



# THIRD AGE OF SPORT

VOLUME 1: BROADCAST & DISTRIBUTION

**7L** Seven League



# FIRST AGE

In the first age of sport, emerging mass media brought news of events to ever bigger followings. The status of athletes and teams rose from a local to a national level before easier international travel created prizes that were coveted worldwide and made stars of those who won them.

Technology shortened the distances between sport and fans throughout the 20th century, with live radio and television delivering audiences that spawned an industry – inspiring a commercial formula and adding a political dimension to glory.

1800



Sports reports, often focused on horse racing and boxing, begin appearing sporadically in newspapers; by 1883, the New York World has established the first full-time sports department.

1890



1894



Experiments with filmed boxing matches are a prelude to the recording of world title fights and other events, with reels sent on tour for mass audiences to watch in theatres.

1900



1903



French newspaper L'Auto creates cycling's Tour de France and promotes it with full daily coverage.

1910



1920



1921



World heavyweight champion Jack Dempsey knocks out Georges Carpentier in the first live radio broadcast of a championship boxing match.

1930



1936



The Summer Olympics in Berlin becomes the world's first major sporting event to be televised live.



# SECOND AGE

Guarantees of substantial viewership meant that the rights to major events became financially valuable to broadcasters, who began paying higher fees to sports organisations for exclusive coverage that would entice advertisers.

The arrival of satellite and cable TV freed up space for specialist media, while also changing the economics of the market. Dedicated channels speculated on premium assets, and the most successful were rewarded with strong, stable subscriber growth. That spurred a decades-long surge in spending by media companies, transforming the earning potential of athletes, teams and promoters while rebalancing the relationship between sport and those showing it.

1940



1950



1960



1970



1973



1979



1980



1990



1991/92



2000



Premium cable enters the arena as US network HBO screens Muhammad Ali's fight with Joe Frazier live from Kingston, Jamaica.

ESPN launches for an initial 1.4 million American cable TV subscribers.

HBO airs its first pay-per-view boxing match, between Evander Holyfield and George Foreman.

BSkyB secures the rights to English football's new Premier League, bringing premium subscription sport to the masses in Europe and confirming the ascendancy of the pay-TV model.



# THIRD AGE

The dawn of personalised, on-demand digital media has upended the exclusive media rights model. The most prestigious rights holders can depend on the interest of multinationals hoping to transition to a new era at scale but for the rest, uncertainty reigns.

Every sport can be truly global but must plot a course between a business-to-business strategy of rights sales and a direct-to-consumer approach. The breadth of opportunities for presentation, distribution and monetisation has never been greater but the stakes are high.

1990



1995



1998



2000



2005



2007



2008



2010



2012



2016



2017



2020



Major League Baseball's Seattle Mariners and New York Yankees play in the first game with a live audio stream over the internet, via ESPN SportsZone.

The arrival of digital satellite and cable broadcasts makes interactive live sport a reality for the first time.

YouTube emerges as a global portal for on-demand and then live video, making streaming more accessible.

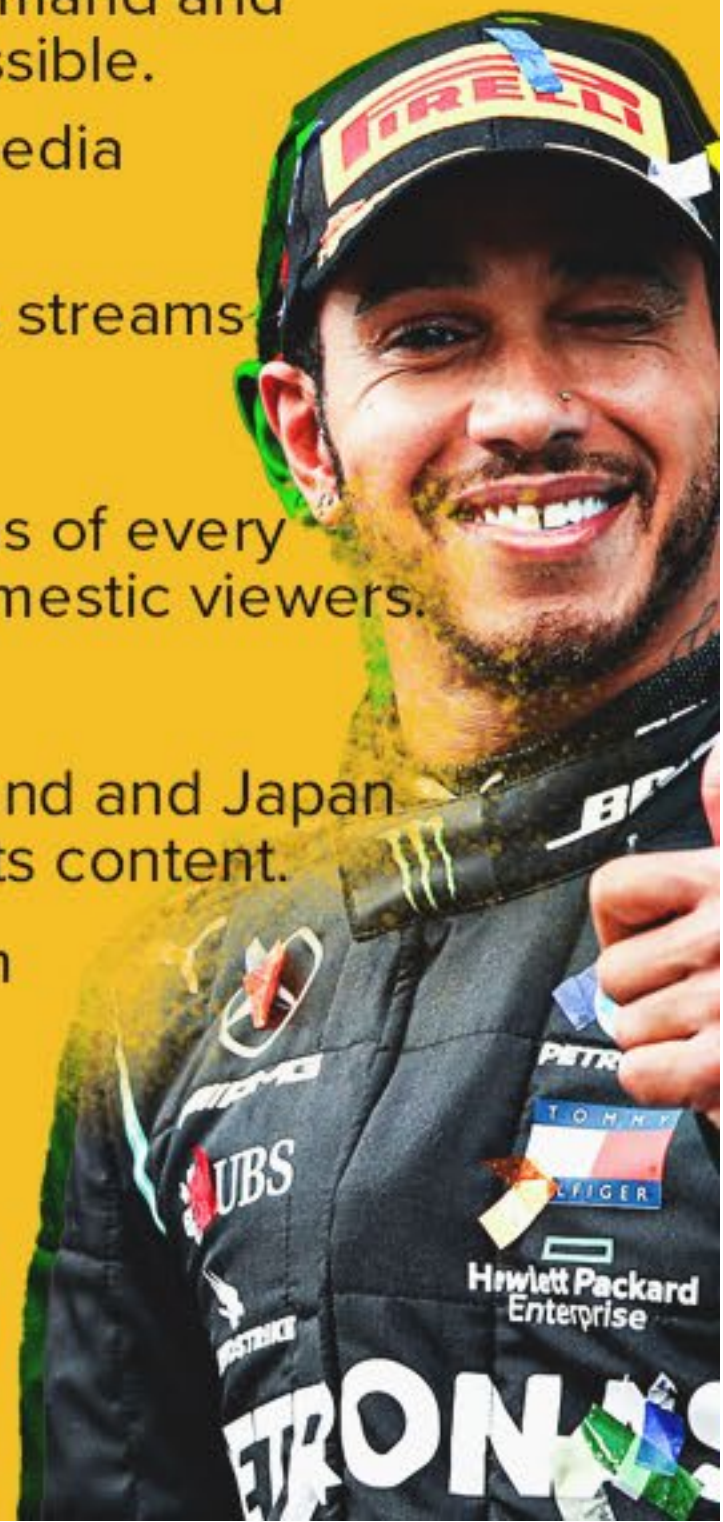
Netflix introduces an on-demand streaming media alongside home DVD delivery.

NFL Game Pass subscription service provides streams of matches for fans outside of North America.

The BBC provides comprehensive live streams of every event from the London Olympic Games to domestic viewers.

DAZN launches in Austria, Germany, Switzerland and Japan as a digital-only broadcaster of premium sports content.

Amazon Prime Video and gaming-led platform Twitch begin live sports coverage.



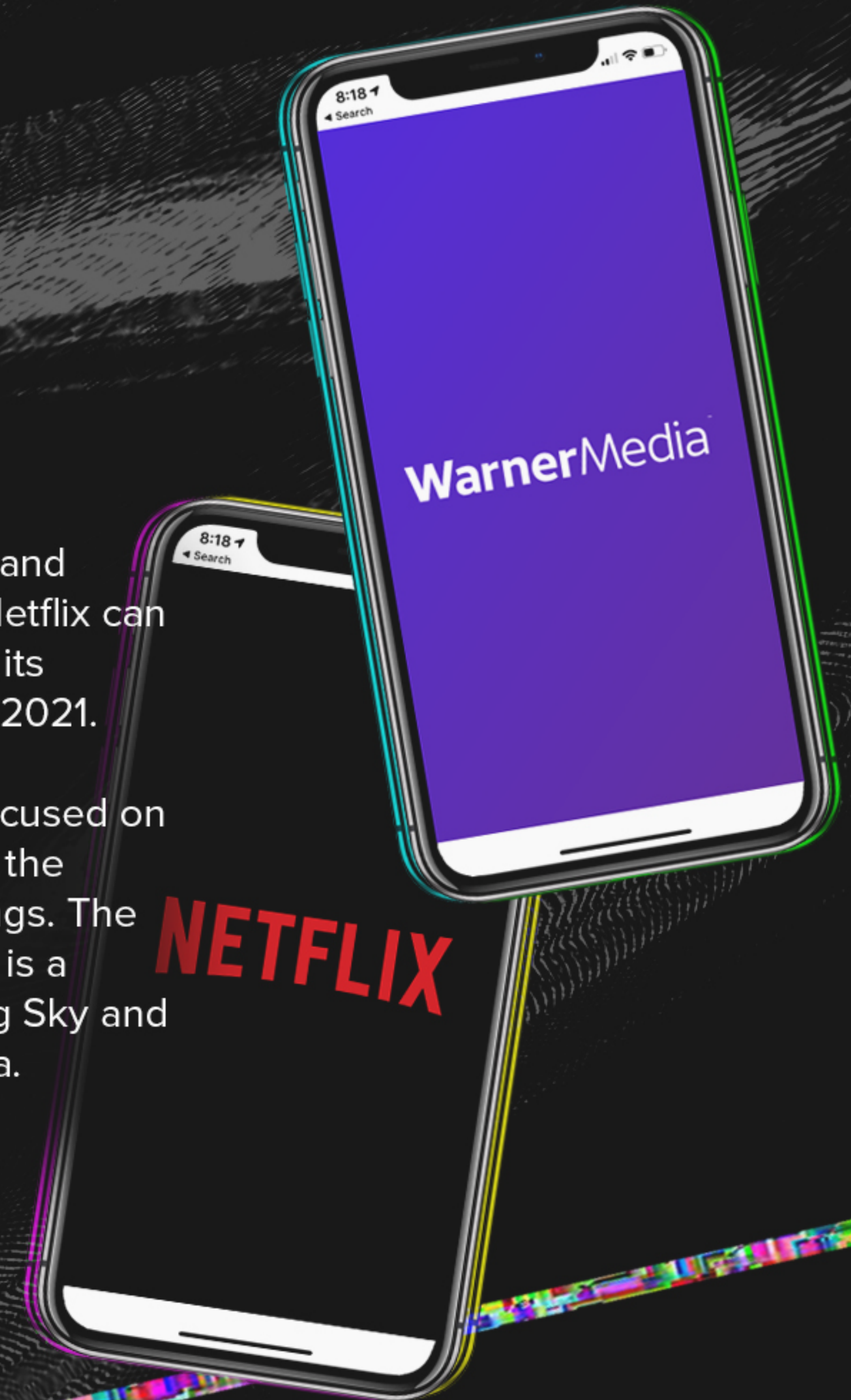
# THE RIGHTS MODEL THREAT

For a generation, the growth in the value of broadcast rights has insulated the sports industry. Competing media companies, most of them operating in the pay-TV sector, have taken on the risk in spending on access to sports events, either to sustain specialist outlets or as loss-leaders for other services.

The digitisation and globalisation of consumer media has changed that. 'Cord-cutting' and unbundling, whereby viewers stop paying for cable packages that historically had sports channels at the top, has been a significant challenge to the sector. Meanwhile, the emergence of relatively low-cost over-the-top (OTT) players like Netflix has presented another threat.

With a user base of over 200 million and investors happy to back its growth, Netflix can spend more on content than most of its traditional rivals – up to \$17 billion in 2021.

Legacy media companies are now focused on matching that outlay and developing the infrastructure for global digital offerings. The conglomeration of media companies is a gathering trend, with Comcast buying Sky and Discovery merging with WarnerMedia.



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Meanwhile, those groups are also beginning to shut down parts of their linear operations that are now served by digital operations. That applies to both specialised and regional outlets. Disney, for one, closed its Fox Sports Asia cable channels in October and will move that output to its direct-to-consumer services, while it will also pull ESPN Classic from US pay-TV platforms in 2022.

All of that, together with the economic freeze of COVID-19, has led to downward pressure on the rights market. Live sport remains desirable but media companies are inclined to make fewer, bigger, safer bets. The headline evidence of this is the \$110 billion worth of domestic rights agreements secured by the NFL for the decade following 2023.

Elsewhere, the signs are that even premium brands are looking to make savings. The football rights market is cooling. Mediapro's collapsed €814 million a year deal with France's Ligue 1 is the most startling recent example but sales targets were also missed by Italy's Serie A while the latest round of Uefa Champions League rights deals has plateaued.



In China, the retreat of high-spending platforms unable to sustain large rights outlays has created additional turbulence. In 2020, England's Premier League was moved to cancel a £564 million, three-year partnership with the Suning Holdings-owned digital broadcaster PPTV, after the latter missed a £160 million fee payment. A short-term deal was signed with Tencent to cover the remainder of the 2020/21 season, reportedly for less than ten per cent of the original value. iQiyi has since stepped in with a four-year agreement but the unwillingness of Chinese consumers to pay high subscription fees, or of investors to cover the risk, promises a high degree of difficulty in delivering short-term growth.

Some rights holders have moved tactically to counter this. The Premier League has itself won plaudits for renewing its domestic deals for three years on the same financial terms with the same broadcasters.

Its international sales teams have also adjusted smartly, with a shift from three-year to six-year rights deals in markets where that provides an optimum balance between healthy income and stability.

That has led, for instance, to a six-year partnership with Nordic broadcast group Nent, which is believed to have spent well over £2 billion to carry Premier League coverage in Sweden, Denmark, Finland, Norway, the Netherlands, Poland, Estonia, Latvia and Lithuania from 2022 to 2028.

In that context of softening returns and proliferating options for fans, finding ways to access new markets and diversify revenue is essential.

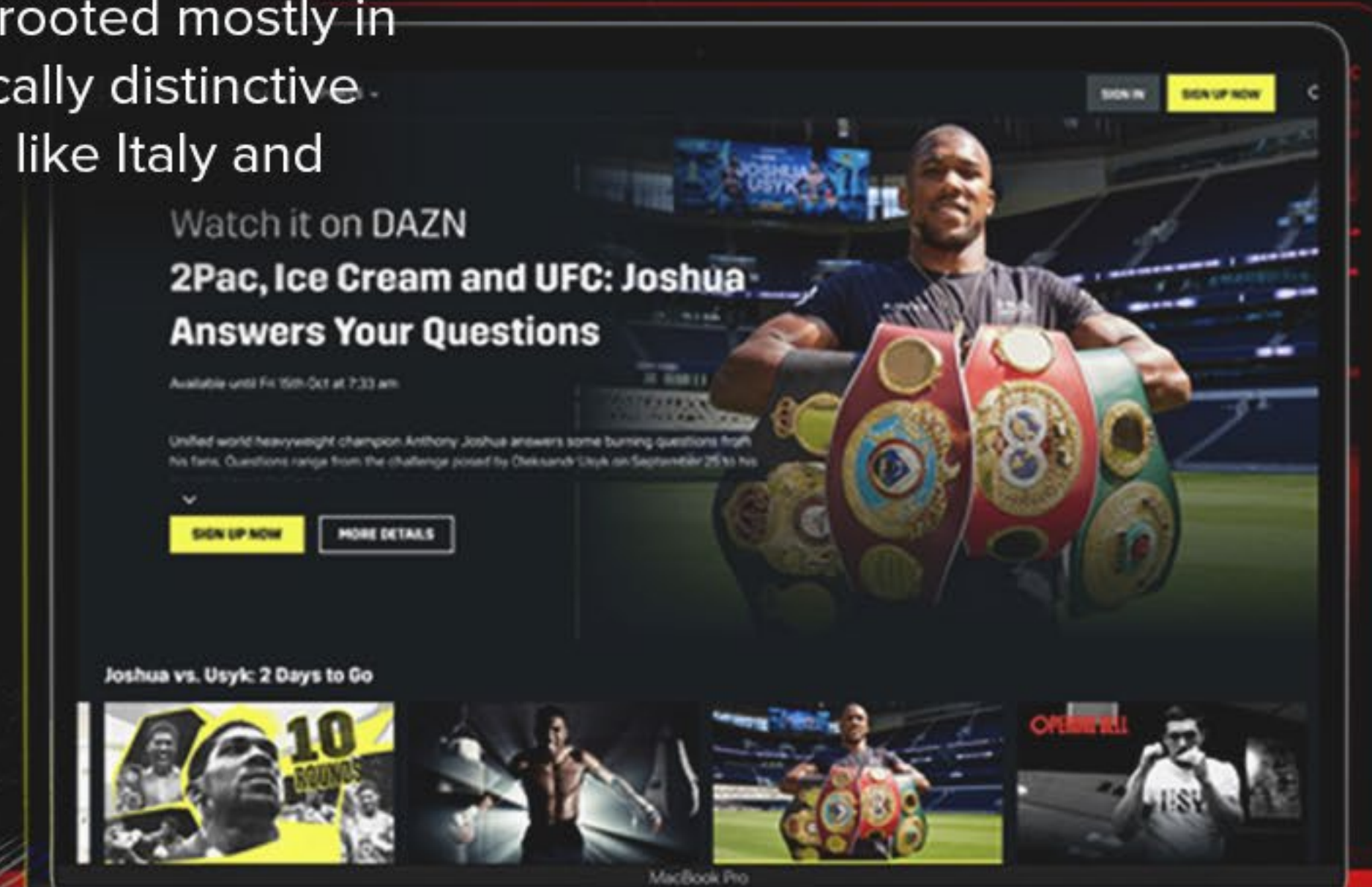


# MODELLING AN APPROACH

Although companies like Netflix and Disney have introduced global D2C entertainment products across IP tentpoles - relatively consistent products with some local differentiation - it is not yet clear what the optimum model will become for sport in the digital space.

Even by comparison with film, music and television, sport is hyper-localised in terms of what drives media value. Other than a handful of global properties, there is little that can be relied upon to move the needle everywhere and even in those cases, domestic interests tend to be more powerful. General purpose media brands might emerge in sport but they are likely to allow for strong regional variation.

At this stage, there are two defined approaches to delivering paid OTT emerging. One is to recreate the Pay-TV sports broadcaster. DAZN is among the best-known exponents of this. While it does offer a global service, rooted mostly in boxing, it supplies geographically distinctive premium sport in key markets like Italy and Germany.



**“OLD ROUTES TO THE AUDIENCE ARE NOT DISAPPEARING BUT LOCATING THEM IN THE NEW ECOSYSTEM IS PARAMOUNT.”**



At the other end of the spectrum, Discovery has built its GolfTV product around a single sport to serve a highly engaged audience. Truly global rights deals are still rare but Discovery's 12-year, \$2 billion partnership with the PGA Tour – outside the US – acts as the bedrock for the channel. The concept is founded on the argument that a section of the golf audience will pay a premium to watch tournaments and enjoy lifestyle content, learning ways to improve their own game, or finding out about courses and equipment.

Even these two models are hedged to some extent. Discovery retained the option to sub-license its golf rights in every territory for another potential return on its investment, while it has also distributed coverage on its Eurosport TV channels. DAZN, meanwhile, has entered into carriage deals with linear distribution platforms to ensure its programming can reach enough viewers and audience categories to satisfy partners.

An important decision for rights holders to make is how far they want to control their own content from end to end. This is rarely going to be cut and dried. In the realm of sports entertainment, WWE was seen as the gold standard in developing and maintaining an OTT audience but cashed in on that status by signing a \$1 billion, five-year deal for US carriage with NBC in January 2021. There is still some certainty in the bundle.

Old routes to the audience are not disappearing but locating them in the new ecosystem is paramount.



# SURVIVING THE STREAMING WARS

For most rights holders, preparing for the next age of sports broadcasting and distribution will not be about transferring wholesale to new platforms. It will be about carefully recalibrating contact with fans – repackaging older questions about reach and revenue. It will be about deciding what you put where and why.

In the medium term, one aspect set to be re-evaluated is the importance of exclusive access to content. With audiences finding the things they care about through a range of non-competing channels – from linear television to social media and new video platforms – rights holders and broadcasters are thinking again about where opportunities can overlap.

There is already some experimentation in this area. Sky Sports and the England and Wales Cricket Board made every game from 2021's inaugural women's edition of the Hundred available for free on YouTube, calculating that this would grow overall reach rather than cannibalising audiences on pay-TV or the free-to-air BBC.





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The upshot of this approach is that sports content owners must be more cognisant of how each platform works and what kind of audience it will deliver - and that means keeping a very close eye on user behaviour and data. Formula One has seen a halo effect from original programming on Netflix, with its Drive to Survive series boosting audiences in key territories – most notably the US.

Another dimension to this is that not every streaming service has the same motivation for acquiring content. The business model for Amazon Prime Video, for example, differs from several of its competitors in that it is steering subscribers towards its retail platform and the creation of high value moments that drive loyalty within the ecosystem. There will be some users who are directly attracted to the company's membership programme, or the purchase of specific products, through its content offering. Equally, there are existing customers who may be better disposed to use Amazon more often due to improved brand perception related to that content.

This thinking will become more prevalent as other non-traditional content buyers enter the market with a broader variety of subscription bundles. Apple, for instance, has combined video and audio content with a choice of news, connected fitness and cloud data storage. That in itself means that rights holders need to have a more forensic understanding of who is in their fanbase, and what might interest those fans outside of a given sport.



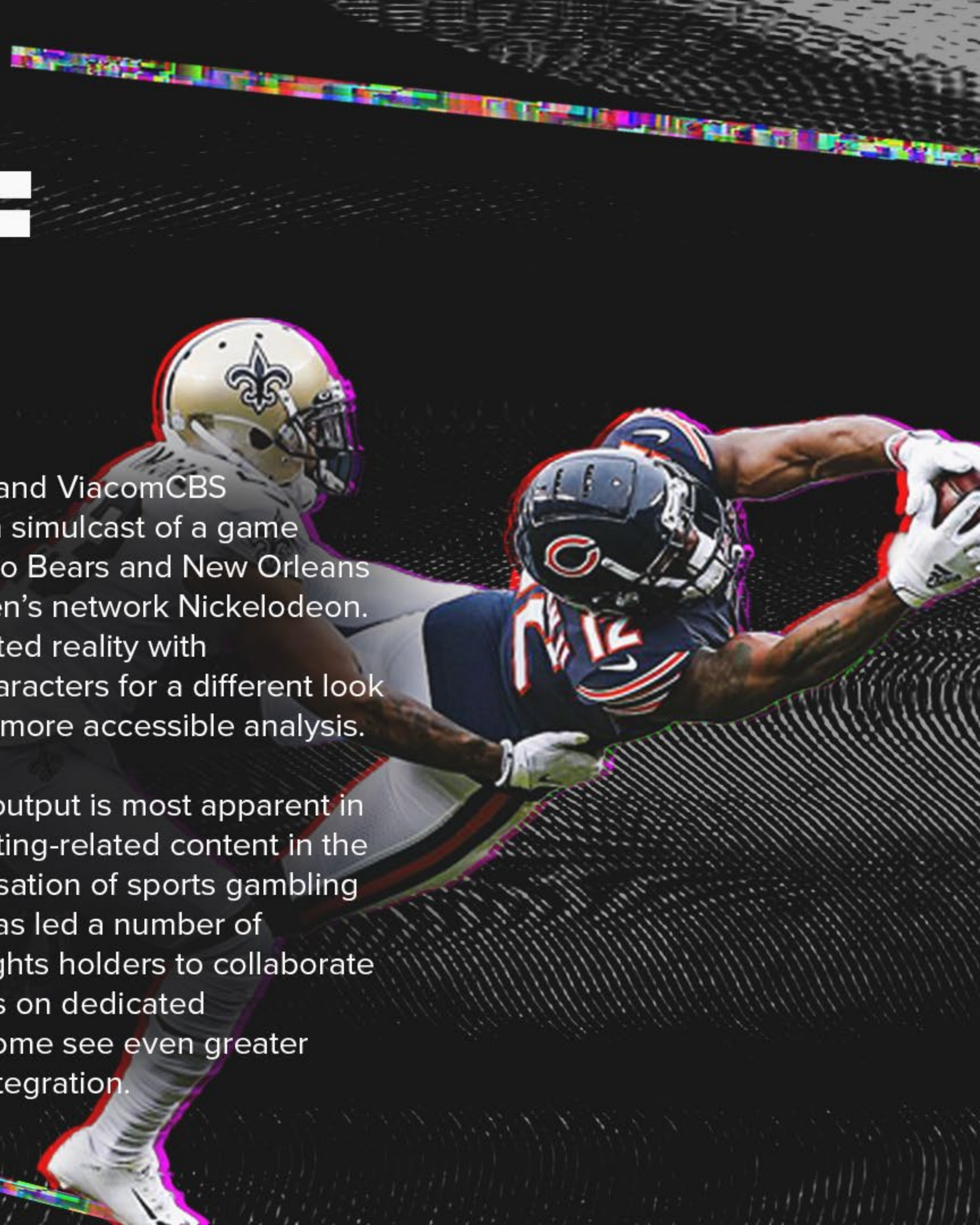
# NEW WAYS OF GOING LIVE

As well as mitigating the effects of uncertainty in the broadcast sector, organisations in sport can draw on the potential of digital sources to generate new ways to watch and new revenue streams.

Personalised sports media output is no longer just about what fans want to watch. Different groups of fans can now be served catered experiences, whether through interactive elements or bespoke editorial.

In January, the NFL and ViacomCBS experimented with a simulcast of a game between the Chicago Bears and New Orleans Saints on the children's network Nickelodeon. This paired augmented reality with company-owned characters for a different look and feel, along with more accessible analysis.

This 'versioning' of output is most apparent in the explosion of betting-related content in the US since the liberalisation of sports gambling laws in 2018. That has led a number of broadcasters and rights holders to collaborate with betting partners on dedicated programming, but some see even greater potential in direct integration.





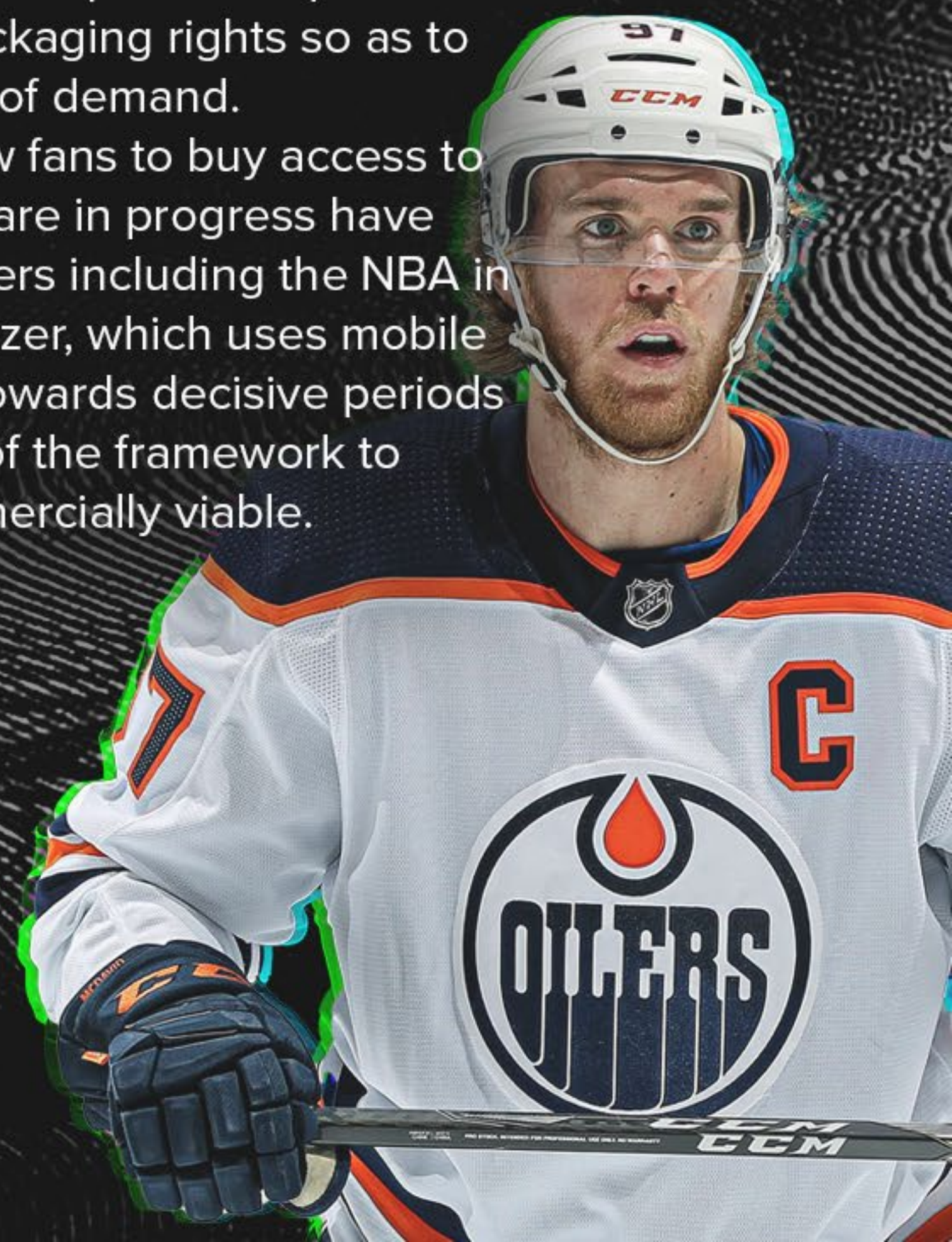
**“ULTIMATELY, THE MOST PROFOUND CHANGE IN THE VALUE PROPOSITION FOR SPORTS MEDIA WILL COME THROUGH COMMUNITY PARTICIPATION IN CONTENT.”**



Giving viewers a chance to bet in-play has been viewed by some content owners not just as a fresh revenue opportunity but as a means of learning more about what is possible through interactivity. Direct monetisation could also be achieved by offering calls to action to buy merchandise, or via partnerships with food delivery platforms. As a further benefit, if well executed, two-way relationships with viewers can generate richer, more reliable first-party data, setting up a virtuous cycle.

Ultimately, the most profound change in the value proposition for sports media will come if it is possible to encourage, and then capture, participation in content. From short-form video platform TikTok to game builder Roblox, the defining new media trends among younger millennials and Generation Z are all driven forward by members of their community. That will have deeper ramifications for how sport tells stories in its third age.

Whatever the possibilities are for deriving additional value around live sport, there is also untapped potential in the content itself. Cultivating a range of entry points to live events, outside of long-term subscriptions, is one possible upside. The challenge will lie in packaging rights so as to meet the appropriate level of demand. Microtransactions that allow fans to buy access to live streams of games that are in progress have been trialled by rights holders including the NBA in recent years. Tools like Buzzer, which uses mobile notifications to drive fans towards decisive periods of events, could form part of the framework to make that offer more commercially viable.



# ABOUT US

Seven League is a digital consultancy which specialises in sport. We work with sports' biggest global brands to ensure their sporting excellence is matched by world-class digital performance, helping them grow and engage audiences, increase commercial value and champion tech innovation; futureproofing in an ever-changing digital landscape.

Seven League is an IMG company, part of the Endeavor network.



## CONTRIBUTORS

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