The Relationships between Television and Sport

“What is the future for sports television providers with the rapidly emerging OTT TV and its increasing focus on sports?”

Presented by Colin J Smith on Friday, 24 June 2016
Global Media and Sports (GMS) are leading advisors across media, sports rights and global sporting events.

...designs sports broadcast strategies

...is a leading advisor on sport media rights

...designs and constructs emerging broadcast models

...is leading the innovation of sports apps for our clients to drive engagement and build meaningful relationships with their fans

GMS fully understands the critical global drivers for media of sports rights across platforms: programming, branding, audience and economics.
Have advised leading sports on their critical strategic issues.
Also advised leading media organisations, that has included roles as Chair and Director of TV, Production, Radio and Digital organisations.

**FTA TV**
- Restructuring of FTA TV
- TV production
- Acquisitions / divestments
- Projections of advertising revenues
- Relationship with GDP growth
- Content output deals
- Financial constraints and capital structures

**Pay TV**
- Economics of Pay TV
- Migration strategies to digital
- Companion App.
- Digital media rights
- Content acquisition
- Affects of NBN Co.
- Subscription growth and need for sport, especially summer

**Digital**
- Content acquisition
- Companion App.
- Dual screening
- Migration strategies
- Roll-out strategies

**Radio**
- Restructuring of radio networks across Newstalk and music
- Mergers and acquisitions of radio stations and networks
- Format and session profitability and ROI analysis
- Format turnaround strategies
- Sports rights (AFL and NRL)
- Colin Smith has been:
  - Director (and Strategic Advisor) of Southern Cross Broadcasting (previous owner of Fairfax Radio)
  - Chairman of MCM (radio syndication)
  - CEO, Wesgo Ltd (Australia's largest radio network, now ARN)

**Executive Chairman** for the receiver manager for Triple M Network and the Strategic Advisor to Village Roadshow acquiring Austereo
- Strategic Advisor to the banks on 2GB when owned by the Uniting Church
- Strategic Advisor to organisations acquiring radio assets in New Zealand
- Strategic Advisor to financial syndicate investing in radio throughout Asia
The business of sport and its dependence on television is driven by:

- Local and global TV audiences
- Maximising returns and interest from global brands
- Anywhere, anytime coverage including Companion Apps of leading events
- Enabling and promoting fan interests
- Maximising the experience of fans attending and watching events
The business of sport has a unique sports media rights ecosystem:

- **Leagues**
- **NFs**
- **IFs**
- **Clubs**
- **Players**
- **Sponsors**
- **Fans**
- **Sponsorship**
- **Revenue**
- **Distribution**
- **Salaries**
- **Ticketing**
- **Membership**
- **Merchandising**
- **OTT Subscriptions**
- **Advertsing**
- **Advertising**
- **Rights Fees**
- **TV Ratings**
- **Flow of $**

Source: AT Kearney (modified)
While media fragmentation is continuing across channels and platforms, sports consumption remains very strong.

- In 2015 sports on TV accounted for 93% of the top 100 shows
- In 2005 sports on TV accounted for 14% of the top shows
- 95% of all sport broadcasts are live
- Sports TV ratings streamed are now measured for TV ratings
- Super Bowl 2016 ratings were 111.9 million viewers, in 2015 TV ratings were 112.2 million viewers
- NBA 2015 finals had 19.9 million viewers
- MLB 2015 finals had 14.7 million viewers
- NCAA Basketball Final 2015 had 28.3 million viewers
- NCAA Football Final 2015 had 25.7 million viewers

OTT Developments

- NFL have NFL Game Pass and trialling Twitter
- PGA Tour launched PGA Tour Live for US$4.99 monthly
- WWE launched WWE Network in 2014 for US$9.99 monthly
- NBA have NBA League Pass

Source: Nielsen and GMS
In Australia, live sports broadcasts continue to be the critical driver for television with 84 of the top shows on Foxtel. On FTA TV, State of Origin and the Grand Finals have 18 million viewers.

Ratings Viewership Trends in 2016 from 2015

- **ALL**: + 0.4%
  - **FTA**: - 4.4%
  - **STV**: + 9.0%
  * Round 9

- **ALL**: + 17.4%
  - **FTA**: - 9.8%
  - **STV**: + 77.8%
  * Round 10

Simulcast has grown overall TV audiences and significantly on STV
While global economics have all faced challenging markets, the global sports market has grown significantly.

- Size estimate of the global sports market is $167 billion
- TV Sports Rights globally is 28% ($46.8 billion)

Football codes dominate attendances and media rights across NFL, Football, Rugby Union, Rugby League and AFL.

Global Sports Powerhouses
The value of Sports Media Rights for premium sport globally are growing significantly.
Sports on TV must be *live* and available *anytime, anywhere*. OTT, through Apps, is critical for sports.

GMS and Netco Sports, the global leader in sports apps, have a strategic relationship.

Source: Netco Sports
OTT is the next disrupter on the evolution of broadcasting.

- OTT can provide a la carte offerings that will encourage cord-cutting

- Millennials’ media consumption habits are driving the growth of OTT with double the consumption of others

- Millennials’ media consumption, the majority is on OTT, Social Media, time shifted content and the Internet

- Millennials watch linear TV much less than non-millennials

- OTT is becoming increasingly attractive

- Netflix now has 47 million subscribers in the US (81 million globally) In the US, 79% of millennials subscribe to Netflix

- Sport is the glue holding the current multi-channel STV system

- Sport is currently the “Killer App”

- In Australia, FTA TV is protected by Anti-Siphoning, however if OTT is free it would be compliant

Source: LEK Consulting
Sports Fans globally want their sports on OTT.

- Guarantees Anytime, Anywhere
- Guarantees Live
- Direct interaction through App and linkage across Social Media directly
- Fans are willing to pay for these rights (what price is the unknown)
- In Australia, faster broadband through NBN rollout and technology improvements will further enhance OTT attractiveness
- OTT with connected stadia will also substantially enhance the attendance experience
- OTT will enable sports fans to watch their events on connected TVs, tablets, smartphones at the event, as a “couch potato” or travelling at home or overseas
Globally, OTT operators have traditionally not acquired exclusive premium sport properties with the exceptions of BT in the United Kingdom, Coliseum in New Zealand and Optus in Australia, all for English Premier League.

Also, Channel 7 has been unique in acquiring and not on-selling its OTT rights for premium properties.

The leading proponents of OTT potentially offer a major opportunity for sports. Inversely, OTT is a threat to established broadcast rights holders unless they embrace it.

The success of OTT for sports will be dependent on the direct economics, which includes bundling vs “cord-cutting” and potentially first mover advantage.
In Australia, leading media organisations are now broadcasting across OTT, which is growing significantly.

- 7Plus is rapidly expanding OTT offerings
- Australia Open Tennis
- Rio Olympic Games (subscription fee)
- Cadel Evans Race
- Racing.com JV

- 9Now will also broadcast Netball on OTT for all Diamonds games and two games live and two games delayed of NPL

- Telstra is growing OTT on mobiles, tablets and now Telstra TV
- NRL on mobiles/tablets
- AFL on mobiles/tablets
- All Netball on mobiles and on Telstra TV, two games

- Optus has been a leader in capturing the premium EPL exclusively for OTT that includes acquiring Optus mobile package
- Free access to Cricket App for live games
- EPL all games live
Sky New Zealand recently announced their acquisition of Vodafone NZ. OTT will be a key driver for the merged dominant STV and the leading mobile and broadband operator.

- Sky will acquire Vodafone NZ for NZ$3.4 billion
- Vodafone Europe will have 51% in the merged entity
- Vodafone Europe will also receive NZ$1.3 billion in cash
- Sky NZ has acquired all leading sports across all mediums that includes: All Rugby, All NRL, All Cricket, All Netball and the Olympic Games. Sky also has an extensive overseas sports portfolio
- NZ does not have Anti-Siphoning, which constrains sports acquisition
- Sky’s OTT service is relatively immature
- Vodafone is New Zealand’s leading mobile operator
- Vodafone is New Zealand’s No 2 broadcast operator

Key future growth will be OTT and protecting its current business. Sport will be a key driver.
In Australia, the future sports rights beyond 2020 is likely to change due to OTT.

- Broadcasters will broadcast both on traditional platforms of FTA TV and STV but also through OTT. With Anti-Siphoning there is likely to be only two bidders for the major Australian sports

- Bidders could be current broadcasters and/or OTT operators

- Broadcast Rights could be offered both in a broadcast bundle (traditional FTA TV or STV) and/or discrete sports packages that includes OTT

- Potentially, a restructure of Australian OTT operators such as Stan, Presto, Foxtel, Fox Sports and Telstra

- Newer operators such as Optus, or the US OTT majors could enter but their model would then need to include TV production, commentary and promotion

- Increasingly important is that an OTT Sports App is a must visit. Users tend to use only 4-6 Apps hence relevance is key

- OTT offers significant opportunities for the major sports/events but also if TV production can be commoditised also for the second and third tier sports
Colin Smith, through Global Media & Sports, provides leading strategic advice and negotiation leadership on media rights and competition structures for leading media companies or the major professional sports in Australia, Europe and Asia.

For twenty years Colin was a Senior Partner of the global strategy firm E.K. in the firm’s global media, sports and entertainment practice advising significant media (radio, TV, digital new media), entertainment (cinema, major events) and sports (sports rights, events and competition structures) in Australia, NZ, Asia, Europe and the US.

Colin has also undertaken senior executive and non-executive roles in media, such as:

- Chief Executive - Wesgo Ltd (Australia’s largest radio network, now Australian Radio Network), Executive Chairman - Triple M Broadcasters Ltd (now Austereo)
- Director of Southern Cross Broadcasting Ltd, Chairman of MCM Entertainment Ltd and Chairman of Global Television

Strategic Adviser for leading professional sports (AFL, Rugby, Rugby League, Football, Basketball, Netball, Baseball, Golf, Surfing, Racing, Cycling, Olympic Sports and leading international events such as the Commonwealth Games and World Cup) across media rights for Free to Air TV, Pay TV, digital media and radio in Australia, Europe and Asia.

- FTA TV Advertising revenue projections.
- Restructuring and market reviews of leading television and radio networks.
- Strategic / restructuring reviews of media organisations (FTA TV, Radio and Subscription TV).
- Acquisition reviews of FTA TV, Radio and television production organisations.
- Digital media strategies including Companion Apps.
- Feasibility studies of major events (World Cup, Olympic Games, World Equestrian Games)
- Review of the global sports betting and identifying opportunities for sports.
- Strategic reviews of thoroughbred racing and review across racing media assets.
- Review of stadium selection for professional sports.
- Strategic review of major sporting leagues (structure, windows, teams).
- Strategic revenue of the attractiveness of leading international sports events.
- Global review of club ownership models across professional sports.

Colin lectures and writes on media, sports media rights, sports sponsorship, shareholder value, pricing and performance measurement.

Colin has a Masters of Business Administration from RMIT and an ISMP from Harvard Business School.

Colin is a former gold medalist at the World Championships and a subsequent multi-year medalist (Bronze, Silver, Bronze) at the World Championships. Colin was the former President of Flower Australia and a Director for 14 years.

Colin is a Director of NBL.