



The Royals' next television contract is a potential boon for the club, if they negotiate it shrewdly. John Sleezer jsleezer@kcstar.com

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How the Royals' most important decision will be made in the coming months

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The single most important moment of the next decade for the Royals will happen in a conference room. No baseball people will be present. Dayton Moore will get an update when it's over. Sal Perez may not even hear about it.

But it's coming, and soon. The Royals are negotiating to replace one of the worst television contracts in major American sports. Sources on both sides now call the talks serious.

Hundreds of millions of dollars are in play. This is a 10-year decision, and the Royals got the last one so undeniably wrong that the business department was essentially replaced and the franchise has been handcuffed by the consequences ever since.

The Royals currently receive around \$25 million per year from Fox Sports Kansas City.

According to comparable recent deals and experts in the field, they should receive more than twice that in the next deal — if they do it right.

With the help of one of the industry's most respected consultants, the Royals have exchanged numbers on what is believed will be a 10- to 15-year contract. They are approaching a fall deadline that could mean the difference between re-upping with Fox Sports or taking the negotiation to market.

Which is why this moment is so dang important — and so uncertain.

“When you're buying TV rights you're buying futures,” said Ed Desser, who's worked 40 years in the sports media industry and helped negotiate more than 30 contracts for pro teams. “You never know what you're going to get.”

The miracle of the Royals' rise from an industry punchline to World Series champions is not just in market size or a franchise so dysfunctional the starting shortstop once had to wait weeks for a pair of prescription sunglasses.

It's in the ability of the front office and everyone else in baseball operations to navigate around a TV contract that amplified the franchise's disadvantage in baseball's third-smallest Nielsen market. The Royals essentially had the slowest car in the race, loaded it with sandbags and bad tires, and then somehow won anyway. This is not sound strategy to attempt again.

David Glass takes criticism for not spending more on the product. Some of it is deserved, and he had final approval on the current contract. But if the Royals can simply negotiate a fair deal, instead of an atrocious one, it will make a significant difference in their ability to find, sign and keep better players.

The way the sport's economics work, teams are particularly dependent upon local money, because that's the cash they keep for themselves — it's exempt from revenue sharing.

As a point of reference, the Reds are generally viewed as a solid comparison for the Royals when it comes to economics. Cincinnati is one of two Nielsen markets smaller than Kansas City (Milwaukee is the other) but rates higher in Major League Baseball's metrics that include surrounding areas.

Both markets are small in size but heavily invested in the local baseball team. The Royals have one of the most-watched local broadcasts in baseball, despite one of the sport's worst teams.

After the 2016 season, the Reds replaced a deal that had been paying around \$30 million with one believed to be worth around \$1 billion over 15 years. That's more than double the payout.

Three industry experts' guesses on the annual payout from the Royals' next contract varied from \$60 million to \$80 million.

The average of those guesses would represent a 20 percent rise in the Royals' annual revenue, using Forbes' estimates.

Sports TV negotiations are generally amicable, because each side needs the other, and the Royals have been generally happy with Fox. But the team wants a raise and will weigh a desire for a quicker payday against the temptation to take their rights to market.

Fox's exclusive negotiating rights expire in the fall with a series of deadlines that begin in September and end in early October, according to a source, but the network retains so-called "back end rights" — the ability to match any offer the Royals might find.

The Royals are safeguarding themselves from another disaster. They've hired Alan Gold, a consultant with Evolution Media who has helped negotiate deals for the Dodgers, Cubs, Rangers, Diamondbacks and many others.

"You're ultimately constrained by certain tectonic forces," Desser said. "Kansas City is not a large market, and in the media business, there's two things that matter a great deal. One is how big is the market, and the second is how strong is the fans' affinity to the team in the market."

This is the most complicated time in television history to be negotiating a sports programming contract. The industry is moving away from cable and toward streaming, even if it's slow.

Amazon recently purchased some rights to the English Premier League. MLS' Sounders and Los Angeles FC have exclusive streaming deals with YouTube TV, which is now the presenting sponsor for both the World Series and NBA Finals.

The Royals would serve as an interesting test case for exclusive streaming rights. One club official occasionally talks wistfully of getting Google in on the bidding.

That's when negotiations would rise to the next level and potentially change not just the Royals' future but how other franchises look at their contracts.

Because as bad as the big-league team is right now, the most important figure won't be the Royals' win total, but the number of bidders. This is counterintuitive, but experts on both sides of past negotiations — team and network executives — say a team's place in the standings doesn't matter as much as you might think.

Negotiating with a first-place team "puts the wind at your back," in Desser's words, but the Royals were fifth among the 29 American baseball teams in local ratings through July 8, proving they can draw a large audience even with an inferior product.

That could give the Royals confidence to take their rights to market, including the possibility of a deal involving a major cable *and* streaming provider.

Such an agreement would probably be fronted by one or the other — a traditional network subbing out streaming rights to a provider like YouTube, or the other way around — and would change the way fans in Kansas City consume the Royals.

“All it takes is one other interested party to make it an interesting negotiation,” Desser said.

The Clippers are among the major professional teams to seriously consider such a deal in recent years, though a Royals source expressed skepticism that a streaming provider would make it worthwhile.

The Royals could be on the right side of other trends. The AT&T-Time Warner ruling could create another bidder, and as traditional networks struggle against cord-cutting and “skinny bundles,” the importance of sports programming only grows.

“It is relatively more important than ever, because there’s so little you need to consume on a linear TV channel and sports is the king of that genre,” Desser said. “The supply is fixed, there is only so much of it to go around. It’s hyper local, timely, topical and something people want to consume live. All of those things create more and growing value.

“So I wouldn’t said it’s a bad time. It’s a time of uncertainty, but sometimes uncertainty is a really good thing (for a team).”

This TV contract has made the last decade unnecessarily difficult. From ownership to the front office to marketing and throughout baseball operations, the franchise has looked forward to this since before Ned Yost, Mike Moustakas and Eric Hosmer were Royals.

That path meets a significant deadline this fall.