ranking Rio 2016 the second-highest average audience on record for the competition for any non-US based Summer Games.

According to NBC, its networks and digital platforms presented an unprecedented 6,755 hours of programming from the Rio Games across 11 broadcast and cable networks, two specialty channels (one each for basketball and soccer), NBCOlympics.com and the NBC sports app. NBC also provided 4K Ultra HD content to its distribution partners, as well as Virtual Reality (VR) programming, both Olympic firsts.

Most tellingly, according to the broadcaster, it drew 100 million unique users across all its digital platforms, a 29% uplift on digital consumers for London 2012. There were 2.71 billion Olympic minutes streamed through NBC in 2016, more than double for any of the previous digitally broadcast Games combined.

Furthermore, 42% of those minutes were streamed via connected TVs or dedicated devices like Apple TV. Finally, according to NBC, more than 50% of

“Digital consumption is not only growing, but it’s transitioning from second screen to primary”

viewers live streaming Olympic events on NBCOlympics.com and the NBC Sports app were under 35 years old.

A quick reading from those figures: digital consumption is not only growing, but it’s transitioning from second screen to primary.

And while NBC's social media strategy around the Games has been focused on driving audience to its linear broadcasts, times may be about to change. Just 10% of NBC's ad revenue for the Rio Games was filtered through its digital production. The scale of the audience on linear TV still significantly outweighs that on digital. But from the PyeongChang 2018 Winter Games onwards, NBC will now be using its Total Audience Delivery measurement – which combines linear and digital viewership – to negotiate deals with its advertisers. Make no mistake, this is a breakthrough moment for OTT.

“At the end of the day,” says Richard Fitzgerald, a sports media veteran currently serving as CEO of Racecourse Media Group in the UK, “while the major broadcasters can drive the major audiences and



NBC Olympics' Total Audience Delivery measured broader Rio Olympics consumption by calculating average viewing across broadcast, cable and digital. The Rio Olympics marked the first time that broadcast network coverage, including primetime, was streamed simultaneously on digital platforms. The NBC-only 17 primetime nights of Rio 2016 averaged **25.4 million** viewers, with a 14.4/26 household rating.

advertisers can pay for it, they will. I think that will go on for longer than we all think. But we're seeing interesting times. I've been shocked by what I've been reading about the major global pay-TV operators over the last few months: Canal + losing 10% of their subscribers; ESPN having the worst two months it's ever had over October and November; I certainly think Sky would be struggling to keep those subscriber numbers up. The sector's in for a challenge to take their businesses forward.”

ESPN's big move

Even if it wasn't a direct response to the cord-cutting that's sweeping the US, ESPN owner Disney's recent move in the market has been definitive. By purchasing a \$1 billion stake in Major League Baseball's digital arm, BAMTech, it has essentially future-proofed itself in changing times.

According to Michael Broughton, a partner at Sports Investment Partners, the digital broadcast space, in sport at least, is experiencing the recognisable first surging

flushes of any new market. “A market plays out like this,” he explains. “Innovation starts; lots of people see it; we're all sheep so we all jump on the bandwagon; we all create something. ‘It's the Uber of X, or the Netflix of Y.’ So you have lots of players all doing the same thing. But then you'll be able to see a couple of big winners start to emerge. There will be acquisitions, bankruptcies, some will go by the wayside. In my view, BAMTech will be one of the big winners. It's hard to think that Facebook won't be a winner as well.”

It's easy to see NBC as a ‘big winner’ too. The streaming technology it has used for Olympic broadcasts over the years has already been packaged into a commercial service called Playmaker Media. Earlier this year, Turner's equivalent iStreamPlanet was rolled into the proposition. Expect more service provision deals to be announced in the coming months to add to the commitment to stream Telemundo's Spanish-language US coverage of the 2018 FIFA World Cup.



Having started life as an in-house technology and commercial services provider for Major League Baseball, BAMTech is now arguably the go-to global enterprise for building, running and commercialising digital broadcast operations across sport, rivalling pure streaming technology providers such as NeuLion. It fulfils a wide range of services for the National Hockey League and recently went into partnership with Discovery and its sports broadcast entity, Eurosport.

For the pan-European broadcaster, the hype around OTT has come at a good time. Eurosport was bought by US giant Discovery in 2015 and a programme of investment in production, technology and rights is beginning to pay dividends. Naturally, the broadcaster's digital arm is getting its fair share of attention too. "If you look back at the reviews of the app

over the years," says Eurosport CEO Peter Hutton, "it was clearly underinvested and it did fall over occasionally. It wasn't a reliable experience. We needed to stop that and we needed to stop it quickly. Going with MLBAM gives us that security and gives us something that's clearly best in class. And it gives a signal to the market that we're taking digital seriously."

While Eurosport uses its OTT platforms – Eurosport Player and the Eurosport website – to broadcast everything it broadcasts linearly, Hutton's focus is on "how we put exclusive content in that space." Multi-sport or game events – such as the Olympics, which Eurosport has in Europe from 2018 – lend themselves particularly well to a multi-faceted digital approach.

"Grand Slam tennis is a great example," says Hutton. "We've got multiple courts available on OTT and I think it's a great product. We've got all four Grand Slams in quite a lot of markets across Europe now, and that service gives people a consistency of experience; they taste the experience, they like it and they want it again next time round. I think that volume and portability of it are two pretty impressive selling points of it. I end up watching a lot of streams now. Maybe a year or two years ago I would never even have considered taking that volume of live sport with me as I travel."

Hutton says that Eurosport are not currently at a stage in which they split revenue targets across linear and digital. "In Europe at least," he says, "you've got very little content that is sold specifically for digital use. As a result, it's really helpful to go in with a broadcast arm and an OTT arm together and you monetise across the two. I think it's more important that when we look at acquiring content we ask ourselves 'what's its use on linear and what's its use

on digital?' and we try and make those two things complementary and not always exactly the same."

Different strokes for different folks

Eurosport built its business on the back of a linear subscription service. With the rise of digital has come the rise of the pay-as-you-play model, the model often referred to in the sports industry as 'The Netflix of Sport'. "You know a firm has really succeeded when they take over the language and become a word for, in this case, streaming," says Hutton. "Credit to Netflix for claiming that linguistic achievement. But if you're doing sport, you're doing something completely different to what they do. They're always building up an aggregate of content; they're always building up those multiple things to dive into. Whereas for sport it's still and more and more appointment to view. Yes, you want a volume of content that creates a regular community, but you're also so heavily around those peaks that it's very different to their business."

Traditional pay-TV operators find themselves facing a unique challenge, as Broughton neatly illustrates: "Cord-cutting is happening, but there are an awful lot of people who aren't cutting the cord and aren't ready to. So their challenge is that they've got this cash cow that they can't walk away from, even though there's an obvious need to evolve."

How do you keep the cash cow plump enough to be milked – and crucially, keep on milking it – but also create new services that recognise and follow a fundamental shift in media consumption habits lower down the demographic chain? If you're UK pay-TV operator Sky, you create pay-as-you-play service NowTV, which, according to Broughton, "cannibalises one product



but keeps the whole thing going," by offering a product at a price point that a generation of cord cutters or 'cord nevers' will accept, and at a technical quality far superior to the legions of illegal streams – with their malicious ad interruptions and dropped feed issues – that might otherwise seem attractive.

Big broadcasters still hold the aces

The NFL is something of an outlier in that it's likely the only rights holder in the world capable of selling what can justifiably be termed premium live rights to separate linear and digital companies. Twitter's deal for Thursday Night Football games might only have come about because the package was new and untested, and there was an appetite from both parties to trial the audience take-up and interaction with a digital-only product. The likes of Twitter and Facebook no longer represent what they once were for traditional broadcasters just a few years ago – that is, second screen



platforms. They're fighting for primary screen status now. And that means the big broadcasters are less likely to accept having digital rights carved away from them.

Adding to their cause, the big broadcasters have significant equity with major rights holders around the world. Sport has been enriched precisely because pay-TV broadcasters have hit upon a model that works and are passing on their profits to rights holders in the form of rights fees.

In most cases, the big broadcasters are also responsible for the look and feel of the products they broadcast. It is no mean feat to produce world-class sport to a world-class level, but it's something major broadcasters have excelled at for decades. Even before talent costs have been taken into account, the average NFL game costs upwards of \$500,000 to produce. So far at least, none of the new digital players have expressed an appetite to take that cost and that responsibility on themselves.

When Dish, DirecTV and Verizon came into the sports broadcast space in the US, they were forced to pay higher rates than

what was expected from incumbent cable operators. Over time, as audience numbers grew, the new players began to demand equivalence in the fees being charged.

The likes of Hulu and Amazon Prime, entering the market this year, will be paying more on a per-unit basis for premium rights than the traditional players they're taking on. If they ever reach critical mass, however, the rate is likely to come down.

"When we talk about an industry being disrupted," explains Broughton, "typically, we're talking about disruption coming from the outside. Most of the disruption in this space in sport has been from the inside. We're very lucky in sport to have seen other industries get disrupted first. The creation of things like DAZN and BAMTech are pretty big moves that say, 'we know the world is changing and we need to get ready for it by making some changes ourselves.' If anything's going to really throw this world upside down like Napster did to music, I don't think we've seen it yet in sport. I get nervous if I see people in sport who say, 'oh no, it can't happen to us.' That tells me that something's going to happen." □

Redefining free-to-air broadcasting for the digital age

While it might not have the shorthand snap of 'the Netflix of Sport', UK public service broadcaster the BBC has a clear aim for its digital services: to redefine free-to-air broadcasting for the digital age. According to Ben Gallop, BBC Sport's Head of Radio and Digital, major disruption in the sports space arrived for the BBC some time ago. "I'm tempted to think that the new wave of players in the sports rights space will be more of a threat to others than they are to us," he says. "The major game-changing development for us was when satellite TV came on the scene. We have adapted to that. We have come up with a multi-faceted strategy that allows us to still go for the biggest things but also offer key connection with the audience even when we don't have the TV rights. I think we've kind of adapted already.

"Digital distribution is something that we've been doing long before the phrase OTT was invented, ever since it became clear that the internet could be a distribution channel for high quality video content. If you look back at the London 2012 Olympics, that was the first time it really cut through with a mainstream audience. They were able to watch every sport as it happened for the home Olympic Games. And certainly since then it's been something that we just deliver as business as usual. If we have sport on television, we will also be streaming it online. That's a

given. Those numbers are decent, but at the moment they're not like the TV numbers.

"If you assume that what we're doing on network TV we're also offering online, it's just an additional service as opposed to a new service altogether, which is presumably what OTT is supposed to be. So when we talk about what we do online, we don't think only about what is the best video that we can provide to audiences. It doesn't work from the premise of what is the best driver of revenue. It's what is the best audience experience. If you start from a rights neutral position, and you think there is a sporting event happening this weekend, given the rights that we have available to us, what is our best way of covering that in the digital space? If there was a load of Premier League football happening, we wouldn't have the live TV rights to that, but we do have potentially radio content and the ability to produce lots of text around it and we do have social media, statistics, everything else. So we start from a position of not necessarily thinking only about the video, even though we're a broadcaster and most people would associate us with what we put on television. We start from the position of the audience and how you can reflect that sporting even in the best way possible. We see digital as a really important arena. But it's a route to market for us, not a revenue generator." □



leadersinsport.com

 @LeadersBiz

LEADERS

Tuition House
27-37 St George's Road
Wimbledon
SW19 4EU
London
United Kingdom

Tel +44 (0) 20 7042 8666