The Future Sale of Premier League Broadcasting Rights

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Abstract

The Premier League is the most important national competition, of the most popular sport in the world, in the country where the rules of this sport were first codified: England. The interest generated for this competition has meant that over time, more precisely in the last 30 years, with the emergence of the concept of pay-per-view transmissions, this competition has acquired a completely different global importance. Therefore, the revenues from the television rights obtained by this competition are the highest of all football championships. In an increasingly digitalized world, the question arises as to how the revenues from television rights obtained by the Premier League can be increased. The purpose of this article is to anticipate how the sale of TV rights will evolve globally.

Key words: The Premier League, pay-per-view transmissions, TV rights, direct-to-consumer (D2C), over-the-top service (OTT)
J.E.L. classification: L83, Z20, Z23, Z29

1. Introduction

A small piece of sporting history was made on the 3rd of December 2019 when PL matches were shown in the UK exclusively live on the legal digital stream for the first time.

Amazon has paid about 90 million pounds to show twenty games each season for three years on Prime Video. They kept things simple and familiar deploying dozens of well-known and dependable anchors pundits and commentators for their opening set of matches.

Inevitably there were some problems, with some viewers reporting intermittent feeds and lagging issues, but it was largely smooth and when Amazon later announced record sign-ups and millions of viewers hugely significant.

2. Literature review

For many years now England`s Football Championship called The Premier League (PL) had been the sports competition that has generated the highest income for its stakeholders. Thus, many authors have tried to understand how is it possible that one single national football league can generate more income than the other 4 big leagues (Spain, Italy, Germany and France) combined. Yet the past it not as important as the future that lies ahead of PL`s distribution of broadcasting rights income source. Thus, there are few authors that have suggested carefully looking into this matter and even less that have suggested an academic approach. The current article aims to take into consideration both the past and the future of PL broadcasting rights as shown by various authors (Gortazar, Milne, Ingle etc.) and project them with a new idea of an OTT service.

3. Research methodology

The future football broadcasting is digital, of that there is little doubt. Thus, the main questions are:

1. How rapid will the transformation be?
2. Who will be the biggest winners? Will tech firms become major rights holds?

3. If the PL launch over-the-top (OTT) service, streaming direct to fans and keeping all the revenues, can they cut out traditional broadcasters?

4. Or will the paying customer be the main beneficiary?

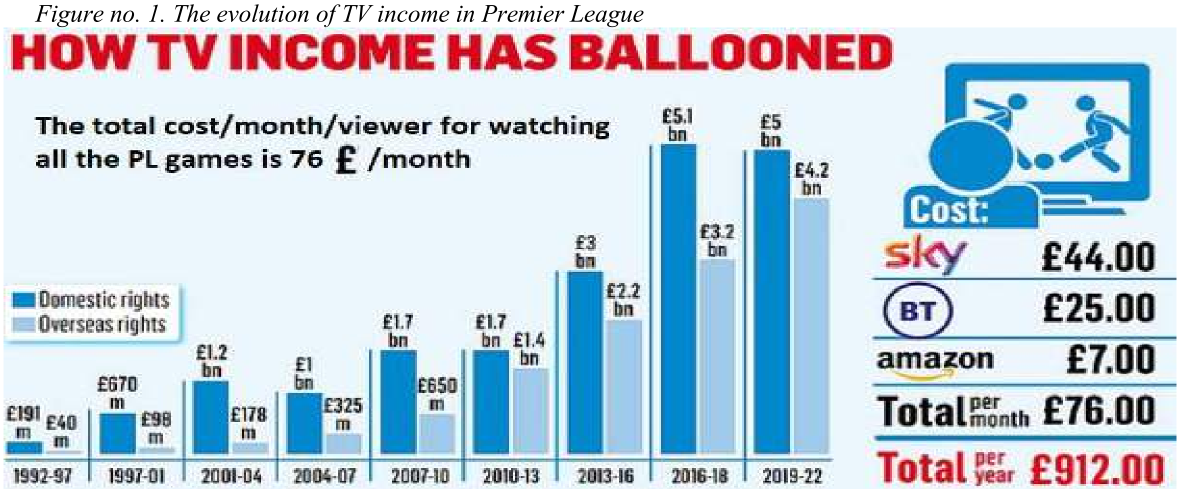
The current article aims to underline the evolution of PL broadcasting rights and to project them over the future using a qualitative and a quantitative approach. Based on analyzing its past with content analysis over its income statements and projecting its future with a clear calculation of its potential, the article will determine the importance of a direct-to-consumer (D2C) approach that PL needs in order to further boost its main income source.

4. History of the selling of PL broadcasting rights

At the beginning of the third decade of the 21st century the PL continues to enjoy growth in broadcasting income that has been simply staggering since the revamped top division began in 1992-1993.

The first five-year TV deal from 1992 to 1997 was worth 50.7 million pounds/year for domestic live rights highlights and all foreign rights combined. Foreign rights were worth 40 million in total for first five years or 8 million pounds a year. (Gortazar, 2012, p.3) Now in the current 2019-2022 cycle the total rights income has grown to 9.2 billion pounds of which 4.2 billion comes from foreign rights. That 3 billion pounds a year in broadcasting income this season, 2019-2020 will translate into the average PL club earning around 135 million pounds/year from central PL funds alone at the end of each season, before a ticket or replica short is sold, before any kit supply or sponsorship deal is done before any other income from European competition or the domestic cups is added.

Figure no. 1. The evolution of TV income in Premier League



Source: (Harris, 2020, p.2)

Yet that broadcasting income could conceivably be higher.

As things stand there are roughly 200 million people around the world paying significantly sums to pay TV operators for access to channels that provide them with PL football. In many if not all cases, the PL is the big draw. In the UK SKY have around 6 million subscribers who typically pay 45 pounds a month upwards for packages including the sports channels. BT sports have almost 2 million customers. It isn't known how many Amazon Prime subscribers (of 15 million in the UK) signed up for PL football but Amazon say that large numbers did.

On top of the 200 million worldwide who have access to the PL via pay-per-view, hundreds of millions more watch on free terrestrial platforms. If anyone in UK wants to access the three broadcasters who together now show all of the 200 PL live games this season, the cheapest deals cost around 907 pounds per year or 76 pounds a month.

5. The need for a unique streaming service

For demonstration purposes most of the reports suggest that there will be a dedicated PL channel called *PremFlix.* It would have a vast archive of more than 16000 hours of all 11000 PL matches since 1992. A searchable clip database to access more than 28000 goals and supporting bank of magazine shows and previews, interviews and new shows and importantly it provides access to every PL game live on smart TV's tablets phones and laptops. And all of that that would be available for 12 pounds a month. If one subscribes for a year, he/she not will pay 144 pounds, but instead will get a discount and pay 120 pounds.

We can assume that many of the 200 million people currently paying between 15 pounds and 76 pounds a month to watch PL games in Europe, Asia or Africa or the Americas decide to subscribe to PremFlix for 10 pounds a month instead and that others currently not subscribing due to the high prices will soon follow their lead. Imagine that 200 million people sign up to the 10 pounds a month deal. That 3 billion a year in tv broadcasting income for the PL now becomes 24 billion. The average PL team share grows from the 135 million pounds this season to just north of 1 billion pounds club/ per season. Now we shouldn't assume of course the 10 pounds would be the right price point it will almost certainly differ across different markets. Maybe there would be other options, such as paying 2 pounds per individual game, or 5 pounds. People could buy highlight and clips only subscription for half the full price, or they might pay 50 pence to watch the last half an hour of the game still in the balance. The options would be limitless. Choice will be key.

Ultimately the salient point is that potentially by going direct to consumers, the PL could earn significantly more money by giving fans significantly more content for less money. Of course there are still hurdles to overcome currently by selling all rights to external broadcasters the PL is banking guaranteed income and letting those broadcasters around the world produce coverage tailored to their viewers.

If the PL became a global service provider it will need to change to being merely organizer of a competition that oversees 380 football matches each year, into a worldwide broadcasting company that can also build and maintain a complex tech platform that could smoothly serve a whole planet without glitches and deal directly with hundreds of millions of customers in hugely diverse continents languages and cultures.

The PL actually already runs a global TV channel, *PL productions*, which produces studio shows and commentaries in English and is used of the shelf in some rights holding territories. But a truly global PremFlix would need to be not just one channel, but dozens.

PremFlix UK might well be everything required for customers in the British isles and assorted pockets of other markets with the familiar anchors pundits and commentators but PremFlix UK won't necessarily work in America, where PremFlix USA would need to deliver the comfort, continuity and local nuances that NBC have worked so hard to deliver successfully over 4 years of their PL rights stewardship.

Neither will PremFlix UK or US are going to be a big seller across the channel where PremFlix France will need to be in French and be delivered with the same efficiency and attractiveness of Canal+ and RMC with pundits standing at high tables, talking about what the game mean for *les bleus*.

It's possible that a single PremFlix South America would be sufficient for a lot of that continent although PremFlix Brazil would need to be in Portuguese not Spanish and would benefit from the presence of Paulo Andrade currently the figurehead of ESPN Brazil's PL coverage. On and on we could go making a wish list of established local news names who currently deliver the PL product in this country or that, and are currently employed by successful legacy broadcaster and incumbent PL rights holders.

A theoretically successful PremFlix would probably require a wholesale recruitment of many of those hundreds of familiar anchors pundits and commentators. It wouldn't be an impossible task but it would a huge one. While it`s not really feasible to deliver a fully global PremFlix in one go, it`s entirely possible that the PL could start testing its own over the top service in certain territories from 2022. Singapore would perhaps be an ideal location and indeed it was mooted for the current rights cycle before the rights stayed with telecoms firm Singtel for 2019-2022.

Singtel provides a superb example of how having PL content can help a broadcaster grow. Since winning the rights in 2010 subscriber numbers to Singtel's pay TV sports offering have grown from 155000 customers to more than 425000. Singtel pays the PL about 70 million per year for live rights in Singapore and ears almost 175 million annually from those 425000 customers paying 34 pounds a month each. PremFlix Singapore potentially offers the PL the chance to bank the 105 million pounds difference minus the costs.

Rights holders in most places could earn an additional income from selling licenses to pubs clubs hotels and other public viewing spaces such as gyms. Sky in the UK makes around 350 million pounds per year from this alone, on top of the 3.6 billion approximately that make from UK football subscribers. And then there's advertising revenue and sponsorship revenue from particular parts of the programming.

Sky's PL related revenue each year is north of 4 billion pounds and the PL rights costs them 1.193 billion a year. Already the PL is seen in some places via OTT (over the top) services run by third parties. OTT sports firm *DAZN* has the rights currently in Canada, Jamaica and Spain. And *Eleven Sports* has them in Taiwan. Now that Amazon has become the of the tech goliaths to hold PL live rights in the UK the game is really changing.

6. Findings

The next chapter in this story could go one of multiple ways

- The big cable companies could easily afford to offer the PL twice what they currently earn per year from all rights for exclusive global rights to every PL match- that would cost them 6 billion pounds a year, but they are already vast digital firms with marketing and customer service capabilities to match. Such an example can be provided by the company NENT (Stockholm based media group), which has already purchased the TV packages for the countries Denmark, Finland, Norway and Sweden for the next two cycles of PL, respectively 2022-2025 and 2025-2028, so that for the period 2022-2028 will pay the amount of 2 billion pounds. If the amount is divided among the approximately 27 million citizens of these countries, it will result in an average of about 74 pounds / user / 6 years, well below the amount mentioned above. Of course, this calculation is ridiculous, but a more accurate calculation would indicate that if each of the 3 million customers that the company targets will continue to pay their subscriptions of 40-45 pounds / month, the company will get about 8 -9 billion pounds in the same 6-year period.
- One of the tech giants that has huge cash reserves could also buy the whole package of PL TV rights. Amazon has cash reserves of more than 30 billion pounds, Facebook has 40 billion. Apple have 78 billion, Google's parent company has 90 billion, so they could buy the lot, reward the PL handsomely and still make a profit, or they could dabble in some areas and leave others.
- Last but not least, it could implement the direct streaming service on the aforementioned model.

7. Conclusions

The technological advance has allowed distribution through the technology of Over-the-top (OTT) which involves the transfer of data via the Internet, regardless of the telecommunications operator to which the consumer is subscribed. Therefore, only the internet is needed to deliver content, so giants like Netflix, HBO Go, Showtime, Spotify, Amazon Prime or other similar companies have appeared. The Premier League will want to take advantage of this opportunity as soon as possible, although this system of transmitting the product directly to the consumer will increase both the expenses and the financial risks for the most important football championship in the world. In a D2C system (direct-to-consumer model) there are several risks that the platform might not attractive enough for customers, so that all its financial risks are borne directly by the manufacturer.

However current market conditions force the Premier League to take urgent action in this regard as the current revenues of the major English football league could increase as high as 10 times / year.

The Premier League and its stakeholders did not take this opportunity into account in time, so there has been talk for nearly 20 years that the PL bubble is about to burst. In fact, in a digital age handled imaginatively it might barely have started inflating. (Ingle, 2020, p.2)

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