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Will MLB please everyone, or leave one potential bidder out?

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This is what we know about MLB's media rights negotiations that are currently taking place:

- We know that the incumbents — **ESPN, Fox and Turner** — want to at least maintain their existing packages and possibly expand them.
- We know that MLB will get a significant increase over the \$711.7 million annual average it receives from its three current national television deals, which end after next season.
- We know that **MLB Network** will continue to show live games.
- And we know that **NBC Universal** already has started negotiating for a live-game package for its **NBC Sports Network**.

It's what we don't know that's most interesting: Which TV channels will carry the games? And, how many packages will there be?

MLB has two options. It could carve out enough packages to make everybody happy, as sports media consultant **Mike Trager** suggests. "It is possible to cut everyone in. I don't see baseball leaving ESPN. I don't see them leaving Fox. I would try to be all-inclusive."

Or, it could keep the same number of packages, ensuring that at least one TV channel remains as a stalking horse to keep rights fees high, as **Desser Sports Media President Ed Desser** suggests. "Baseball needs to find the sweet spot



Consultants say Turner's rights package is the most vulnerable, but Turner has made clear it wants to hold its ground.

Photo by: GETTY IMAGES

where one potential bidder is left out at the end,” Desser said. “That’s the surest way for baseball to maximize its value.”

The NFL set a precedent by splitting its TV inventory among five networks, including **NFL Network**. With more live game inventory than the NFL, MLB has plenty of content to carve out enough packages for all of the interested networks. The concern is that an additional package would devalue the ones already in the market, Desser said.

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There’s also a precedent where ESPN and Fox have tried to keep NBC Sports from acquiring rights. The two rivals partnered on a Pac-12 deal last year as a way to keep NBC from getting a foothold in the college sports media market.

“My sense is that the incumbents are happy and content with their packages,” said **Neal Pilson**, the former head of **CBS Sports**. “The question is whether the incumbents will step up to a higher level.”

As with most media deals, the networks with the biggest bids are the ones most likely to win. But as Pilson points out, that doesn’t necessarily mean that the biggest networks will write the biggest checks. Rather, he said, we should look at the networks with the biggest growth opportunities.

“Sports help drive new business opportunities. Networks will pay more than a package is worth if it can help them increase the number of subs or increase the sub fee,” Pilson said. “That’s a problem for ESPN. It is a mature network. It is fully distributed. ESPN doesn’t have a lot of growth potential. That’s where this can get interesting.”

The other potential bidders all have more room for growth, Pilson said.

NBC has NBC Sports Network, which is in 78 million homes and has an affiliate fee of 31 cents per subscriber per month, according to **SNL Financial**. Compared to ESPN, which is in 98 million homes with an affiliate fee of more than \$5, there’s significant room for growth.

Pilson also pointed to Fox as a media company with growth potential. Fox executives have considered switching Speed from a motorsports channel to an all-sports network. Speed has room for growth: It is in 81 million homes with an affiliate fee of 22 cents.

Turner also has more runway than ESPN, Pilson said. He pointed to truTV, which has been televising more sports, including March Madness and a NASCAR race. TruTV is fully distributed; it’s in 92 million homes. But its license fee is just 12 cents, according to SNL Financial. With more sports content, that affiliate fee should rise.

“Then you’re dealing in economics that go beyond P&L for the package itself,” Pilson said. “That’s critical in sports today.”

The consultants were unanimous in believing that ESPN would retain a significant MLB package.

“When you consider subscription fees, it’s hard to imagine ESPN not getting a very strong package,” Desser said.

They also predicted that Fox would wind up keeping the broadcast package. CBS is not a player, and NBC’s broadcast network would have conflicts between the World Series and “Sunday Night Football” if it gets a package.

The consultants believe Turner’s package is the most vulnerable, even though Turner has made it clear that it wants to keep its package.

“Turner’s package is the newest and not as deeply rooted as the others,” Trager said.

They also had lots of skepticism about whether NBC would wind up with a package. **Joel Lulla**, a sports TV consultant who is a professor at the University of Texas, believes NBC will be shut out.

“It’s going to be expensive,” Lulla said. “There’s so much non-exclusive regular-season programming out there, it would be hard to drive distribution.”

If I were to make a bet, I believe MLB will renew with its existing partners: ESPN, Fox and Turner. I question NBC’s willingness to bid competitively on an MLB package.

NBC is at the table, and I believe its executives are negotiating in good faith. But I get the feeling that the network is waiting around to see if there’s a bargain to be had — and I don’t get a sense that there will be any “bargain” considering the strong position that MLB is in.

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