WHO IS WILLING TO PAY FOR WATCHING SPORT ON TV?

Harry Arne Solberg, Randi Hammervold & Trond Stiklestad, Trondheim Business School, Sør-Trøndelag University College, Norway

Introduction

The prices of attractive sports rights have increased considerably during the last two decades – more or less on all continents except for Africa (Cave and Crandall, 2001). Another phenomenon is that subscription-based TV (pay-TV) has strengthened its market position by means of attractive sport programming, in Europe and on other continents. BSkyB (UK), Canal Plus (France and other European countries), Foxtel (Australia) and DirecTV (North and South America) are examples of companies that have succeeded with such a strategy (O'Keffe, 2002; Solberg and Gratto, 2000).

Soccer has turned out to be the most effective subscription generator for European pay-TV companies. With few exceptions, all live matches in the domestic premier leagues have been broadcast exclusively on pay-TV channels during the last decade (Solberg, 2002). A consequence is that soccer has earned 50 % of all European TV rights, as seen from Table 1, other sports have been less effective in attracting subscribers.

*Table 1: Top five earning sports, 1998 **

	Germany	*UK*	*Italy*	*Netherlands*	*Denmark*	*Austria*
€-million	732	679	430	94	37	30
% of total	42 Soccer	52 Soccer	65 Soccer	55 Soccer	45 Soccer	32 Soccer
% of total	7 Tennis	12 Rugby	8 motor race	9 motor race	13 Handball	11 Skiing
% of total	6 motor race	8 Cricket	5 Basketball	7 Tennis	12 Cycling	6 motor race
% of total	4 Boxing	4 motor race	2 Cycling	4 Cycling	4 motor race	4 Tennis
% of total	4 Basketball	2 Tennis	1 Skiing	3 Athletics	3 Boxing	3 Ice Hockey

* Calculated on basis of information from Kagan World Media Ltd (1999): European Media Sports Rights

This paper aims to improve understanding what it takes to be successful on pay-TV. We are particularly interested to see if loyalty to sport on TV has effects on the audience's willingness to pay. The distribution of Norwegian TV sports rights has been similar to the pattern shown in Table 1, with soccer earning significantly more revenue than any other sport. Although traditional winter sports have achieved very high ratings on free-to-air channels, they have attracted only moderate interest from pay-TV companies, yet paradoxically Norwegian competitors have been far more successful internationally in winter sports than in soccer.

Methods

The survey was conducted by computer-assisted telephone interviewing by a market research company, Norfakta during November 2004 with a random sample of 1,000 respondents aged over 15 in households with telephones, in-house or mobile. Validity was considered good, though there was a slight overrepresentation of women and those aged 30-59. The questionnaires measured the interest in various TV sports on a scale from 1-10, and also investigated why respondents were willing to pay for watching sports.

Results – discussion

The main results are summarised below and come from a combination of descriptive statistics and multivariate statistics such as logistic regression and structural equation modelling (Table 2):

- Traditional winter sports – such as biathlon, cross country skiing and ski jumping - were the most popular TV sports when rated by mean values, with soccer only achieving fourth place
- Soccer was the second most popular sport among men, and also climbed to second place when measured in numbers of people who were *very interested*

- 19% of respondents were *willing to pay* for watching sport (27% of men and 12% of women);. This gender-difference was significant according to logistic regression analysis, but became doubtful when income was included as independent variable
- 52% of those who were *very interested* in soccer were *willing to pay*, significantly higher than for any other popular sport, the next highest being 31% (biathlon). The logistic-regression revealed that *age, family members, interest for sport, interest for soccer, loyalty, match significance* and *household income* were significant independent variables (Table 3), and
- People who felt a strong loyalty to their favourite teams – domestic as well as foreign – were significant more willing to pay than others (Table 3).

Table 2: Popularity of sports
mean values on a scale of 1-10

	Total	*Men*	*Women*
Biathlon	6.19	6.51	5.92
Cross country	5.87	6.03	5.73
Ski jumping	5.23	5.89	4.67
Soccer	***5.07***	***6.02***	***4.25***
Alpine skiing	4.98	5.26	4.74
Handball	4.86	4.78	4.93

Table 3: Logistic regression model
Dependent variable is *willing to pay*

Variables:	*B*	*Wald*	*Sign*
Age	-.021	5.956	.015
Family members	-.296	7.691	.006
Interest for sport	.318	21.064	.000
Interest for soccer	.180	9.976	.002
Loyalty (affective)	.382	24.041	.000
Match significance	-.092	3.901	.048
Household income	.002	19.774	.000
Constant	5.801	46.545	.000

R^2=0.47

Implications for Norwegian TV

The most important implication is that the most attractive and best quality championships are those which generate a willingness to pay; TV viewers were far less willing to pay for less prestigious events. The high prices for the popular events must be in proportion to the viewers' and advertisers' willingness to pay. The TV-channels have a challenging task in analysing this.

- Among the most willing to pay were the soccer fans, where the majority were men. They were the keenest to see quality games and their favourite teams
- The three most popular participant sports in Norway are biathlon, cross-country skiing and ski jumping (while soccer comes only fourth), but there appear few viewers willing to pay. This must be studied to understand their audience potential
- In our sample, a large share was unwilling to pay to watch sport on TV. So TV channels seeking to offer sports per pay face a challenging task.

References

Cave, M. & Crandall, R.W. (2001) Sports Rights and the Broadcasting Industry *Economic Journal* 111 f4 - f26

O'Keeffe, L. (2002) *Tradition to Technology – Rugby League and the Road to Murdochisation* paper to 10 th. European Sport Management Congress 4-7 September Jyväskylä, Finland

Solberg, H. A. (2002) The Economics of Television Sports Rights. Europe and the US–A comparative Analysis *Norsk Medietidskrift* 10,2 59-81

Solberg, H. A. & Gratton, C. (2000) The Economics of TV-Sports Rights–the Case of European Soccer. *European Journal for Sport Management* 7 Special edition 69-98

Author contact: Harry.solberg@toh.hist.no