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The sale of media sports rights - the distribution issue

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Background

Market regulations have always played an important role in professional sports leagues. One reason for this has been to uphold the competitive balance. Therefore, the leagues have used a number of instruments to redistribute revenues. In addition, the regulations have also aimed at reducing the costs. In recent years, the sales of media rights have become the most important revenue source for many teams. This has also increased the focus on how the internal distribution of these revenues. The leagues in Europe and North-America have applied different models when selling media rights. This paper will analyse how the various models used in North-America and Europe affect the distribution of the media revenues among the teams.

Sales models

The majority of the European leagues have sold the rights collectively on behalf of the clubs. Until the start of the 2009/10 season, Italy, Greece, Portugal and Spain were the exceptions with the clubs selling the rights individually. Since 2009, Italy and Greece have also gone over to collective sale procedures. In North-America, the leading professional leagues (NFL, MLB, NBA and NHL) have used a mixture of individual and collective sale procedures. Different from Europe, teams in the NA-leagues distinguish between national- and local rights. The national rights have been sold collectively by the respective sport governing bodies and distributed equally among the teams. The local rights have been sold individually by the teams, and these revenues have been characterised by great variations.

Data – methods

The data are mainly second hand data from various magazines and books. It comes from seven European leagues. Four leagues used collective sale procedures (England, Norway, Scotland and Sweden), and three used individual sale procedures (Greece, Italy and Spain) during the respective period. The European data are mainly from the 2007/08 season, while the North America data are some years older. We use the Gini coefficient (G) as measure of the concentration of the distribution of the revenues among the teams in a league. The value of G is lower the more equal the distribution, and higher the more unequal the distribution.

Results

The overview below shows that the Swedish league, (Allsvenskan) had the most equal distribution. During this season (2004), the revenues were 100% equally distributed. Since then, however the pattern has changed as Allsvenskan (their elite league) has adopted a different

distribution model. By 2010, NFL has the most equal distribution. The reason for this is that most of the revenues come from the sale of the national rights, which are 100% equally distributed. EPL follows next. Note that EPL distributes the revenues more equal than in the 1990s. The reason for this is that the revenues from the international sale have grown considerably. These revenues are 100% equally distributed, which is different from the domestic rights, where (only) 50% are equally distributed. Hence, the international rights have reduced the relative difference in the revenues media revenues.

League:	Season	Gini-coefficient
Sweden (Allsvenskan)	2004	0,000
NFL	1999	0,017
NFL	1996	0,050
English Premier League	2007/08	0,086
NBA	1996	0,126
English Premier League	1992/03	0,133
MLB	2001	0,146
Norway (The Tippeliga)	2009	0,161
NHL	1996	0,168
Scottish Premier League	2007/08	0,210
Greece	2007/08	0,280
Italy (Serie A)	2007/08	0,309
Spain (Primera Liga)	2007/08	0,498

Although MLB, NBA and NHL distribute the revenues more unequal than NFL, their distribution formula nevertheless is more equal than the other European leagues except from EPL and the Norwegian elite league. This also includes the Scottish Premier League (SPL), despite that these revenues are sold collectively. The three European leagues that used individual sale had (by far) the most unequal distribution. Particularly the Spanish Primera liga was in a class of its own, with Real Madrid and Barcelona earning 52% of the total rights, i.e. more than the other 18 clubs earned in total.

Conclusions

This paper shows that the media revenues are most unequally distributed in leagues where the teams sell the entire rights individually, as was the case in Spain, Italy and Greece when the data were collected. The distribution following from collective sale procedures depends on the distribution formula that teams agree on. With the exception of the English Premier League, the data indicate that leagues which uses collective sale procedures, and not sell any rights individually, distribute the revenues more unequal than those that use a combination of collective- and individual sale procedures, where the former is based on 100% equal distribution while the latter revenues not have any redistribution.

Some explanations:

During the 2009/10 season, 15 clubs Spanish sell the rights individually, while 5 clubs sell the rights collectively in a package that also includes the clubs in the second division.

Two Greece clubs have continued to sell the rights individually, while the remaining 14 clubs now sell the rights collectively

We have first hand on the Norwegian right fees, which comes from Norwegian Toppfotball (an organisation representing the elite clubs).

The Gini coefficients were calculated on basis of the following sources: Fort (2003); TV Sports Markets editions from 2005-2009; Ozanian, Michael K., Financial World, 06/17/97, Vol. 166 Issue 6