

A cases analysis of a major sports broadcaster in regard to programming rights, b...

Law



This paper explores a case involving a renowned sports broadcasting network while discussing its programming rights, business activities, and other assets. Although this sports network had acquired to be household name and has accumulated much success, there has been some challenges concerning the network. Not only are their issues about the pricing of television subscription services, but also the viewership of the network has been declining since the year of 2013. This paper will also be exploring the risk factors that this network is confronting and how serious they are, business activities that this network engages in that could possibly be eliminated or modified as well as the business activities that the network are not engaged in and should adapt, and attempts that the network should argue against Congress involving the network's pricing structure and bundling policies. An analysis will also be provided as well as including my own personal commentary and reflection.

As one of the most dominating sports broadcasting networks, ESPN, the network has acquired all of the major sport properties around the United States. Not only does the network acquire many sport properties, but the network also earns a substantial amount of revenue from its business activities. " In 2013, it expected to receive approximately \$5. 50 per month from cable/DBS companies for rights to distribute the ESPN network, which equates to \$550 million per month from the 100 million households that receive ESPN's signal, or \$6. 6 billion per year" (Masteralexis, Barr, & Hums, 2015).

Although ESPN has had much success throughout its existence, there are quite a few challenges that the network faces. These challenges include, but <https://assignbuster.com/a-cases-analysis-of-a-major-sports-broadcaster-in-regard-to-programming-rights-business-activities-and-their-other-assets/>

not limited to its widespread criticism as the price of cable/DBS television is rising, its monthly subscription fee being higher than any other national cable network as well as regulations that may incur by Congress to control particular practices and concerns of ESPN's ratings and viewership along with ESPN's competition, which could be a long term concern for the network.

Background Information

Issues pertaining to the network such as its widespread criticism for the rising costs in cable/DBS television and the network's monthly subscription service being higher than any other national cable network, has made lawmakers and advocacy groups deem the rising cable bills as a consumer protection issue. Congress could potentially enact legislation in order to ban current bundling practices of ESPN that pairs itself with other programming services that consumers may be forced to purchase regardless if they've ever watched sports television.

" Cable and DBS operators have a different concern—the higher their charges are to consumers, the more people are likely to become cord-cutters and stop paying for subscription TV services" (Masteralexis, Barr, & Hums, 2015).

Along with possible implications by Congress and consumers completely dropping subscription services, ESPN has been struggling with its ratings and viewership. During the second quarter of 2013, has been reported that there has been a decline of 32 percent compared to the previous year around the same time period. ESPN2 had also declined by 12 percent as well as 9 percent overall. The NBA playoffs coverage partly attributed to its decline in

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ratings. Other factors that are speculated to have attributed to play a part in concern is ESPN's competition. With the launching of Fox Sports 1 and NBCSN, which are national-all sports networks, are competing with ESPN for viewership. Being backed by corporate resources, it could potentially diminish ESPN's remaining audience and increase competition for sports rights.

In addition, rights fees have also continued to climb as well as the length of rights agreements. SportsCenter, which is the primary source for breaking sports news, is also under fire due to online websites that enables instant streaming as well as clips of the same highlights that were aired on television along with instant news. In order to combat this issue, ESPN has increased the hours of the program and frequently interrupts game coverage for breaking news updates. By far, ESPN is the only network experiencing a decline in ratings. " In the first quarter of 2013, ratings on the four broadcast networks declined by 17% among the most coveted audience demographic, those aged 18 to 49" (Masterallexis, Barr, & Hums, 2015).

Due to electronic media platforms such as video games, on-demand video content, and social media outlets, it gives consumers more choices to decide where to get their sports information from.

Methodology

The risk factors that are confronting ESPN from mild to severe is it's competition. Competition is everywhere, you can't avoid it. This should be the least of ESPN's concerns as other networks and electronic media launch, it is inevitable. In order for ESPN to stay on top they need to be more

innovative to entice its demographic. Everyone is broadcasting the same games and news as well as with instant availability, but what makes ESPN different? What makes their audience come back for more? This is something that can be easily solved if the network has a department for this type of expertise.

Factors such as the rise in the cost of rights fees and lengthy rights agreements is a factor that mildly effects ESPN as of now." Even though ESPN was reportedly generating \$6.6 billion in affiliate fees in 2013, almost one third of it goes to the NFL to pay the \$1.9 billion rights fee for Monday Night Football" (Masterallexis, Barr, & Hums, 2015). Although there isn't much of an issue with fee rights that are prevalent for ESPN as they can continue to generate enough revenue to cover the costs, but if the prices keep climbing dramatically while ESPN ensues these other issues ESPN may not be able to longer afford any of their sports rights if they cannot generate such copious amounts of revenue as they once did.

Another factor is viewership and ratings. Although this is an important factor in the network's success, it goes hand and hand with the high cost of television subscriptions and rise of pricing of cable/DBS. When there is a higher demand for something, the price usually goes up, but in this case as prices tend to rise the demand for it goes down therefore less and less people are watching ESPN. Because of this, ESPN is price bundling in order to force consumers to buy the subscription regardless if the consumer watches ESPN, which is shown in its viewership. This is a violation of a consumer's protection as it doesn't give the consumer the choice in what networks and

channels they prefer to buy, which can also cause a problem for ESPN once people realize that they are paying for something that they don't particularly watch or use. The decline in viewership is detrimental to ESPN and they are losing viewership to its competition.

Other than those factors listed above two factors that could potentially cause the ultimate downfall for ESPN is the laying off of 400 employees and Congress involvement. By Congress enacting legislation banning the current practice of bundling and tiering ESPN could affect not only the network's revenue as eliminating this could inevitably cost the company immensely, but it could also affect any type of control over its corporation. According to the information in the case study, it will most likely be awhile before ESPN will feel the effects of anything passed by Congress. With the laying off of so many employees this could later cause problems for the company as its personnel is considered an important asset to a company.

One business activity that ESPN currently engages in that should be modified is trying to go digital. VICE media and ESPN has entered a production and distribution deal across digital, mobile, and tv." VICE sports will produce new original series to air exclusively on ESPN properties-TV, digital, and mobile" (Phillips, 2016). I don't knock ESPN from going digital, but I do believe that this deal should be eliminated. Although it may potentially introduce ESPN to a new audience as well as broadening their offerings of content, I don't think this would be much beneficial for ESPN, but rather for VICE. ESPN has already been struggling to stream its networks on mobile devices, but because of its TV Everywhere initiative, it had struggled to accumulate

widespread traction. “ And as a viewer preferences become more fragmented, Disney’s rivals are certain to launch pay-TV streaming platforms that don’t include sports” (Lazaroff, 2017). Not everyone needs ESPN when there are plenty of other options out there and going digital may not particularly be the move to save ESPN especially when the average pay-TV subscriber has to pay \$7. 86 per month, which is the most expensive compared to other networks. Many people would rather forego ESPN to save money. “...digital revenue generated by ESPN has yet to offset declines in subscribers and advertising sales” (Lazaroff, 2017).

One business activity that ESPN should adapt more social media access and a more prevalent online presence. As more people, mainly millennials, gear towards online and cord cutting, it makes it harder for ESPN to keep subscribers as well as generate revenue since the basis of it is from tv subscriptions and ads. Once ESPN decides to offer its content online and maybe even including content that is original and exclusive, it would help leverage ESPN as well as making cord cutting easier for many sports fans. ESPN could also partner with streaming services such as Netflix, Hulu, and Amazon since most of these streaming services do not have much sports programming or content on them. If ESPN can’t partner with others, They could have a stand alone streaming app. Currently, you need a TV provider in order to access ESPN content through the app, but with stand alone streaming, it gives easy access to those who decided to ditch cable TV.

Where is the ESPN should argue against attempts by Congress to modify its pricing and bundling prices is to present to them and analysis of where and

how the network generates its revenue as well as a breakdown of what could potentially happen if this change were implemented as it could cause more harm than good. Another way that could persuade Congress is that if this bill is passed, it will not only affect networks, but also TV providers. TV providers often buy these programming bundles so that they can provide channels for its consumers as well as competing with its competitors as these conglomerates don't offer separate channel options. It's a take or leave it situation as the major conglomerates that control a majority percentage of TV media may not cooperate. Such competitors of ESPN are also following suit, which makes it more difficult to monitor.

In conclusion, it seems that ESPN is not going anywhere anytime soon for that matter. ESPN still remains one of the top sports broadcasting networks. Risk factors for that matter are still prevalent but have not yet been able to see the effects of them currently. In the near future hopefully ESPN will still be successful and successfully become fully digital as TV subscriptions decline as well as bring consumers sports content.