

(SP) HOW CAN REVENUES BE INCREASED BY SELLING SPORT BROADCASTING RIGHTS ABROAD? NEW INSIGHTS FROM THE MANAGERIAL PERSPECTIVE

Herbert Woratschek, Guido Schafmeister & Benjamin Hoeneß
University of Bayreuth, GERMANY

Introduction

Professional sport organisations must generate revenues in order to survive. However, expenses for player salaries, etc. often exceed the income generated by sport organisations. Different opportunities exist for solving these kinds of financial problems. Besides cutting costs, generating additional income represents such an opportunity. Particularly, one way to generate additional income is to develop new markets. Market development takes place if e.g. sport series sell TV broadcasting rights abroad. The sale of broadcasting rights abroad is attractive in various ways for sport organizations, which are interested in increasing their revenues. First, capacity restrictions do not exist. Sponsoring is usually limited to one main and a few co-sponsors. Ticketing is restricted by stadium capacity. But TV broadcasts are free of capacity restrictions (Gaustad, 2000). Second, television signals usually exist for the domestic market anyway. Hence, selling broadcasting rights abroad goes hand in hand with relatively low expenses.

Regardless of this attractiveness, a theoretical framework for the international sales of sport series is missing so far. Merely ticket demand and some facets of TV broadcasts have been at the centre of attention in the field of research up to now (e.g. Czarnitzki & Stadtmann, 2002; Solberg, 2002; Solberg & Hammervold, 2004). The objective of this presentation is to introduce a new model for the international sales of sport series which will be a kind of demand model. Thus, the research question is: Which factors influence the attractiveness of a sport series for international sales? In order to identify the according influence factors, an analysis is necessary.

Methods

The first step of the analysis is to take literature-based theoretical aspects into consideration. Literature concerning the demand for sport events and sport marketing in general is analysed. The second step of the analysis is a qualitative interview study of the managerial perspective. The theoretical considerations are used as an input for developing an interview guideline for the selling of football TV broadcasting rights abroad. Questions are about factors that support or complicate selling abroad. Interview partners are selected from an existing network. Two interviewed managers are the head of a Bundesliga club, respectively. One manager is responsible for the international relations of a Bundesliga club. Four managers work for TV channels, two for a German, and two for foreign TV channels, respectively. One interview partner is the manager of a league administration. Finally, one interview partner is the manager of an international dealer of broadcasting rights. Interviews are completed with nine managers. Within the interviews, focus is put on the German Bundesliga as the Bundesliga's revenues abroad are inferior to those of other national football series. Hence, this focus gives the opportunity for discussing failures, opportunities, and good practices simultaneously. Furthermore, as the interviews are conducted in September/October 2005 and the Bundesliga signed a new contract on broadcasting rights in December 2005, results from the interviews can be put into relation to this new deal. The evaluation of the interviews is in accordance to the literature on content analyses (Kolbe &

Burnett, 1991; Leigh, MacKay, & Summers, 1984; Perreault & Leigh, 1989). The reliabilities of the evaluation are acceptable.

Results

The analysis, namely the theoretical considerations and the interview study, identified ten factors that influence the selling of broadcasting rights abroad. The first five factors are identified by both theoretical considerations the interview partners. These factors are: popularity, consumption capital, competition, buying power of the population abroad, and structure of foreign TV markets. Popularity comprises the popularity of clubs and athletes abroad. Consumption capital means knowledge about the particular type of sports. The demand in foreign countries will be higher if people know the sports. Strong competition with other sports, such as either domestic or other foreign sport series, seems to reduce broadcasting fees. Buying power is related to revenues. High buying power abroad leads to higher broadcasting fees. A foreign TV market is attractive revenue-wise if a competitive pay TV sector exists. A competitive pay TV sector increases broadcasting fees.

The other five factors – derived from the empirical study – are not yet discussed in the context of international sales. These factors are last mover disadvantage, profitability & reliability, atmosphere, football enthusiasm, cultural & historical background, and TV technology. Last mover disadvantage exists if competitors are in the market already. Coming into the market late is a disadvantage as putting somebody out of the business is difficult. Foreign TV stations – as gate keepers to their domestic markets – look at profitability & reliability as indicators for the continued existence of a sport series and the timely execution of the matches. Furthermore, foreign TV stations look at the atmosphere during the matches. Good atmosphere makes a broadcast more attractive for spectators. Football enthusiasm of the foreign population is required to draw attention on football broadcasting rights. Of course, this is true for other types of sports as well. The population or at least parts of it have to be enthusiastic about the sports. A mutual cultural and historical background such as e.g. the Commonwealth brings nations closer together and eases international sales. Last but not least, foreign TV stations are interested in modern TV technology as it enables them to offer attractive broadcasts.

Discussion

For successful international sales, athletes, clubs, or the series should be popular abroad. But if necessary, popularity can be established e.g. by hiring international star players. Still, international sales will be promising only if the population in certain target markets knows the particular type of sports as well as players and clubs. Attractive target markets are those with a high purchasing power, a well established and competitive pay TV sector, weak domestic or foreign sport series, and a historical or cultural link to the exporting country. However, exporting sport series must keep in mind that the purchasers do expect reliability. Neither frequently rescheduled matches nor bankrupt clubs are attractive. Furthermore, the sport series should support new technical standards to enable modern transmissions for the TV stations. Finally, all interview partners agreed on the existence of an opportunity to increase revenues by selling abroad. The fixed deal in December 2005 showed that they were right: Ever since, the revenues generated by the German Bundesliga by selling broadcasting rights to foreign markets have doubled.

References

Czarnitzki, D., & Stadtmann, G. (2002). Uncertainty of outcome versus reputation: Empirical Evidence for the First German Football Division. *Empirical Economics*, 27(1), 101-112.

- Gaustad, T. (2000). The Economics of Sports Programming. *Nordicom Review*, 21(2), 101-113.
- Kolbe, R. H., & Burnett, M. S. (1991). Content-Analysis Research: An Examination of Applications with Directives for Improving Research Reliability and Objectivity. *Journal of Consumer Research*, 18(2), 243.
- Leigh, T. W., MacKay, D. B., & Summers, J. O. (1984). Reliability and validity of conjoint analysis and self-explicated weights: A comparison. *JMR, Journal of Marketing Research*, 21(4), 456-462.
- Perreault, W. D., Jr., & Leigh, L. E. (1989). Reliability Of Nominal Data Based On Qualitative Judgements. *JMR, Journal of Marketing Research*, 26(2), 135-148.
- Solberg, H. A. (2002). The Economics of Television Sports Rights: Europe and the US - A Comparative Analysis. *norsk medietidsskrift*, 9(2), 57-80.
- Solberg, H. A., & Hammervold, R. (2004). Sport Broadcasting - How to maximise the rating figures. *Trends in Communication*, 12(2), 83-100.

E-mail: hj.woratschek@uni-bayreuth.de & guido.schafmeister@uni-bayreuth.de