



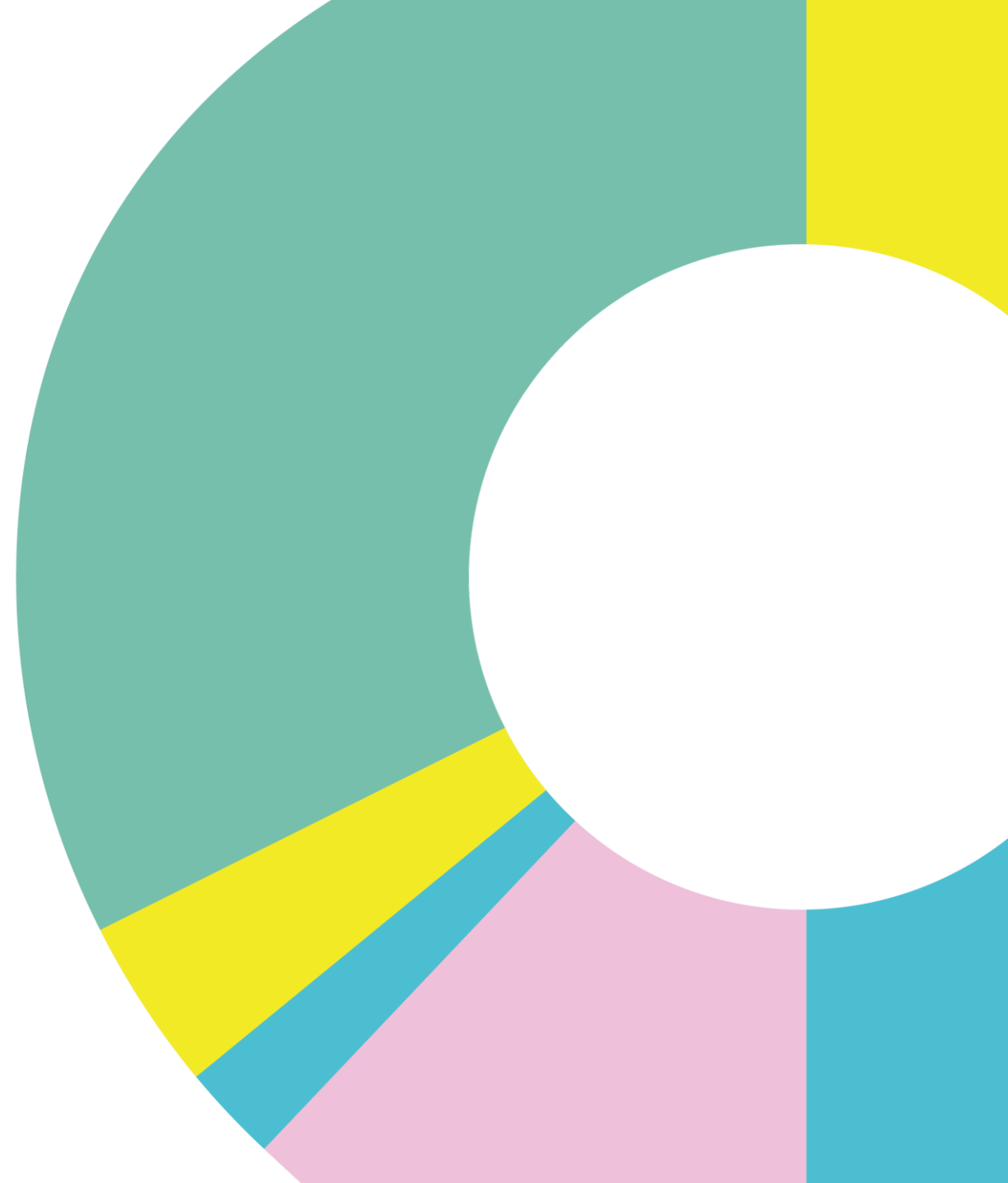
AMPERE

ANALYSIS

Trends and Dynamics in the Sports Broadcasting Sector – Abridged Report for Ofcom Ampere Analysis

2022

Summary of findings



The UK sports rights market has changed hugely since the Listed Events regime debuted

Background to this report



'Listed Events' refers to a list of sporting events selected by the Secretary of State for Digital, Culture, Media and Sport for their national interest under the Broadcasting Act 1996. Under the 1996 Act, no television service can broadcast live coverage of a Listed Event on an exclusive basis without previously obtaining Ofcom's consent.



Ofcom is responsible for drawing up and revising the list of qualifying services for the purposes of the regime. Qualifying services currently include all main five UK Public Service Broadcasters. Ofcom must also maintain a Code setting out the criteria it will consider in deciding whether or not to give consent for the exclusive broadcasting of Listed Events.



The media sector has changed dramatically since the 1996 Act was passed. The pay TV market has expanded significantly over this time, while the growth of online viewing now means that there are more ways than ever to consume video content.



Sports are not exempt from this. Shifts in media consumption dynamics, and in what constitutes a reasonable expectation of adequate coverage of sporting events – particularly those of national interest – have a bearing on the effectiveness and relevance of Ofcom's regulation of the sports broadcasting market.



Against this background, Ofcom has tasked Ampere Analysis with the production of a report which outlines the changing market dynamics in the sports industry. This is a non-confidential version of a larger report prepared by Ampere for Ofcom.

A competitive sports broadcasting market has driven a large and vigorous industry



The recent history of the UK sports rights market is one of a thriving industry characterised by intense competition from multiple players, providing audiences with plenty of choice for their sports consumption, across subscription platforms and on free-to-air channels or services.



The value of TV sports rights in the UK saw rapid growth from the early 2010s until 2018, spurred by the competitive tension between the leading two pay TV platforms Sky and BT, for whom premium sports rights – and particularly the English Premier League and UEFA Champions League – represented a key competitive battleground.



The intense competition between the two largest pay TV platforms has meant that the UK has still seen relatively minimal investment in the sports rights market from subscription OTT services (such as DAZN or Amazon Prime), although this is likely to change in the future as the subscription streaming model continues to gain traction and grow its economic relevance.



Free-to-air broadcasters have maintained a steady level of investment in sports rights, driven largely by major quadrennial events such as the FIFA World Cup, the Rugby World Cup and the Olympics. Free-to-air broadcasters account for the majority of spend on rights to Listed Events – although that share has recently declined as pay TV providers increasingly invest in Listed Events.



The diversity of TV rights buyers is reflected in rights sales processes. There is no 'one size fits all' solution for selling broadcast rights. The sports media value chain has a complex structure, featuring multiple parts, each interacting with the others in different ways depending on the strategic goals of the rights owners or the broadcasters, and regulatory requirements relating to each sport.

Changes to how sports content is purchased and consumed could have regulatory implications

Economic challenges lie ahead for the sports broadcasting sector



The sports broadcasting sector has been affected by a number of the same recent behavioural and technological shifts that have characterised changes in the wider media sector, albeit in smaller measure. Linear viewing began to decline among younger audiences, who are more likely to prefer to watch sports on OTT services rather than linear broadcast channels.



Pay TV subscriptions are stagnating, TV advertising revenues declining, and BBC income subject to a licence fee freeze. All of these factors are putting TV sports budgets under pressure. This is exacerbated by the greater competition from global subscription OTT services, particularly relating to general entertainment, premium drama and comedy, which has required broadcasters to step up their investments in those genres.



Thus far, however, the impact on the sports rights market has been relatively contained. Despite some early concerning signs, live sports viewing has been relatively resilient, especially compared to other genres of televised content, preserving – if not enhancing – the value of live sports for broadcasters and subscription services.



However, the growth of co-exclusive rights deals illustrates the challenges that rights owners and buyers both face. Free-to-air broadcasters are increasingly unable to spend at the levels rights owners would desire, forcing rights buyers and rights owners to explore co-exclusive deals through which rights are made available via pay *and* free services and channels.

Changing viewing and the rise of globalised platforms could have regulatory implications



Among Ofcom's key responsibilities with respect to the regulation of the broadcasting of Listed Events is to ensure that broadcasters have a genuine opportunity to acquire the same rights on fair and reasonable terms.



In Ampere's view, a worsening of the economic conditions for broadcasters – and particularly for free-to-air broadcasters such as those included in the current list of qualifying services – risks negatively affecting their ability to monetise the live rights to Listed Events. The scale of fees sought by some rights owners may rule out bids from free-to-air broadcasters entirely.

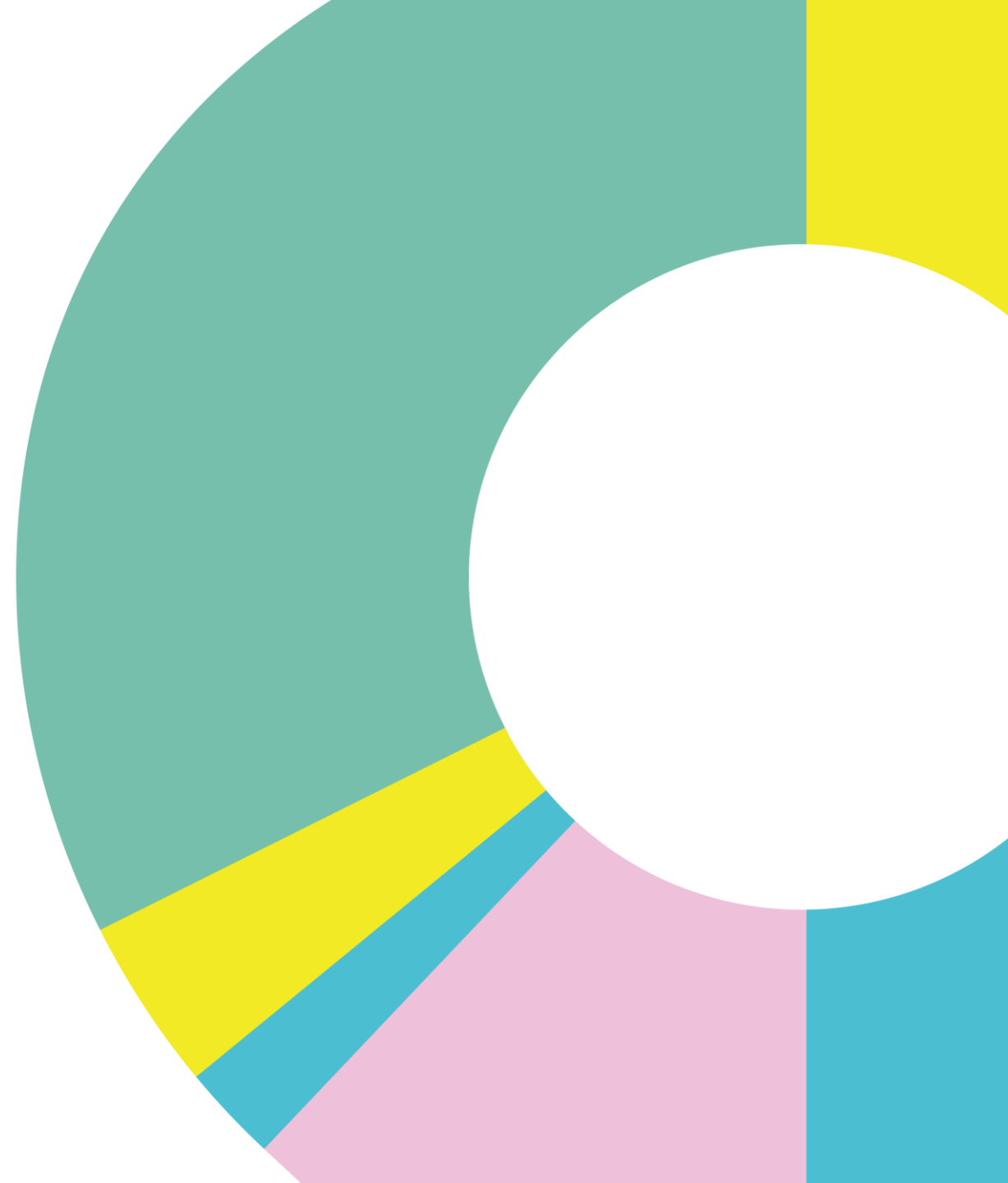


As streaming products drive content markets to become more globalized, multinational sports rights deals are likely to become more common, resulting in a less transparent accessible rights bidding process. It is our view, therefore, that this risks in turn preventing national broadcasters from having a fair and genuine opportunity to acquire those rights.



Further, as reliance on online services for sports content consumption continues to grow, and as expectations about the availability of live and secondary coverage of sporting events of national interest changes, we think that the current linear TV-centred regime risks failing to take into account the increasing popularity of secondary coverage.

Structure and methodology

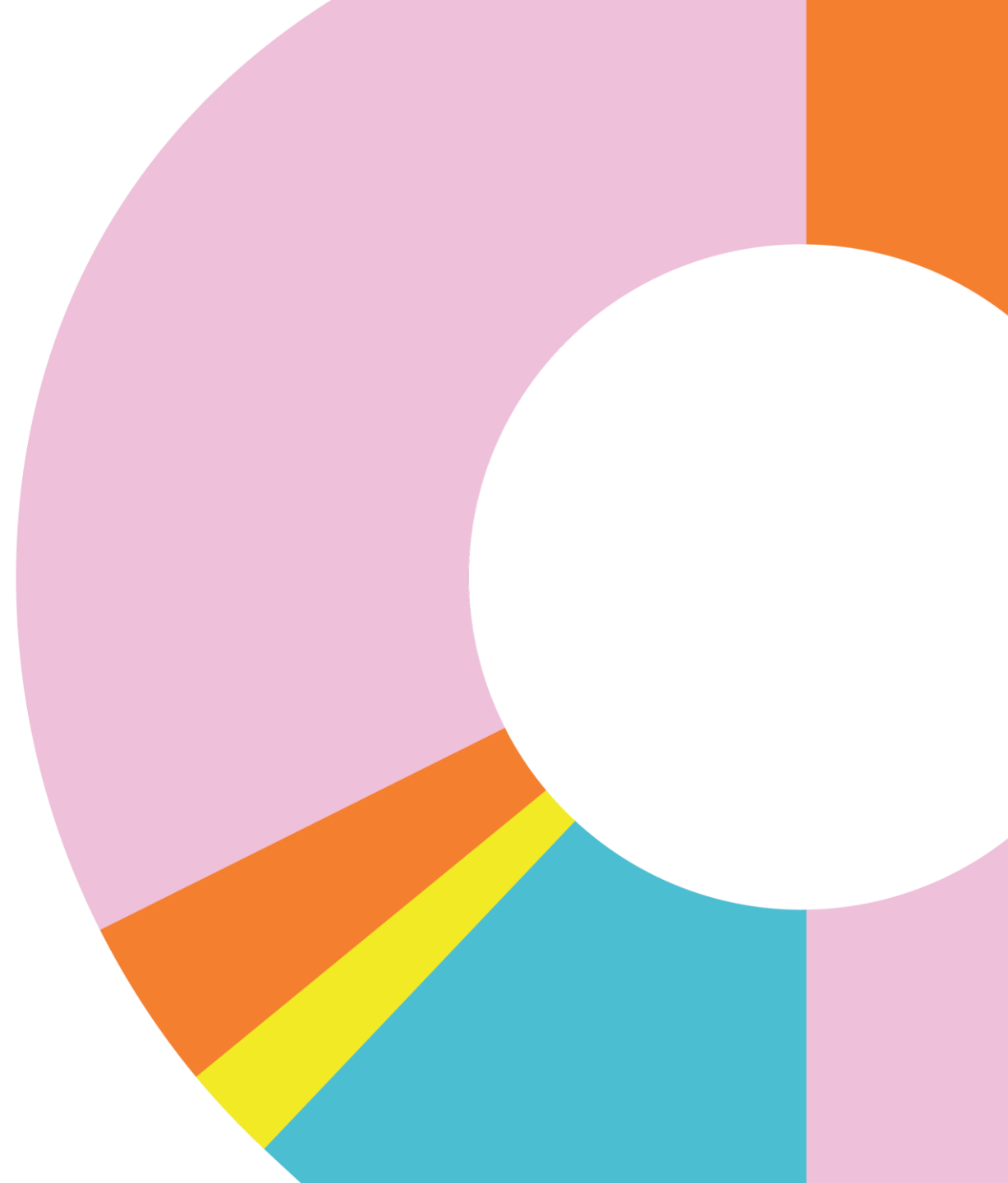


Structure of the report

This document is structured as follows:

- **Section 1: Viewing habits are shifting** – In this section, we analyse how the growth of online video and social media has impacted video consumption among consumers. While sports fans are watching more linear TV than the average consumer due to the nature of sports broadcasts, viewing preferences are increasingly highlighting the value of online streaming for UK sports fans – especially the younger demographics.
- **Section 2: The sports rights licensing process** – In this section, we explore the process from start to finish of a sports broadcasting rights deal. There is no standardised sales process for sports broadcast rights, with several stages and multiple components within each sale. Certain pre-established relationships between sports bodies and rights buyers may impact competition within a market, meaning a tender process is important for the regulation of sporting events.
- **Section 3: The media rights market** – In this section, we explore trends in the value of sports TV rights over the past decade, against the background of the changing sports media consumption behaviours outlined.
- **Section 4: Rights co-exclusivity** – A drive to grow broadcasting revenues is one of the possible factors leading rights owners to license their rights to multiple broadcasters in the same jurisdiction – alongside regulation, and a desire to grow or rejuvenate a the fan base of a sport or competition. In this section, we assess whether this is a growing trend, and the implications for the sports TV rights market
- **Section 5: The evolution of highlights** – In this section, we explore the way in which the packaging of highlights from rights owners has changed, in part in response to shifting viewing dynamics.
- **Section 6: Future scenarios** – In this section, we consider four possible scenarios in which the trends highlighted in the sections outlined above accelerate and consider their regulatory implications as well as the impact on the value of rights, competitive landscape and consumer access to sports.

1. Overview of the shifts in viewing habits



Changing viewing habits present new challenges for rights owners and policy-makers

To-date, viewing of live sports has been resilient in the face of wider viewing changes. Sports channel audiences have been broadly stable over the last decade – a contrast to the declines seen across most non-sport channels - making sports an increasingly valuable category of content for traditional linear broadcasters as well as new entrants.

However, the introduction of sports OTT options from pay TV players (Sky and BT) has accelerated the underlying decline in linear engagement in certain age brackets. Younger audiences in particular exhibit a preference for watching live sport via streaming services, whereas older audiences still predominantly prefer to view via linear broadcast TV.

COVID continues to have lasting effects on willingness to attend in-person events, particularly amongst older cohorts. Combined with the broadcast viewing preferences of this older demographic group, this social dynamic underlines the importance of maintaining linear coverage of sporting events for rights owners – and should be a consideration for policy-makers around access to events coverage.

Declines in linear viewing will present broadcasters with challenges in monetising live sports rights, however. This is particularly true for commercial broadcasters which are reliant on audience size and the associated ad impressions. This could impact competition for sports rights, and may disproportionately affect listed events which derive a greater share of rights revenue from free-to-air buyers.

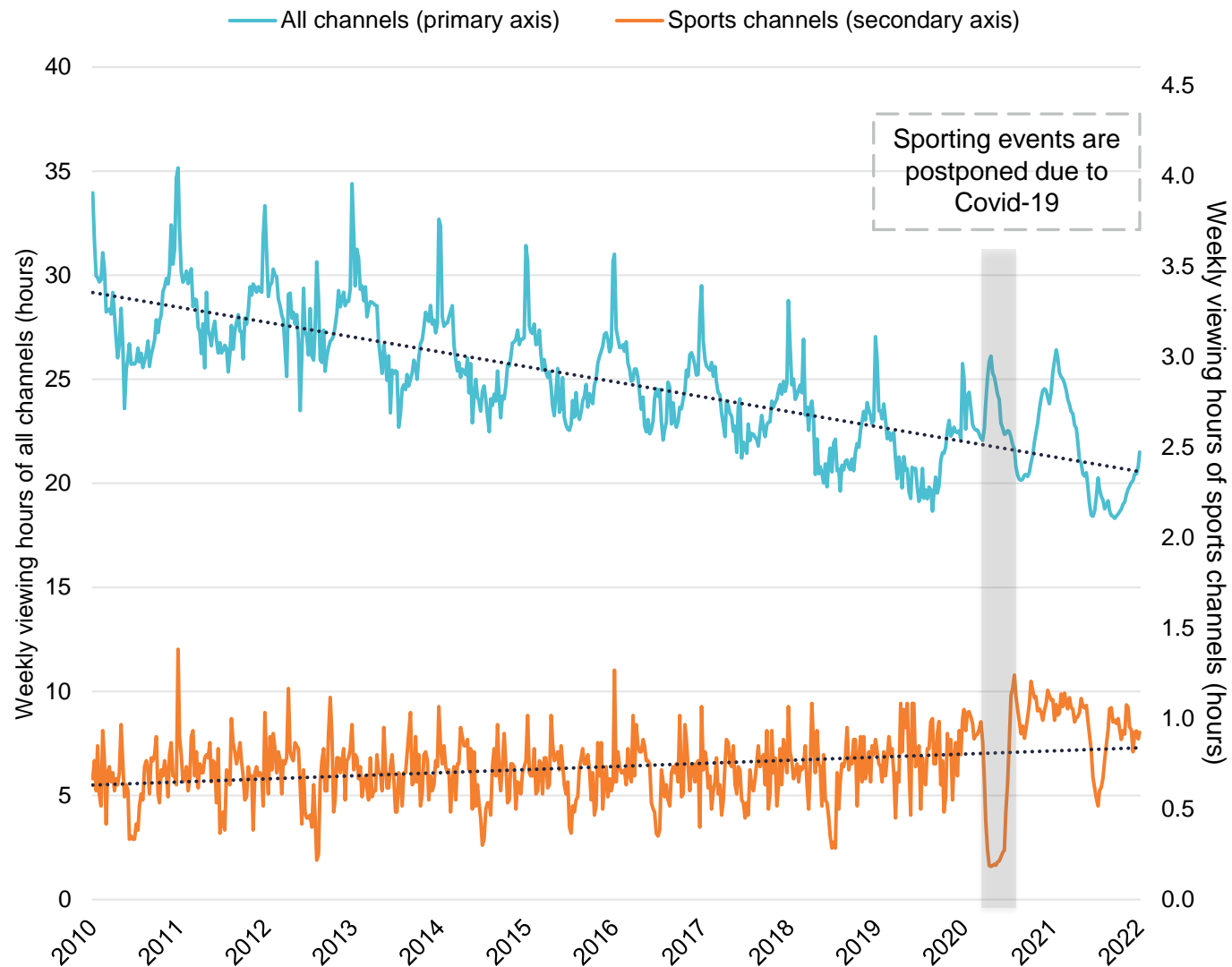
As more rights shift to streaming services, and access to online video becomes increasingly ubiquitous – due to widespread broadband access, connected device uptake, and awareness of services – we think that the current definition of qualifying services for the purposes of the Listed Events regime may become outdated.



Sports channel viewing has remained stable against a backdrop of linear disengagement

- Viewing of all UK channels declined by nearly a third (10 hours per viewer per week) between 2010 and 2021 as content featured on general entertainment channels has become universally available through catch-up services, and international SVoD services compete for viewers' attention
- In contrast, live TV viewing of sports-specific channels (e.g. Sky Sports or BT Sport) has remained stable – growing slightly following the initial COVID-linked events postponements
- In 2021, sport made up around 4% of all viewing, nearly twice as much as in 2010
- However, despite overall stability in viewing hours of sports channels, demographic changes are very much a feature of the sports market
- Younger consumers have shifted to streaming platforms, meaning that linear audiences are disproportionately skewing to older age brackets

UK: Average weekly TV hours per viewer (hours per week)

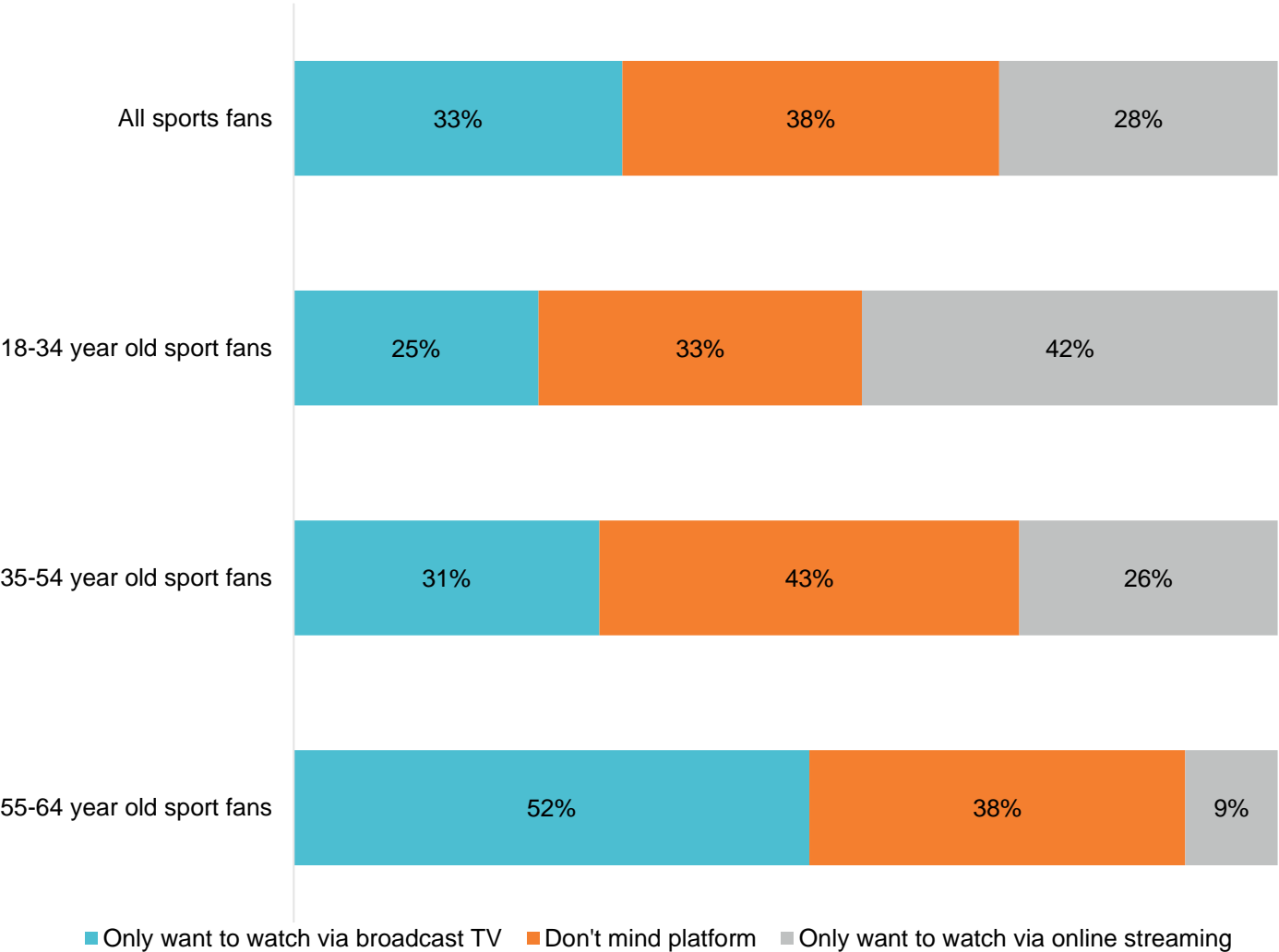


Source: Ampere Analysis' interpretation of BARB data
Dedicated sports channels include all Sky Sports, BT Sports, Premier Sports, and Eurosport channels

Younger audiences typically prefer to watch live sport via online streaming services




- Overall, most fans either do not mind the platform via which they watch live sport, or would rather watch on linear TV, which is why there has not been a decline in overall live broadcast sport viewing
- However, among 18-34 year olds, nearly half prefer to watch via an online streaming service, whereas among the 55+ age group, linear holds strong
- These preferences were evident in the stakeholder interviews conducted by Ampere. One broadcaster said: “Of course it’s not easy to reach young people...because they do not like linear TV”
- The differences in viewing preference among the demographics reflects wider engagement with OTT platforms – which are stronger among younger brackets
- These patterns highlight the need for multi-platform broadcast strategies for live sport in order to engage the widest possible audience

Preferred method of live sport viewing (% of sport fans)



Source: Ampere Sport Consumer, Q4 2021 UK

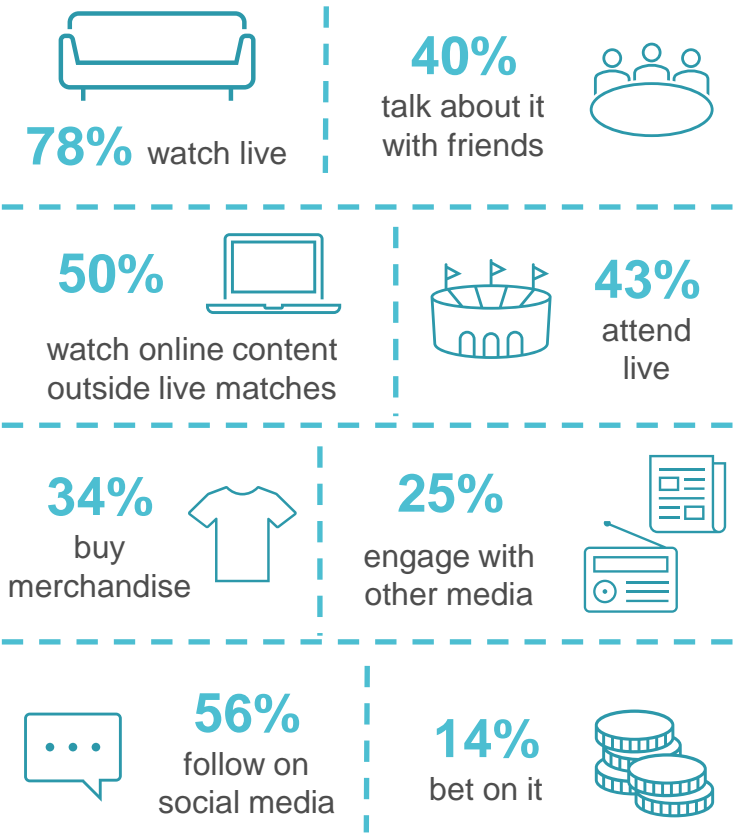
Sports fandom among younger ages is growing – but focuses on a small selection of sports

	% change in sport interest between Q3 2017 and Q3 2021	Driver for change in interest levels
18-34	 +23%	<ul style="list-style-type: none"> While interest in sport among younger demographics has increased, this is concentrated among a handful of sports, including basketball, mixed martial arts / boxing and wrestling From interviews with rightsholders and rights agencies, the consensus was that American competitions skew younger due to their ability to mix sport and entertainment within their broadcasts Additionally, these are typically events with strong digital output via social media and direct-to-consumer platforms which enable younger audiences to view online
35-54	 -9%	<ul style="list-style-type: none"> The overall decline in sport interest among 35-54 year olds is reflected across many competitions Tennis and Athletics have seen the biggest declines in interest between Q3 2017 and Q3 2021 at -26% and -24% respectively This decline in interest has occurred alongside an increase in both access to and engagement with subscription OTT platforms The simultaneous changes to viewing behaviour and sport fandom among those aged 35-54 years old suggest that in the attention economy, subscription OTT is eroding interest in viewing sporting events
55-64	 +5%	<ul style="list-style-type: none"> Nearly half of those aged 55-64 are sport fans – the largest proportion of any demographic surveyed by Ampere Football is the most-followed sport, with interest remaining steady between Q3 2017 and Q3 2021. Golf and Cycling have seen the biggest declines in interest in during this time period, with a 16% decreasing interest levels for both sports For the oldest cohort, live coverage is the main way they consume sport with 95% watching live. While some do follow competitions digitally or via other media such as newspapers or the radio, these alternative sources are far less important to them

Source: Ampere Consumer, Q3 2021 and Ampere Sport Consumer, Q4 2021 UK

Younger audiences also engage heavily with non-live content via social and other online means

18-34 sport fans



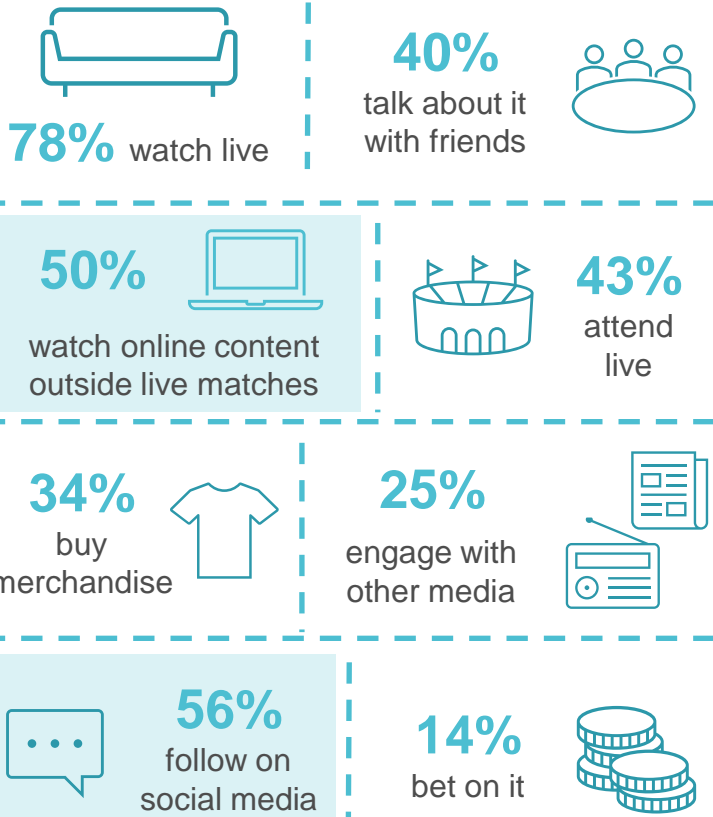
- 37% of 18-34 year olds are sport fans – broadly consistent with other age brackets. While there is a myth that younger fans don't engage with live sport, Ampere's Sport Consumer data shows that nearly eight in ten fans in this demographic age group watch live matches and that it is the primary way via which they engage with the competitions and leagues they follow
- However, away from live sport, this demographic is the most engaged with digital sports content – half watch online content outside of live matches and even more follow competitions on social media
- This points to the importance of auxiliary content, such as clips and highlights, but also their desire to get closer to athletes and teams through social media engagement
- As the world emerges from the pandemic, in-person live experiences will become more important, especially for these younger fans who are significantly less likely to be deterred by the risks of COVID from attending matches and events. This is evident in the data, with nearly half of younger demographics already attending live sport events – the highest of all the age groups

Source: Ampere Sport Consumer, Q4 2021 UK

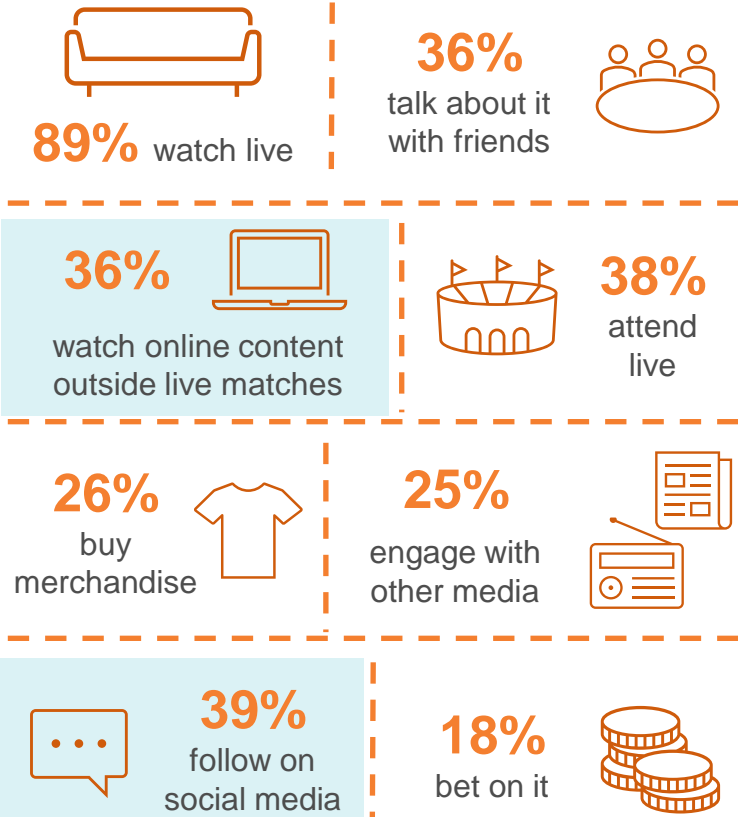
A comparison between demographics shows the stronger digital engagement among younger fans

Engagement with sport competitions

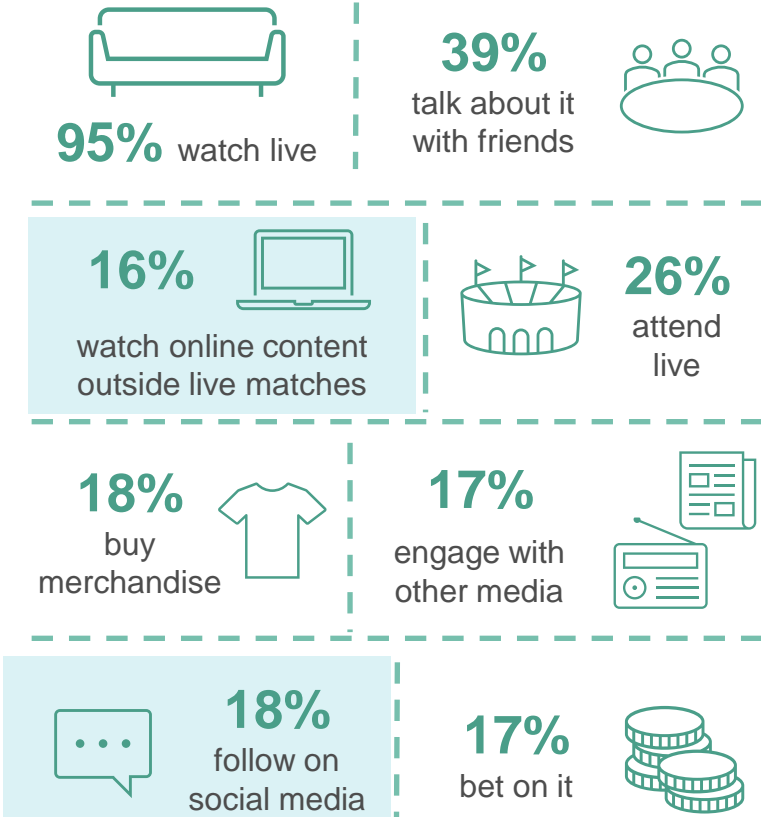
18-34 sport fans



35-54 sport fans



55-64 sport fans



Source: Ampere Sport Consumer, Q4 2021

2. The sports rights licensing process



What does the complex sports licensing landscape mean for regulators in the UK?

The rights sales process is complex and there is no 'one size fits all' solution for selling broadcast rights. Domestic and international sales processes are often very different, and rights owners will typically take varying approaches when dealing with mature vs. emerging markets.

Domestically rights owners will often speak to broadcasters directly around rights sales and renewals. This is facilitated by a small and finite number of relationships, which tend to be long-term and friendly - demonstrated by the Premier League's dealings with its UK partners for the latest rights renewal. However, for many major properties – including most Listed Events – there are still formal tender processes in place for the awarding of rights contracts.

Internationally, major rights owners may similarly deal directly with buyers in large, mature markets. But for smaller rights owners with less significant sales operations, or when dealing with countries with which the seller is less familiar, agencies with local relationships may be used instead.

One regulatory consideration relates to the close relationships between rights owners and broadcasters. In theory, this may have an impact on the ability of new entrants unfamiliar with the market to access the sales process. But in practice, given the limited number of broadcasters in the UK, new entrants are more likely to be welcomed with open arms – it is normally in rights owners' interests to encourage competition for rights, in order to support sales value

The lack of consistency in the sales process may represent a risk factor in ensuring potential buyers have an opportunity to pitch for rights. However, the general adoption of tender processes for most major events ensures that buyers in the UK have a genuine opportunity to acquire rights. A bigger risk factor (explored in the scenario section of this report) relates to pan-regional rights deals, and the risk of national broadcasters being locked out – and may require policy solutions



The value chain revolves around 7 core components

Rights owner

- Owns the rights to the competition and will decide whether to sell directly to broadcasters, distribute on its own direct-to consumer platforms or via a media rights agency
- Has other revenue streams including sponsorship, merchandising, IP and ticket sales

Media rights agency

- An agency who will bid for part or all the sports rights. Occasionally, they will act in an advisory role in the sales process to the rights holder and take a commission
- This is an appealing means of selling for rights owners who do not have large sales teams or knowledge of certain regions

Syndicate

- Organisations like the European Broadcast Union (EBU) who work with public service groups to acquire sports rights on their behalf
- Or they will buy rights themselves to sell on (as an agency) both to public service and private broadcasters

'Broadcasters'

- Free-to-view, pay TV or OTT platforms who decide to bid on the sports rights based on their geographical coverage
- Packages will be negotiated to include elements such as live rights, highlights and online clips
- Their revenue streams will include subscriptions and advertisers

Sponsors

- Brands which want to connect with audiences through their passion for the sporting event.
- Will sometimes work with sponsorship and creative agencies to activate these through above-the-line marketing campaigns and in-person promotional events to tap into the live event

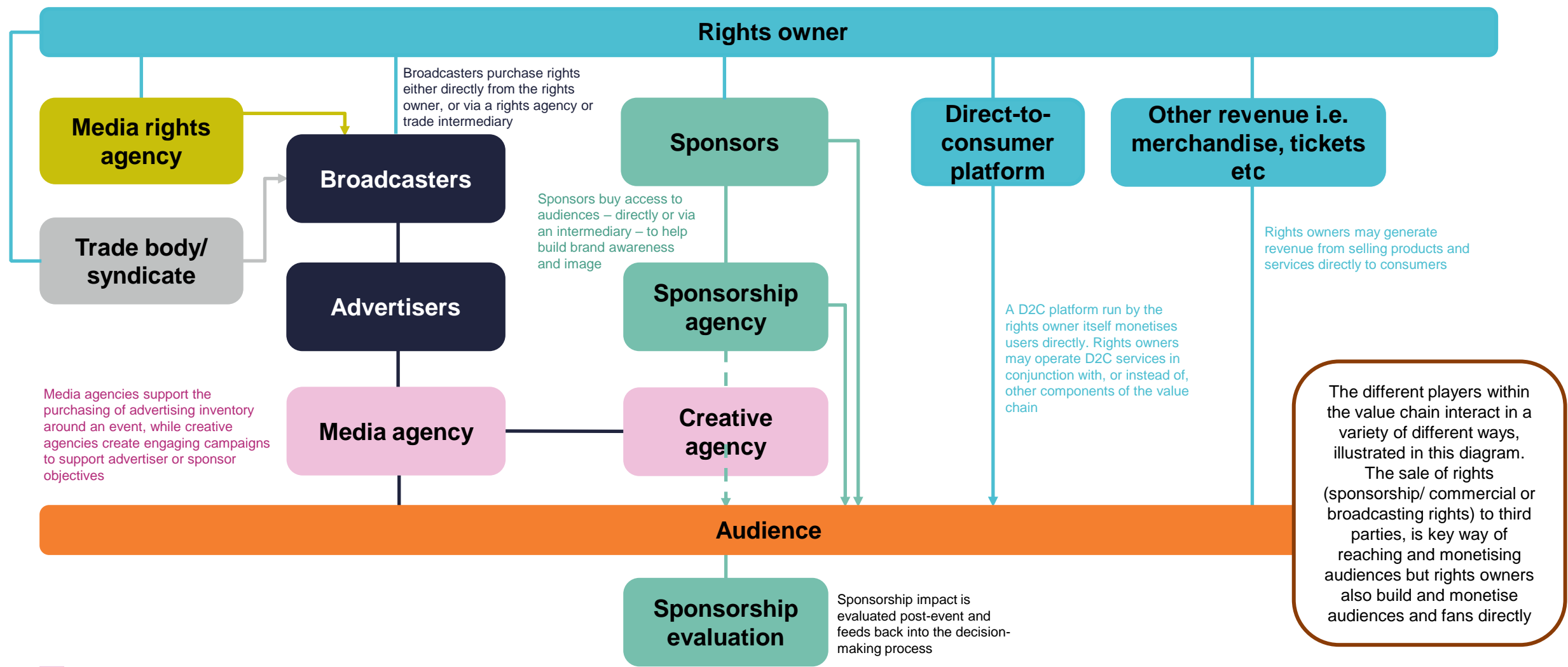
Creative / media agency

- Creative agencies will work with sponsors or advertisers to create engaging campaigns to help build brand association with the sporting event
- Media agencies will work with advertisers to buy TV advertising slots or online placements to connect with fans or broadcast audiences

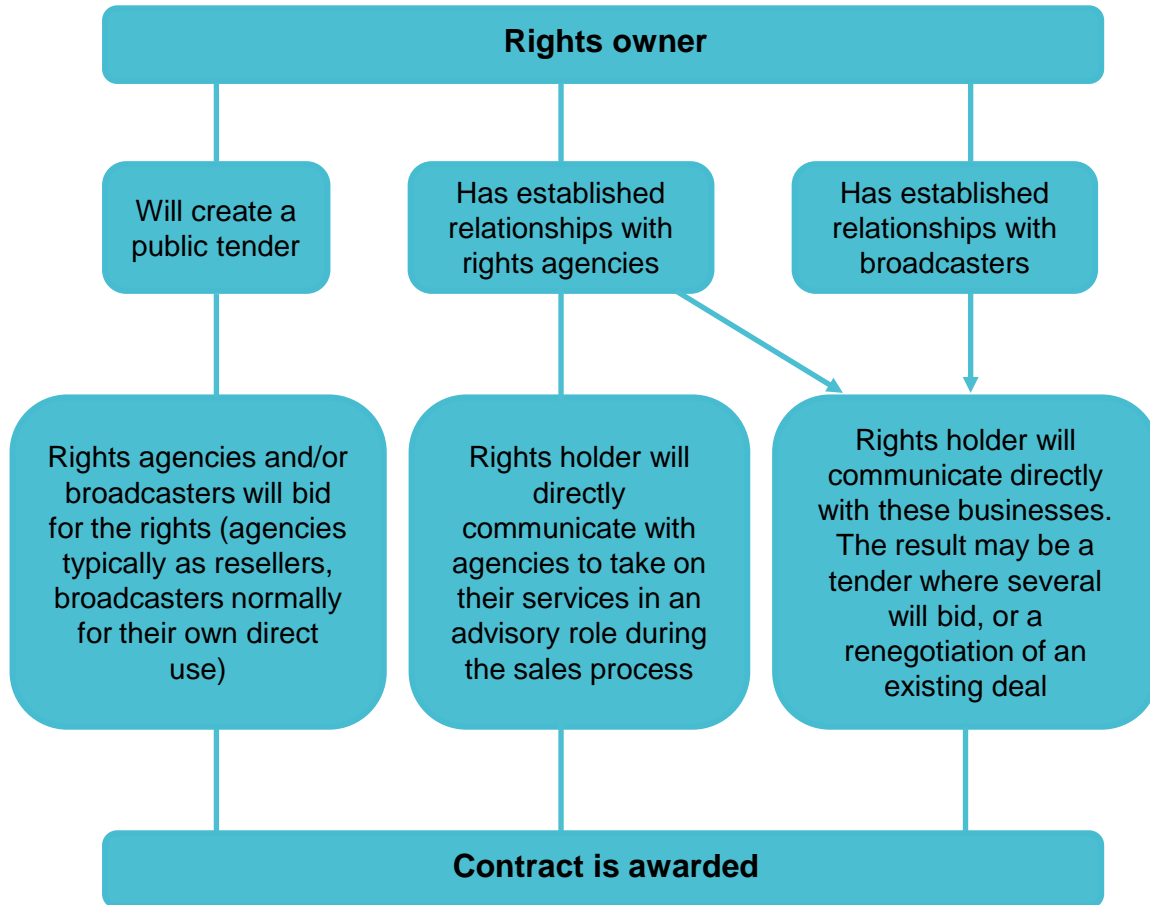
Audience

- TV, online or in-person fanbase
- The end goal of all parts of the value chain is to engage these fans
- Rights owners and buyers will typically be working to monetise the fanbase through channels such as merchandise, ticketing, subscriptions

Players in the value chain work together and independently to build relationships with audiences



There is no such thing as a typical sales process



- There is no uniform method of selling of a competition's broadcast rights. Sales processes vary market-by-market and domestic and international rights will often be sold through difference processes
- One route to sale is via the creation of a public tender. A public tender can be set up in order either to allow bidders to buy the rights to monetise directly themselves, or targeted at agencies who bid for the opportunity to sell the rights to third parties
- Whether rights owners have existing relationships with broadcasters in the market can influence the process, as if strong relationships exist, rights owners can conduct direct conversations. This tends to be the case in domestic markets and mature international markets
- Whether rights owners have established relationships with media rights agencies, will also influence the mechanism of sale. In these instances, a close relationship allows an agency to act as a trusted intermediary for selling the rights to broadcast buyers
- In both cases, a rights holder will communicate with the potential bidders directly either via a competitive tender or through direct negotiations with the various parties
- Alternatively, a rights holder will leverage its relationship with media rights agencies to employ them in an advisory role throughout the sales process, for which the agency will receive a cut of the broadcast deal value as commission

3. Overview of the UK sports rights market



Growth in the UK sports rights market is slowing as financial pressures increase

After a period of rapid growth during the earlier part of the past decade, spend on UK sports rights slowed down towards the end of the 2010s, broadly stabilising at between £3bn-£3.5bn per year. Sky is the largest contributor to UK sports rights, spending nearly £2bn per year

Spend on sports rights by free-to-air broadcasters has remained stable over the past decade, driven by large quadrennial events like the FIFA World Cup or the Olympics, but due to growth in spend from the subscription sector, FTA groups now account for less than a fifth of spend on sports rights

The lion's share of sports rights spend is controlled by football, and in particular the two biggest ticket items – the English Premier League and the UEFA Champions League which account for nearly 80% of sports rights income

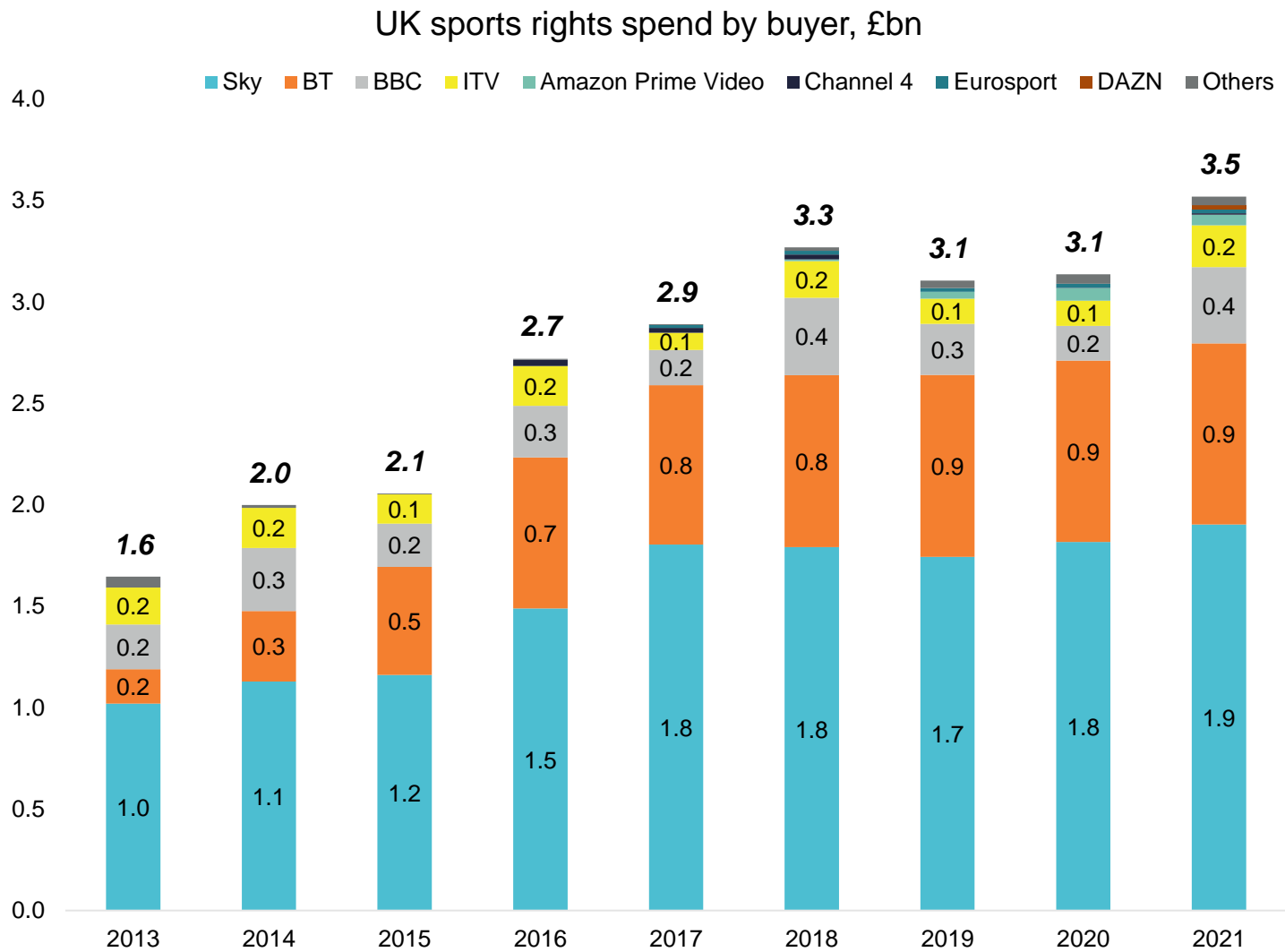
OTT players have entered the UK sports market, but only in a small capacity, focusing on minority rights for top competitions and lower tier sports. This is a significant contrast to much of the rest of Europe, where groups such as Amazon and DAZN have made larger plays for major rights – and is a consequence of the high cost of UK sports rights and the challenging economics for streamers of spending large sums on rights for a single territory

At a time when commercial and public TV revenues are under negative pressure as a result of shifting consumer behaviours and further sports rights inflation – possibly driven by increased focus from OTT services as the streaming market becomes increasingly crowded and competitive – could make many significant sports rights unaffordable for FTA broadcasters

However, as explored in greater detail in the next section, there still is a space for free-to-air coverage of live sports, as rights owners and buyers alike recognise the importance of FTA coverage for brand-building. This will continue to provide FTA broadcasters with genuine opportunities to access TV rights in the short-term, but it is Ampere's view that policy-makers should monitor this carefully as economic and viewing shifts in the TV market continue

The value of the sports TV rights market in the UK reached its highest level in in 2021, just short of £3.5bn

- The value of broadcast rights deals in the UK has seen significant growth, more than doubling since 2013
- The earlier part of the past decade saw a period of hyper-inflation in the sports rights market as sport became the primary competitive battlefield among pay TV providers
- Sky and BT Sport dominate the UK sports rights market, with a combined spend nearly four times higher than all other players combined
- The BBC is the third largest investor in sports rights in the UK, followed by ITV: Their combined spend is about a fifth of Sky's and BT's combined spend

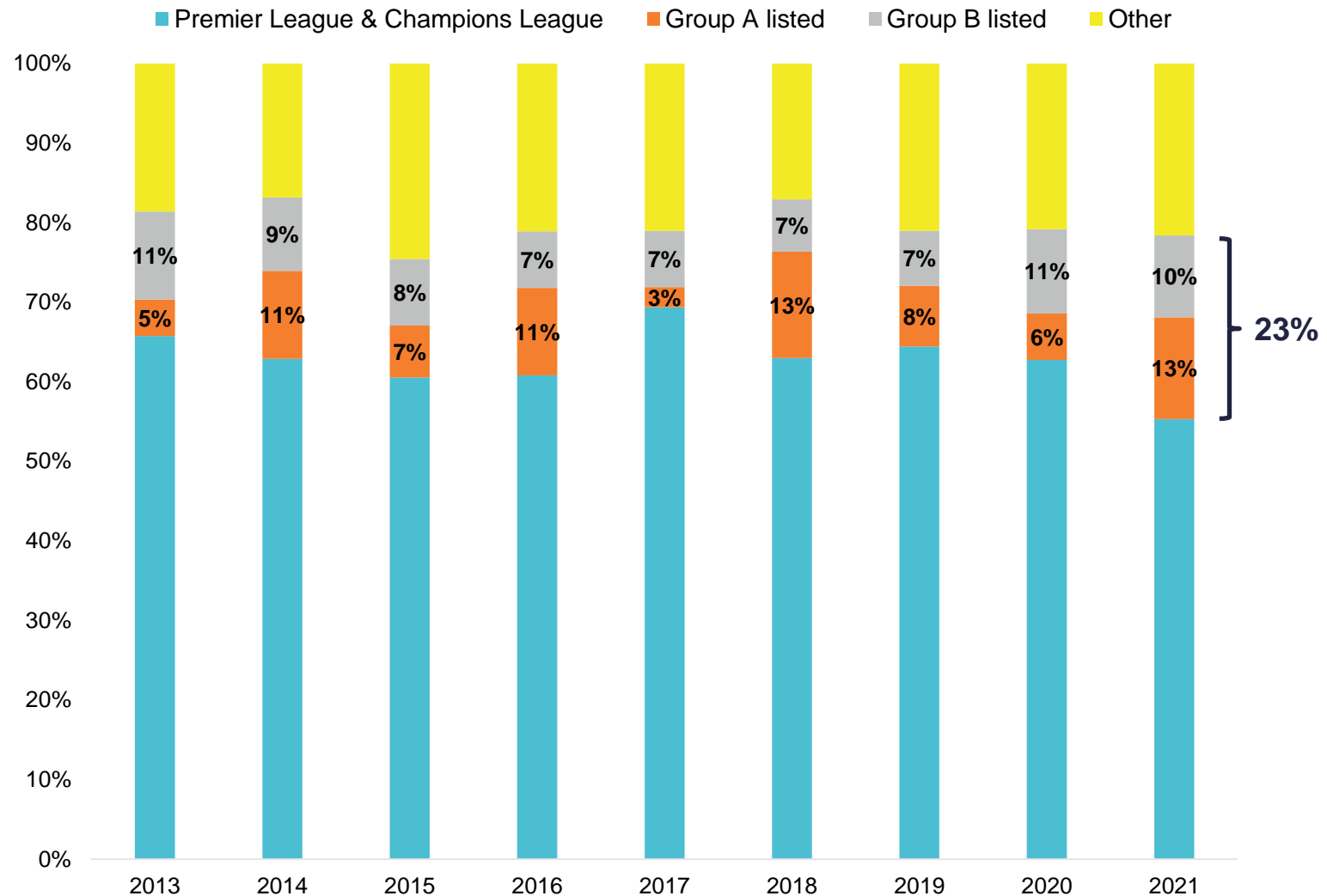


Source: Ampere Sports – Media Rights

In 2021, Listed Events accounted for 23% of the UK's sports TV rights market

- The UK sports rights market is dominated by football. In particular, just two competitions – the English Premier League and the UEFA Champions League – represented more than half (55%) of sports rights spend in the UK, a combined £1.9bn per year being spent by Sky, BT and Amazon Prime Video
- Listed Events refer to a list of sporting events selected by the Secretary of State for Digital, Culture, Media and Sport for their national interest under the Broadcasting Act 1996 ('the 1996 Act')
- Listed Events are categorised in two groups: **Group A** includes the Olympic Games, the FIFA World Cup, the Wimbledon Tennis Finals; **Group B** includes Cricket Test Matches played in England, Six Nations Matches Involving Home Countries, The Commonwealth Games
- Combined, Listed Events accounted for 23% of the total spend on sports rights in the UK in 2021

UK sports rights spend market share by event type, %

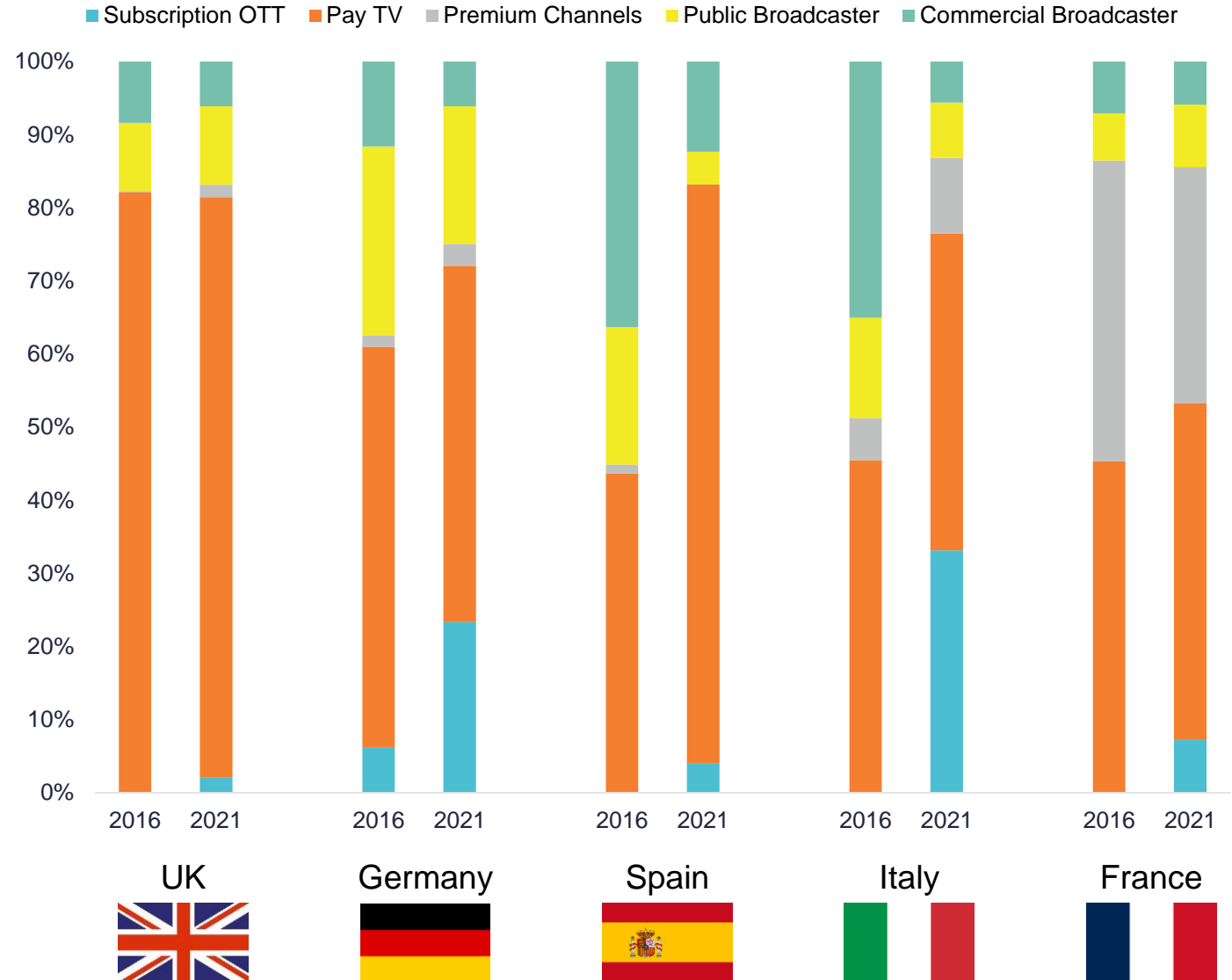


Source: Ampere Sports – Media Rights

Subscription OTT players have entered the UK sports market, but only in a small capacity, particularly compared to some large sports markets in Europe

- In the UK, only 2% of annual spend on sports TV rights is derived from streaming subscription services
- By contrast, in Italy, where DAZN has acquired the rights to all Serie A matches, Ampere estimates that in 2022 more than half (53%) of spend on sports rights will be from subscription OTT services
- The major difference in the UK is in part due to the competitive nature of its sports rights market, and the high rights costs which any new streaming entrant would have to take on - influenced heavily by the scale of Sky's pay TV business and the historic competition between BT and Sky
- However, it is also worth noting that all the major subscription sports services in the UK (Sky, BT Sport, Eurosport) also offer OTT services that enable sports fans to watch live sport

Spend on sports TV rights, by buyer type (%)



Source: Ampere Sports – Media Rights

4. Rights co-exclusivity



Co-exclusive rights deals are becoming more common among Listed Events, and in the wider industry

Listed Events enjoy a high degree of popularity among UK sports fans – however, they tend to be characterised by lower proportions of sport fans who are willing to pay to watch them compared with other sporting events. Alongside the requirement for at least some coverage to be available on free-to-air platforms, this has historically undermined the value of these events for potential subscription buyers.

As a result, despite several Listed Events being among the most popular sporting events in the UK – such as the FIFA World Cup and the Olympics – this category of events only accounts for just over 20% of the total rights market, with the majority of spend coming from FTA broadcasters.

In an attempt to grow broadcasting rights revenues, some Listed Events rights owners have implemented ‘hybrid’ broadcast partnership strategies, where multiple broadcasters – typically a FTA service and a subscription service – share the rights to the same event.

These ‘co-exclusive’ deals have also been used by rights owners for the purpose of rejuvenating fan bases or exposing a new competition to new audiences (as in the case of The Hundred or the Women’s Super League), and avoid the visibility issues which often stem from being locked behind a paywall.

There are both regulatory and strategic reasons that can make a rightsholder opt for a hybrid strategy – and that can offer a multitude of partners access to sports rights. However, exclusivity continues to provide considerable value – and some sports such as F1 have moved away from co-exclusive coverage to pay-only availability.

In our view, a key challenge for policy-makers may be to balance the potentially negative effect that the Listed Events system has on rights income for a sporting body (and the ability to make use of this funding source for investment in the sport) with the fact that FTA broadcasters might ultimately miss out on opportunities to acquire sports rights on economic grounds should the market be dictated purely by commercial factors, and thus UK consumer reach not maximised

Co-exclusive rights deals are typically driven by a combination of three main factors

Exclusive rights

Rights owner

Single broadcast partner takes all the rights to a particular event within a territory

Regulation

- Under competition law, some rights owners are prevented from selling their rights to a single buyer – e.g. the Premier League
- In some cases, rights owners themselves might require that a sublicensing deal is agreed in order to secure a minimum level of free-to-air exposure

(Re)innovation

- Sports bodies may look to share rights among multiple broadcasters to reach new fans or to rejuvenate an ageing fanbase
- Working with a digital broadcast partner would be an option for sporting bodies looking to improve viewership and engagement among younger demographics

Co-exclusive rights

Rights owner

FTA broadcaster

Pay TV broadcaster

Social media platform

Revenue growth

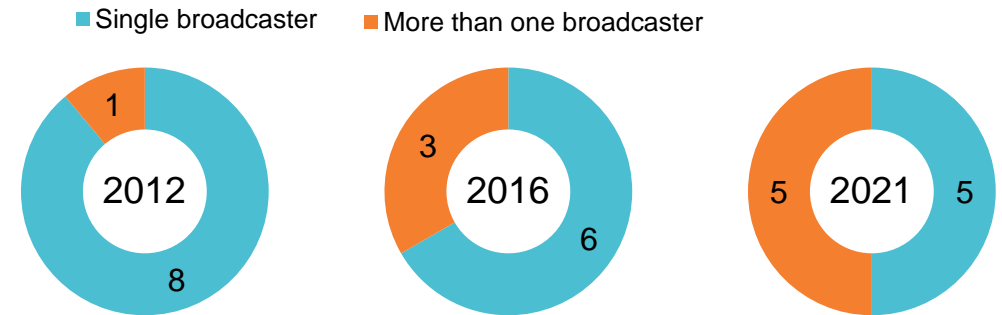
- Working with multiple broadcast partners can also generate increased revenue for rights owners
- This can be through higher payments from rights buyers or, more indirectly, increased commercial and sponsorship revenue as a result of higher visibility from new broadcast partners

Slides 31-33 provide case studies showcasing how each of these three factors impact and drive co-exclusive deals

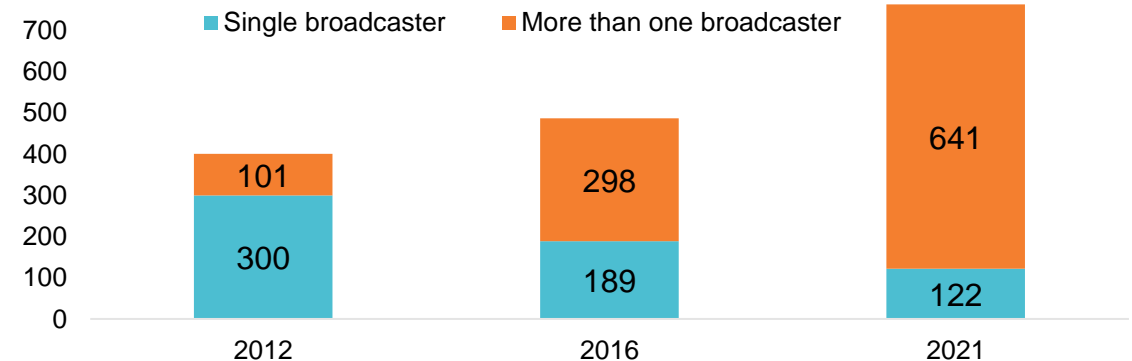
Regulatory and commercial considerations have driven a rise in Listed Event ‘co-exclusivity’

- The UK has seen an increase in the number of Listed Events for which the live rights have been shared between multiple broadcasters
- In 2012, the only Listed Event to be shared across two broadcasters was the UEFA European Championship
- In the years that followed, this phenomenon has become much more prominent; starting in 2014, the BBC and BT Sport started sharing coverage of the FA Cup, while in 2016, the Six Nations was shared between the BBC and ITV
- In 2021, five Listed Events saw their live coverage shared between multiple broadcasters, with the most notable case being the Olympic Games, shown on the BBC and on Eurosport
- Not all co-exclusivity arrangements are the same, however: some, like the Six Nations or FIFA World Cup ones, see two free-to-air broadcasters presenting a joint bid for the rights, pooling resources together to compete against well-resourced pay-TV competitors; others, such as the Olympics deal, are the result of a sublicensing deal, once one broadcaster obtains the rights on an exclusive deal
- This trend is consistent with the growing competition in the sports rights market that characterised the UK in the first part of the past decade – which, combined with pressure on the finances of commercial and public broadcasters meant that innovative partnerships were needed to drive revenue
- The solution a number of Listed Events rights owners have arrived at has been that of ‘co-exclusivity’, which meets the requirements of the regulatory framework, but also helps with rights owners’ financial expectations

Proportion of UK Listed Events which are available to watch via a single broadcaster vs multiple broadcasters



Value of UK Listed Events sports rights by level of fragmentation, £m

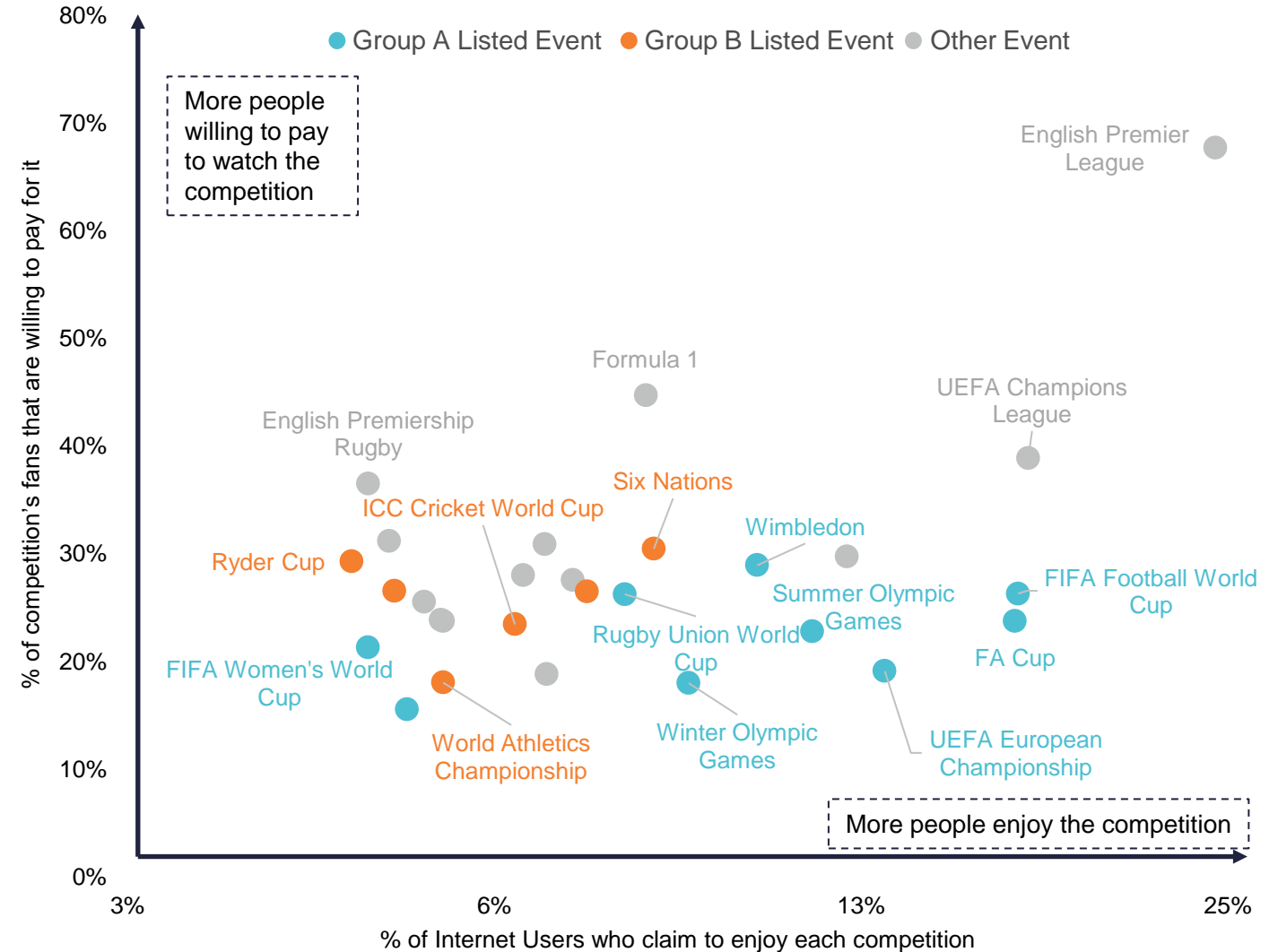


Source: Ampere Sports – Media Rights

Listed Events are popular in the UK, but compared to non-listed sporting events, people are less likely to be willing to pay to watch them

- Typically, the higher the proportion of people in a country who are willing to pay to watch an event, the more broadcasters – particularly subscription video services – will be willing to spend to obtain exclusive rights to that event
- Ampere's consumer survey data suggests that, for comparable levels of enjoyment, consumers are less willing to pay to watch Listed Events than non-protected events
- This is likely the effect of decades of free-to-air access to these events, which has conditioned audiences into expecting that these events are made available for free
- In the UK, about 41% of respondents had access to at least one subscription sports video service such as Sky Sports or BT Sport in 2021, according to Ampere survey data

Top sports enjoyed vs. % of competitions' fans willing to pay to watch them, UK

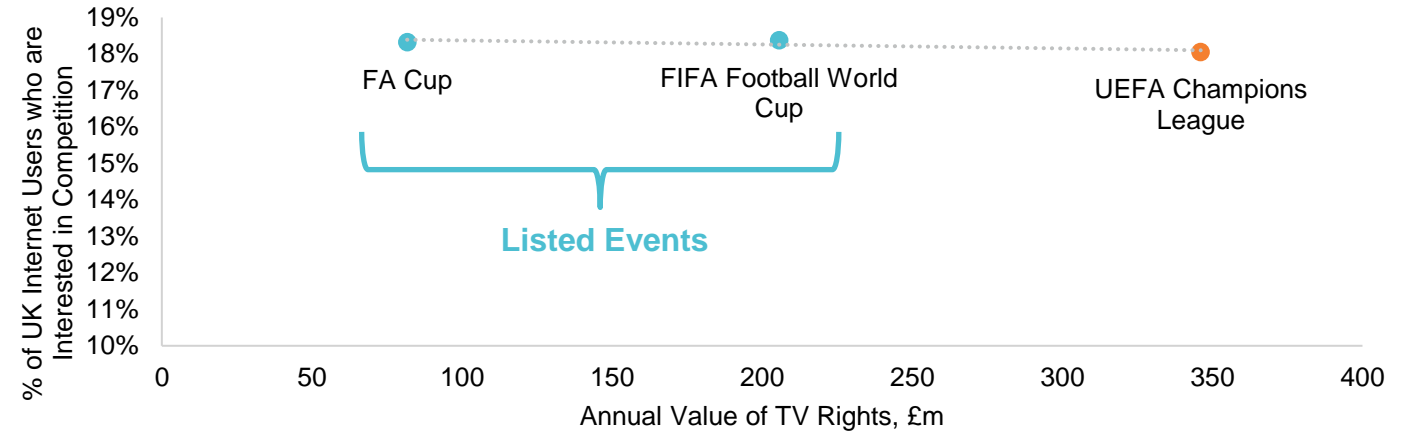


Source: Ampere Consumer 2021; 4,000 respondents, 18-64

Audiences' willingness to pay to watch an event on TV is strongly correlated with the value of the TV rights to the event

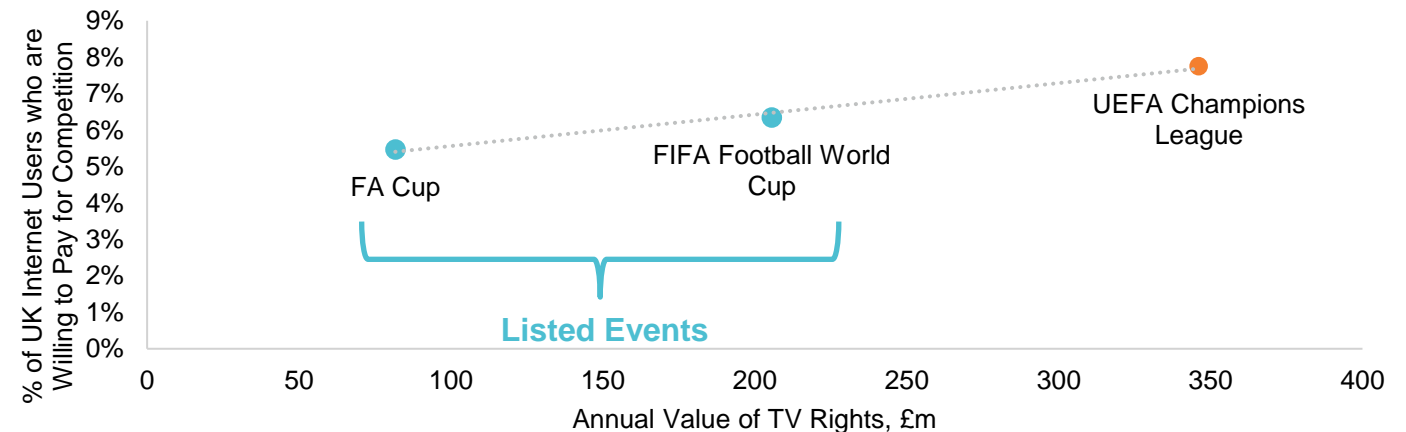
- The implications of the lower willingness to pay for Listed Events among UK audiences is that the value of the associated TV rights is typically lower than the value of events with similar levels of interest
- For instance, the FA Cup, the FIFA World Cup and the UEFA Champions league have similar levels of interest in the UK (18% of consumers follow the competitions), but their rights differ significantly in value
- Willingness to pay is just one of a variety of factors influencing the value of TV rights, which include the duration of the event and its scheduling
- That being said, the lower willingness to pay to watch Listed Events among consumers acts to erode the value of Listed Events rights for potential pay TV buyers. This, in turn, negatively impacts the scale of the rights revenue opportunity

Value of TV Rights of Selected Events vs % of Internet Users who are Interested in the Events, UK (2018)



Source: Ampere Sports – Media Rights

Value of TV Rights of Selected Events vs % of Internet Users who are Willing to Pay to Watch the Events, UK (2018)

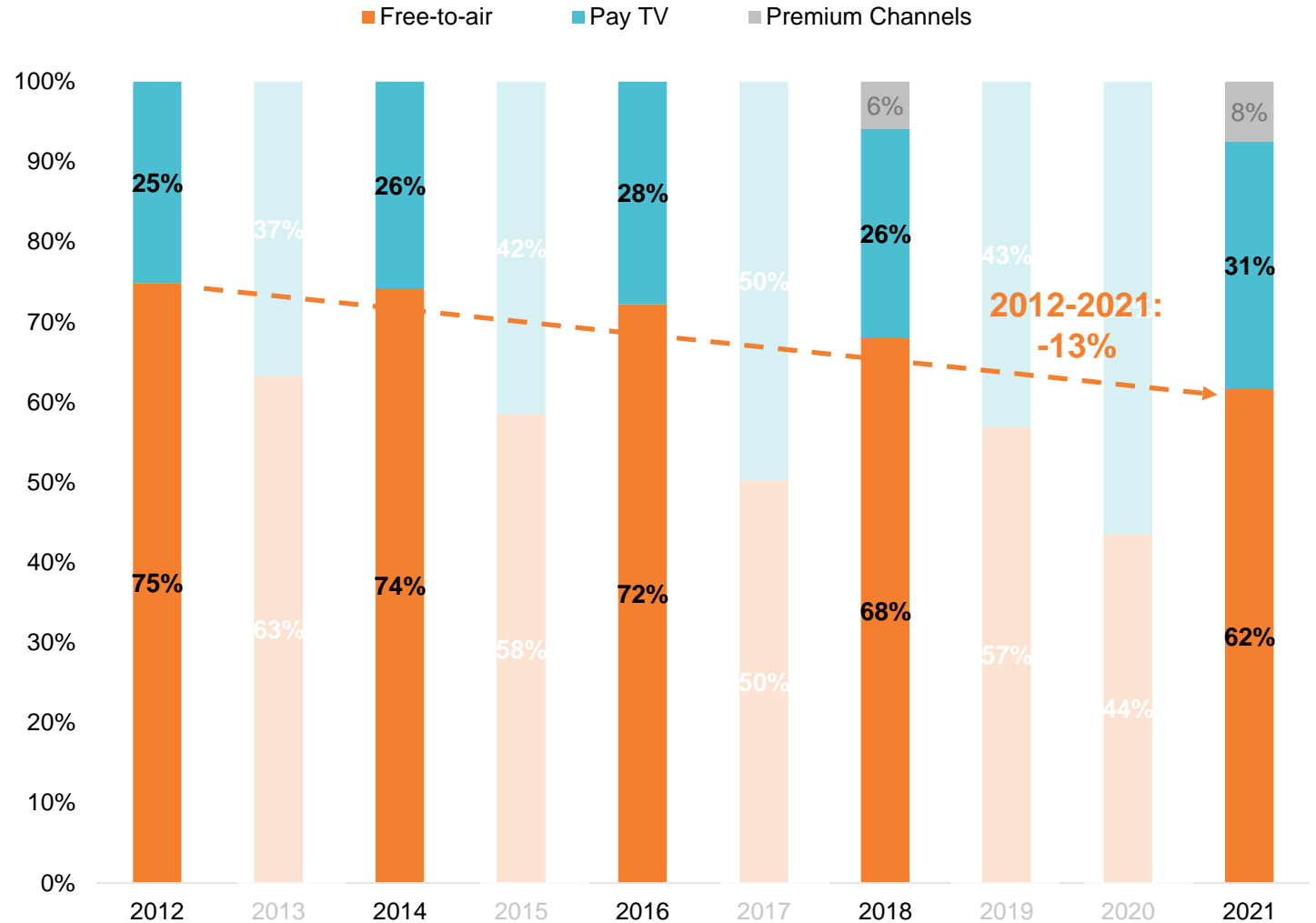


Source: Ampere Sports – Media Rights

Despite consumer reluctance to spend on access, pay TV groups have represented a growing source of income for Listed Events rights owners

- Free-to-air broadcasters account for the majority of spend on Listed Events rights. However, their share of spend on Listed Events rights is declining, even when looking at years with major international competitions – such as the Olympics – in isolation
- In 2012, it made up 75% of Listed Event spend. By 2021 this dropped to below 65%
- The reduction in the share of spend on Listed Events by free-to-air channels is driven in part by subscription services taking rights to Listed Events on a non-exclusive basis, i.e. sharing rights with a qualifying service
- Despite lower consumer willingness to pay for access to Listed Events, these sports are nonetheless a useful differentiator, and a way for pay TV platforms to insulate themselves from the threat of global streaming services

Rights spend share of all Listed Events by buyer type

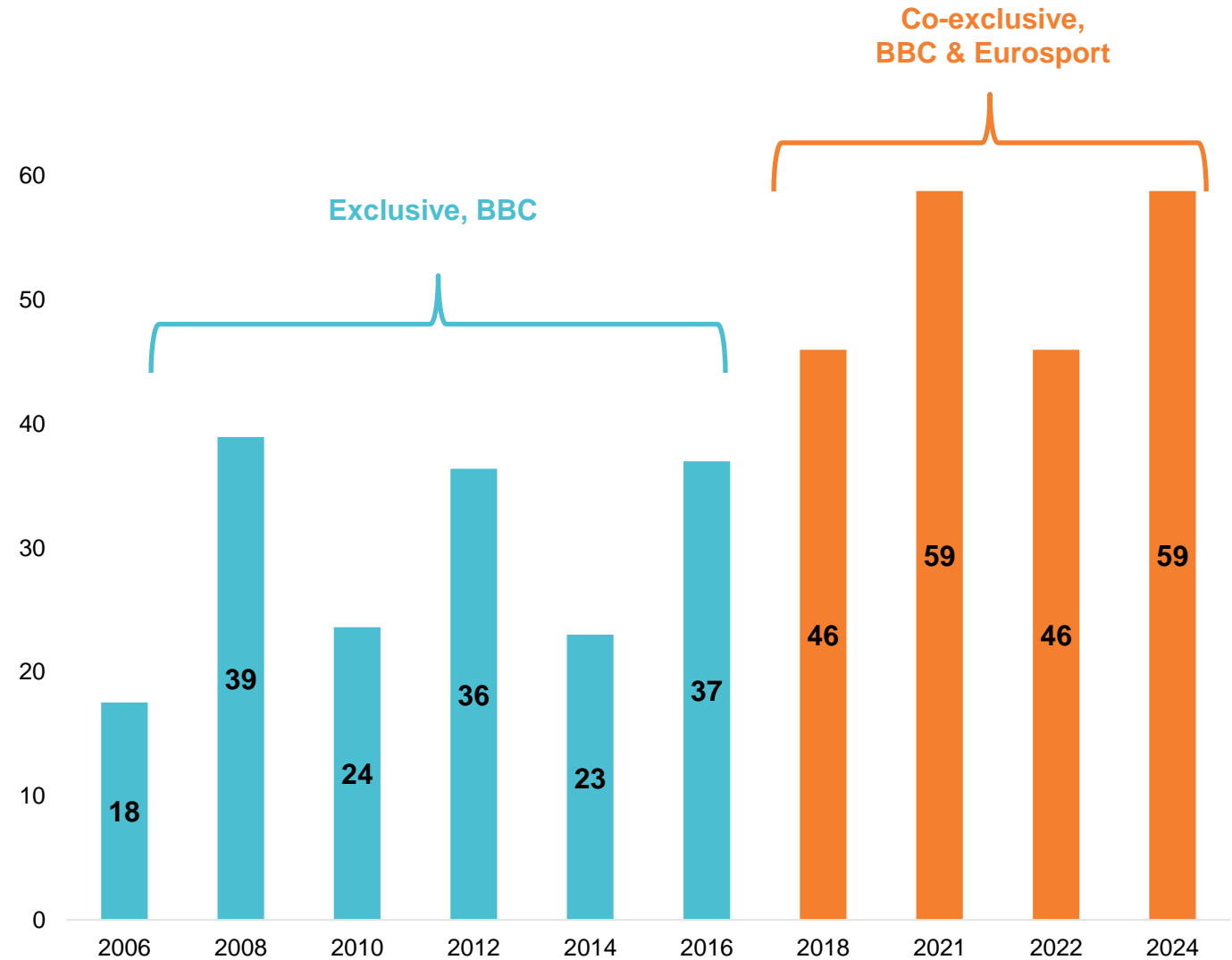


Source: Ampere Sports – Media Rights

Adding Eurosport as a broadcaster has seen UK spend on the Summer Olympics surpass the 2012 home games

- The case of the Olympic Games is indicative of the increase in revenues that co-exclusive deals can work to increase the broadcast revenues of a rights owner, while also guaranteeing free-to-air coverage of the event
- Eurosport acquired the European rights to the Olympic Games, including rights in the UK for the 2022 and 2024 editions
- The BBC and Eurosport later reached a sub-licensing deal which resulted in the two broadcasters sharing the rights in the UK to all the Olympics Games between 2018 and 2024
- The total revenue generated by the IOC in the UK exceeded £200m for the four editions, more than the previous five editions combined (which included the 2012 London Olympics)

Olympic Games broadcast rights spend, UK (£m)



Source: Ampere Sports – Media Rights
2018-2024 values estimated

Combining with a free-to-air partner can bring in a wider and new fanbase

- Regulatory requirements are not always necessary to lead a rights owner to opt for a 'hybrid' rights licensing strategy – i.e. one where a free-to-air broadcast partner and a subscription broadcast partner share some of the same rights to a sporting event
- Typically, this sort of broadcasting arrangement is adopted when a rights owner is trying to strike a balance between broadcast revenue growth – which typically comes from licensing the rights to the event to a subscription TV service – and the need to grow or rejuvenate its fanbase
- Possibly one of the most notable examples of a co-exclusive rights deal involving an FTA broadcaster and a pay-TV service in the UK is The Hundred, a new cricket competition launched in 2021
- In 2017, the ECB struck a deal with Sky and the BBC to broadcast England international and first-class cricket from 2020
- Following a year impacted by COVID-19, the launch of new franchise tournament The Hundred made cricket available through free-to-air broadcasts, which has seen another upturn in the reach of the sport

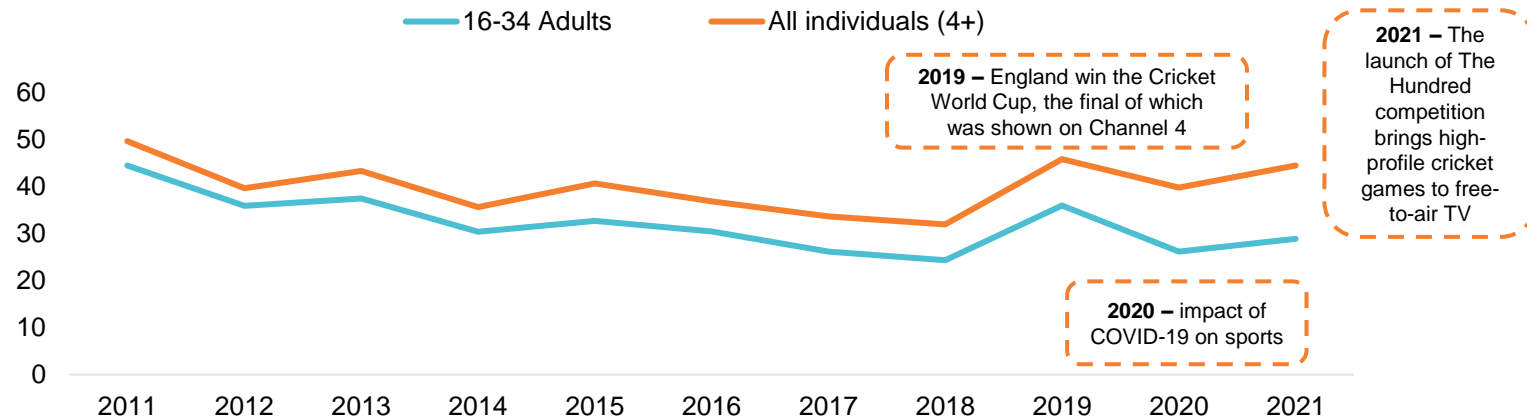
Sports body: “More visibility [through showing fixtures via a non-exclusive free-to-air partner] can then translate potentially...into higher fees coming from sponsorship, generating more interest from new fans and getting...more engagements on ticketing or merchandising”

Rights Agency: “[the 2005 Ashes and the subsequent move to put all cricket on pay TV] That was such an incredible high, that I think they looked at it and said, ‘Well, we got lost in pay TV. No one’s finding us, we’re not growing...’”

Broadcaster: (On The Hundred) – “By putting some content on free-to-air, it allows the biggest mass to be able to see any and engage with the product...as a new concept and a new tournament, it’s a lot easier to get eyeballs and coverage when it’s free. So it’s important to grow the sport.”

Source: Interviews with Industry stakeholders (see Appendix)

Annual cumulative reach of cricket on TV among UK audiences, for all consumers and for the younger demographic (%)

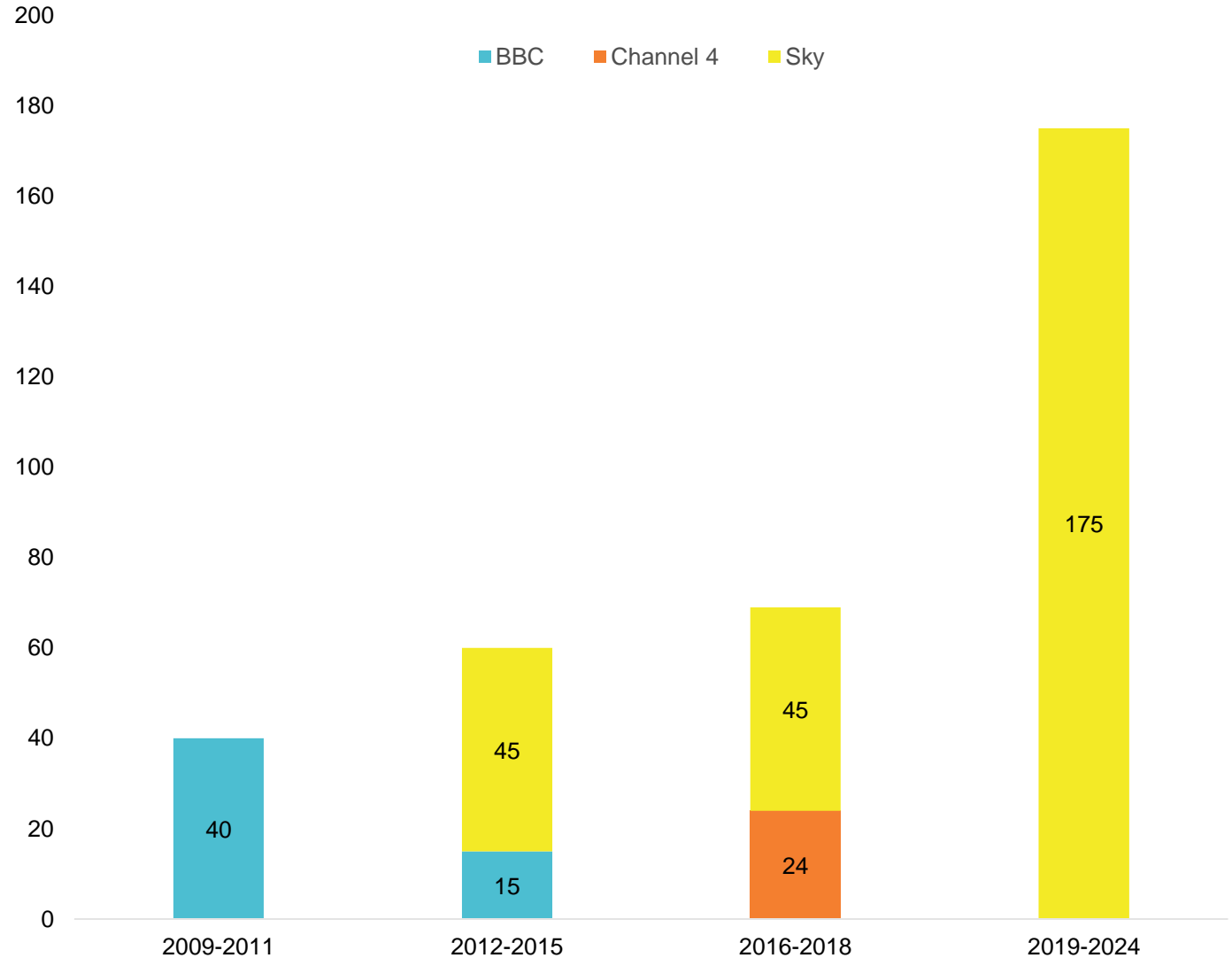


Source: BARB; Reach Criteria: 3+ Consecutive Minutes

Co-exclusivity is not a one-way street however - competitions can move to pay-only, as with Formula 1 in the UK

- Despite more high-profile cases of sporting events adopting a hybrid broadcast partnership strategy, rights exclusivity remains valuable to broadcasters, and can still lead to considerable growth in spend on TV rights
- The Formula 1 case in the UK is an example of a rightsholder opting for an exclusive broadcast partner even after having licensed its rights to multiple partners before
- Starting in 2012, Sky shared rights with free-to-air broadcasters before striking a lucrative deal to become the sole rights buyer from 2019, leading to a tripling of the value of TV rights
- The threat of competition from BT Sport led to a significant increase in the amount that Sky paid, while the tightening of budgets from free-to-air broadcasters (the BBC and Channel 4) meant Formula 1 saw more value in putting the competition completely behind a paywall – except for the British Grand Prix – for the first time (albeit keeping highlights free-to-air)

Formula 1 UK TV rights value per season by buyer, £m



Source: Ampere Sports – Media Rights

5. The evolution of sports highlights



Online highlights and clips are increasingly important for the promotion of sports competitions

TV highlights continue to serve an important purpose of enabling audiences to access coverage of sporting events in a convenient way, and the non-live nature of highlights helps to allow rights owners to package rights for pay and free distribution in a way which reduces the negative impact on value

Viewing of traditional TV highlights has declined in the past decade, particularly among younger audiences, who are more likely to watch sports clips and highlights on social media and other online video platforms

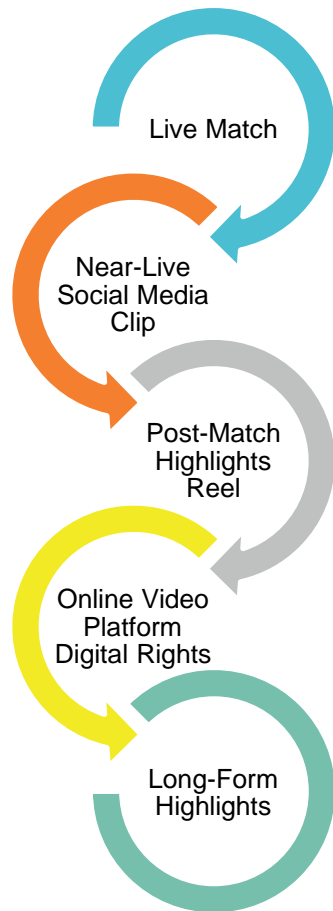
Simultaneously, online and social media highlights and clips have become more important as a means of reaching new or casual fans, as well as sought-after younger audiences whose attention is subject to more competition from multiple sources

As current highlights consumption dynamics continue to shift, the expectation of where highlights of sporting events are made available and what constitutes adequate coverage is likely to change

We think there is a risk that the current definition of adequate secondary coverage under the Listed Events might no longer reflect the way in which consumers expect to be able to access sports highlights. In Ampere's view, it might be appropriate to consider whether the practice of making highlights available for free solely on online video platforms, such as broadcasters' or rights owners' own YouTube channels or websites could qualify under the Listed Events regime



Digital media channels have significantly expanded the definition of sports highlights



- Highlights rights are typically bundled together with live rights. As such, it is not possible to provide a reliable estimate of the financial value of highlights in the UK. Furthermore, due to the strategic role that highlights can play for rights owners to increase the exposure of their properties to new audiences, a significant portion of the benefits to rights owners is 'indirect' – i.e. resulting from higher sponsorship revenues, increased interest, greater participation, etc.
- However, evidence shows that the vast majority of the value of rights deals comes from the live element of coverage, rather than the highlights. For example, the value of the post-match highlights to the English Premier League, held by the BBC, amount to 4% of the total value of the broadcasting rights
- With the advent of social media platforms and the rapid take-up of smartphones in particular, access to clips and highlights on social media and online video platforms has grown dramatically. Broadcasters and rights owners have since expanded their distribution of highlights to take into account these platforms, adjusting the composition of content on each platform to cater for specific formats and user needs
- Licensing deals are increasingly prescriptive about what specific rights are included in the licence and how these can be exploited. However, broadly speaking, there are four main categories of highlights, in order of 'distance' from the live event:
 - Near-live social media clips
 - Post-match highlights reels
 - Third-party online video platform digital rights
 - Magazine-style highlights shows (typically referred to as 'long-form highlights')

Rightholder: “if [audiences are] not going to watch the live event on the broadcaster, that experience is not going to be replicated or substituted by seeing a clip. So it is in no way cannibalising the broadcaster offering, quite the contrary, in fact, the theory goes that you're highlighting awareness and availability, and the fact that the [event] is happening at the moment. [It's about] discoverability really, and make making an audience aware that this thing is happening right now”

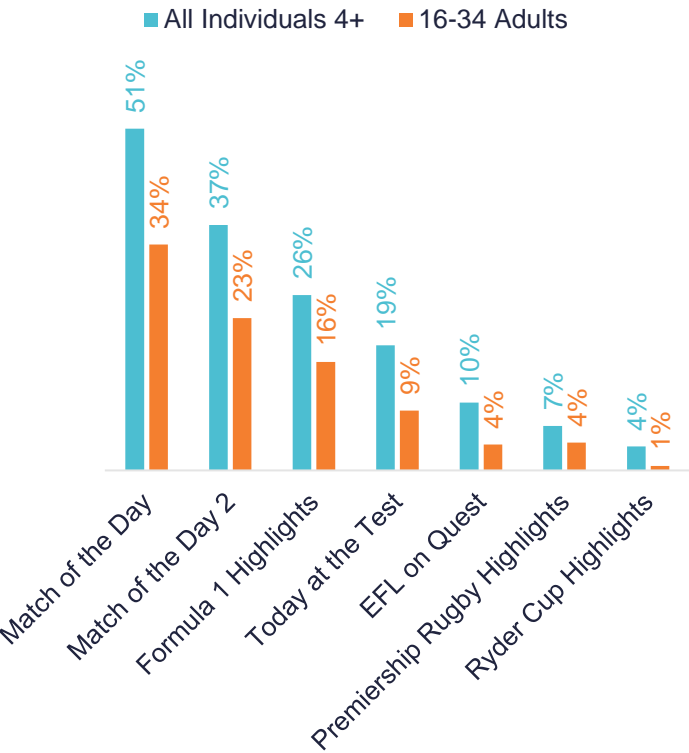
Rights Agency: “successful rights holders and agencies should create packaging, which allows for highlights or free-to-air windows or near-live clips to coexist with the bulk value, which is the pay TV exclusivity. But you need to be creative about how you do that and find a way that everyone can be happy”

Source: Interviews with Industry stakeholders
(see Appendix)

Broadcast highlights viewing is lower among younger fans, who are more likely to watch online

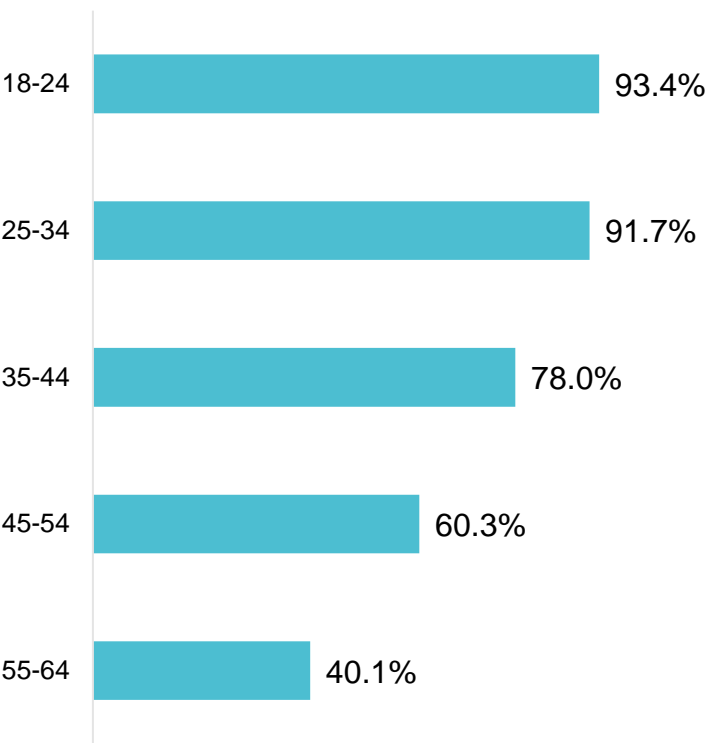
- Highlights represent a key aspect of sports media consumption, both by enabling viewers to watch coverage of sporting events at a more convenient time, as well as by extending the availability of the coverage of sporting events to non-paying fans
- Ampere survey data indicates that younger sports fans claim to spend about the same time as older fans watching sports highlights, circa 1.8 hours per week
- However, the evidence suggests that younger fans tend to watch highlights on non-traditional platforms. BARB data shows that the reach of key highlights shows is lower among viewers aged 16-34s
- Meanwhile, Ampere survey data shows that more than 90% of UK sport fans aged 18-34 report watching highlights and clips on social media and online video platforms such as YouTube, Facebook or Twitter, compared to less than 60% of sport fans in older age groups.

Annual cumulative TV reach, selected highlights shows, 2021



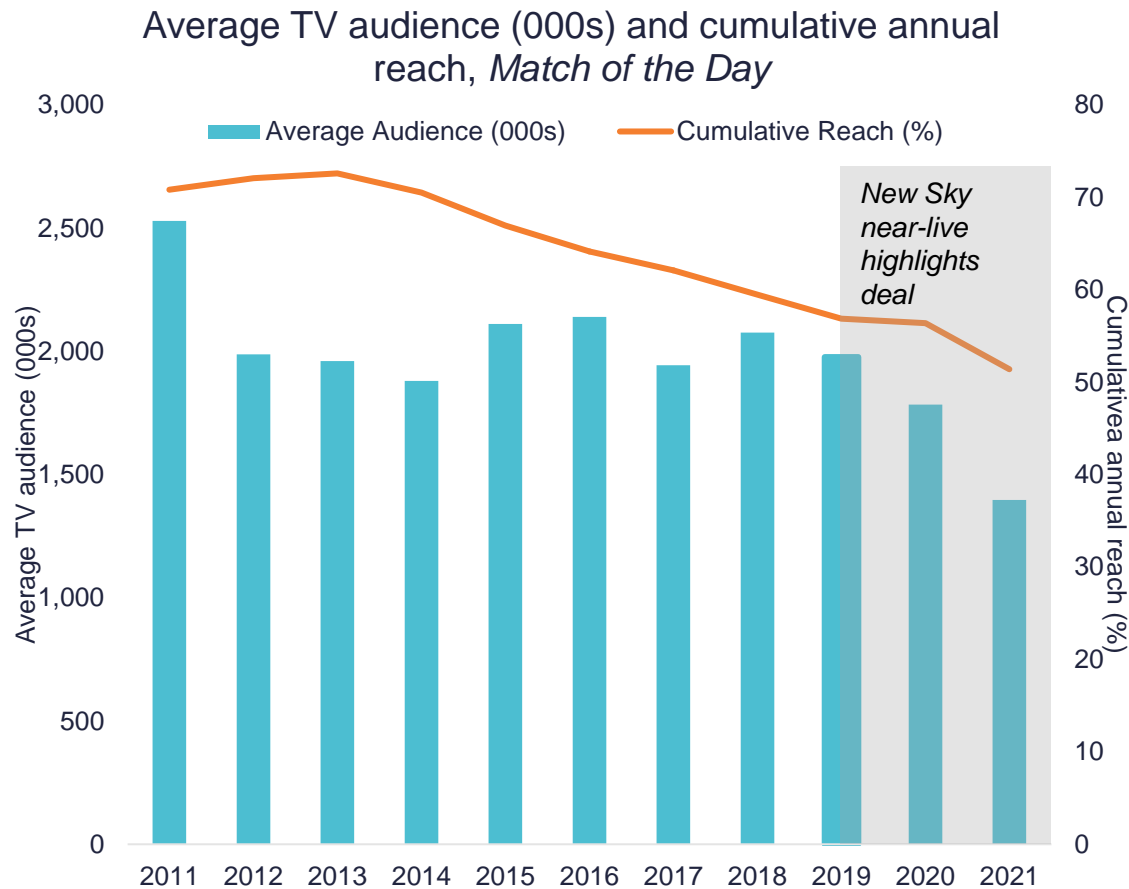
Source: BARB; Reach Criteria: 3+ Consecutive Minutes
MOTD Saturday and Sunday programme only (excludes live matches)

Sport fans that watch clips or highlights on online video platforms, UK



Source: Ampere Sports – Consumer; Q4 2021
Note: Sports Fans with Internet Access aged 18-64; N= 1,000

As online clips become more readily available, the decline in TV highlights viewing is likely to accelerate



Source: BARB; Reach Criteria: 3+ Consecutive Minutes
MOTD Saturday programme only (excludes live matches)

- Match of the Day on BBC One is one of the most popular highlights shows in the UK, showing key action and analysis of Premier League play from the weekend
- Since 2020, however, the average audience size of MOTD has declined significantly – a 33% decline in the span of three years between 2018 and 2021
- During this period, the availability of free instant highlights of Premier League games via alternative platforms has increased significantly.
- In 2019, Sky started showing 'near-live' highlights of all Premier League games on its YouTube channel and Facebook page, shortly after games finish
- The current situation differs from that seen in Sky's historic highlights coverage in three key respects:
 - It makes highlights available much earlier than previous deals
 - It is 'platform neutral' (i.e. the clips are available to everyone on YouTube, as opposed to Sky's proprietary platform)
 - No subscription is required
- These highlights typically obtain hundreds of thousands of views within the first few days since being posted on Sky's YouTube channel. While no substitution effect can be proven, the evidence suggests that near-live deals like the one between the Premier League and Sky have the potential to disrupt the traditional secondary coverage market.

6. Future scenarios



Four future scenarios have been explored in relation to the changing sports market

Scenario 1: OTT players grow their share of the UK sports rights market

OTT players enter the sports rights market on a single-market basis and compete directly with broadcasters for sports rights. The additional competition drives increases in the values of popular sports rights. Likely bidders are large US tech giants looking to boost their local presence, as well as new OTT services such as DAZN or Viaplay

Scenario 2: US tech giants sign multi-national deals

OTT platforms enter the premium sport rights market in the form of multi-national (regional or global) deals. The high costs associated with these deals – rights fees, production and marketing – mean that they could only realistically be made by organization with the deep pockets of the US tech giants

Scenario 3: A financial squeeze impacts lower-tier rights

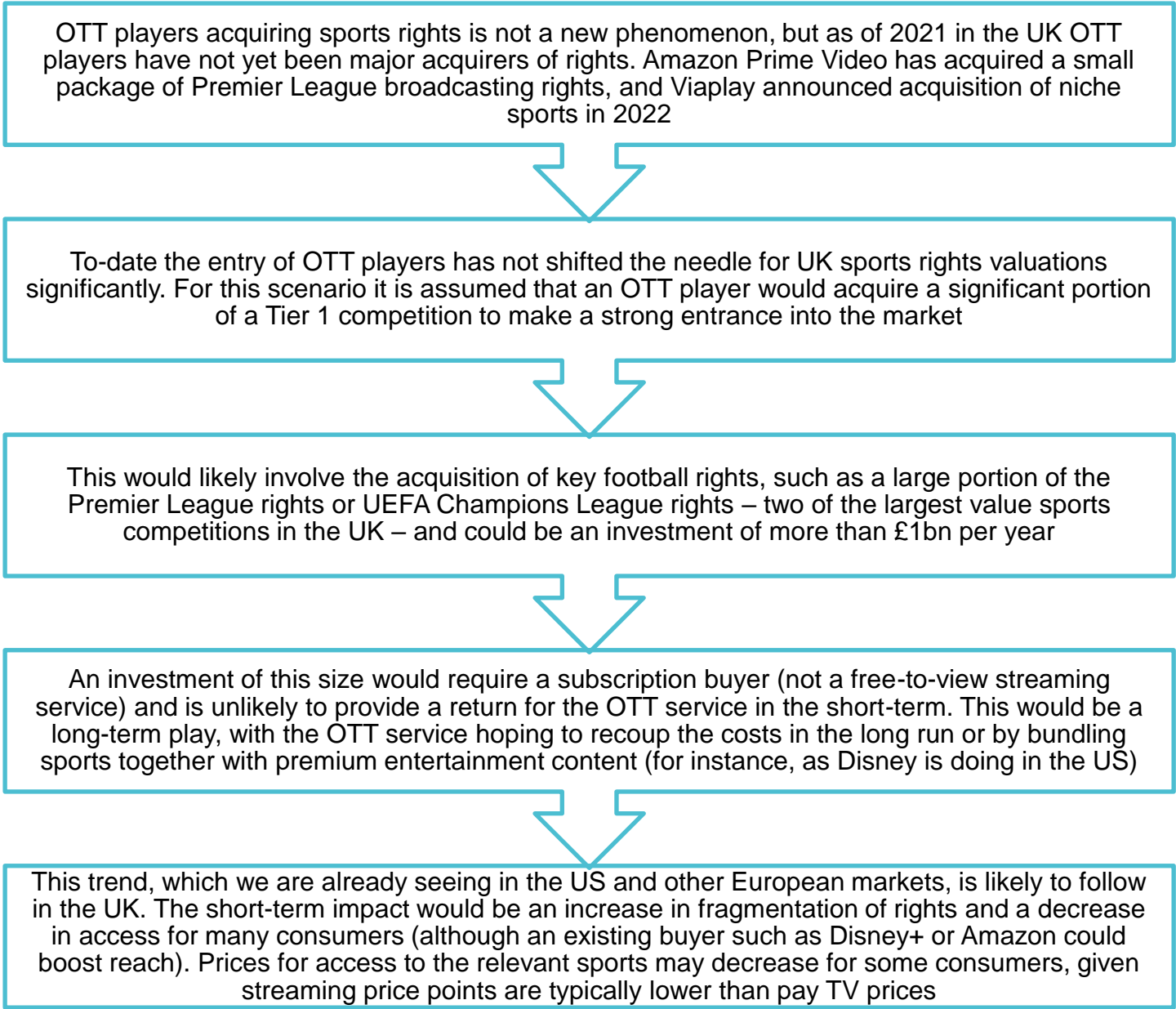
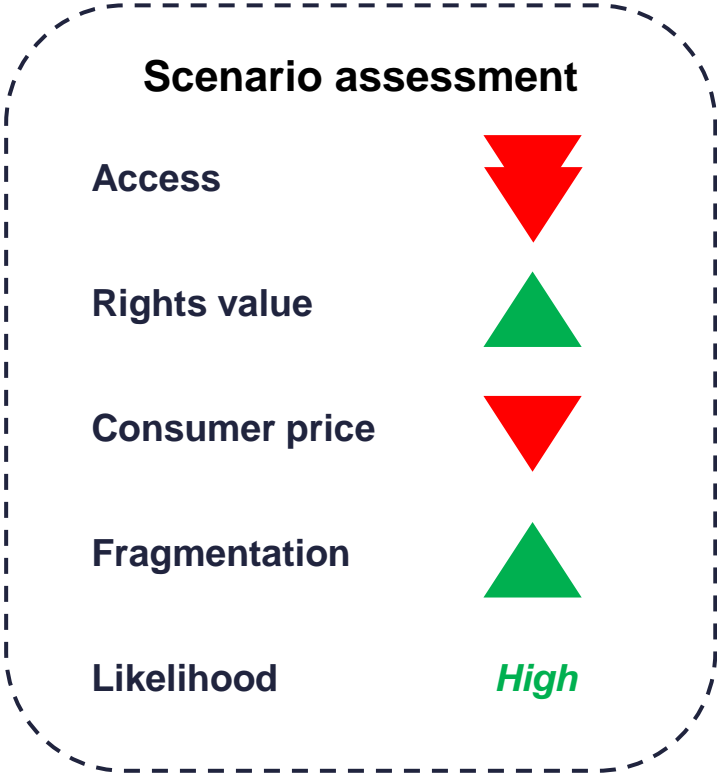
A slowdown in the growth of TV revenues leads to slower growth in sports rights spend. As a result, competitions smaller in scale and prominence than the major football leagues look to alternative solutions in order to grow their businesses

Scenario 4: Shift in viewer habits

Non-live sports content grows in importance and popularity among sport fans, at the expense of live rights consumption. This type of condensed sports content (such as highlights) and story-driven sports content (documentaries) could increase in importance as 'casual' fans re-engage with the sport

- In this section, we consider four different market scenarios, each of them characterized by the acceleration in a phenomenon already being seen in the sports broadcasting markets
- Each of the four scenarios is assessed on the basis of its likelihood, and on the basis of the (directional) implications on four key aspects of sports media markets:
 - **Access:** Indicating whether the scenario in question would likely result in greater or more restricted access to TV coverage of live sports by sports fans
 - **Rights value:** Indicating the likely effect on the overall value of sports rights
 - **Consumer price:** Indicating the likely effect on consumer prices to access live sports via subscription services
 - **Fragmentation:** Indicating whether the scenario in question would likely result in sports content being available across a greater multitude of services
- Finally, this section outlines the regulatory implications under each of the four scenarios

Scenario 1: OTT players grow their share of the UK sports rights market



Short-term, new OTT entrants could slot in within existing regulatory frameworks

Scenario 1: Regulatory Implications

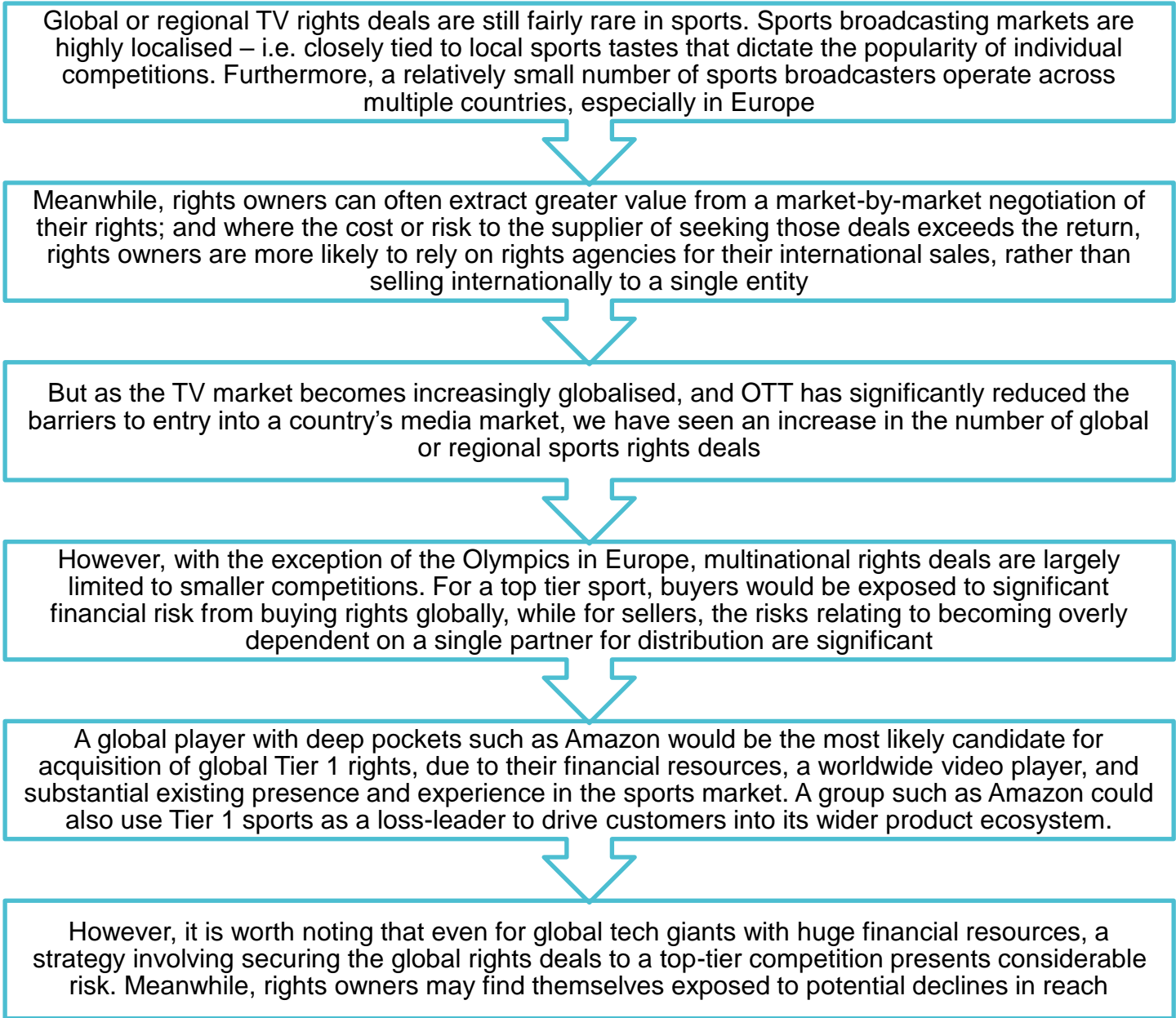
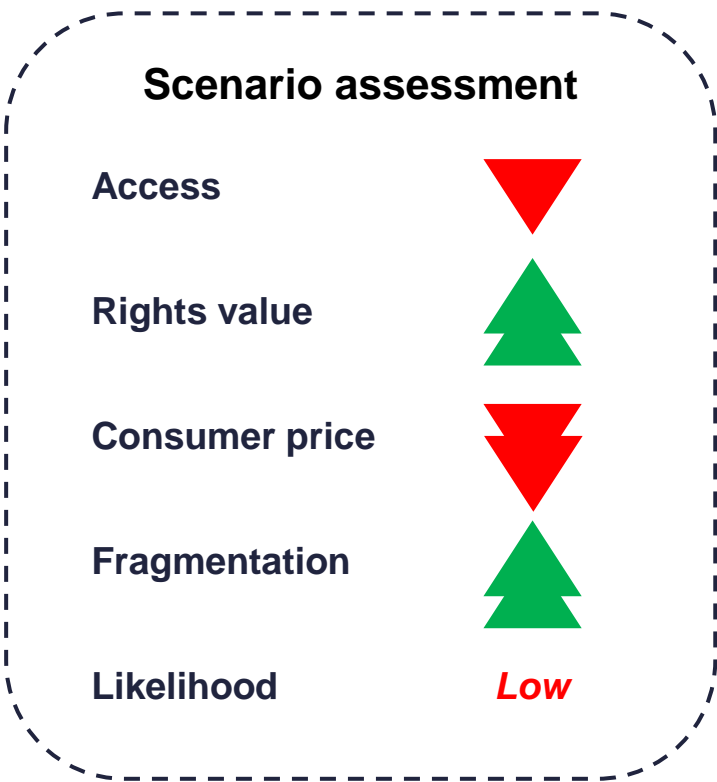
Subscription OTT services would likely add to the pool of bidders for sports rights, and for top-tier rights would be in more direct competition with pay-TV platforms than with FTA channels

An intensification of the competitive tension in the sports rights market could well lead to further growth in the value of sports rights. This could lead to FTA channels being priced out of certain sports

However, we do not think that a scenario involving greater local competition from new OTT entrants should affect the tendering process, particularly for Listed Events, given current regulation

Subscription streaming services may wish to use owned or third party online channels for the distribution of highlights – which currently fall outside the definition of qualifying services

Scenario 2: OTT players to acquire global rights to Tier 1 sports



Global deals risk 'locking out' national broadcasters from accessing key rights

Scenario 2: Regulatory Implications

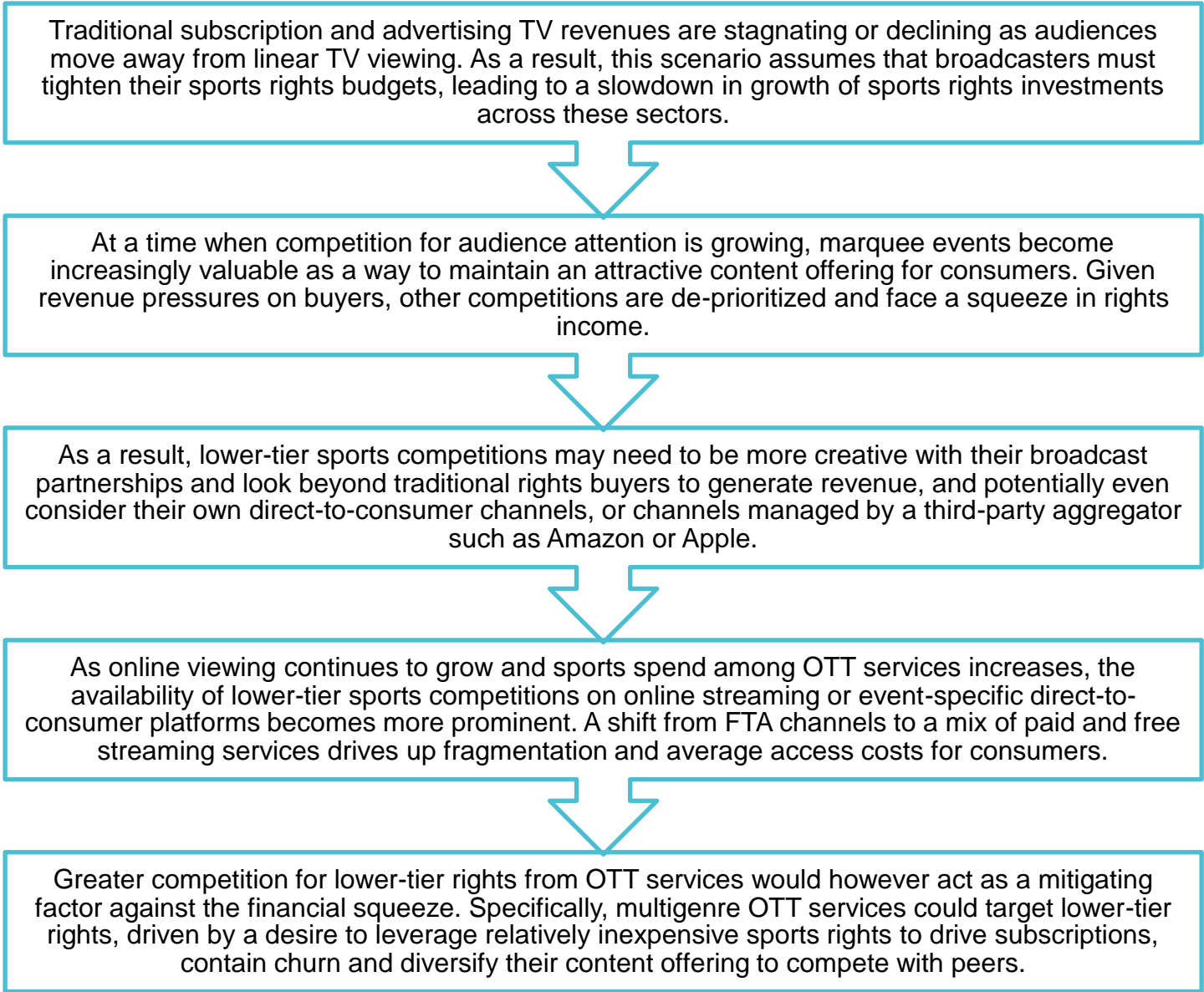
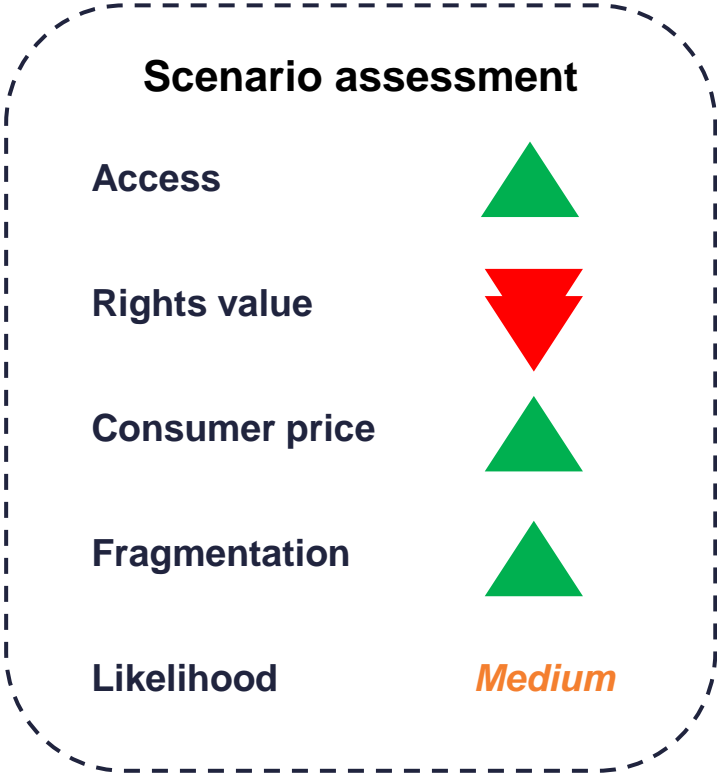
In our view, an assessment would be required as to how multi-national deals and the ensuing potential monopolies fit in with current competition laws

A fundamental issue would revolve around local players having a genuine opportunity to bid for Listed Events rights, as some competitions would simply not be available to single-market bidders

Current viewing trends show that older fans prefer linear TV. In this scenario, we think these viewers would be at risk of being alienated from accessing Listed Events

If the competition is of national importance, we think additional scrutiny of sales processes and rules requiring an OTT player to sub-license rights to a suitable local partner may be needed

Scenario 3: A financial squeeze impacts lower-tier rights



A more opportunistic sports market poses a number of policy challenges

Scenario 3: Regulatory Implications

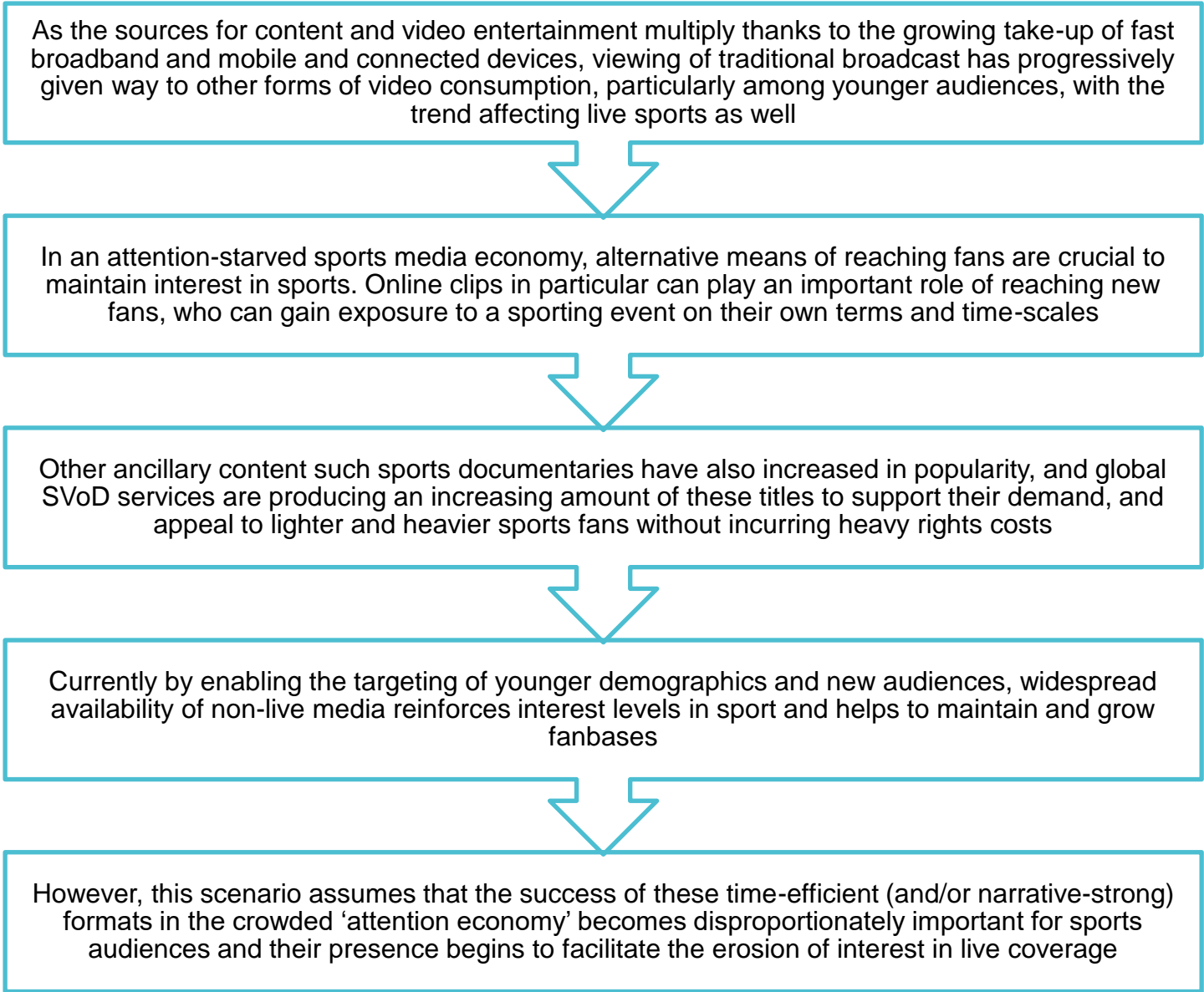
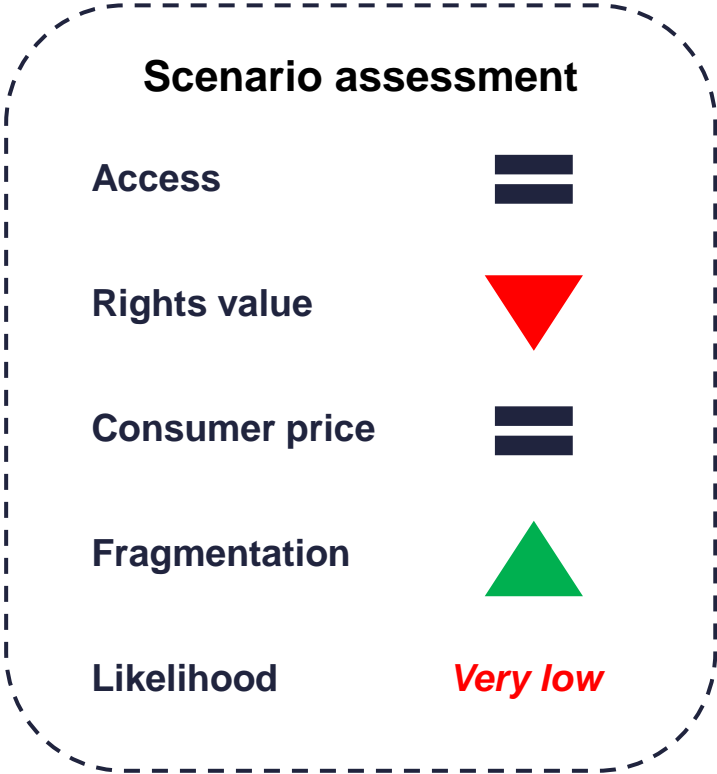
Direct-to-consumer (D2C) platforms may become more important for smaller events struggling to agree a broadcast deal, in the mid-term impacting the ability of other bidders to fairly access rights

Social or other free-to-view streaming services may take advantage of the weak rights market and move into the void for live sport – with implications for the definitions of qualifying services for Listed Events

Rights owners – particularly among less popular sports – might see a dependable source of revenue like TV rights significantly reduced. This could lead to a reduction in grassroots sports investment

Faced with a financial pressures, rights owners might be incentivised to rely more on preferred partners, which in our view could negatively affecting the transparency of the rights sale process

Scenario 4: A further shift in viewing habits compromises the value of live rights in favour of ancillary content



The role of highlights in the Listed Events regulatory framework might need to be reconsidered

Scenario 4: Regulatory Implications

Wide availability of free online near-live highlights affects the demand for live rights due to lower chances of monetisation – with implications for the competition for rights and their value

In the long-run, we think making highlights available free on online video platforms might be considered for inclusion in the definition of adequate secondary coverage for the purpose of Group B Listed Events

In Ampere's view, regulators might also consider if provisions made for Group B events should be extended to Group A events, in the light of consumers' higher consumption of non-live at the expense of live

In our view, the growing importance of online highlights may require Ofcom to seek to ensure that broadcasters are treated fairly in the acquisition of highlights rights across multiple platforms

Conclusions



The UK sports rights market has seen a period of rapid growth and expansion



1

The value of TV rights in the UK has seen rapid growth between the early 2010s until 2018, spurred by the competitive tension between the leading two pay-TV platforms Sky and BT, for whom premium sports rights represented a key competitive battleground. Most of this growth has come from the largest two competitions in the market – the English Premier League and the UEFA Champions League, which account for a combined 55% of the total value of sports TV rights in the UK. Other competitions have also seen remarkable growth – as seen through the most recent Formula 1 deal and the rights to cricket events owned by the English Cricket Board. Both of these deals have Sky as a major – if not exclusive – rights partner.



2

The competitive nature of the UK premium sports market, due in large to the scale of Sky's pay TV business, has meant that OTT services currently represent a small minority of the total spend on sports rights, particularly when compared to other European nations of similar size. The most prominent rights deal by a subscription OTT service in the UK is Amazon's minority package of Premier League rights, valued at a reported £30m per season.



3

Meanwhile, free-to-air broadcasters have maintained a relatively steady level of investment in sports rights, driven in particular by the occurrence of major quadrennial events such as the FIFA World Cup, the Rugby World Cup and the Olympics. This category of broadcasters accounts for the majority of spend on rights to Listed Events – although that share has recently declined, as pay-TV services and premium TV channels have increased their investment in this category of rights.



4

The recent history of the UK sports rights market is therefore one of a thriving industry characterised by intense competition from multiple players, providing audiences with plenty of choice for their sports consumption, both on subscription services and on free-to-air channels, and across platforms. This is also reflected by the rights sales process, which is characterized by multiple models, as opposed to a 'one size fits all' solution for selling broadcast rights. The sports media value chain has a complex structure, featuring multiple parts, each interacting with the others in different ways depending on the strategic goals of the rights owners or the broadcasters, and regulatory requirements relating to a sport.

Current dynamics in TV consumption are starting to affect the sports rights market



1

This is not to say that there are not challenges ahead. The sports broadcasting sector has been affected by some of the same behavioural and technological shifts that have characterised changes in the wider media sector, albeit in smaller measure. Linear viewing begun to decline among younger audiences, who are more likely to prefer to watch sports on OTT services rather than linear broadcast channels. The launch of flexible, sports-dedicated OTT services such as the Weekly Sports Pass on NOW and the BT Sport monthly pass have accelerated these trends.



2

Similar observations can be made about the consumption of sports highlights, traditionally a major way in which audiences engage with sports content on television. Linear TV viewing of key highlights shows are declining, and viewing is significantly lower among younger audiences. Technological developments and the widespread take-up of fast broadband and social media platforms have encouraged the proliferation of new highlights formats beyond traditional 'long-form' highlights – and younger ages are much more likely than older cohorts to be relying on those for access to secondary coverage of sporting events.



3

The general economic realities of the broadcasting sector, which see pay TV subscriptions stagnating, TV advertising revenues declining, and BBC income subject to a licence fee freeze, are putting sports budgets under pressure. This is exacerbated by the greater competition from global subscription OTT services, particularly on the front of general entertainment, premium drama and comedy, which has required broadcasters to step up their investments in those genres.



4

Thus far, the impact on the sports rights market has been relatively contained. On the one hand, despite some early concerning signs, viewing of live sports has been relatively resilient, especially if compared to linear viewing overall, preserving – if not enhancing – the value of live sports for broadcasters and subscription services. On the other hand, the growth of co-exclusive rights deals illustrate the pressures that rights owners and buyers both face. Free-to-air broadcasters are increasingly unable to spend at the levels rights owners would desire, forcing both parties to explore co-exclusive deals through which rights are made available via pay and free services and channels.

There are risks related to fair access to sports rights and growing reliance on online video

1



Among Ofcom's key responsibilities with respect to the regulation of the broadcasting of Listed Events is to ensure that broadcasters have a genuine opportunity to acquire the same rights on fair and reasonable terms. This includes considerations on whether "the price sought for the rights must have been fair, reasonable and nondiscriminatory as between the two categories of programme service" (Ofcom's Code on Sports and Other Listed and Designated Events, 1.14(e)).

2



A worsening of the economic conditions for broadcasters – and particularly for free-to-air broadcasters such as those included in the current list of qualifying services for the purposes of the Listed Events regime – may negatively affect their ability to monetise the live rights to Listed Events, or even access them due to the prices sought by rights owners. The latter are driven by a reasonable profit-maximisation motive.

3



In the UK, OTT services have been minority investors in sports rights, and have largely acquired rights in keeping with historic sales processes. But content markets are undergoing a process of globalisation – accelerated by the growth in multinational subscription OTT services. While multinational rights deals are still relatively uncommon in the context of mainstream sports in the UK, should they increase in frequency, there is potential for less transparent and accessible rights bidding processes in the future. This could in turn limit the ability of national broadcasters to bid competitively for those rights.

4



Finally, as the reliance on online services for sports content consumption continues to grow, and as expectations about the availability of live and secondary coverage of sporting events of national interest changes, it is Ampere's view that the regulatory regime may need to be adapted to ensure that it continues to be relevant and that it does not unfairly restrict competition.



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