



While many commentators continue to ask when the sports rights value bubble will burst<sup>142</sup>, leading to stagnating or declining rights fees, our view is that rights fees for live content to premium properties overall will likely continue to grow.

Premium live sport continues to deliver large audiences, typically characterized by an attractive demographic profile. It drives subscriptions and/or generates advertising for broadcasters, particularly in an increasingly altered media landscape. In some cases, premium sports broadcast rights fees seem to have been insulated from wider economic pressures by multi-year contracts.

The development of pay-TV in particular has transformed the broadcasting of premium sports leagues. Live content is a key subscription driver for those leagues and underpins pay-TV business models. As the pay-TV subscriber base rises and revenue per user grows, operators are investing increasing sums to secure this key content.

New market entrants looking for attractive differentiating sports content have intensified competition driving substantial uplifts in rights fees.

For example, BT's entry into the UK sports rights market, acquiring sports content to help retain and build its telephony, broadband, and pay-TV services, has resulted in substantial revenue uplifts.

The Premier League enjoyed a 71 percent increase in the value of its domestic live rights from 2013/14, while the amount paid for UK rights to UEFA's top club competitions should double in value from 2015/16<sup>143</sup>.

There used to be just one video sports product – broadcast television – often funded by advertising or by license fee.

The range of sports video products has diversified significantly, even if consumption of sport has remained principally via the television set. Sports fans now have a wealth of video products as well as broadcast: from online video clips, to streamed video to any device.

142 For example see: TV Sports a Spectacular Bubble, Forbes, 16 January 2013: <http://www.forbes.com/sites/igorgreenwald/2013/01/16/tv-sports-a-spectacular-bubble/> talk of a bubble in sports rights has existed for decades – and may well persist for decades. See: Talk of rights bubble bursting is still strong – and still wrong, Sports Business Daily, 22 July 2013: <http://www.sportsbusinessdaily.com/Journal/Issues/2013/07/22/Media/Sports-Media.aspx>

143 The BT Champions League deal is worth £299 million (\$468 million) a season from 2015/16. See: BT wins all live UK TV rights to UEFA Champions League and UEFA Europa League, British Telecom, 9 November 2013: <http://www.btplc.com/News/Articles/ShowArticle.cfm?ArticleID=15D869F4-C14E-44A2-956E-A2C1881751A9>

144 For example, Sony trialed UHD (4K) at the Confederation Cup in Brazil, 2013; 4K footage was also captured at Wimbledon 2013. Sony and FIFA began testing the 4K technology in the FIFA Confederations Cup 2013, Sony, 25 April 2013: <http://www.sony.es/pro/press/pr-fifa-4k>; BBC and Sony to trial 4K TV at Wimbledon, TechRadar, 24 April 2013: <http://www.techradar.com/news/home-video/video/television/tv/audio/sony-and-bbc-to-trial-4k-tv-at-wimbledon-1147095>;

145 Lorenzo Fertitta boxing clever to export UFC, Financial Times, 13 October 2013: <http://www.ft.com/cms/s/0/671a0e8-2f6e-11e3-8cb2-00144feab7de.html#axzz2m2UTdqlm> (Registration required)

## Bottom line

Sport as a contest has had a passionate following for millennia. Television's role has been to show this to a global audience with each viewer having the best seat in the house. The price paid for broadcast sports rights may surprise, but the symbiosis between television and sports is potent, and may become more so. Sports' mix of elite contest, success and disappointment make compelling television.

Along with substantial growth in rights fee spend, there continues to be increased investment in the quality of broadcast production for sports. Premium rights owners face a continuing challenge to ensure cutting edge broadcast quality, for example by evaluating the viability of ultra-high definition (UHD, also known as 4K) coverage, while broadcasters are required to consider their investment in terms of both rights fee and production spend<sup>144</sup>.

It is important for broadcasters and production teams to review continuously the technologies available to them to enhance the value that their viewers and customers derive from being able to watch sport. For the television experience, this includes UHD, super-slow motion and a choice of live matches. On-demand services for viewers include a choice of live matches, camera angles, player tracking and instant replays, statistics and commentary. Making all this available not just via the television but also any other device that the fan may want to use should increase perceived value, even if these additional viewing options are seldom exercised.

Sports rights owners and new technology companies continue to develop their relationship, and consider how sports content can be both broadcast and appropriately monetized. A number of rights owners are experimenting with YouTube or other online video platforms, in order to stream live content in territories where broadcast rights have not been sold or to provide additional content. We see this trend continuing.

Owners of non-premium rights should not despair: rights fees for non-premium sports have in many cases increased, but at a fraction of the rate or scale achieved by premium properties. For these competitions and events, the challenge is to secure distribution through a suitable media platform, to obtain exposure. While rights fees themselves may be comparatively low, they may typically be a relatively important source of revenue that can also have benefits for other revenue streams.

There is also room for innovation to create new sports and formats for a global TV audience. Consider for example the case of Ultimate Fighting Championship (UFC), whose growth has been driven significantly by pay-TV television exposure. UFC was purchased by its current owners for \$2 million in 2001; it now turns over \$500 million annually, is broadcast in 148 countries, and pay-per-view fees are up to \$50 per transaction<sup>145</sup>

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