

Sports Television Programming:

Content Selection, Strategies and Decision Making.

A comparative study of the UK and Greek markets.

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Abstract

This thesis looks at the subject of sports television programming in two European markets, the UK, one of the biggest and most developed in the continent, and the Greek, one of the smallest in Europe.

With the help of case studies over a period of eight years and qualitative interviews of television executives and professionals who are involved in sports television rights agreements, it analyses and compares the strategies and decision making of television organisations, the factors that affect their decisions and their success within the chosen markets.

A distinction will be made between public service, commercial and pay-TV and the reasons why different sports may suit different channels and at different points in their development. The findings should help to appreciate that there is not one strategy that works universally better than another. Its outcome depends on the value of the content, the particular characteristics of the organisation and the external environment where it operates. Most importantly, the thesis highlights the importance and limitations of the TV sports content, its crucial role in the decision making process and the necessity of more academic research into the area of sports television by people in content-driven disciplines, i.e. journalism and the media.

Table of Contents

1. Introduction	12
1.2. The idea and the main question of the thesis	16
1.3. Countries and case studies	20
1.4. Outline of the chapters	24
2. Theoretical Background/Literature Review (1)	28
2.1. Sports Content as a Media Product	28
2.1.1. The popularity of the Sports Content	28
2.1.2. News Values, Content Selection and Editorial Policies	30
2.1.3. News Values, Content Selection and the Demand for TV Sport	35
3. Theoretical Background/Literature Review (2)	44
3.1. Global environment and television sport	44
3.1.1 Global Environment	44
3.1.2. The impact of the external environment on television sport	46
3.1.2(a) The economy factor	47
3.1.2(b) The technology factor	50
3.1.2(c) Environment and Demography	54
3.1.2(d) Governance, conflict and cultural identity	55

3.1.2(e) The legal environment	58
3.2. Organisational Theory and Decision Making	63
3.2.1. Contingency Theory	63
3.2.2. Organisational Strategy	70
3.2.3. Strategic Sports Management Process	74
3.2.4. Decision Making	76
3.2.5. Sport management and sports bidding	81
3.2.6. The Unique Nature of the Sport Product	84
4. Methodology	89
4.1. Types of Research	89
4.2. Research Design – Case Studies	91
4.3. Qualitative Research – Characteristics and Methods	92
4.4. From Theory to Practice	96
4.4.1. Selecting the countries and the case studies	96
4.4.2. Selecting the literature, searching for information and the problems of the selection process	98
4.4.3. The interview process: finding interviewees	102
4.4.4. The interview process: selecting interview questions and conducting the interviews	105

4.4.5. Analysis of the data and the writing up process	107
5. The UK Market (Part I)	108
5.1. The history of sports television in the UK	108
5.2. Public service broadcasters	113
5.2.1 The BBC strategies in sports content selection	115
5.2.2 The BBC and the Bidding for Sports Content	120
5.2.2.1 Listed Events	124
5.2.3. Future Threats for the BBC	129
5.2.4. The EBU and Sports Rights	132
5.3. Commercial broadcasters	141
5.3.1. Sports content and the strategy of commercial broadcasters	144
5.3.2. Commercial broadcasters, bidding for sports content and the change of strategies	150
5.3.3. Future threats for commercial broadcasters	158
5.4. Pay Television	161
5.4.1. The early years. Sky V BSB	161
5.4.2. BSkyB and the first football deal	164
5.4.3. The BSkyB strategies in sport	167
5.4.4. Other pay-TV initiatives. BSkyB V ITV Digital	171
5.4.5. BSkyB V Setanta Sports	180
5.4.6. The future of pay-TV and new threats for BSkyB	188

6. The UK Market (Part II): New technologies and other factors that affect sport on television	194
6.1. New Technologies	194
6.1.1. Cable and IPTV	194
6.1.2. The future of IPTV in the country	198
6.1.3. WebTV and Sports Rights	201
6.1.4. Mobiles and Sports Rights	202
6.2. Sport and Viewing Rates	203
6.2.1. What do UK viewers prefer to watch on TV? The top properties, minor sports and the strategies of the Premier League	203
6.2.2. Research and Decision Making	214
6.3. Production Issues	217
6.3.1. The quality of the production	217
6.3.2. Production, relationships and the co-operation between sports federations and television stations	219
6.4. Sport Television and the external climate	222
6.4.1. Sport Television and the Economy	224
6.5. The future of sport television in the UK	226
7. The Greek Market (Part I)	229

7.1. The history of Sports Television in Greece	229
7.2. Public service broadcasters	235
7.2.1. The ERT Strategies in Sport	237
7.2.2. ERT and the bidding for Sports Content	239
7.2.3. ERT Digital and sports content	244
7.2.4. The Greek economic crisis and how it affects the ERT strategies	245
7.2.5. Future threats for ERT	247
7.3. Commercial Broadcasters	251
7.3.1. Sport and the strategy of commercial broadcasters	252
7.3.2. Sports bidding, financial pressures and the change of strategies before the economic crisis	256
7.3.3. The economic crisis and the impact on commercial broadcasters	259
7.3.4. Future threats for commercial broadcasters	263
7.4. Pay Television in Greece	266
7.4.1. Sport and the Nova strategies: The early years.	267
7.4.2. Nova V Alpha Digital	270
7.4.3. Nova and the collective selling of football rights	273
7.4.4. Nova during the economic crisis	279
7.4.5. Future threats for pay-TV	280

8. The Greek Market (Part II): New Technologies and other factors that affect sport on television	282
8.1. New Technologies	282
8.1.1. IPTV in Greece	282
8.1.2. The future of IPTV	285
8.1.3. WebTV and sports rights	287
8.1.4. Mobiles and sports rights	288
8.2. Sport and viewing rates	289
8.2.1. What do Greek viewers prefer to watch on TV?	289
8.2.2. Research and Decision Making	296
8.3. Production issues	298
8.3.1. The quality of the production	298
8.3.2. Production and the co-operation between sports federations and television stations	299
8.4. Sport Television and the external climate	301
8.4.1. Sport Television and the economy	304
8.5. The future of sport television in Greece	305
9. Conclusions	308

9.1. Introduction	308
9.2. What makes a sporting event a good television product?	309
9.3. What strategies do television executives follow and how do they choose sporting content for their channel?	313
9.4. Which factors – external and internal – affect the decisions of television executives and their success within a given organisation and market?	322
9.5. UK and Greece – a comparison	326
9.5.1. Public service broadcasters in the UK and Greece	326
9.5.2. Commercial free-to-air broadcasters	327
9.5.3. Pay-television	329
9.5.4. Management style in the two countries	330
9.6. Contribution of the thesis	332
9.7. Suggestions for further research	334
APPENDIX	336
List of Interviewees	336
Bibliography	339

Books, Papers and Reports 339

Newspapers, magazines, industry magazines and online sources 361

Chapter 1: Introduction

During every opening ceremony of the Olympic Games, while athletes are parading inside the stadium and the host city is displaying its customs to the rest of the world, one will hear TV commentators talking about the million of viewers who are watching this event and who will continue to watch it on a daily basis.

For some, mainly the TV audience, this is evidence that they are becoming part of Marshal McLuhan's *global village* (McLuhan and Fiore, 1967, p.63). For others, such as television companies and businesses with a healthy budget for advertising and sponsorship, this is evidence that big sporting events are something that they cannot afford to overlook.

The first Olympic Games of the modern era were a small event with just ten countries and 300 athletes taking part in it. Today, this number has been transformed to 16,000 athletes and coaches from over 200 countries. There is not one simple reason that can fully explain this development but there is the argument that the rise of the mass media and their fascination with sport has probably contributed to the global appeal of the Games more than any other single factor (Barney et al, 2002, p.51). If one tries to imagine the Olympics or a World Cup without television coverage, it would be hard not to admit that the above statement has a point. In this unlikely scenario, television would lose the almost 4.7 billion viewers who watched the 2008 Olympics for example as well as the revenue from advertising during that coverage and the prestige that the event can bring to a television station. The Games on the other hand would lose the same number of

viewers, the revenues from television rights and most sponsorship agreements, which together account for 60% of the total revenue of an organising committee, and their image as a truly global event.

What this example shows is that the relationship between sport and the media, especially television, is one that is very important for both of them. It is also one that was largely off the map of media and sports studies as recently as the middle 1980s (Wenner, 1998, pp.6-7). Even when the first academic works started to appear, they mainly focused on sociological aspects and were not interested in sport as a television product and the strategies of television organisations when deciding whether to invest in sport and which sports content best suits their organisations. This is the objective of this research that will investigate television sport from a journalism and media studies paradigm that is in its nature interdisciplinary and concentrate on sports programming and television content in order to analyse and understand strategic and decision making processes and practices in media organisations.

It is interesting that an online search of academic journals using *sport* and *television* as keywords reveals that most of the research has been centred on such issues as gender and its representation on mediasport (Halbert and Latimer, 1994; Riordan and Jinxia, 1996; Capranica and Aversa, 2002; Ezzell, 2009...); racial issues and mediasport (Sabo et al, 1996; McCarthy and Jones, 1997; Billings and Eastman, 2002; Halone, 2008...); mediasport and stardom (Schmitt and Leonard, 1986; Izod, 1996; Wieting, 2000; Lucifora and Simmons, 2003; Nalapat and Parker, 2005...); mediasport and globalisation (Miller et al, 1999; Bernstein, 2000; Melnick and

Jackson, 2002; Law et al, 2002...); mediasport and national identity (Boyle and Haynes, 1996; Maguire et al, 1999; Chiba et al, 2001; Alabarces et al, 2001...) and the ever-growing interdependence between mediasport, marketing and sponsorship (Bennett, 1999; Olkkonen, 2001; Meenaghan, 2001...).

This is not a surprise as the near monopoly of public service television narrowed the spectrum for TV sport. In Europe, including the UK and Greece which are the focus of this research, public service broadcasters would normally buy the most popular sports content such as World and European championships or the national leagues in football, basketball, rugby etc. Competition started to increase with the deregulation of the European TV markets and the arrival of private television which agreed to pay more than their public counterparts in order to get sporting content that could increase viewing rates and, as a result, their advertising market share (Papathanassopoulos, 2002, p.189). In the UK, ITV outbid public service broadcaster BBC to secure contracts for the exclusive coverage of the Football League (1988) and the 1991 Rugby World Cup while BBC was forced to pay £9m to keep the rights for the Wimbledon tennis tournament. The deal was for three years when the previous contract had been £5m for five years (Whannel, 1992, pp.58-59). In Greece, commercial channel MEGA secured exclusive coverage of the UEFA Champions League in 1994 and ANT1 Television, another major private channel, of the national league in basketball.

Despite these changes in the television market, the issue of sports programming and securing sporting content remained largely unnoticed because in practice there were very few commercial channels which could seriously compete with public service

broadcasters. In addition, they were all subscription-free which meant that the signing of a new agreement could not have a special impact on the number of viewers who were going to watch an event. Sports organisations were also happy to sell their property to a television channel without looking at more than one ways of exploiting it such as different packages for live, near-live coverage and highlights.

The real shift in the way the relationship between sport and television was perceived came with the arrival of digital television and pay-TV which made its nature more complex. Pay-TV changed the traditional relationship of channel and viewer to one of service provider and customer. It also brought a sudden increase of live sport on television together with huge investments on sports dedicated channels and increased competition for sports rights (Papathanasopoulos 2002, p.188). All this because some sports can attract significant numbers of viewers and persuade them to pay subscription fees.

Boyle and Haynes (2009) stress that big sporting competitions have the power to deliver large number of viewers even outside peak-viewing times, a quality which is becoming rarer as the audience continues to fragment in a multi-channel environment (Boyle and Haynes, 2009, p.68). The Japan/South Korea 2002 World Cup is such an example. Despite worries about the time difference, the event was a success in Europe. In Germany, the national team's effort in the final against Brazil was watched by more than 27 million viewers and reached an 88% market share (Eurodata TV Worldwide archive, December 2003).

But if sport has become important to television, television has also become important to sport in what is often characterised as a symbiotic relationship (Miller et al, 2001; Beck and Bosshart, 2003; Helland, 2007, Delaney and Madigan, 2009). It affects the administration of clubs and federations as well as the way sport is watched, by whom it is watched, where and at what time. In March 2004 for example, the IAAF (International Association of Athletics Federation) announced that they were planning to create a new timetable for major athletics events, with only the semi-finals and the finals taking place in the evening in order to keep the interest of the peak-time viewers. This was in response to Marc Joerg, the head of sports rights at the European Broadcasting Union (EBU), who had warned that only the most attractive sporting events could demand peak-time coverage and high fees (sportcal.com, 31 March 2004).

These observations have as a main goal to explain why the current thesis is placing an importance on a research focusing on the analysis of sports programming, television sports content and the strategies of television organisations (public service, commercial, pay-TV). It does not explain however how the initial idea came up and why it came up at a particular point in time – autumn 2001.

1.2. The idea and the main question of the thesis

The key word behind the idea of a research in sports programming and the strategies of television organisations when it comes to choosing sports content is one that has already been mentioned: complexity. It refers to the increasingly complex nature of television sports broadcasting which is the result of the introduction of new players,

new technologies (digital television, IPTV) and new legislation in Europe that relaxed laws on the creation of commercial and subscription channels.

Canal Plus in France was the first subscription television company in Europe, launched in 1984. They were also the first to launch a pay-per-view service during the 1996-97 football season. In 1992, BSkyB paid £192 million for the exclusive rights of the English Premier League for five years. Nine years later, the amount reached the £1.1 billion mark for three years (Clarke, 2002, p.79). Around the same time, Kirch Media owned Premiere Sport acquired exclusive rights to televise the German Bundesliga for four years for a total of \$1.5 billion. This contract allowed Premiere to televise all nine weekly matches – three on pay-TV and six on pay-per-view (Clarke, 2002, p.87).

The last decade of the 20th century and the beginning of the 21st saw the introduction of more digital platforms and pay-TV initiatives in many European countries, all competing to attract as many subscribers as possible and all turning to sport to help them achieve this. It is characteristic that the televised coverage of sporting events worldwide increased by 600% over the period 1988 to 1999 (Spink and Morris, 2000, p.166). The situation became particularly tricky in cases where more than one pay-TV platform began to operate in the same country and compete for the same events. On top of that, technological advances made things more complex as sports rights holders were faced with the challenge of choosing the best television network and best type of television – free (public service or commercial), subscription, pay-per-view – as well as other ways of unbundling the rest of their rights using new and untried delivery mechanisms such as mobile devices and

broadband. The aim was to create new revenue streams and keep a balance between more demand for sport and too much coverage of sport that could lead to apathy and alienation of the viewers as well as devaluation of the product for both sporting organisations and television companies.

As it was later proved, many sporting organisations, among them football clubs, were happy to sell to the highest bidder without doing a more thorough research on the best way of achieving television coverage, developing other sources of income, looking at the real value of their product (and its value as TV content) and ways of increasing it. However, by the end of 2001, it was becoming clear that both sport and television were starting to feel uncomfortable by the closeness of the relationship and mainly the fact that they were so dependent on each other that a failure on either part could threaten their existence.

As the local press in different countries began to report, television companies were worried that they had paid too much money for a type of content that turned out to be less popular than initially thought and for a market that was not big enough to support this spending. “Kirch to offer cheaper subscription fees,” (Sport Business, 31 August 2001); “ITV Digital’s question of Sport”, (article about the future of the channel ITV Sport, *The Guardian*, 18 January 2002); “ITV Digital refutes zero-rating soccer match,” (*The Guardian*, 17 January 2002); “For a handful of subscribers,” (“Για μια χούφτα συνδρομητές”, *MEN Magazine* – Greece, November 2001); “The English Federation thinks that the prices for the World Cup television rights are ‘obscene’,” (“La Federación inglesa ve ‘obscenos’ los precios de los derechos televisivos del Mundial,” *El Pais* – Spain, 9 October 2001) were some of

the headlines at the time.

The question was how and why the whole situation reached that point and how or whether it was going to affect sports programming in the future. There was also the more general question of

- what makes a sporting event a good television product
- what strategies do television executives follow and how do they choose sporting content for their channel and
- which factors – internal and external – can affect this decision and its success within a given organisation and market.

This is the main question that this thesis will try to answer.

The external factors will be investigated as part of the project. It has already been mentioned that technology is one of them. But there are many others to be considered such as the political, economic, legal and cultural climate. It is not a coincidence for example that the growth rates of the sports broadcasting rights slowed down at a time of a general economic downturn (Clarke, 2002, p.86) or that the importance given to free access to television in Europe has affected the reception of pay-TV in the continent and especially in countries with many free-to-air choices.

However, the main focus will be on the first two parts of the question: the sporting content and the importance of choosing which type of content can help a television organisation achieve its goals at a specific point in its development.

1.3. Countries and case studies

The thesis will try to explore the main question with the help of different case studies that took place in two European countries between 2002 and 2010 (older examples will be mentioned where necessary). The two countries that will be analysed are the UK and Greece and the case studies will look into the strategies, the decision making and the content chosen by

- Public-service broadcasters
- Private free-to-air broadcasters and
- Pay-TV during this eight-year period.

The first reason for the choice of the two countries is again related to the specific time of choosing the subject. At the beginning of 2002, the worries about the future of sports television started to reach their peak. Until that time, there were suggestions that things were not going according to plan and that sports broadcasters were finding it hard to achieve their targets. But the suggestions soon turned into certainty and in spring 2002 it became clear that sports broadcasting was about to see radical changes.

One of the first European markets to recognise the value of sport as a television product was that of the UK. In 1992, pay-TV broadcaster BSkyB signed a five-year exclusive rights deal for the live coverage of Premier League football and turned a £47 million loss in 1992 into profits of £62 million in 1993, £237 million in 1995 and £374 million in 1997 (Spink and Morris, 2000, p.169). This way, BSkyB

became a dominant force in British television and the viewers started to get used to the idea that they had to pay to gain access to premium content.

At the height of the digital television revolution towards the end of the 1990s and with the British government promising to switch off the analogue signal by 2010, new companies started to consider an entrance to the digital pay-TV market. BSkyB was relaunched as a full digital service in 1998 successfully transferring subscribers from analogue and a month later ONdigital (later ITV Digital) launched its own digital service. In order to compete with well-established BSkyB, ITV Digital turned to sport and signed agreements with UEFA for the exclusive coverage of the Champions League covering one game live on Tuesday on the free-to-air ITV channel and another on Wednesday on its ITV2 channel available on the digital platform. But their biggest decision was the signing of an exclusive agreement for the coverage of Nationwide League Football in July 2000¹. The amount paid was £315million for three years starting from the 2001-02 season and it resulted into the launch of a new channel, ITV Sport, which would cover all the Nationwide games. However, lower division football proved significantly less popular than the more glamorous Premier League and the channel failed to attract the number of subscribers to keep it operational. It closed down in April 2002, a few days before the collapse of the whole ITV Digital Network. A number of football clubs who had based their budgets on the money that was supposed to come from the deal, came close to financial ruin.

¹ The equivalent of the second division

In Greece, Multichoice Hellas launched the Nova platform in 1999 after 18 months of negotiations which resulted in a new law in the country regarding the licensing of digital television by the state (Papathanasopoulos, 2002, p.52). The new platform offered a number of digital channels (Greek and foreign) and the Nova-owned sports channel Supersport. The latter acquired rights from major European football leagues and most importantly from the local Greek League. By March 2001, Nova had 175,000 subscribers.

A second digital platform, Alpha Digital, made its entrance to the Greek market in October 2001 and, like most pay-TV initiatives in other European countries, tried to lure new subscribers or poach Nova customers by agreeing individual contracts with ten of the 16 top division clubs. Well-known clubs like Olympiakos urged other teams to refuse joint selling of their rights and sign contracts with the platform that would best cover their individual needs. A year later, in September 2002, Alpha Digital closed down after it became apparent that they had paid too much money for a league that had an average attendance of 5670 during the 2001-02 season (UEFA Official Website, 12 October 2002). The ten clubs, most of whom were already facing significant financial difficulties, were left without a broadcasting partner and the money they had been promised. The Greek League went on strike for four weeks with the clubs now keen to act as a group and not as individual companies.

What is interesting is that both cases appear to follow the same pattern and have similar results even though they took place in different countries. They also happened at more or less the same time. If one thinks that there are similarities in the structure of the two television markets (each has one public service broadcaster,

one major pay-TV operator and a few strong commercial channels) as well as a cultural and geographical proximity, then UK and Greece offer the opportunity not only to analyse but compare the two markets and therefore the value of the content, strategies and decision making in broadcasting organisations in two countries. This is a key feature of this project and the main reason for choosing the national case study approach.

Moreover, there are distinctive differences between the two countries. The UK has one of the most developed television markets in the continent and it also has the particular characteristic of trying to move closer to an American model. Greece represents the small Western European markets that constantly strive to improve but are often plagued by financial problems.

It would have been possible to focus on a single country but that would restrict the findings of the first two parts of the main question. Analysing and comparing more than one market will a) help appreciate whether the type of the content is important irrespective of the general environment and b) whether the way people make decisions is not just about where they live but also about the type of the decision.

In addition, sport as a notion and as a commercial product has an international character. The most popular events such as the Olympic Games, the World and continental championships involve the participation of many countries. Similarly, the most popular national football leagues like the Italian, Spanish and English are now selling their rights all over Europe and all over the world. It is therefore clear that one cannot look at sport simply as a local product and that a comparison of two

countries would help to extract more valuable conclusions about professional sport on television.

Focusing on more countries or more than one continent on the other hand would be practically impossible as it would require a lot more time and probably more than one person with good knowledge of different markets and experience of living in other countries and/or continents.

The research will take place with the help of qualitative interviews of television executives and people who are involved in the sports television market. Most are based in the two countries but there are also some with a more pan-European experience.

1.4. Outline of the chapters

Chapter 1 introduced the subject, explained the idea that inspired this project, the logic behind the choice of the two countries and the reasons for choosing 2002 as a starting point. It also mentioned that the main part of the research would be over a period of eight years and would be conducted with the help of qualitative interviews.

It further introduced the main question, made a brief discussion about why this subject is important and put it in context – journalism and media studies and in particular analysis of sport as a television product, analysis of strategies and decision making processes of television organisation when choosing

sporting content. It finally explained that this is a fairly new area of research without an established tradition and a lot of references.

Chapter 2 includes the first part of the theoretical background and the literature review. It concentrates on the factors that decide whether a story or an event has chances to appear in the media and on how these factors can be applied to sporting content. It also introduces the idea that the content comes first in every decision.

Chapter 3 includes the second part of the literature review. It analyses the factors of the external environment that can affect television organisations when making a decision including the economic, technological and legal environment. It then moves on to organisational theory, internal factors such as the mission, objectives and strategies of an organisation and describes the main decision making models. It finally concentrates on the unique nature of the sport product that differentiates it from other businesses.

Chapter 4 talks about the methodology of the research. It analyses the research design and the reasons behind its choice and offers a description of the data collection stage. In particular, it describes how the literature was selected and the problems during this process, how the interviewees were approached and the interviews were conducted, the lessons learnt by this process and how all the data were ultimately analysed.

Chapter 5 introduces the first part of the UK market. After a brief description of the history of sports broadcasting in the country, it begins to analyse the strategies as well as the big decisions of different broadcasters. There is a distinction between

public service, commercial free-to-air and pay-TV and the analysis of each one involves different examples and case studies. There is for example the case study of BSkyB versus ITV Digital, BSkyB versus Setanta Sports, BBC and the Listed Events, ITV and the Champions League... The responses of the interviewees take centre stage in this analysis. The chapter also tries to make predictions and discuss the challenges and threats that these broadcasters face.

Chapter 6 includes the second part of the UK market. It begins with an analysis of new technologies and the fresh competition that they bring from new players and mainly telecommunication companies. It then offers a discussion about other factors that affect sport on television. It makes a distinction between major and minor (for TV) sports, how each category is treated by television and what viewers prefer to watch. As the Premier League is so dominant in the country, the chapter includes a detailed analysis of their strategies when it comes to sports programming. Other factors that are further analysed are the external climate in the UK, research taking place by broadcasters prior to any decision, the importance of the quality of the production and personal relationships. The chapter finally debates the future of sport television in the country.

Chapters 7 and 8 are dedicated to the Greek market. Their structure and analysis is very similar to chapters 5 and 6 and the reason is that it is easier to make comparisons this way. Chapter 7 therefore analyses the strategies and decisions of public service, commercial and pay-TV broadcasters. The difference is that there is also a mention of the big economic crisis and how it has affected the TV sports market. Chapter 8 talks about new technologies, the most popular TV sports in the country, the general external environment, production issues and the

importance of co-operation and personal relationships.

Chapter 9 includes the conclusions of the project. It connects the literature review with the empirical evidence and answers the main research question while also comparing the UK and Greek television markets. It finally explains the contribution of the project to journalism studies and makes suggestions for further research on the subject.

Chapter 2: Theoretical Background/Literature Review (1)

2.1. Sports Content as a Media Product

2.1.1. The popularity of the Sports Content

Chapter 1 described the efforts of broadcasting companies to secure sports content in order to increase subscription and/or advertising and sponsorship revenues. Barney et al talked about the media fascination for sport (Barney et al, 2002, p.51). Boyle and Haynes argued that what television needs from sport are audiences and advertisers as well as prestige, profile and credibility in the marketplace (Boyle and Haynes, 2009, pp.68-71). Gratton and Solberg stressed that the most significant change in the sports industry over the last 20 years has been the increasing importance of broadcast demand for sport (Gratton and Solberg, 2007, p.1).

A quick look at different European markets will only reinforce the picture of sport as popular media content. Readership figures in Spain showed that there were four sports newspapers in the top ten paid dailies during the period of April 2009 and March 2010. Marca sports newspaper occupied the first place with 2.805 million readers per day ahead of the generalist El Pais (2.022m) and El Mundo (1.330m). A second sports newspaper, AS, was in fourth place (1.304m). The Marca website was also in top place of the most visited Spanish websites with AS in fifth place (Source: AIMC - Asociación para la Investigación de Medios de Comunicación).

In France, the sports daily L'Equipe was in top place of the national paid dailies in 2008 (2.3 million readers per day) and came third only to the national freesheets 20 Minutes (2.53m) and Metro (2.32m) (voila.fr; 28 January 2009). In Greece, a research on the readership of the newspapers in the country found that sports newspaper SportDay was in top place of the paid dailies (September 2007-March 2008). SportDay also came third in selling figures behind Ta Nea and Eleftherotypia which concentrate on politics but have a widespread sports coverage. Overall, there were four sports newspapers in the top ten selling dailies. SportDay was once again top in the readership of the paid newspapers between March-September 2009 (source: Focus Bari archive).

In 1998, a World Cup year, a soccer match topped the television programme popularity ranking lists in 75% out of 50 European countries. In Germany and France, 86 and 73 respectively of the top 100 programmes were soccer related. Six of the top ten TV programmes in the UK were soccer matches from the World Cup finals (Gratton and Solberg, 2007, p.309).

What these examples show is that sports content has significant media value whether in the form of news or the live transmission of an event. The thesis will actually avoid treating these two as separate genres, at least when talking about the value and choice of the sporting content, and there are three reasons behind this. The first is that a number of academic works have argued that sport television occupies a place between drama, news (journalism) and entertainment (Morse, 1983; Critcher, 1987; Whannel, 1992). The second is that if an event has a chance to make it as top news, it also has a good chance to appear on the TV screen. The

Olympics and the World Cup are typical examples. The third is that as academics (e.g. Boyle, 2006) and television executives, including some of the interviewees in this thesis, admit, there is a close connection between television rights and the editorial agenda and if one channel owns the rights for an event, it is going to support and promote it in its news programmes. In an interview with the *International Journal of Sports Marketing and Sponsorship* in 2006, Bjorn Taalesen, Sports Editor at TV2 Norwegian channel, said: “When you own rights you also have access – this is something that influences your journalistic choices. You automatically raise considerable attention for topics relevant to these rights,” (*International Journal of Sports Marketing and Sponsorship*, October 2006, pp.12-13)

The question, as mentioned in Chapter 1, is what makes sport a good media product and why some events have more chances to be selected by the media than others.

2.1.2. News Values, Content Selection and Editorial Policies

A great volume of research has been dedicated on what makes an event “newsworthy”. This is part of the *Theory of News Values* that assumes that “it is not the subjective choice of journalists but the almost objective characteristics of an event that will decide whether it will appear in the media or not,” (Wunsch, 2000, p.3).

These characteristics are called news factors or values and as a concept, they can be traced back to 1922 when the American Walter Lippmann suggested five factors

that made an event newsworthy: sensationalism, proximity, relevance, unambiguity and facticity. According to Lippmann, the more criteria fulfilled by an event and the stronger the values of the criteria, the greater the chance that it will be published (Lippmann, 1922).

In Europe, Ostgaard (1965) meta-analyzed several content analyses on the international news flow and found three factors that determine selection: simplification, identification and sensationalism (Ostgaard, 1965, pp.45-48). He observed though that there are external factors, political and economic, that can have a hampering influence on the flow of news. The news source is such an external factor and this indicates that powerful institutions like the government will attempt to influence the way an event is portrayed. A news story is also a product on a market so it has to follow certain market rules such as keeping the expenses down to a level where they can be covered by income and selling to as many clients as possible. A third set of external factors are the priorities that arise out of the individual media company's editorial policy and market orientation (Allern, 2002, p.141; Ostgaard, 1965, pp.39-63).

The best-known research on the newsworthiness of different events to date is that of Galtung and Ruge (1965). They identify twelve values, the first eight of whom are more universal and the last four culture-bound, i.e. they are deemed to be important in the north-western corner of the world (Galtung and Ruge, 1965, p.68).

The first factor is *frequency* and their thesis is that "the more similar the frequency of the event is to the frequency of the medium, the more probable that it will be

recorded,” (Galtung and Ruge, 1965, p.66). The second is *amplitude* which means that an event has to be big enough or involve a large number of people to be recorded. A third value is *simplicity*. An event with a clear interpretation, free from ambiguities in its meaning, is preferred to the highly ambiguous. *Familiarity* is also important. The listener or reader will pay particular attention to the familiar, culturally similar while the culturally distant will be passed by more easily. The other dimension of familiarity is in terms of relevance. A distant event will be noticed if it has an implication for the reader and listener. A fifth hypothesis is that the more *consonant* an event with what one expects or wants to happen, the more probable that it will be recorded. The sixth hypothesis brings a corrective to the fourth and fifth. The idea is that it is not enough for an event to be culturally meaningful and consonant with what it is expected. On the contrary, “it is the unexpected *within the meaningful and the consonant* that is brought to one’s attention and by “unexpected” we simply mean essentially two things: *unexpected or rare.*” A seventh value is *continuity* which shows that once something has been defined as news, it will continue to be treated as such. The eighth value is *balance* and it refers to the composition of a news or entertainment programme. If a programme has received only a certain type of stories, e.g. foreign news, then it is more likely that a less significant domestic story will be presented in the programme to keep balance (Galtung and Ruge, 1965, pp.66-67).

The four culture-bound factors are the following: a) the more the event concerns elite nations, b) elite people, c) the more it can be seen in personal terms, as due to the action of individuals, and d) the more negative it is in its consequences, the more probable that it will become news (Galtung and Ruge, 1965, p.68).

Galtung and Ruge added that when all these factors are operating, the more events satisfy the criteria mentioned, the more likely that they will be registered as news (selection); once an event has been selected, what makes it newsworthy according to the factors will be accentuated (distortion) and both the process of selection and the process of distortion will take place at all steps in the chain from event to reader (replication) (Galtung and Ruge, 1965, p 71).

The news factors are not isolated. The higher the amount of factors in an event, the higher the probability that it will be reported (Additivity hypothesis). At the same time, factors can complement each other which means that if an event is low on one, it may compensate for that by being high on another (Complementarity hypothesis) (Galtung and Ruge, 1965, pp71-72, Wunsch, 2000, p10).

This model by Galtung and Ruge was further analysed and tested by a number of academics. Winfried Schulz (1976) came up with a list that included 18 factors, subsumed under six dimensions: a) *Timeliness (Zeit)*: the life-span of the event and its theme that establishes it as news, b) *Proximity (Nahe)*: geographical, cultural and political proximity as well as the relevance of an event to the lives of the public, c) *Status (Status)*: similar to the elite-nation and elite-person factors, d) *Dynamics (Dynamik)*: the unexpectedness of an event and its structure, if it has for example a straightforward meaning, e) *Valence (Valenz)*: Schulz differentiated the factor negativity in the aspects conflict, criminality and accident. He also mentioned the aspect success which is the positive side of this dimension, f) *Identification (Identifikation)*: That includes the factors personification and ethnocentrism (Wunsch, 2000, pp.15-16).

A more recent research by Harcup and O'Neill (1999) arrived at a more contemporary set of values that puts celebrity at the top (Sparre, 2003, p.63).

McGregor (2002) proposed four factors that reflect “the dramatic, profound changes to the mediascape,” (McGregor, 2002, p.1). All the research mentioned above focused on what newspapers do but in an age where television has taken centre stage, it is important to look into what television stations consider as newsworthy events. *Visualness* is the first and most important of the four factors and it moves beyond mere aesthetic considerations. It suggests that the presence or absence of visualness and the ability to get pictures determines whether an event will be covered. Relative to visualness is the next factor – *emotion*. The more an event exhibits an emotional sub-text, the more likely that it will be selected. A third factor is *conflict* but it is not conflict as outcome that concerns McGregor. She suggests that the dynamics of televised political and controversial news in particular is driven by a conflict format to the extent that if there is not an A versus B contest, there cannot be a studio debate. The last factor is the “*celebrification*” of the journalist. Television depends on a personality system and is relying on the journalists not just to bring the news but to be the news (McGregor, 2002, pp.2-5).

Allern (2002) adds another important dimension to the research which has to do with the fact that media are also commercial businesses. He writes that editorial priorities “should be seen as efforts to combine journalistic norms and editorial ambitions, on the one hand, with commercial norms and market objectives, on the other,” (Allern, 2002, p.137). News values, taken alone, do not reveal enough about the priorities and the choices of the media. “They assume meaning only when

placed in the context of the medium's orientation to its readership or audience or, in other words, its market orientation and editorial market strategy," (Allern, 2002, p.150).

What Allern argues is that all the media that operate under a capitalistic market, even those that are state-owned, need a strategy of this kind. In the case of private companies, success in a given market or "target audience" is a means to serve the advertising market and secure a profit. Editorial costs are evaluated with the same considerations and this can affect the type of news and programmes that appear in the medium (Allern, 2002, p.150).

Fuller (1996) stressed that it is not an elitist choice but its target audience that makes the *New York Times* concentrate more on international news as many of its readers are directly involved in international business and public policy (Fuller, 1996, p.9).

The vast majority of the research has focused on the news selection of the media rather than that of the recipients. Galtung and Ruge were the first to suggest that journalists and recipients select information based on more or less the same criteria (Galtung and Ruge, 1965, p.71).

2.1.3. News Values, Content Selection and the Demand for TV Sport

Research on sports news and programmes in connection with the news values theory is rare as is research on sports content in general. Most of the academics

looked into the coverage of international news or politics. But as Harris et al argue, the whole scale of news values characterises sports programming (Harris et al, 1981, p.389).

Morse (1983) wrote that the fascination sport-on-television exerts is because it occupies a position between news and entertainment. “The position of sport in the television flow raises it, like the news, above genres which specialize in mere entertainment. The aura of scientificity of sport, its news-value, and its perceived realism protect its extraordinary status” (Morse, 1983, p.60).

Sport has most of the ingredients that make an event newsworthy and the different values are often mentioned by the interviewees in chapters 5-8. A major event like the Olympics for example includes all the factors proposed by Galtung and Ruge. *Frequency* has a special meaning in televised sport in the sense that a major event will fix and adapt its schedule to the frequency of the medium to make sure that it is covered. Swimming and gymnastics finals in the Beijing Olympics were scheduled in the morning so that they could be aired at peak-time in the United States. Rowing moved in the afternoon in a concession to the British TV market, while diving finals were scheduled in the afternoons and evenings for the Australians (People’s Daily Online, 27 October 2006).

The Olympic Games involve a large number of people so the factor of *amplitude* is self-explanatory. It is also an event that anyone can follow (*simplicity*); people are familiar with its structure and feel that they have a strong bond with the athletes that represent their nation (*meaningful*). They may also predict the outcome or express

what they want to happen and that creates a mental matrix for easy reception and registration of the event (*consonance*). *Unexpected* results, surprises and rare incidents are part of the Games as are incidents that can be placed into different categories – results, human-interest stories, health news (injuries, doping), financial news (cost of the Games) – making it better balanced and less monotonous (*composition*).

The first three of the four culture-bound factors fit sport perfectly as it involves elite nations, elite people and stories that are centred on the actions of individuals. The negativity is not so obvious but becomes another key factor if one thinks about what Schulz called *valence*: a combination of negative events, conflict and success stories.

Sport is also an ideal representative of the four “television” factors proposed by McGregor: sport can hardly exist without pictures (*visualness*). *Emotion, conflict* between A and B and the “*celebrification*” of the *journalist* are three more typical characteristics of televised sport.

As with every other event, different sports programmes do not have the same newsworthiness and are therefore subject to a decision-making process by the print or broadcast medium. Lee and Choi (2009) tested the international newsworthiness model of Shoemaker, Danielan and Brendlinger (1991) in the Japan and Korea 2002 World Cup. This model includes a range of factors that affect international news under two broad concepts – deviance and social significance. Deviance includes factors such as novelty, oddity, prominence, sensationalism and proximity while

social significance has dimensions like importance, impact, consequence and interest (Lee and Choi, 2009, p.305).

Lee and Choi measured the degree of significance and deviance of each match² and then examined the matches that received the most coverage in the US and Korean traditional and online media. The study found that there was a relationship between measured news values and media coverage, especially in the traditional media. The more significant a match was, the more prominently traditional media covered it³. The more deviant a match was, the more prominently it was covered by the media⁴. Finally, if a match was both significant and deviant, more attention was given to that match than matches that were only significant or deviant (Lee and Choi, 2009, pp.302-318).

This study confirmed what was more or less expected: that in sport as in every other category, there are events that will always attract more attention than others. The study looked into different games of the same sport – football. It is important to add that different sports will also receive different amount of coverage based on how popular and newsworthy they are considered to be. When it comes to television, different sports will receive different coverage for the added reason that some of them do not lend themselves as much to the medium as others or require a different script and a different type of coverage to do so. Raunbjerg and Sand (1998) argued that “a three-week bicycle race differs considerably from the execution of a five-minute figure skating programme” (Raunbjerg and Sand, 1998, p.163).

²The FIFA ranking of the teams and international betting odds indexed the degree of significance and deviance of the matches

³ England vs Argentina received a far more extensive coverage than the Costa Rica-China match

⁴ Senegal's win over France in the opening day received more coverage for that reason

Nicholson (2007) says that news values highlight the ways in which sport organisations can maximise their media coverage. However, the application of the criteria is likely to be different depending on the size of the organisation. Small sport organisations or athletes that come to prominence sporadically or unexpectedly often have peaks of media coverage but fail to realise that the strategies to maintain continuity are as important as achieving the initial coverage. In addition, they often disregard the composition of news. These organisations pitch or present ideas to the media that are effectively the same as those organisations with greater amplitude. A better strategy might be to adopt a targeted approach with less but more unusual stories (Nicholson, 2007, p.110). This is part of the discussion about major and minor sports that is analysed in Chapters 6 and 8.

It is significant that academic works that looked into the popularity of sport from a different perspective reached similar conclusions. Talking about audiences and pleasures, Whannel stressed that the real intensity of watching sport comes from identifying with an individual or team as they strive to win. He also listed the forms of pleasure of viewing television sport: familiarity with conventions, identification, nationalism, narrative and resolution, star watching, spectacle, immediacy, thrills and spills, physicality (Whannel, 1992, p.200).

Talking about “sport as an entertainment product”, Gaustad said that there was a tendency to adjust sport so that it suited the needs of broadcasters and viewers. The adjustment included adapting the frequency of the sport to the frequency of the medium, changing rules in order to make it less boring for TV and even creating

new sports shaped primarily to satisfy broadcasters as in the case of Extreme Sports (Gaustad, 2000, p.103).

The view that celebrities are now top of the agenda (Harcup and O'Neil) is one that is also prevalent in media sport studies about the entertainment value of sport and the popularity of big stars. Gruneau noted that in a consumer society fascinated by celebrities and glamorous life-styles, it is not a surprise that part of television's definition of good sporting entertainment has centred upon individual performers and the personalities of athletes (Gruneau, 1989, p.137). Whannel (1990) argued that such figures are crucial to television's means for winning and holding audiences. Most of the viewers in a large television audience are not sports fans and it is not by producing an expert-orientated discourse addressing the cognoscenti that their attention can be won. It is vital that television sport successfully delivers entertainment value, and celebrities are part of the hard currency by which television entertainment values are measured (Whannel, 1990, p. 112). Smart added that marketing, merchandising, a culture of celebrity and the values of entertainment and accommodation to the demands of television are now part and parcel of major sports events (Smart, 2005, p. 101).

Economists have looked at the demand for sports broadcasting. When it comes to television viewers, there is a much greater demand for sport on free television due primarily to its wider availability (Gratton and Solberg, 2007, p.34). However, more and more sports migrate on pay-TV and viewers agree to pay subscription fees because the total cost of watching an event on television is still much cheaper than attending the actual event and travelling to the location where it takes place and it

could also be cheaper than other leisure activities. According to microeconomic theory, the demand for goods and services will be influenced by factors such as the direct price, the prices for other goods and services and income (Pindyck and Rubinfeld, 2004, p.107). It is also important that many viewers are fans who have formed a strong unit relationship with a team and this relationship is sometimes so powerful that team success is seen as personal success and team failure as personal failure (Hirt and Zillmann, 1992, p.725).

The television industry is an example of a two-sided market. Networks and especially commercial free-to-air broadcasters compete to attract viewers' attention and then sell that attention to advertisers. Wilbur has found that advertiser preferences are at least as important as viewer preferences when networks choose programmes (Wilbur, 2008, p.358). The demand for sports programming from the advertisers point of view is determined by the size of the audience and its distribution across demographic categories with young adults the most valuable viewers (Noll, 2007, p. 409).

Economists have finally noted that there are certain factors that can increase demand for specific sports programmes. Hausmann and Leonard (1997) examined the effects of superstars in NBA basketball and noted that the presence of All Star players had the effect of increasing television audiences by 7 to 10 per cent depending on the viewing platform (national, local networks...). Superstars like Michael Jordan increased audiences by an additional 10 to 36 per cent (Hausman and Leonard, 1997, pp.586-624).

Kanazawa and Funk (2001) found that audience ratings for locally televised NBA matches responded positively to the number of white players in the local and visiting teams. Their results also showed some evidence of audiences' preference for competitive balanced contests (Kanazawa and Funk, 2001, p.599).

Forrest, Simmons and Buraimo (2006) looked at Sky's selection of Premiership matches for live coverage for the seasons from 1993-94 to 1997-98 and found that the television network favoured games with more talent on show (i.e. better paid players), matches of significance for some issue within the league (e.g. games that could decide the title or which teams got relegated) and matches expected to be closely contested (Forrest et al, 2006, pp.93-100).

Shibli and Gratton (1999) found that for a minor sport, it is not the mere fact that it will appear on television but the precise timing of the coverage that will determine its success. The European Short Course Swimming Championships in 1998 enjoyed strong ratings on BBC when it was broadcast on Saturday during the Grandstand programme. The ratings were better than those of the final day on Sunday even though the final day is normally the most prestigious. The reason was that the Saturday coverage fell between the half-time football scores round-up and the Final Score, the most watched part of Grandstand. There were also constant updates of the latest scores during the swimming coverage and that was an additional incentive for viewers to watch (Gratton and Soldberg, 2007, pp.17-29). Ratings for the ESCSC in Great Britain, the host country, were higher than in any other European country where the event was televised.

Solberg and Hammervold (2008) stress that since TV sport viewing is a leisure activity that has to compete with other leisure activities, broadcasters should have information about who the potential viewers are, which sports they are interested in, what characterises the fans of specific sports and which sports they are willing to pay to watch. Their research on TV sports viewers in Norway found out that popular sports were also popular sports programmes with biathlon and cross-country in the first places and ski jumping with football in joint third. Men were significantly more interested in sport than women. Those who were interested in the three most popular sports regarded themselves as more interested in sport in general than others as well as more concerned about the quality. Football was the only sport where those who were interested were also more willing to pay for watching. In addition, football fans were more interested in following their favourite teams/players than fans of other sports (Solberg and Hammervold, 2008, pp.95-110).

The type of the content, the criteria that the media use and their editorial policies form the first and foremost part of the process of deciding which sports and events should appear on a television channel. However, this decision will also be affected by a number of external factors such as competition, technological advances, financial, political and legal developments. These external factors will be analysed in the next chapter.

3. Theoretical Background/Literature Review (2)

3.1. Global environment and television sport

31.1. Global Environment

This section of the thesis will provide a brief description of the different aspects of the global environment that impact on sport as a business and in particular on television sport.

As Sage (2002) points out, a significant transformation in the world order has been under way during the past half century which can be characterised as a growing political, economic and cultural interdependence among the world's nations (Sage, 2002, p.269). The word *globalisation* which describes this process refers “both to the compression of the world and the intensification of the consciousness of the world as a whole” (Robertson, 1992, p.8). The main characteristics of this process include the emergence of a global economy and a transnational cosmopolitan culture, an increase in the number of international agencies, the growth of global forms of communication, the development of global competitions and prizes (Maguire, 2002, pp.356-357).

Strange (1992) notes that “many seemingly unrelated developments in world politics and world business have common roots and are the result in large part of the same structural changes in the world economy and society”. This fact has changed the nature of diplomacy. Firms are significantly more powerful which means that

governments have to bargain not only with other governments but with firms and enterprises as well, while firms have to bargain both with governments and one another (Strange, 1992, p.1).

There are many academics (Hall and Sockise, 2001; Van Bottenburg, 2003; Miller et al, 1999; Pieterse, 1995; Sreberny-Mohammadi et al, 1997; Robertson, 1995) who however stress that globalisation does not create similar nations, cultures and people.

Van Bottenburg (2003) adds that the way items of cultural significance are embedded in and adapted to local cultures involves active processes of interpretation, adaptation, appropriation and reinterpretation, processes that are more likely to result in diversity and complexity rather than homogeneity and uniformity (Van Bottenburg, 2003, pp.1550-1551). Robertson (1995) suggests the term *glocalization*.

An interesting addition to the globalisation literature is the one that argues that this period of globalisation cannot last forever. Milanovic (1999) wrote that the world has witnessed three periods of globalisation. One was the Roman Empire, the second the British from around 1870 to the Great War and the third the current globalisation. All three had similar characteristics: the existence of a hegemon (Rome, Britain, USA), technological progress, imperialism, inequality and cultural integration. The first two could not avoid reactions and the emergence of new ideologies. According to Milanovic, Christianity and Marxism played a role in the

demise of the first two globalisations so something similar could happen in the future (Milanovic, 1999, pp.1-14).

3.1.2. The impact of the external environment on television sport

The globalised economy expands through cultural products such as music, art, sport and the media, especially film and television, which enhance the integration and interdependence tendencies in the world (Sage, 2002, p.270). This statement shows that sport and the media (mainly television), the two central themes in the thesis, are perfectly suited to existence within a globalised society.

Wright (1999) identifies a number of globalising tendencies in sport.

- Increased involvement by global telecommunication oligopolies⁵ in the control of the scheduling and production of sporting competitions
- Using the new international division of labour to produce sports equipment and sports and leisure related apparels and shoes in Third World sweat shops
- International sports organisations and federations such as the International Olympic Committee (IOC) and the International Federation of Football Associations (FIFA) generating enormous revenues by selling television rights and sponsorships to Transnational Corporations
- Promoting national leagues and recently teams like Manchester United in markets overseas as a means to promote leagues and team related merchandise

⁵ E.g. News Corporation and Disney

- International sports management firms controlling athletes, promoting events that those athletes participate in as well as producing the televising of those competitions
- The proliferation of foreign athletes on professional teams
- The professionalisation of former amateur sports such as Athletics (Wright, 1999, pp.268-269)

The big challenge that sport businesses face is to find their position within the globalised society taking into account all the aspects of the general environment that can affect their daily operations and their future success. According to Trenberth, it is the ability of sports organisations to understand and respond to changes that are shaping the social, political and economic environment that determines whether they will be successful or not (Trenberth, 2003, p.21).

Westerbeek and Smith (2002) make a choice of seven factors that drive the global scenario and have a direct impact on commercial sport. These factors can also affect sports television and the decisions of television executives and will act as a guideline for this thesis. They are the economy, technological advances, the environment, demography, governance, conflict and cultural identity.

3.1.2(a) The economy factor

The economy and the economic climate play a key role in television sport. The breakdown in the economic frontiers has helped sport to attract more fans and develop more as a business. With more fans available, the biggest, financially

strongest and technologically best-supported clubs and leagues can expand to parts of the world that have not experienced fully-professional marketing and merchandising. The Premier League is a typical example analysed in Chapter 5. They can also establish creative alliances⁶ which leverage the participant's entry to an otherwise distant market (Westerbeek and Smith, 2002, pp.10-12).

The European sports broadcasting market is inevitably linked to the performance of the European and global economies which are notoriously difficult to predict (Elman et al, 2005, p.11). The downturn in global economy can occur suddenly as was the case in the early years of 2000 with the slump in the dot.com industry, the depreciation of advertising rates and the demise of big companies like sports rights agency ISL, the Kirch Group or ITV Digital.

Fowler and Curwen (2002) argue that Leo Kirch, the founder of the Kirch empire, took many risks during a positive financial climate. He hoped that interest payments would comfortably be covered by earnings, that he could attract large amounts of private capital and that the banks would receive enough political pressure to provide support for his ventures. The sharp decline in advertising revenue left him vulnerable as did the fact that it is always more difficult to control different small and big ventures during an economic crisis (Fowler and Curwen, 2002, p.23).

The world of sport has experienced similar problems during the last couple of years and chapters 5-8 will analyse the impact of an economic crisis on sports programming. The Greek market is a typical example with the economy forcing

⁶ e.g. the collaboration between Manchester United and the New York Yankees

television organisations to completely rethink their strategies. In general, when the economy booms, TV organisations find that competition for sports programming and risk taking increases but an economic downturn will normally expose these risks.

The discussion so far has been about the impact of the global economy on the future of television organisations. Another part of the literature of economics and sport examines the particular nature of the sporting firm that does not normally look at profit maximisation the way other firms do. There are models of the firm where sales rather than profits are the maxim, on the grounds that high sales may bring more satisfaction to the managerial staff than higher profits. In sporting firms, this is translated into whether clubs are trying to maximise profits or winning, i.e. whether victories or profits will satisfy the owner more. One could argue that more winning brings more profit but this is not always the case. After some point, an extra win will not necessarily bring more fans or more profits while it may become more costly to generate additional victories. Profit maximisers will behave different from winning maximisers. The first will offload expensive players and impose limits on team strength to increase profits while the second will try to dominate their leagues and reduce the uncertainty of outcome (Lavoie, 2002, pp.161-162).

It is interesting from a business point of view that US sporting organisations will normally behave in the first way while Europeans will sometimes follow the second. Szymanski says that the Anglo-American model is based around self-governing associations of independent clubs, independent of the state and commercially orientated when interest is large enough (Szymanski 2006, p.305).

Sloane on the other hand argues that the European model places less stress on commercial considerations. There are however suggestions that the two models are converging (Sloane, 2006, pp.299-302).

3.1.2(b) The technology factor

The impact of technology on sport, while always having had an effect, has in the past 20 years become even more pronounced (Turner, 2008, p.178). The technological advances will not necessarily lead to equal opportunities for sporting organisations in different parts of the world but will definitely lead to opportunities for some. The use of the Internet to broadcast sport is becoming more frequent as broadband becomes more common and inexpensive. That means that smaller sports can use these technologies which are cheap and open for everyone (Westerbeek and Smith, 2002, p.19). Broadband can help for example small federations that may have a large but diffused fan base to access news and live events on the internet and eventually create sponsorship revenue (Elman et al, 2005, p.15). In addition, associations, clubs, athletes and even individual users now have the means to produce content independently and distribute it online through blogs, web sites, digital video and phone cameras (Hutchins and Rowe, 2009, p. 364).

In the early years of the new millennium, telecommunications companies raced to establish first-mover advantage in the delivery of real time sport scores and delayed replays of important competitions that could be played on mobile phones. The reason was that the ability to watch sport or receive update on sports news and scores from anywhere in the world was an appealing prospect for sports fans,

especially as costs became less prohibitive with time (Westerbeek and Smith, 2002, pp.19-21).

Telecommunications companies are currently more interested in developing their own television offerings as part of triple-play⁷. Sports content is a powerful means to promote their new services but an expensive investment as Chapters 6 and 8 will show. Pay-TV companies are also moving towards the triple-play direction adding telephony and broadband to their already established television services.

Convergence, the melding together of different media, creates a new landscape. It can be defined as a process by which the telecommunications, broadcasting, information technologies and entertainment sectors converge towards platform independence resulting in a unified market structure (Mishra, 2010, p.1). The medium of transmission becomes irrelevant, the boundaries between platforms disappear and what remains are just media brands which try to reach audiences by whatever means possible (Turner, 2008, pp.357-358).

Different media and sport institutions face different challenges in this environment. Sports organisations strive to maintain or improve the value of broadcast contracts, establish business models designed for digital media, develop their own broadcast and online media production, prevent online piracy and unauthorized content reproduction and accommodate online feedback, criticism and possible content reproduction by fans and consumers. Broadcasters try to establish complementary and attractive online sites, compete with new market entrants such as

⁷ Phone, broadband internet and television all through the same line and all paid in one bill

telecommunications providers, adjust to an altered advertising market, prevent unauthorized content reproduction and deal with regulatory uncertainty in a fast-changing communications environment. Telecommunication companies want to break the stranglehold of traditional broadcasters over coverage rights to popular sports, establish profitable business models, obtain and package reliable “premium content” to attract users and cope with regulatory uncertainty (Hutchins and Rowe, 2010, pp. 2-3).

A number of studies have been devoted to technological convergence and the impact it has on television. Syvertsen (2003) talked about the challenges to public television and the importance of convincing the political authorities that public television represents a valuable alternative to commercial broadcasting, while at the same time present output that is sufficiently broad and popular to appeal to the public at large. Wheeler (2004) analysed the European Union’s audiovisual policy instruments, cross-media ownership regulations and the regulatory frameworks concerning converging communication services. Storsul and Syvertsen (2007) looked into the impact of convergence on European television policy, whether existing regulation has to be modified or whether too much emphasis is placed on factors pointing towards change and continuity is underestimated. They argued that political and cultural – more than technological – concerns have formed the established television regimes, which is why public service television is still subject to more regulation than satellite and web media. Doyle (2010) examined the economic aspects of convergence and of multi-platform expansion in the media sector. She suggested that adaptation to a multi-platform outlook on the part of conventional media requires investment in staffing and re-versioning of content.

Funding this, especially in a period of economic downturn, has encouraged a more selective approach towards content.

What is particularly important for this study is that convergence is changing the way sports rights are sold. After years of confusion about what is a broadcast, web and mobile right, the platform-free approach is now preferred by the majority of sports and TV organisations with the rights sold based on whether they are live, near-live or highlights.

A final important factor is that technology is changing the way viewers consume TV sport. High-definition, on-demand technology and improved graphics make the sporting experience more intimate and have persuaded pay-TV companies that invest heavily in sport to invest in new technologies in order to attract new subscribers. In an article in TIME magazine, Brad Adgate, senior vice president of research at Horizon Media, said that high definition TV was partly responsible for the surge in popularity of sport on US television. "With HD, you get to see the blades of grass and the beads of sweat. It's a much richer viewing experience." According to the Consumer Electronics Association, 65% of U.S. homes own at least one high-definition television set and sports ratings are 21% higher on HDTVs, according to Nielsen (TIME Magazine, 14 August 2010).

What Westerbeek and Smith stress though is that the impact of technology should not be overestimated. There is for example no guarantee that a sporting organisation with a small appeal in a domestic market will interest other markets or will increase its appeal in a given market just because it uses new technologies (Westerbeek and

Smith, 2002, p.21). New technologies will also need time to become established and widely accepted and television organisations must find a balance between offering a technologically attractive product and spending too much money.

3.1.2(c) Environment and Demography

A third factor is the environment. This is a less obvious factor but damage to the environment can have direct effects on sport. Global warming and water shortages may discourage sport participation and infrastructure in arid, desertified regions, particularly for sports requiring grass. Only few rich countries like Saudi Arabia will be able to dedicate large resources into developing and sustaining massive desalination plants. In addition, threat to the skin from the degradation to the ozone layer could force people, especially in big urban cities and countries like Argentina and Australia, to focus more on indoor than outdoor activities (Westerbeek and Smith, 2002, p.25). This could affect the popularity of some sports and their presence on television.

Adverse weather conditions can also impact on the schedule of certain sports and on the way television stations look at them. Winter sports for example depend on the amount of snow that falls each year. If there is not enough snow, competitions may be cancelled and the same will happen if the weather is bad and windy. Ski jumping is the typical example where strong winds can lead to delays and cancellations. But even football has suffered from adverse weather. The heavy winter in 2010 led to many games being cancelled in England, Scotland, Germany, Holland and France. Television stations had planned to broadcast these games and were left without live

content. In order to cover themselves, broadcasters can ask for special clauses in the contracts for games that are postponed.

Demography is a fourth factor. With people living longer and with the birth rate decreasing in the developed world, sport is likely to have a different look in years to come. Fewer people will be able to participate in more athletic sports like football and basketball. This does not necessarily mean that these sports will become less popular. They will however need to market their products in a new way that will attract the older and often financially better-off spectator. That involves more comfortable sports areas with better access to car parks, bar and restaurants. It may also mean moving the sports coverage earlier in the evening with less coverage on Friday and Saturday when older people prefer to go out (Westerbeek and Smith, 2002, p.29).

3.1.2(d) Governance, conflict and cultural identity

The fifth factor is governance. It is expected that the future of sport business will be further away from government involvement with funding from the private sector playing a central role. The value of high-profile clubs is growing so much that they move from simple private ownership to corporate structures where shares are freely available for any individual or institution to purchase. In reality, very few individuals or institutions will own the majority of these clubs. Westerbeek and Smith note a growth in centralised ownership of the world resources, including sports organisations. They also argue that like media organisations, sports organisations and clubs attempt to expand their spread of influence in the global

marketplace by agreeing mergers or alliances. Television rights are very important here because a team cannot struck new deals in other markets if it is restricted by a league in the right to sell broadcast to their games. It can hope however that by agreeing to a collective selling of its rights, it can make the league stronger, increase competition and ultimately make the product more desirable to television.

An interesting point is that big does not always mean successful. Many giant organisations were forced to scale down and decentralise when they realised that their different parts were actually worth more than the whole and sports organisations could follow suit. UEFA scrapped the second group stage in the Champions League in 2003-04 amid fears that the number of games could end up killing interest in the top club football European competition.

While sport organisations seek to govern themselves more independently, there are concerns that only the most successful like those involved in football have a chance to achieve that. The increasing significance of corporate sponsorship and sports broadcasting does not need to have a negative influence when governing bodies are relatively powerful. However, the less popular sports and sport in poorer countries may be unable to prevent the distortion of sports development strategies to provide elite competition and performers (Houlihan, 2002, pp.222-223).

It is also expected that government involvement will not go away without a battle. After the end of the Cold War and the collapse of apartheid, there were suggestions that the loss of the stimulus of ideological confrontation would result in a reduction in government involvement in sport, reflecting the decline in the value of sport as

diplomatic resource. However, this seems far from being the case, especially in developed nations, where investment has generally increased. According to Houlihan, it is not surprising that sport should remain a valued resource for governments in domestic politics, while its continued utility in international politics is a reflection of the strength of the resurgence of nationalism and the politics of identity (Houlihan, 2002, p.222).

Government involvement is particularly important for public service broadcasters. It is mentioned later on that they have to build their strategies based on the fact that they are financed by the licence fee and sometimes government aid, that they have a set budget or are asked to restrict their budget during a financial crisis (Greece example) and that they have to prove that they fulfil their public service remit. Governments and politicians can also put pressure on public service broadcasters to acquire broadcasting rights to major sporting events. German politicians of all colours urged public service broadcasters ARD/ZDF to buy the rights of the 2006 World Cup that took place in their country, some of them even considering a reduction in the licence fee otherwise (Fikentscher, 2006, p.73).

Conflict and war will also have a direct impact on sport business. Following the September 11 attacks, a number of sports events had to be cancelled or review their security measures. The threat of terrorism in Western nations and localised conflicts in other regions such as the Middle East and Africa can curtail the globalising forces of sport, which have traditionally been among the most 'borderless' activities in the world. There is also another type of conflict that will shape sport, that among the biggest sports entertainment empires like News Corporation and Disney

(Westerbeek and Smith, 2002, pp.37-40). This conflict is particularly relevant in sports television where different organisations fight to secure the most popular content in order to establish themselves in their market.

A seventh factor is cultural identity. Part of the difficulty facing sport organisations is their assumptions concerning the rest of the world. Professional sport has been propagated in the west and other professional sport enterprises around the world have followed this model. The problem is cultural compatibility. The Western world seems to try to reinvent sport in other parts of the world in its own image but this approach does not necessarily stand up in areas with fundamentally different values like the Middle East and other Islamic nations (Westerbeek and Smith, 2002, p.42).

3.1.2(e) The legal environment

A factor that was not mentioned earlier but is very important for sport business in general and sport television in particular is the legal environment. In Europe, the involvement of the law on television sport was not particularly important until the mid-1980s. The climate between sport governing bodies and the media was peaceful and there were few controversies regarding sales procedures and ownership issues. This changed when the broadcasting market was deregulated (Gratton and Solberg, 2007, p.203).

This presented a series of challenges such as ensuring that the viewers have reasonable access to sport broadcasting and that media and sport organisations do not engage in practises or behaviour that is anti-competitive. Governments and the

European Commission have responded to this by regulating sports broadcasting, albeit in different ways depending on cultural, national and geographical contexts, i.e depending on the country, the importance of sport, the historical relationship between free-to-air and pay television and the access of consumers to pay-TV. This intervention has had an impact on the amount of sport on free-to-air television, the ways in which sport organisations are allowed to sell broadcasting rights and the ownership of sport teams (Nicholson, 2007, p.77).

Some national and international sporting events are considered important and beneficial for the entire society. They are known as Listed Events and they were first introduced as a national regulation in the UK in 1990 preventing certain sporting events from being shown exclusively on pay-per-view but allowing them to be shown on subscription channels. The regulation was tightened in the Broadcasting Act 1996 which extended the prohibition from pay-per-view to subscription channels without changing the list of events (Cowie and Williams, 1997, p.621).

This idea was later adopted by the European Commission in the “Television Without Frontiers” Directive 97/36. According to the directive, each member state can draw up a list of events that are considered of major importance to the society and will be allowed to broadcast on channels with a minimum penetration decided by the perspective nations. Austria, France, Germany, Ireland, Italy and the UK had passed their own lists by 2005 (Gratton and Solberg, 2007, p.211).

The UK list is considered quite extensive and will be analysed in Chapter 5. The Italian list on the other hand is brief. The UK requires the channels to have a minimum penetration of 95 per cent, Ireland and Italy 90 per cent and Germany 67 per cent. Greece does not have a list partly because the biggest events like the World Cup and the Olympics were traditionally acquired by the public service broadcaster via the EBU and partly because public service television was traditionally strong and pay-TV a recent development that took time to take off. Listed Events can be modified with time as the broadcasting landscape changes and subscription channels argue that such restrictions do not allow federations and sports to take full advantage of their properties.

A second area where regulation has played a key role is in the collective selling of broadcasting rights, i.e. the circumstances under which sport federations are allowed, under national and European Commission competition rules, to market television rights to the events which fall within their responsibility on a centralised basis (European Broadcasting Union press release, 23 November 2007).

The Commission acknowledges that joint selling is accepted practise and facilitates exclusivity which in turn maximises the return that sport leagues and clubs can achieve. However, joint selling also facilitates long-term contracts and if the broadcaster is dominant in the marketplace, this can result in a lack of competition between broadcasters and an increase in prices for the subscribers-viewers (Nicholson, 2007, p.83). Individual governments have responded differently to regulating the practise of collective selling of rights by football leagues and it is interesting that even the European Commission has looked at joint selling on a

country by country and competition by competition basis. It reached different agreements with UEFA regarding the Champions League, different agreements with England's Premier League and different with Germany's Bundesliga.

The Premier League agreed to offer six packages of rights with the additional clause that a single bidder not be allowed to buy all six while the Bundesliga agreed to the sale of discrete packages to matches in the first and second division to free-to-air and pay television as well as packages for free-to-air exclusively (Nicholson, 2007, pp.82-83).

Government and EC regulation has also attempted to limit or prevent negative consequences of the vertical integration of the sport and media industries such as the purchase of a sport team or a league by a media organisation (Nicholson, 2007, p.80).

A further legal aspect is the need for broadcasters to be protected against the piracy of broadcasts. Since rights to sports events are usually exercised on an exclusive basis, the unauthorised copying and/or retransmission of the sports programme devalues the broadcaster's investment. The EBU legal department for example has asked national, European and international legislators to combat in an effective manner the piracy of broadcasts (European Broadcasting Union press release, 23 November 2007).

As mentioned before, regulation on sports rights and sports broadcasting in Europe can defer substantially from country to country and can change as new

developments take place. Any change to the status quo can have an impact on the way media and sports organisations operate and it is often argued that a) regulation is not clear and the European Commission in particular is reluctant to make real changes and b) regulation favours social and cultural objectives and does not always allow sport and media organisations to maximise profit through sports rights.

3.2. Organisational Theory and Decision Making

3.2.1. Contingency Theory

Sport businesses and television channels have to operate under an increasing complex and continually changing environment. Those responsible for making decisions have to prepare for either positive or negative changes which cannot be controlled but can be acknowledged and managed. One model that provides a system for understanding and managing the complexities of the sports environment is the contingency framework which will be used in this thesis (Shank, 2001, p.44).

The organisational contingency perspective is founded on two chief precepts (Galbraith, 1973, p.2). The first is that there is no one best way to organize. In other words, the suitability of an organization's structural arrangement is contingent on a number of factors named contingency factors. The second principle is that all ways of organizing are not equally effective. Organizations that demonstrate structures that fit the requirements of their environment will be more effective than organizations which do not (Thomsen et al, 2004, p.351). Hence the organisation is seen as adapting to its environment (Donaldson, 1996, p.51).

Shank (2001) argues that the contingency approach is very useful for sport businesses because a) they operate in unpredictable and rapid changing environments, b) it suggests that no one strategy is more effective than another but that one particular strategy may be more effective for a particular organisation in a

particular environment and c) it assumes that an organisation does not operate in isolation but interacts with other systems (Shank, 2001, pp.44-46).

The contingency factors can be divided into external and internal. The external are outside the organisation's control while the internal are considered controllable (Shank, 2001, p.46). The essence of the theory is trying to predict and strategically align the management processes with the external and internal contingencies, a theme that often features in the following chapters and is the main objective of television executives. A firm's competitive advantage is attained by developing a strategy based on market and industry conditions and adapting its structure to best pursue the chosen strategy (Florin and Ogbuehi, 2004, p.84). Culture and social trends, the political and legal environment, the economy and technological advancements are part of the external contingencies that have already been analysed.

Another factor that plays a key role when it comes to television sport is competition. Competition exists when more than one organisation attempts to serve the same or similar product to the same or similar customers. In such cases, it is very important to recognise who the competition is, identify their strengths and weaknesses and assess their strategic plans. There are three types of product related competition that apply to sports television programmes. The most direct form of competition refers to companies with similar products, e.g. two television stations that own rights for football games. The second type is between companies who offer a similar substitute product such as two stations that own rights for different sports. Indirect competition, the third type, is more general and when it comes to sport, it indicates

that competition does not only exist with another sport but with the entertainment industry as a whole.

A systematic monitoring and analysis of these external factors is necessary to keep abreast of the continuous changes that take place. Shank calls this monitoring process environmental scanning. The difficulty with this process is that it often has to predict what will happen in the future taking into account a number of complex variables (economy, technology) and the way that these variables could interact with each other which is another key subject in Chapters 4-7 (Shank, 2001, pp.86-87). As many interviewees argue, BSkyB is very good at the environmental scanning process and this has given it an advantage over its competitors.

Internal contingencies are the influences within the organisation that can affect management and decision making. They include the *vision, mission* and *objectives* of an organisation as well as its *strategy, size, structure* and *culture* (Shank 2001, Lyon et al, 2000).

The mission is what an organization does, its action; the vision is what an organisation would like to happen as a result of its actions. The vision is tied to the strategic plan and it is therefore unlikely that it will change in less than five years or more. The mission could change even annually. Different media organisations have different missions and visions and that affects their attitude towards sports programming. The thesis will make a distinction between free-to-air public service and commercial broadcasters as well as pay-television.

Public service broadcasters aim to maximise the welfare of society, strengthen national identity and culture, provide education and children programmes, cater for the interests and tastes of minority groups and support domestic production (Gratton and Solberg, 2007, pp.55-56). Their main income comes from the TV licence and/or government grants but advertising is also allowed in some countries. Support through grants and the TV licence is based on the idea that broadcast media cannot be left solely to the free play of market forces because of their contribution in informing and shaping public opinion and that the acceptance of more loosely regulated private broadcasters is dependent on public service broadcasters meeting higher standards of programme diversity and plurality of opinion (Steemers, 2003, pp.126-127).

According to the economic welfare theory, some form of government intervention may be justified to ensure the production and transmission of public service programming with characteristics of public goods, merit goods and externalities. Public goods are non-rival and non-excludable in consumption⁸ (Cullis and Jones, 2009, pp.64-65). Samuelson defined them as goods that all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good (Samuelson, 1954, p.387). Programmes that are broadcast free-to-air are non-excludable in consumption.

Merit goods are considered so meritorious that their satisfaction is provided for through the public budget, over and above what is provided for through the market and paid for by private buyers (Musgrave, 1959, p.13). There is also a fear that if

⁸ The consumption of one individual does not reduce the benefits derived by all other individuals (non-rival) and the consumers cannot be excluded from consumption benefits (non-excludable).

they are not provided through the public budget, these goods that are beneficial for the entire society will be underprovided by private enterprises or people would choose to consume too little of due to imperfect knowledge. Musgrave mentioned education and healthcare as examples but when it comes to television programming, these could be cultural programmes (theatre, opera) or programmes that uphold diversity in society. Armstrong and Weeds stressed that advertising-funded broadcasting is prone to a number of market failures. In particular: an insufficiently diverse range of programme genres is produced; programme quality is too low; innovation incentives are weak; and the airtime devoted to advertising tends to be excessive (Armstrong and Weeds, 2007, p. 126)

Externalities refer to activities that cause incidental benefits or damages to others with no corresponding compensation provided or paid by those who cause the externality. The costs or benefits are not included in the supply price or the demand price and hence not in the market price. This lack of motive to incorporate the consequences of the actions represents the welfare economic “problem” with externalities and will lead to a suboptimal level of goods and services causing positive externalities (Solberg, 2007, p.297). A number of positive externalities have been associated with television programming such as educational benefits or social and citizenship benefits (Armstrong and Weeds, 2007, p.106).

Commercial channels are independent profit maximising channels that are free to construct their menu of programmes on the basis of commercial criteria. Advertising is their main source of revenue and their vision of maximising profits is the one that dictates their choices when it comes to sports and other programming.

Such broadcasters always have the incentive to broadcast programmes that attract large audiences and pay greater attention on viewing rates. This explains their eagerness to secure rights for big events like the World Cup or the Super Bowl (Gratton and Solberg, 2007, p.66).

Pay-television operators offer a bundle of services (general and specialised television channels, recently telephony and fast internet) and their vision is to attract as many subscribers as possible. Their revenue comes from the subscription fees that include a one-off connection fee, the regular fees for the different TV packages and other services. Advertising is an additional source of revenue but the subscription fees are more important. Pay-TV is most effective when a number of viewers are highly interested in some programmes and willing to pay a premium to watch them. Top league football and to a lesser extent films belong to this category and have proved to be the main drivers of subscription channels.

Different channels offer different possibilities to sports rights holders. Free channels with high viewing ratings offer broad penetration, i.e. they can reach mass audiences. Pay-TV channels offer extensive penetration, i.e. the possibility to cover a large number of games. The audience reach is more limited but the people reached are subject to a more extensive penetration (Johnsen, 2001, p.3).

The objectives are specific, measurable outcomes or results that an organisation plans to achieve in a given period. They convert the vision and mission into performance targets (Shank, 2001, p.90). Objectives that are not clear or well calculated can lead to important failures with the case of ITV Digital and Setanta in the UK and Alpha Digital in Greece typical examples. All three cases will be

analysed later on but miscalculated objectives regarding the number of potential subscribers and how they were going to be attracted were partly responsible for their demise.

Securing viewers is an objective for all the broadcasters and the attractiveness of broadcasting rights is dependent on the audience that the channel can capture by televising a particular sporting event. A larger audience should equate to a willingness to pay a significant amount of money, while a small audience will make the acquisition of the rights package less appealing. However, the quality of the audience is also a major factor. Sport usually attracts male viewers aged between 16 and 35, who are both difficult to reach and typically have high disposable incomes (Nicholson, 2007, p.60). This is important for commercial broadcasters but even for public service broadcasters who are allowed to sell advertising time. In addition, big sporting competitions like the World Cup or the Olympics can attract a large number of viewers which is crucial for commercial broadcasters and bring the nation together which is important for public service. Some sports can attract ethnic minorities and this is an objective for public service broadcasters who have to support diversity. It is finally interesting that a big rights deal can help the prestige of a television network and secure a large and valuable audience for their programmes that start before and after the sporting event.

The organisation's size refers to its physical capacity, the personnel available, the volume of its inputs or outputs depending on the nature of the business and the discretionary resources available to the organisation (Parent and O'Brien, 2003, p.88)

The term structure encompasses three main organisational dimensions. The first is *complexity* and it refers to such things as the different job titles individuals hold and the way in which an organisation is departmentalised. *Formalisation*, the second dimension, refers to the extent to which mechanisms such as rules, regulations, policies and procedures govern the operation of an organisation. *Centralisation* indicates how concentrated the decision-making power is (Slack, 1997, p.43-47).

The culture of an organisation is the shared values and assumptions of its members that shape an identity and establish preferred behaviours within it. A positive culture is associated with an effective organisation (Shank, 2001, p.96).

3.2.2. Organisational Strategy

The strategy is the most important internal contingency for the current thesis as it is directly related to the choices that an organisation will make in order to adapt to the changes of the environment. Das (1990) wrote that strategy is “a comprehensive and integrated plan with relatively long-term implications designed to achieve the basic objectives of the organization. It incorporates the strengths and weaknesses of the organization and takes into account the environmental realities and trends.” (Das, 1990, p.294).

Slack (1997) identifies two levels of strategies: the *corporate-level* which are followed by the organisation as a whole and are required when an organisation competes in a number of different industries and the *business-level* which address

questions about how an organisation should compete within one industry and gain a competitive edge over the other competitors (Slack, 1997, pp.93-94).

There are four major types of corporate-level strategies: *growth*, *stability*, *defensive* and *combination* strategies. Most organisations will adopt growth strategies at some point and this can be achieved with *diversification* and/or *integration*. Diversification helps a company grow while spreading its risk and it can be *related* or *unrelated*. Related diversification calls for the investment to have some relation to the existing business⁹. An unrelated diversification strategy indicates that a company is pursuing acquisitions in areas not related to its existing business units. Integration may be *horizontal* or *vertical*. The first involves adding another product, often a competitor, by buying an organisation. The second involves an organisation acquiring its distributors or its suppliers¹⁰.

Stability strategies can be divided into *neutral*, i.e. strategies that continue to do what they always did, and *harvesting* that are used when a product lacks potential. In this case, management will attempt to increase the cash flow of the product by reducing or eliminating the capital it puts into other areas such as research and advertising.

Defensive strategies are used when the demand for a product or service starts to decrease. They try to reverse this situation and their three principal types are *turnaround*, which involves layoffs and cost cutting, *divestiture*, which results into the sale of a business or some portion of the ownership of the business, and

⁹ e.g. telecommunication companies taking advantage of new technologies to offer IPTV services or pay-TV organisations offering telephony and internet

¹⁰ e.g. one television organisation buying a production company

liquidation (Slack, 1997, pp.94-97). Combination strategies use all the above in combinations and are the most common together with growth strategies.

The story of the Kirch empire is a typical example. Its origins date back to the 1950s when Leo Kirch founded Sirius-Film and set about buying the rights to films in many European countries. It then moved into commercial satellite and cable television, sports rights acquisition, established the first German pay-TV company, bought shares in production companies and developed an interest in the publishing industry. The growth strategies created a media giant but the heavy spending, especially for film and sports rights, and the failure to attract subscribers for the pay-TV business and get a good return on their investment in sports rights (tennis, Formula 1, even struggled to sell the FIFA World Cup) left the organisation vulnerable. After failure to get support from banks and investors, it announced that some media rights including those for Formula 1 racing were up for sale and that they planned to cut almost a third of the staff in the television sector. Kirch Media was finally declared insolvent in April 2002 and other parts of the company filed for insolvency at around the same time.

The main types of business-level strategies are the *cost leadership*, the *differentiation*, the *focus* and the *stuck in the middle*. Sport organisations that adopt a cost leadership strategy will price their product or service lower than that of the competition by using cheaper labour power, efficient manufacturing process, economies of scale, technological innovation and low levels of product differentiation. This strategy can protect the organisation from the fluctuations of

the marketplace but problems will arise if a competitor finds a way to produce the same product at a lower cost (Slack, 1997, p.100).

A differentiation strategy attempts to gain a competitive advantage by presenting an image of the product or service as unique. This will also allow the organisation to charge a premium price. Exclusive TV rights agreements such as the one between BSkyB and the English Premier League are a typical example and differentiation strategies are very common and important in television organisations. Their strength is that they face less competition and develop service loyalty which can endure in time but their weakness that it is very difficult to maintain an aura of uniqueness in a changing market. In addition, it is not guaranteed that the pricing is in accordance with what the market will bear (Slack, 1997, p.101; Deephouse, 1999; p.147).

Focus strategies are directed towards serving the needs of a particular market, one defined by criteria such as geographic area, age or sex. Once the market is chosen, the organisation will then design to follow either a cost leadership or a differentiation strategy. The strengths of this strategy are that the organisation can provide services that others cannot and, because of a focused market, stay closer to their customers and respond more easily to their changing needs. The weaknesses are that the costs may be higher because of a generally smaller product volume and that demand for this niche service may disappear or decline in popularity at some point in the future (Slack, 1997, p.101). Specialised sports channels like the Extreme Sports Channel belong to this category but it is important to add that even generalist channels will focus on attracting the most desirable viewers to advertisers by choosing programmes that appeal to them.

Stuck in the middle is a description for organisations which have failed to gain a competitive advantage or made a wrong choice about the service and the market in which they wished to operate.

Internal and external contingencies are closely interrelated. For example, fierce competition in the environment influences the choice of strategy, organisational structure and the application of appropriate cost management and control (Haldma and Lääts, 2002, p.12). In the same way, the formulation and implementation of a strategy cannot be achieved without a mission statement, conducting an analysis of the organisation's external environment and internal operations, making choices about appropriate corporate and business level strategies and selecting the correct organisational structure and integration and control systems to ensure that the strategy is effective (Slack, 1997, p. 102).

3.2.3. Strategic Sports Management Process

The contingency framework calls for alignment between the internal and external contingencies and the strategic management process. The three primary components of this process are *planning*, *implementation* and *control*.

The planning phase, which is the most critical, starts with *marketing research*, e.g. surveys, to identify and examine sports consumer's (or in the current thesis viewers') needs and preferences. The second step, which is the process of selecting appropriate markets and positioning the sports entity effectively, is referred to as

market selection decisions or *STP* from the three words *segmentation*, *targeting* and *positioning*. Segmentation is the grouping of consumers based on common needs such as demographics (age, sex, marital status); geographic; behavioural (consumption and usage patterns); and psychographic (personality and lifestyle). Targeting is described as choosing market segments that will allow an organisation to attain its objectives most efficiently and effectively. Market segments should be large enough (sizeable), measurable and reachable. Positioning is fixing the product into the minds of the target market (Shank, 2001, pp.48-50). The final step of the planning phase involves the *marketing mix decisions* which aim to implement the positioning established by the chosen target market. This is done by coordinating the four marketing mix variables, product, price, place and promotion (Shank, 2001, p.54). Place is associated with distributing the goods or services to the customer in an efficient manner. Promotions include advertisements, public relations, sales promotions and sponsorships.

Planning is very important for television executives who have to determine how popular a sport or a sporting event will be, choose and target the chosen viewers and promote their offering.

The second part of the strategic management process, *the implementation phase*, turns the plan into action. Resources (human, financial and technological) are obtained, schedules are developed and the marketing programs are executed (strategy and tactics). The products or services are now available to the public at the places and prices which were decided in the planning stage. The implementation stage requires close control and monitoring to make sure changes occur if internal or

external contingencies are affected (McFarland, 2001, pp. 191-198). Leadership and interaction activities are also part of this process and stress the importance of a strong leader and interacting well with others within an organisation. (Shank, 2001, pp.58-60).

The process of measuring results, comparing them with the marketing objectives, communicating them to the entire organisation and modifying the plan to achieve the desired results is known as the *control phase* (Shank, 2001, p. 60). The results can be measured with sales analysis, profitability analysis and customer satisfaction.

3.2.4. Decision Making

Decision making is an important part of the management process and the thesis will now look at the conditions under which managers are forced to make a decision as well as the main models of decision making in the academic literature.

Simon (1960) makes a distinction between two types of decisions: *programmed* and *non-programmed*. These are not mutually exclusive but rather make up a continuum stretching from highly programmed at one end to highly non-programmed at the other. Decisions are programmed to the extent that they are repetitive or a definite procedure has been worked out to deal with them. They are non-programmed when they are new and unstructured or when there is no cut-and-dried method for handling the problem. Simon argues that human beings are capable of acting intelligently in difficult situations but they are likely to be less efficient so organisations should try to programme as many decisions as possible (Simon, 1960,

pp.5-8; Pugh and Hickson, 1996, pp.134-135). Sports programming decisions, especially for companies that enter the TV market for the first time, belong to the non-programmed category and this is why they can often go wrong. Companies that have been in the television market for a long time and have won the rights to a specific competition before can programme their decisions a lot more.

Decisions are made under three general types of conditions. The first one is certainty where the manager knows what the available alternatives are and the costs and benefits of each alternative. Most decisions will however be taken under conditions of risk and uncertainty. Under a condition of risk, the manager has a basic understanding of the available alternatives but the potential cost and benefits associated are uncertain. Under conditions of uncertainty, the decision alternatives and their potential outcomes are relatively unknown (Slack, 1997, pp.255-256). Decisions on sports programming can fall into each one of these categories depending on how big they are but they will normally be made under conditions of risk and if the general environment sees important changes, uncertainty will increase.

The main decision models that exist in the management literature can be divided into two categories: the ones that are more applicable to decisions made by individual managers and others that refer to organisational-level decisions.

The first model of individual decision making is the *rational* which mainly describes how decisions should be made rather than analysing how they actually are made (Slack, 1997, pp.256-257). This model talks about the *economic man* who

selects the rationally determined best course of action. It is clear that this model is idealistic and cannot recognise the limitations of individual managers. In place of the economic man, Simon proposed the model of the *administrative man* who satisfies rather than maximises, i.e. looks for a course of action that is satisfactory or good enough (Pugh and Hickson, 1996, p.134; Jabes, 1982, p.57). Organisational decisions are bounded by the emotions of the managers, their limited cognitive ability to process all the information available and other factors such as time constraints or imperfect information (Slack, 1997, p.258). The term of the administrative man is important for this thesis because it recognises that preferences, emotions and beliefs can affect the choices of television executives.

Most decisions in big organisations will not be taken by one person but by a group of people. Slack identifies five major models that deal with organisational decision making. The first is the *management science* approach which uses complex mathematics and statistics to develop a solution to a problem. It can be applied when data relevant to the decisions can be easily identified and quantified and when the problems are structured and logical. Its disadvantage is that it does not consider qualitative aspects such as the political climate (Slack, 1997, pp.258-259).

The *Carnegie Model* was proposed by March and Cyert (1963) and shares the concept of the administrative man proposed by Simon. They argue that managers have erratic preferences. They change their mind as to what they want or even if they know what they want, they may ignore it and follow the advice of others. Decision making is a political process and as a result the organisational decisions and the goals of a firm are not given; they are bargained. Decision processes have peculiarities. They aim at a “quasi-resolution of conflict” which indicates that

problems are not completely but only half-resolved so that people within an organisation can at least live with them. Decision makers will try to avoid uncertainty. They respond to pressing problems and avoid the uncertainties of long-term forecasting or planning for the long-run. Market uncertainties are avoided by exclusive contracts with customers and by conforming with everyone else to recognised pricing and negotiation practises. Finally, decision making is a learning process. By trial and error, managers find out what can be done and adapt their goals to it (Pugh and Hickson, 1996, pp.137-140).

Cohen, March and Olsen, (1972) proposed a *Garbage Can Model of Organisational Choice* (Cohen et al, 1972, p.1). This was developed to explain the pattern of decision making in organisations that experience extremely high uncertainty (Daft, 2010, p.471). According to this model, an organisation is characterised by three properties: *problematic preferences* (goals of organisation and participants are inconsistent and ill-defined), *unclear technologies* (organisation's processes are not understood by members), and *fluid participation* (time and effort of participants vary). The decision making process takes place in a "garbage can", because one may consider each choice situation as a garbage can into which problems and solutions are dumped by the participants. They do it by chance and with no well-defined intention (Heitsch et al, 2000, p.2; Pugh and Hickson, 1996, pp.140-141). The strength of this model is that it draws attention on the role that chance and timing play in the decision process (Slack, 1997, p.262). This is an key feature in the following chapters with many interviewees stressing the importance of luck, being at the right place at the right time and first-mover advantage.

A fourth model is that of the *structuring of the unstructured process* which was proposed by Mintzberg, Raisinghani and Theoret in 1976. They identified three major phases to the decision process. The first phase is the *identification phase* which involves recognising the problem, defining and clarifying the issues around it. The *development phase*, the heart of the decision making process, is where managers look for solutions and where the greatest amount of decision-making resources are consumed. Initial searches are carried out by considering past experiences. If this procedure is not successful, a ready-made solution is modified or a custom-made solution is developed and designed. The *selection phase* is where a choice is made about a solution. The choice can be made through *screening* when there are too many ready-made alternatives and a custom design is not required. Otherwise, there has to be an *evaluation-choice* which can be determined either by *judgement, bargaining* or *analysis*. In judgement, one individual makes a choice while in bargaining, selection is made by a group of decision makers with conflicting goal systems. In analysis, factual evaluation by technocrats is carried out. Mintzberg et al added that the decision making process is characterised by interrupts, events that result in the change of pace or direction of the whole process (Mintzberg et al, 1976, pp. 252-259; Slack, 1997, pp.261-262).

Professor David Hickson and his colleagues at Bradford Management Centre compared 150 histories of decisions in thirty organisations in England and found three prevalent ways of making major managerial decisions (Pugh and Hickson, 1996, p.17). *Sporadic* decision processes are made in a manner characterised by disruption and delay. The scope of negotiation is fairly wide so interaction is informal and decision making takes longer than average and will be made at the

highest level. *Fluid* decision processes have fewer and less serious interruptions, they are formally channelled and relatively predictable. There will be some, but not much, negotiation, more formal meetings and the decision will be made at the highest level. *Constrict* are narrowly channelled. There is a need for more sources of information, but this is usually technical and there is less effort needed to acquire it as it is readily available. There is scope for negotiation but there are fewer meetings, and the decision can usually be made at the local level or at least at a lower level than the top of the hierarchy. (Slack, 1997, pp.264-265; Pugh and Hickson, 1996, p.18). Which type will be chosen depends more on what is being decided than on the kind of organisation where the decision takes place.

3.2.5. Sports bidding

Many case studies in this thesis include sports rights agreements so it is interesting to have a look at how TV executives approach rights auctions. There are several factors that can influence the outcome of an auction including the final price, the number of bidders, their monetary valuation of the product and attitudes toward risk. A seller of sports rights will benefit from being the sole provider of such products and when there is fierce competition at the demand side. A buyer would prefer to be the sole purchaser when at the same time there are a large number of sellers (Gratton and Solberg, 2007, pp.184-185).

There are two categories of auctions, *private-value* and *common-value* auctions (Gratton and Solberg, 2007, p.188). In the first case, each player's valuation is independent of those of the other player. An example is the sale of paintings to

people who will not resell them. Knowing the other bids in advance will not change their valuation although it may change their bidding strategy. In common-value auctions, the item auctioned has approximately the same value to all the bidders. However, they do not have precise information about its true value and try to guess that as well as the guesses of the other bidders. In such auctions, the purpose of the buyers will be to use the item in some kind of commercial activity. Sports rights are closer to the common-value auctions.

Solberg (2006) says that the two types of auctions that are the most relevant to sports rights are the *English auction* (open bid – first price) and mainly the *Sealed Bid* (first price).

In an English auction, the process starts with a low bid which is raised successively until only one bid remains. The dominant strategy is to keep bidding slightly more than the previous bid until reaching one's own valuation and then stop. The bidding process will end when the price reaches just above the valuation of the player with the second highest valuation. English auctions can serve the seller's interests when the gaps between bidders are small. The fact that the auction is open and that everybody knows how much the rivals are bidding, can motivate television companies with limited experience in the process as well as risk-averse buyers to bid more aggressively.

In sealed bid, each participant submits one bid without having any information on their rivals' bids and the highest offer wins. A company's bid will be a function of its a) own valuation and b) prior beliefs about the rivals' valuations and bidding

strategy. Since the bids are secret, the bidders are not provided with the same support to predict the value of the item and this can reduce the interest from risk-averse buyers. The seller has an important advantage when the gap between the highest and the second highest bid is wide. Although the main aim is to win the rights, some bidders may enter the auction for strategic motives. In this case, the television companies will be interested in pushing up the price in the event the bid is won by a rival, in order to weaken their financial ability to bid for the next package of sports rights offered. In sealed bids, they may not even have to submit a bid to achieve this. Declaring one's ambition to win the deal in the media may be enough (Solberg, 2006, pp.38-40).

When there is a wide gap between the highest and the second highest bid, a seller can introduce a minimum price which means that any offer lower than this price will automatically be rejected. The buyer's decision to oblige will depend on a number of factors such as whether the programme is important and difficult or impossible to replace or whether there are good alternatives. The seller can also offer to share the risk with the buyer by introducing royalty fees that tie the price (partly or totally) to the income from broadcasting the programmes instead of asking for a fixed fee. The International Olympic Committee made a profitable deal with NBC for the 1996 Atlanta Games by agreeing a 50-50 share of the advertising revenue. In general, minimum prices and royalty fees can provide support to sellers of sports rights in case the competition among buyers diminishes. However, since neither of these two tactics is able to fully offset the disadvantage from reduced competition, the sellers may have to accept lower revenues if market conditions become more unfavourable (Solberg, 2006, pp.40-45).

3.2.6. The Unique Nature of the Sport Product

Professional sport is a lucrative business with huge amounts of money spent on television, sponsorship and player agreements. This fact requires sport organisations to adopt business principles and put greater emphasis on the management and profitability of their product. However, it is also accepted that sport has a unique nature that distinguishes it from every other business (Trenberth, 2003; Mason, 1999; Michie and Oughton, 1999).

Mullin (1980) identified three unique features of sport management: marketing, finance and career paths. The sport marketer has to identify not only who the customer is but where the product will be consumed. Unlike other products, sport can be consumed in multiple ways simultaneously. In addition, it is normally produced and consumed at the same time offering the marketer little room for adjustment. As for the finance side, there are few industries which generate the multiple sources of revenue that sport does. In many instances, more revenue is generated from alternate revenue streams¹¹ than from the product itself. The sport product also differs in that multiple forms of business enterprise (corporations, business partnerships, sole proprietorships) can exist in the same environment. The career paths refer to the emergence of new positions in the sport industry and the trend of diversification of the industry workforce (Gillentine and Crow, 2005, p.7). Parks et al (2011) add a fourth aspect to Mulin's list: the enormous power and influence of sport as a social institution. They argue that no other social pursuit is

¹¹ E.g. sponsorship and television rights

allotted several pages in daily newspapers, has its own slot on TV and radio news programmes and even its own channels (Parks et al, 2011, pp. 12-14).

Mason (1999) says that there are a number of factors that distinguish professional sport from other businesses such as stadium lease arrangements, monopolistic bargaining for broadcasting rights in predetermined geographic markets. The most notable distinction however is in the relationship it has with the consumers. Although the aesthetic pleasure in watching a sport is important, it is the phenomenon of identifying with an individual or a team as they strive to win that has made sport a vehicle for the promotion of corporate interests (Mason, 1999, p.403; Whannel, 1992, p.200). If a firm's product is not sufficiently competitive in terms of price and other factors, consumers will prefer another firm. Customers do not tend to switch allegiances so easily in sport. Studies have found that the consumers of a sport product so strongly identify with their favourite teams that they attempt to proclaim affiliation with them even when they in no way were involved in the team's success (Mason, 1999, p.405). This bond is closer in intensity to family, friends and religious allegiances rather than the economic trading allegiances (Gerrard, 2006, p.29).

Mason argues that while the product of one league was initially produced to provide entertainment for spectators, it is now sold to four distinct groups: the fans who attend games, follow them on television and other media and purchase league- and team-related merchandise; television and other media companies which purchase the right to show games as a programming option; communities which build facilities and support local clubs; and corporations which can purchase teams

outright or provide revenues through sponsorships and other associations (Mason, 1999, p.402).

A key difference with most businesses is that it is often the league itself that is the economic entity rather than independently owned clubs. On certain levels, the league functions as a single business, while on others, as a joint venture or cartel of independently owned franchises. A team joining a professional league has the right to compete against other league teams in a schedule of games generated by the league. The consumer would have little interest in the outcome of a contest between two teams not affiliated with the league. It would also have less interest in following a contest that is not part of the league even if it is between affiliated clubs. This is why friendly games are a lot less important than league matches.

As the attractiveness of the product is dependent upon the appearance of rivalry between clubs, the sports leagues must be structured to foster the perception of inter-club competitiveness. Teams are therefore able to vie for coaches, players, executives and other staff (Mason, 1999, pp.403-404). In addition, property rights are ill-defined as it is not always clear whether the home team that is the supplier of the venue, the away team that agrees to participate in the game or the league that contributes to the status and the significance of the tournament should own the rights (Gerrard, 2006, p.28).

A further distinguishing feature of the sport business is its unpredictability and inconsistency. The outcome of the game is unknown. Consumer product marketers market consistency while sport marketers market the excitement of unpredictability.

The goal of most businesses is to eliminate competition and uncertainty but sport has less value if there is not a healthy competitive balance within the league or during an event. In addition, the sport product is intangible and subjective. What each sports consumer sees in sport is quite personal and this makes it difficult to ensure a high probability of customer satisfaction. Sport has a wider social, political and historical significance and this is evident by the way fans choose to support a team (Trenberth, 2003, pp.24-26).

Sport is also a time-sensitive product. Although it can be available through delayed coverage and highlights packages, their value is far less than the value of live sport because of the intense consumer interest in the result of the game or event as it takes place. There are few non-sport related events that are ephemeral or perishable in the same way (Nicholson, 2007, p.59). Some sports are of course more time sensitive than others. A sprint race for example is more time sensitive than a figure skating contest where more elements other than the uncertainty of outcome are important (Gaustad, 2000, p.107).

In addition, sport is a unique product in the sense that it is difficult to be copied or substituted compared to other forms of television programming. An action movie can be substituted by another action movie but a viewer who wants to watch one particular football game will not be equally happy to substitute that with a tennis match. Gaustad argues that sport as an entertainment product is also relatively independent of language. While linguistic barriers create efficient limits to exporting of other forms of television programming, the export of sports programming is only limited by cultural barriers such as knowledge of a sport and its athletes (Gaustad, 2000, pp.107-112).

It is finally significant that unlike most businesses, sport and professional clubs have a high fixed-cost base which is difficult to change regardless of the club's changing position on the league tables, with an income stream that is highly variable. Another peculiarity is that there are multiple layers of stakeholders, the fans included, who all make a contribution to the financial success of the organisation. Clubs rarely make a profit. They invest in players in order to strengthen the team. This investment is not secure but football clubs have been known to sell off all their assets in order to sign players, gambling in future results (Trenberth, 2003, pp.26-27).

Chapter 4: Methodology

4.1. Types of Research

Research can include a number of stages. Gratton and Jones (2004) identify five:

1. The stage before data collection where the researcher decides upon the research question, the aim of the research, the objectives and theoretical framework.
2. The research design, i.e. the stage of designing how to collect data to answer the question
3. The actual data collection stage, where the data is collected by one or more research methods
4. The analysis of the data – with reference to the theoretical framework adopted – to answer the question
5. The reporting of the research to communicate the findings to others (Gratton and Jones, 2004, p.5).

Chapters 1 and 2 tried to cover stage one. Chapter 3 will cover stage number two, the research design, and three, research methods. Prior to doing that, it is important to identify the type that the current research best fits in. There are four types based on the purpose of the research. The *exploratory* is conducted when there are few or no earlier studies to which references can be made for information. As a result, there is a need for exploration before more specific research is undertaken. The aim is to look at patterns, ideas or hypotheses rather than testing one specific hypothesis.

The *descriptive* type describes phenomena as they exist. It is used to identify and obtain information on the characteristics of a particular issue and focuses upon the issue of what is happening rather than why it is happening.

Explanatory or *analytical* research is involved in analysing and explaining why something happens.

Predictive research goes further by forecasting the likelihood of a similar situation occurring elsewhere (Gratton and Jones, 2004, pp.6-7).

It is obvious that this thesis can fit into all four types. It will describe a phenomenon (sports programming and content, strategies and decision making), analyse the reasons behind the success or failure of different strategies and try to predict the future of the TV sports market in the UK and Greece. However, the type that best corresponds to this research is the exploratory. Chapter 1 stressed the lack of previous work on the subject when the research began in 2002. Chapter 2 provided a theoretical framework but it was again evident that many of the theories and the examples resulting from previous research were for the general subject of media content and sport business than the specific subject of sports programming and the strategies of television executives when choosing sporting content. There were theories that could be transferred and applied here but not ones that have been used specifically and/or repeatedly on this subject.

A second distinction that can be made of research is based on its process. There are two main traditions – the *quantitative* and *qualitative*. The first usually starts with a

theory proposing a relationship between variables. The favoured methods are surveys and experiments. The qualitative approach investigates phenomena that are more personal and softer. The emphasis is more on generating hypotheses from the data collection rather than testing one and the favoured methods are personal accounts, unstructured interviews and participant observation. It is generally accepted that, for exploratory research, qualitative methods are more useful (Ghauri and Gronhaug, 2005, p.111).

4.2. Research Design – Case Studies

This thesis has chosen case studies as its main research design. Case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over the events and when the focus is on a contemporary phenomenon within some real-life context (Yin, 1989, p.1). In fact, the phenomenon is not readily distinguishable from its context and that can create technical challenges. First, the richness of the context means that the ensuing study will likely have more variables than data points. Second, the richness means that this study cannot rely on a single data collection method but will likely need to use multiple sources of evidence (Yin, 2002, p.3).

Case studies can involve a single-case or a multiple-case design. A single-case is appropriate when it represents the *critical case* in testing a well-formulated theory, an *extreme or unique case* or a *revelatory case*¹².

¹² This situation exists when an investigator has the opportunity to observe and analyse a phenomenon previously inaccessible to scientific investigation

When the same study contains more than one case, then the multiple-case design is used. A problem with single cases is that they may turn out to be very different from what it was thought they would be. Multiple cases on the other hand are considered more compelling and the overall study is regarded as being more robust. At the same time, multiple-cases cannot be used when there is only a rare or revelatory case and require more time and resources (Yin, 1989, p.45).

A multiple-case design is more appropriate for this project because the focus is on two European markets, three types of broadcasters and a period of eight years. In addition, an important parts of the thesis is the comparison of the two markets.

4.3. Qualitative Research – Characteristics and Methods

It has already been mentioned that the project will use qualitative methods of research. Creswell (2003) analyses eight different characteristics of the qualitative approach. The first is that it takes place in a natural setting. The researcher goes to the house or office of the participants and this enables him/her to develop a level of detail about the place and the individuals.

A second characteristic is that it uses multiple methods – open-ended conversations, interviews, documents, videos, sound material – that are interactive and humanistic.

Qualitative research is emergent rather than tightly prefigured. That means that several aspects will emerge during the study. The research question may change and be refined as the inquirer learns what to ask and who to ask.

A fourth characteristic is that qualitative research is fundamentally interpretive, i.e. the researcher makes an interpretation of the data.

The qualitative research views social phenomena holistically. The more complex, interactive and encompassing the narrative, the better the qualitative study.

The qualitative researcher systematically reflects on who he or she is in the enquiry and is sensitive to his/her personal biography and how it shapes the study.

The qualitative researcher uses complex reasoning that is multi-faceted, iterative and simultaneous. He/she has to collect, analyse and write up data at the same time.

Finally, the researcher adopts and uses one or more strategies of inquiry (Creswell, 2003, pp.181-183).

Creswell indicates four methods of qualitative research: observations, interviews, documents and audiovisual material.

Observation involves taking fieldnotes on the behaviour and activities of individuals at the research site and it is more suitable for descriptive rather than explanatory research. The advantages of this method are that information is recorded as it happens and takes place in a natural setting. The disadvantages are that the researcher-observer may be seen as an intruder and that he/she may not have good attending and observing skills (Gratton and Jones, 2004, pp.160-164; Creswell, 2003, p.187). Despite the advantages of this method, it is difficult to use observation

in a subject that involves decision making. However, the next methods will definitely play a role in the thesis.

Documents and audiovisual materials belong to the larger category of content analysis. The advantages of this method are that information can be assessed at a time convenient to the researcher and can be reviewed repeatedly. It represents data that are thoughtful, in that participants have given attention to compiling. The coverage can be broad and can involve a long span of time, many events and settings. The disadvantages are that access to certain materials can be blocked or that the researcher has to look for the information in hard-to-find places. Materials may be incomplete or inaccurate and there is always the danger that the researcher may be biased when he/she is selecting the information (Yin, 1989, p.80; Cresswell, 2003, p.187). For case studies, the most important use of documents is to corroborate and augment evidence from other sources. Documents can also help a researcher to find new questions about the subject and names of people who can help with the study (Yin, 1989, p.81).

Interviews are the most important method for this project. Kvale (1996) writes that an interview is a conversation that has a structure and a purpose. It goes beyond the spontaneous exchange of views in an everyday situation, and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge (Kvale, 1996, p.6).

There are three situations where interviews tend to be used:

- a) Where there is only a low population, making the quantitative approach inappropriate.
- b) Where the information is expected to vary considerably amongst respondents and tends to be complex and difficult to measure using other methods.
- c) Where the research is exploratory and interviews may be used to identify information that could be used to refine and develop further investigation (Veal as cited in Gratton and Jones, 2004, p.141).

The most common form of the interview is the face-to-face but telephone and email interviews are also a possibility. Interviews can be classified under four categories: the structured, the semi-structured, the unstructured and the focus group. The structured interview is essentially a questionnaire. The semi-structured uses a standard set of questions but the researcher adopts a flexible approach to data collection and can alter the sequence of questions or probe for more information with added questions. The unstructured interview has only a general idea of the topics to be covered and the respondent tends to lead the direction of the interview. Many questions are developed during the interviewing process. The focus group involves more than one interviewee and interaction between members is an important element of obtaining data (Gratton and Jones, 2004, pp.141-142).

The types of interviews that were used here were the semi-structured and the unstructured. The reason is that since this is an exploratory study, a number of important issues came up during the conversations. Kvale writes that an exploratory interview is open and has little structure. The interviewer follows up on the

subject's answers and seeks new information about the angle of the topic (Kvale, 1996, p.97).

The advantages of the interviewing method are that participants can talk about their own experiences, elaborate on areas of particular importance and give historical information. They can be more insightful than other methods and allow unexpected data to emerge. They can also allow the researcher to control the line of questioning. The disadvantages are that information is acquired in a designated place rather than the natural field setting and that the presence of the researcher may bias the responses. The quality of the data is dependent upon the responses but not all people are equally articulate or comfortable when being questioned. In addition, the interviewer may misinterpret the information or allow the interviewee to become dominant and lead the conversation to unwanted directions. Finally, there are practical problems like finding the resources to travel and meet people and persuading people to answer the questions (Yin, 1989, p.80; Cresswell, 2003, p.186; Gratton and Jones, 2004, pp.142-143).

4.4. From Theory to Practice

4.4.1. Selecting the countries and the case studies

The thesis will look at two television markets, the UK and the Greek. The choice of two Western European countries is not random. Even though each country is different, there is a geographical, historical, political and cultural proximity which helps the researcher to find common ground and case studies, analyse similarities

and spot better the differences. If the countries were in different continents and/or had a very different political and cultural background, the discussion could end up concentrating more on these factors rather than the strategies and decision making processes which is the main subject. This would also require more resources and people with an in-depth knowledge of these countries.

It is however important that the two countries have some distinct differences like the size of the population and the television market, the mentalities and the way people conduct business. The UK is probably the most developed television market in Europe with pay-TV particularly successful. The UK economy is strong even during periods of financial difficulty and cultural proximity with the US traditionally affects business mentalities. The Greek television market is one of the smallest in Europe, the size affects its potential, further development and the choices that television executives have and the southern European mentalities are more risk averse.

The selection of the case studies was straightforward. The subject is fairly new and came to prominence at the beginning of the last decade when market deregulation and the presence of new players increased competition and when some broadcasters were forced to close down or rethink their strategies. It is evident that the complexity of the subject, the fact that different factors have to be taken into consideration (internal and external environment, types of content, types of decision making) and the constant changes in the external environment require the analysis of multiple case studies over a significant period of time. This allows the researcher

to form a clearer idea about how sport executives operate and how differently they react when they represent a public service, a commercial and a pay-TV broadcaster.

The main case studies cover a period of eight years between 2002 and 2010. During this time, the world of European broadcasting experienced periods of economic stability but also two big financial crises, important technological developments and attempts of new companies to change the status quo. The case studies follow a chronological order because this makes it easier to place them within the external environment but each type of broadcaster¹³ is analysed separately. The analysis covers the main strategies when it comes to sports programming, the change of strategies, the involvement in sports rights agreements, the big deals, the successes, the failures and the reasons behind them.

4.4.2. Selecting the literature, searching for information and the problems of the selection process

One of the toughest parts of this thesis was the selection of the literature and there are two reasons for this. The first is that there is no tradition in journalism studies when it comes to sporting content and sporting issues in general. The vast majority of the academic work is in politics and international relations. All the findings do apply to sport but there were year-long doubts and personal debates about how well such a thesis would be received when there is not a robust academic tradition behind the subject and mainly the angle given to the subject.

¹³ Free to air public service and commercial and pay-TV

The second reason is that there are many factors that can affect sport television strategies. Deciding on these factors and creating a framework that suited the thesis was not easy and required thorough research.

Extensive reading, often of irrelevant things, waiting for new books and papers to be published and pure luck (receiving an invitation to attend a sports management lecture) assisted the choice of the literature but it was mainly the interviewees who helped formulate a clear idea but also confirm which areas had to be looked at and were important and relevant (i.e. content) even if there was not a strong tradition in sports journalism studies.

The academic literature on content selection was therefore the first area that had to be covered and it was interesting that the interviewees as well as the economic literature on the demand of sports broadcasting often mentioned factors and ideas that date back to 1965 and the famous study on News Values of Galtung and Ruge. The next step was to combine and compare the literature with the empirical evidence in order to show which types of content are likely to appear in the media and why. Subsequent media studies talked about content selection and how it is affected by editorial policies, financial and political pressures as well as the personality of the person who does the selection which are also issues discussed in the management literature.

A second thing that became clear from the interviews was that the strategy of television executives was affected by the external environment that sometimes helped and other times put limits to what they could do. The economy was one

factor but technological developments were equally important and the same goes for the political, legal and cultural environment. In addition, it was clear that all these factors did not just have a local character but were directly affected by global changes.

The final thing that the interviews revealed was that each television organisation had its own objectives and this led them to choose certain strategies and certain types of content. The coverage of Olympic sports for example is important for public service broadcasters that have a strong tradition in covering the Games and feel that the Olympics can bring the nation together. Commercial broadcasters on the other hand do not see much commercial value in covering these sports outside the Games and will not give them much (if any) airtime even if they get them for free. It was therefore important to look at the organisation theory, the mission, vision and objectives of organisations as well as the literature regarding organisational strategies and decision making. This helped to make a distinction between organisations and the ways they operate. Moreover, it was imperative to stress that there is no one best way to organise or formulate strategies which led to the contingency theory. Everything ultimately depends on the external environment (external contingencies), on the specific characteristics of the organisation (internal contingencies) and on how they use all this in their effort to make a decision about how and whether to pursue what they consider as valuable content.

Finding books and academic articles is a complicated process when the framework and the boundaries are not clear. It requires multiple searches for different keywords and it is time consuming. However, once the framework is in place and the main

theories and areas of studies have been identified, everything becomes easier. There are multiple sources that researchers can use nowadays from university and general libraries to conference papers and online archives of academic journals. When it comes to part-time PhDs though, the internet is an excellent and often the main source. Time restrictions posed by a full-time job and the inability to attend conferences and visit libraries on a regular basis make the internet the best alternative. Many books have online versions with information about the table of contents and whole chapters, many conference papers are published online and many researchers publish papers on university or personal websites.

Apart from the academic literature, the thesis required a lot of background information on the case studies and the history of sports broadcasting in the UK and Greece. This information was necessary in forming the interview questions. The television sports market develops and changes every year and these changes are reported in newspapers, specialist magazines, TV programmes, general news and specialist websites as well as industry reports and conferences. The researcher has to follow these sources and once again it would be extremely difficult to do this over a period of eight years without the help of the internet. The vast majority of the newspapers have online archives, the same goes for some magazines and most television organisations have their online news version as well as information about their mission, objectives, rights deals and financial results. The viewing rates of TV programmes are also published online. The alternative would be to spend hours of searching in different libraries in two countries which would have been impossible to combine with a full-time job. This makes it clear that this thesis would not have existed if it wasn't for the internet.

4.4.3. The interview process: finding interviewees

In order to analyse the strategies and decision making of television organisations when choosing sporting content, executives who are directly involved in these decisions or have specialist knowledge on the subject had to be interviewed. The questions could not have the format of a questionnaire but that of a semi-structured interview as the answers were expected to be varied and difficult to predict and measure.

During the first meeting at the university when the subject and the methodology were discussed, one of the main concerns was about approaching industry specialists and securing interviews. Most of them are very busy, they do not give many interviews and could be reluctant to talk about their decisions. There was not a specific strategy about how to approach people at the time but the journalistic background of the researcher has shown that patience and persistence can often lead to the desired result.

The first step was to identify the type of people who could help and find as many candidates as possible because it was bound that some were going to be easier to approach than others. Executives who work or used to work as sports controllers or at the rights acquisitions departments of television stations, experienced journalists who are involved in programme-making decisions, people with experience in securing big deals at international organisations like the European Broadcasting Union, rights specialists in football leagues, people who work at sports rights and sports production agencies and analysts who have written extensively on the subject

could all provide insight information. The websites of television channels were a starting point in the search for the right names but newspaper and magazine articles as well as speakers at industry conferences could provide a useful list of possible interviewees.

Many interviews were arranged through the phone either by speaking directly to the people involved or to their assistants and explaining the subject and the purpose of the interview. When people were not available on the phone, interviews were arranged through email which is less personal but different people feel comfortable with different methods. Confirmation and explanatory follow-up emails were used even when interviews were arranged on the phone.

The process of finding interviewees was sometimes straightforward. In the case of BBC's David Murray for example, a call to the BBC was enough as the switchboard was happy to transfer the call to Mr. Murray's mobile. He happened to be abroad but agreed to help and responded when he returned to the UK. Other cases required more creativity. Richard Bunn, the former Head of Television Programmes and Controller of Sport at the EBU, lives abroad but a website mentioned his name as a member of the Management Committee of the World Academy of Sport based in Manchester. A call to Manchester led to an introduction with their Marketing and Sales Coordinator who forwarded the interview request to Mr. Bunn in Switzerland. Nothing happened for one month but then Richard Bunn sent an email with his contact details and a time for the interview.

At the end of every interview, all the interviewees were asked whether they had further suggestions of people or material that could help with the thesis. Some were particularly helpful and even contacted friends as was the case of Henry Birtles, the Managing Director of sports media consultancy Henry Birtles Associates, who helped arrange the interview with Ben Nicholas, the Head of Sales and Acquisitions at IMG UK until 2010. Others suggested possible names, organisations or areas that had to be looked at. There were finally those who were more cautious but practise has shown that it is always better to ask.

Luck combined with the small size of the Greek television market played a big role in the interviews arranged in the country. Most UK interviews were arranged one by one but a personal acquaintance with Vasilis Panagiotakis, the former controller of Alpha, helped arrange a group of interviews at around the same time.

Most of the interviews were face-to-face and that included a trip to Greece but some were conducted on the phone. A few late interviews with Greek executives as well as two interviews with executives who are based in Switzerland and one in Italy belong to this category. The former Controller of Sport at Channel 5 Robert Charles preferred a telephone interview as well as that took place during a busy period at his office. There were no email interviews and this was a personal choice as practise has shown that the best questions come up during the discussion.

The thesis mentions the current title of the interviewees and/or the one that shows his/her relevance to the subject but television executives move often to different

organisations and their title is bound to change in the near future. This also happened during the research.

4.4.4. The interview process: selecting interview questions and conducting the interviews

Each interview was based on a set of questions that had been written in advance but the first attempts were probably the most unstructured as it was not yet clear which areas had to be covered and how the discussion would go. With time, a clear set of categories and questions were formed and the interviews became semi-structured. The input of the interviewee was still important and new questions were born during the discussion but key areas were always covered.

The first question was usually a “soft” one, i.e. a simple general question about the history of sports rights or an easy question about the programmes of their channel, which helped the interviewee to settle and open up. Their strategies, choice of content, the factors that affect them, their opinion about the strategies of other broadcasters, their analysis of key case studies, the impact that the external environment has on their decision making and their predictions for the future were the main topics of discussion.

There was not a specific rule about what came first or last. There was a lot of flexibility and everything depended on the answers. There were occasions when two areas would be covered with one question or an answer would lead to another

subject. In that case, questions that were placed last were asked first, were adapted to the conversation or changed and new questions were introduced.

Some people were more open than others but it was very rare that someone would refuse to answer a question and even in this case, paraphrasing the question was enough to lead to an answer. The practise proved that if someone had agreed to give the interview, then he/she was very likely to be positive about the process. It was also noticeable that people who had moved on to different jobs had more freedom to talk about past experiences. People who were still working for a television channel or sports agency felt that they represented their organisation but their opinions on the strategies of other channels and sports programming in general were mainly based on their experience and knowledge and they were actively encouraged to think this way.

Some had more time on the day than others but most were happy to speak longer than planned. The duration of the interview depended on the schedule of the interviewee but also on his job description and the type of questions that had to be asked. Kostas Piladakis for example, the president of the Greek Super League at the time of the collective rights agreement in 2009, was mainly asked about this deal, the strategies of the Greek league when it comes to selling their sports rights and their differences with other sports leagues and federations in Greece. Andrew Brann, who used to work for ITV and Channel 4 on the other hand, talked extensively about these two channels and the current situation in the UK sports television market. Richard Bunn talked about his experience of over 30 years in sports rights. The duration was in general between 20 minutes and 2 hours.

The interviews were taken during different periods. Some date back to 2004 and the last ones took place in December 2010. Based on the time, the interviewees focused on different case studies. Most interviews were taken in 2008 and 2009. The questions were never sent in advance.

4.4.5. Analysis of the data and the writing up process

The analysis of the data will be presented in the next chapters but it is important to talk briefly about the process. Once the interviews were completed, the information obtained was compared and combined with documents and articles from newspapers and magazines. The main themes were identified and divided into sub-themes.

The analysis begins with the public service broadcasters, their history, identity and characteristics, their strategies in sports content selection, their involvement in sports rights bidding, their future plans and the threats and challenges they face. A similar analysis takes place for commercial broadcasters and pay-TV and the objective is to cover all the areas that were also mentioned in the literature.

Quotes from the interviews are often used in order to help the research illustrate the main arguments and make the narrative livelier.

Chapter 5: The UK Market (Part I)

5.1. The history of sports television in the UK

Experimental television broadcasts began in the UK in August 1932 and in November 1936, the BBC launched the world's first ever television service (BBC official website: The BBC Story; visited April 2008).

Sport was identified from the beginning as a key instrument in the promotion of the new medium. Gerald Cock, the first BBC Director of Television, felt that sport and outside broadcasts in general offered the most effective way of attracting an audience (Boyle and Haynes, 2009, p.39).

The viewers got the chance to watch a sporting event when the Wimbledon Tennis Championships was broadcast in 1937. A Rugby Union international between England and Scotland, the Boat Race, the FA Cup Final and Test Match cricket followed in 1938. The quality of the image was far from ideal and the equipment sizeable and difficult to move around.

The television service was temporarily suspended from September 1939 to June 1946 because of World War Two. On resumption, the first major sports event to be broadcast was the 1948 London Olympics. The Games signalled the emergence of a new relationship between the BBC and the governing bodies of sport, produced a new scale of broadcasting operation in terms of the logistical and strategic planning

required in the coverage of a major sporting event and proved a key period in rekindling interest in the BBC's fledgling television service (Haynes, 2010, p.1030).



BBC Report on the Television Equipment used in the London Olympics¹⁴

The subject of sports rights was also beginning to emerge. In 1952, the Labour government's Committee on Copyright announced that the rights to television sports performances should be vested in the broadcaster on agreement of remuneration to sports promoters for any loss of revenue incurred (Boyle and Haynes, 2009, p.42).

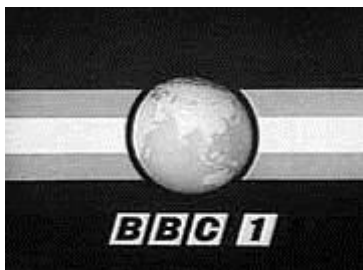
The monopoly of the BBC was broken by the Television Act 1954, a law that permitted the creation of the first commercial television network, ITV, which was launched a year later. ITV did not find it easy to acquire sports content because BBC had already established close relationships with major associations and tried to secure exclusive long-term deals of between 3 and 5 years. Before ITV was on air, they secured a three-year deal with the Amateur Swimming Association. BBC Sport

¹⁴ BBC Archive: http://www.bbc.co.uk/archive/olympics_1948/12106.shtml

and outside broadcasts of national events were actually the only programmes that did not lose huge audiences to the opposition (Whannel, 1992, p.45).

Another important milestone was the launch of the European Broadcasting Union (EBU), the world's largest association of national broadcasters, in 1950. In June 1954, the EBU set up Eurovision, an international television network with the purpose of exchanging TV programmes and TV news footage (source: EBU website). Through the EBU, viewers in the UK watched the first live pictures from the 1954 and 1958 World Cups in football as well as the Rome Olympics in 1960 (Boyle and Haynes, 2009, p.43). The Rome Olympics were actually the first ones where the International Olympic Committee (IOC) saw the enormous potential of television rights. Live television coverage via Eurovision came to a total of 93 hours and 40 minutes, CBS-TV paid \$394,000 for the US rights, EBU \$667,967 and the global revenue was about \$1.2million (Findling and Pelle, 2004, p.162).

Due to technological restrictions, there was no live action from the 1962 World Cup in Chile but the introduction of satellite technology offered some delayed coverage from the 1964 Tokyo Olympics. During the same year, the BBC launched a second channel, BBC Two and BBC TV rebranded to BBC One.



The BBC1 and BBC2 first logos

The true immediacy of satellite broadcasts of sporting events from around the world did not arrive until the 1968 Olympic Games from Mexico. BBC and ITV sent out their own camera crews and presenters to provide on-site broadcasts to implement the EBU coverage. This allowed far more focus on British athletes (Boyle and Haynes, 2009, p.44).

By the 1970s, television professionals had become increasingly prepared to instruct the world of sport about what they were looking for. Speaking to the Central Council for Physical Recreation, LWT (London Weekend Television; part of ITV) Head of Sport John Bromley cited four basic conditions for good television sport: the sport must have simple rules and be easily understood; it must be visual; it must be practical to televise; and the event must be capable of drawing a reasonable crowd at the venue (Whannel, 1992, p.78).

The introduction of colour television at the end of the 1960s¹⁵ was also important for the popularity of sport adding to the immediacy of the live transmission.

A third television network, Channel 4, was launched in November 1982. It is publicly-owned but commercially self-funded. The arrival of Channel 4 brought new ideas to sports broadcasting providing an outlet for previously marginalised sports such as American football (Boyle and Haynes, 2009, p.45).

Pay-TV entered the UK market in 1989 when Sky launched a subscription satellite service with four channels on Astra satellite. Sky was followed by BSB (British

¹⁵ 1967 in BBC2 and 1969 in BBC1 and ITV

Satellite Broadcasting), a group which had won the licence for direct broadcast satellite (DBS) television services to the UK. BSB used more expensive and advanced technology but missed its launch date by nine months allowing their rivals to launch first and gain a foothold in the multi-channel market. Among the five BSB channels was The Sports Channel which broadcast live and recorded sports events as well as news. Seven months after the launch of BSB, the two pay-TV companies merged to create BSkyB and The Sports Channel was renamed Sky Sports.

In 1992, BSkyB signed its first exclusive television rights deal with the Premier League that is considered a huge part of the success of the pay-TV operator. Six years later, it launched Sky Digital, the UK's first digital satellite service that offered around 200 television and radio channels including the free-to-air BBC, ITV, Channel 4 and Channel 5, the fifth terrestrial broadcaster which was launched in 1997.

In 1998, a subscription digital terrestrial service, OnDigital (later rebranded as ITV Digital) began operations but failed to rival BSkyB. It closed down in 2002 after overpaying for sports rights and signing deals that proved unpopular with the viewers such as the exclusive deal with the First Division, the second tier of English football.

Cable operators were also involved in bidding for sports rights but they were largely unsuccessful.

The first IPTV service was launched in 1999 under the name of KIT (Kingston Interactive Television) and ceased operations in 2006, the year that BT Vision began its own IPTV service.

The most recent challenge to Sky came from Setanta Sports, an international sports broadcaster that won the rights to some Premier League games for three seasons starting from 2006-07. The UK arm of the company ceased operations in June 2009 after running into financial trouble and failing to attract enough subscribers.

5.2. Public service broadcasters

The BBC (British Broadcasting Corporation) is the public service broadcaster in the country. It has been established by Royal Charter and it is funded by a licence fee paid by UK households. Its vision is to be the most creative organisation in the world and its mission to enrich people's lives with programmes and services that inform, educate and entertain. The BBC uses the income from the licence fee to provide services including 8 national TV channels¹⁶ plus regional programming, 10 national radio stations, 40 local radio stations and an extensive website.

As a public service broadcaster, the BBC must have a public purpose and characteristics that distinguish it from commercial broadcasters. A Government White Paper published in 2006 sets out the government's policy until 2016. It confirms six new public purposes for the BBC: sustaining citizenship and civil society; promoting education and learning; stimulating creativity and cultural

¹⁶ BBC One, BBC Two, BBC Three, BBC Four, BBC News, BBC Parliament and the children channels CBBC and CBeebies

excellence – including film; reflecting the UK’s Nations, regions and communities; bringing the world to the UK and the UK to the world and Building Digital Britain. Within that framework, it stresses the importance of entertainment to the BBC’s mission, whilst ensuring that its content should offer something distinct from other broadcasters. It adds five characteristics that would distinguish the BBC’s content: high quality; challenging; original; innovative; and engaging. All BBC content should display at least one of these characteristics (Department for Culture, Media and Sport, 2006, pp.9-11).

BBC One’s remit is to be the BBC’s most popular mixed-genre television service offering a wide range of high quality programmes. It should be the BBC’s primary outlet for major UK and international sports events and reflect the whole of the UK in its output. It is free to air and has a budget of £1,166.6m when the channel covers major sporting events and £1,106.6m when it does not according to the latest review (BBC Trust, 2010, pp.1-2).

BBC Two’s remit is to be a mixed-genre channel appealing to a broad adult audience with programmes of depth and substance. It is free to air and has an annual service budget of £421.4m (BBC Trust, 2011, pp.1-2).

BBC has seen its audience share decline over the years as a direct result of the introduction of new channels. At the end of the 1980s, there were just four UK TV channels available and the BBC had 50% of the audience share (BBC News website, 27 November 2006). In 2003, this was down to 36.8% (25.6% for BBC One, 11% for BBC Two and 0.1% each for BBC Three and Four) and in 2005, the

audience share for the two main BBC channels was down to 33% (source: BARB online archive).

In 2008, the BBC saw its all-day viewing share move to 33.5% only to drop to 32.7% in 2009. These figures do not include CBeebies and CBBC. Within this, BBC1 recorded a 3.9% drop in all-day viewing to a 20.9% share. Peak-time viewing fell by 4.7% to a share of 22.3%. BBC2's all-day viewing share dropped by 4.7% to a 7.5% share. Peak-time viewing dipped by 2.5% to a share of 8.4% (*The Guardian*; 13 January 2010).

5.2.1. The BBC strategies in sports content selection

The BBC has always had a close relationship with sport and looks determined to keep things this way. In a 2007 speech to the Broadcast Sports Forum, Roger Mosey, the BBC's Director of London 2012¹⁷, argued that "sport is at the very heart of a public service proposition for the future, can be in the vanguard of the next phase of the digital revolution and the BBC has a unique role to play in our national sporting life" (Mosey, Speech given to Broadcast Sports Forum, 2007). A 2006 Ofcom survey of the public's attitude to public service broadcasting found that after news, sport was the second most valued type of programming (Select Committee on BBC Charter Review, 2006).

The corporation had the rights for the 2012 Olympic Games, joint rights with ITV for the Football World Cup until 2014 and airs other major sporting events like the

¹⁷ And former BBC Director of Sport

Six Nations Rugby until 2013 (four-year deal for a reported £160m), the Rugby League Challenge Cup, the Football League and Carling Cup until 2012 (joint with Sky Sports for a reported fee of £264million for three years), Wimbledon until 2014 (five-year deal), World Snooker until 2014 (three-year deal), Royal Ascot and the Grand National (three-year deal), the Open until 2016 (five-year deal) as well as the Masters in Golf (joint with Sky Sports) and Formula 1 until 2013 (five-year deal for a reported £200m). They also have access to different World and European championships through the collective EBU agreements and show a number of minority sports¹⁸.

David Murray¹⁹, Head of Sports Rights at the BBC and former Vice President of the Sports Group at the EBU, says that sport is important because it is one of the few TV genres that has resisted the overall trend of falling audiences. “The overall trend is down just because of the proliferation of different channels and the different ways of people spending their time. Young children are more likely to play computer games than they did ten years ago for example. But sport is one of the few things that has resisted this to a certain degree, some sports more than others. As it is a live moment, the key events will always attract big audiences. The 2008 Olympics did very well helped by the fact that the British team performed well. Around 40 million people in the UK watched at least 15 minutes of the Olympics which is absolutely phenomenal in today’s multi-channel world.”

According to Mr. Murray, general-interest channels like the BBC will always look for sport content because it can deliver audiences that other programming cannot.

¹⁸ The term minority sports will be used for sports that are not popular with broadcasters as they do not attract high viewing rates

¹⁹ Interview conducted in April 2009

Top quality football will deliver a more male and young audience, the same goes for Formula 1 while cricket will bring a more ethnic audience. Different sports have different properties but can attract groups that are traditionally hard to reach. The BBC must also justify its licence fee and reach the whole of the population and sport is one of the few ways they can hit certain demographics.

Sport must however compete with other programming and general channels around Europe, including the BBC, have often found that apart from the big events and the top quality content, the viewers may choose other forms of entertainment. Richard Bunn²⁰, Head of Television Programmes and Controller of Sport at the EBU between 1978 and 2000, says that twenty years ago, 15% of the airtime in general channels was devoted to sport. It is now about 7% and competition is largely responsible. The BBC's Grandstand is a typical example. It went on air in 1958 and was one of the longest running sports shows on British television. It dominated Saturday afternoons on BBC1 (from 12 to 5pm) and covered all the major sporting events in the country. In 2006, it was announced that the programme would gradually be phased out and cancelled by 2009 with the cancellation date finally moving forward to June 2007. "What this tells us is that ratings, numbers of viewers, do matter and that apart from the really big sporting events, people will not watch," says Mr. Bunn.

Roger Mosey explained at the time that top sporting events did not need the Grandstand brand and had to be branded as themselves allowing the viewers to know exactly what they were going to watch. He added that viewers were also less

²⁰ Interview conducted in May 2009

interested in watching a mix of sporting events but wanted to focus more on their favourite sport. Tennis fans wanted to watch just tennis and not tennis together with horse racing for example (BBC News Online, 26 January 2007).

David Murray argues that the BBC strategies in sport are quite clear these days. The corporation has a fixed budget dedicated to sport and base their strategies around it. “We look at it from the effect of a portfolio for sports. It is important to cover the big national events as well as minority sports, especially Olympic sports in the run-up to 2012. We are for example interested in showing the World Championships of different Olympic sports.”

Football, Rugby Union and Formula 1, of the most popular sports in the UK, have an important presence in the channel but the BBC’s success in bidding for top events has been mixed. The presence of the listed events, events of national importance that should be broadcast on free television according to the Broadcasting Act 1996, has helped them retain the Olympics and the World Cup. However, fierce competition from commercial and pay-TV meant that they either missed out or could not justify bidding for content such as the Premier League or the Champions League.

When it comes to minority sports, the BBC will first look at the type of the sport and then at the competition (World, European Championship etc). One of the main drivers for choosing a minority sport is the success of British athletes and especially success in the Olympic Games. Cycling is an example. It wouldn’t have made the cut some years ago but British athletes have become very successful and the BBC

will now identify important cycling events and add them to their schedule. “But we are not going to cover handball because no one is interested and it is important to get the balance right. There has to be some kind of competitiveness,” adds Mr. Murray.

In addition, they try to identify potential Olympic success and cover traditional sports even if recent success has not been great. Great Britain did not win many medals in Equestrians in the 2008 Olympics but this is a traditional sport and continues to have a place in the schedule. The same goes for Athletics.

The BBC will also cover UK-centric events that will always have a strong following regardless local success. The Wimbledon Tennis Tournament for example has strong ratings because people are interested in watching Wimbledon and it is not that important that British tennis players are not doing well.

Live coverage and news coverage are closely related. Mr. Murray says that the BBC is interested in covering all the events that are on the news but live coverage will also dictate what ultimately makes the news.

5.2.2. The BBC and the Bidding for Sports Content

The BBC has to bid for the rights of sports content in one of the biggest and most developed markets in Europe and it must do this on a fixed budget. David Murray says that competition within the market plays a key role to what and how much they can afford to secure. “When the market is depressed, things tend to settle down a bit more, people pay less money and this is good for the BBC. When the market is shooting through the roof, it is bad for us because prices are going up and we have a fixed income. At the moment, everything is fairly quiet because apart from Sky, all the commercial broadcasters are struggling.”

When there is more confidence around and the prices go up, the BBC has to come to terms with the idea that it will secure less for its money and make difficult decisions like dropping something in order to pick up something cheaper.

Andrew Murray says that they have a fairly good idea about how much a property is worth and how much they want to spend. This is based on years of experience in sports rights bidding, the health of the market and past prices. They do not take unnecessary risks but if they feel that they really need one event, they will make a strategic decision, spend more money on it and leave less for something else.

One important consideration for the BBC is that all their decisions are scrutinised by the government and the public who expect them to fulfill their public service remit. “We have to remember that the BBC will always have the government

looking over their shoulder,” says Andrew Brann²¹, who used to work at ITV Sport and was then Head of Business Affairs and Programme Finance at Channel 4. “It is easier to justify bidding for a UK-based event like Wimbledon than it is for an American series and they can sometimes overbid because they have a secure income but this is up to a point. There is still a limit to what proportion of their income they can justify spending on sport.”

A typical example was the bidding for the Champions League rights for the 2009-2012 seasons. There were initial reports that the BBC was ready to spend a substantial amount of money in order to rival ITV but critics argued that it was unreasonable to spend millions of licence fee money on something that was already on free television and at a time when the corporation had decided to make job cuts and tighten its budget on news and current affairs programmes (*Daily Mail*, 25 February 2008). ITV and Sky Sports finally retained the rights with the BBC announcing that it had not entered a bid at any stage of the tender process (BBC website, 20 March 2008). It did however make a serious bid for the rights in 2002 and even promised UEFA to pay more to compensate sponsors for less exposure, a plan that produced an angry reaction from ITV who made an official complaint to the government arguing that over-paying for the event was against ensuring value for money for the licence-fee payers. (*The Guardian*, 7 November 2007).

One property that the BBC has always strived to retain, regardless competition from commercial broadcaster ITV, is the highlights programme from the top football league. In 2001, the Premier League awarded the rights to ITV in a three-year deal

²¹ Interview conducted in June 2009

but after disappointing ratings, the highlights went back to the BBC and the deal has been renewed twice since then²². ITV was criticised for showing too many adverts and for having a show with too much talk rather than actual highlights.

Since moving back to the BBC, the programme (Match of the Day) got a new look. In the past, it used to show highlights from the three main games and goals from the remaining fixtures. Under the new format, it shows highlights from all the Premier League games played on a Saturday with commentators at every ground. A sister programme, Match of the Day 2, was added on Sunday nights in order to cover the increasing number of Sunday fixtures. The programme has been a success and viewing rates have seen a steady increase registering their biggest audience in a decade for the season 2009-10. "Audiences continue to grow," says David Murray. "Perhaps there is so much football out there that people start to go back to the idea of sitting down for an hour and watching everything in one go or watching the big moments. And once you know the score, all you want to see really is the goals and the major incidents."

It is interesting that even though the Premier League has sold its live rights to pay-TV since 1992, it continues to support the idea of having some top league football on free-to-air channels in the form of the highlights. Other popular sports have followed a similar pattern in order to gain exposure. Paul Vaughan, Rugby's Football Union Business Operations Director, has stated that the BBC's ability to reach large audiences was why the Rugby Football Union sold its rights to a mixed package of broadcasters including the public service broadcaster. He compared for

²² Current contract runs up to 2013

example an average audience of 5.3m for England games on the BBC with around one million on Sky Sports (Select Committee on BBC Charter Review, 2006).

One property that the BBC took from ITV was Formula 1. The BBC first started covering the sport in 1978 but lost the rights in 1997 and regained them in 2009 in a five-year deal. Mr. Murray says that there is a strong enough following in the UK to justify bidding for the rights but the presence of British athlete Lewis Hamilton, who won the World Championship in 2008, was a factor. “What the British driver does is that he boosts this audience and makes it easier to justify the investment.”

Lewis Hamilton could not repeat his success and finished fifth the next year but the BBC recorded strong rates with an estimated 30.8m viewers for the season and one of the main reasons was that another British driver, Jenson Button, was the surprise winner of the World Championship. David Murray admits that the BBC was lucky in this respect. “We had no idea that Jenson Button was going to do that well.”

Predicting success of local athletes is very difficult and many channels have found their investment losing some of its worth because local athletes underperformed or retired. This is for example what happened with Formula 1 in Germany in 2006 when Michael Schumacher announced his retirement or in Spain in 2009 when Fernando Alonso had a disappointing season and finished down in ninth place.

5.2.2.1 Listed Events

The biggest and most prestigious properties of the BBC portfolio are directly related to the listed events. These are sporting events of national importance and significance that should be shown by broadcasters whose channels are available without payment to at least 95% of the UK population (Ofcom website, visited May 2010).

Rowe (2004) says that they promote TV sport as a cultural right and their presence indicates that the political consequences of infringing popular rights of cultural citizenship can be particularly perilous (Rowe, 2004, p.390).

The current list protected under the Broadcasting Act 1996 is:

Group A (Full Live Coverage Protected)

- The Olympic Games
- The FIFA World Cup Finals Tournament
- The European Football Championship Finals Tournament
- The FA Cup Final
- The Scottish FA Cup Final (in Scotland)
- The Grand National
- The Derby
- The Wimbledon Tennis Finals
- The Rugby League Challenge Cup Final
- The Rugby World Cup Final

Group B (Events which may not be broadcast live by non-qualifying channels unless there are adequate highlights or delayed coverage on a qualifying channel)

- Cricket Test Matches played in England
- Non-Finals play in the Wimbledon Tournament
- All Other Matches in the Rugby World Cup Finals Tournament
- Six Nations Rugby Tournament Matches Involving Home Countries
- The Commonwealth Games
- The World Athletics Championship
- The Cricket World Cup - the Final, Semi-finals and Matches Involving Home Nations' Teams
- The Ryder Cup
- The Open Golf Championship (Department for Culture, Media and Sport Press Release, 13 November 2009).

A review took place in 2009 and an Independent Panel suggested to the government that there should be a single list of live events protected for free-to-air television.

This should include:

- The Summer Olympic Games
- FIFA World Cup Finals Tournament
- UEFA European Football Championship Finals Tournament
- The Grand National
- The FA Cup Final (in England, Wales and Northern Ireland only)
- The Scottish FA Cup (in Scotland only)

- Home and away qualification matches in the FIFA World Cup and UEFA European Football Championships (listed in the Home Nation to which they relate)
 - The All-England Wimbledon Lawn Tennis Championship (listed in its entirety)
 - The Open Golf Championship
 - Cricket's Home Ashes Test matches
 - The Rugby Union World Cup Tournament
 - Wales matches in the Six Nations Rugby Championship (in Wales only)
- (Department for Culture, Media and Sport Press Release, 13 November 2009)

The panel suggested delisting the Winter Olympic Games, the Derby, the Rugby League Challenge Cup Final, Cricket Test Matches played in England (apart from the Ashes series), the Commonwealth Games, the World Athletics Championships, the Cricket World Cup Final, semi-finals and matches involving Home Nations teams and the Ryder Cup.

The presence of listed events means that channels with less than 95% reach of the population and pay-TV cannot get hold of key sporting events like the Olympic Games or the World and European Football championships. This gives a significant advantage to the BBC and commercial broadcasters like ITV.

Independent research into public attitudes showed that 82% of respondents believed they had an entitlement to watch certain events free-to-air because they had already paid the TV licence fee, and 76% expected to be able to watch major events on free-

to-air TV (Department for Culture, Media and Sport Press Release, 13 November 2009).

David Murray says that the BBC strongly supports the idea of listed events. “There are certain events that pull in more than sports fans. They unite the nation and are important for many reasons like participation in sport, national identity... If the Olympics were on pay-TV, how many would subscribe to watch? You then have all these minority sports where their only publicity is during the Olympics and they would probably disappear without a trace if the Games went to pay-TV. You also have the World Cup and the Euro where you get huge audiences, much bigger audiences than you get for an odd football game, because they pull in people who wouldn’t otherwise be interested in football. Euro2008 is an interesting example. There were no home nations taking part and yet the audiences were very good, far better than if you played Holland-France outside of the Euros. I think this is the prime case study as to why listed events make a difference. It is because people will still watch because of the event rather than who is in it.”

Mr. Murray adds that the listed events legislation exists because there is a real concern that the pay-TV business model through subscribers can outbid the free TV model. It therefore makes certain that it protects the viewer and that the really key moments are available for everyone to watch.

Pay-TV operator BSkyB has a different opinion. In a speech in 2009, Jeremy Darroch, Chief Executive of Sky, said that sports bodies should be allowed to decide themselves what is in the best interest of their sport and its future growth.

“There is no need for a major sporting event to be listed in order for it to feature on free to air television – just look to Formula 1, Six Nations Rugby or Premier League highlights for proof. But when you list an event against the wishes of the sports governing body, you restrict their choice of partner. You undermine their ability to set the right balance across a complex of factors, including income, exposure, depth of coverage and promotional support. For those events, you turn the clock back twenty years to a world where in most cases the BBC is the only option.” (Speech at a Sports Industry Group event, 2009, p.6)

Cricket chief Giles Clarke voiced similar concerns after the review of the listed events suggested that the Home Ashes Test matches should return to free TV. He said that if the recommendations were adopted, they could lead to a decade of decay for his sport (BBC website; 13 November 2009). In a statement in their official website, the ECB (England and Wales Cricket Board) further argued that the decision to give their most lucrative games back to free television could cost at least £137.4m for the 2014-2017 domestic broadcast contract and force reduced investment in cricket’s infrastructure (ECB website; visited May 2010).

The government must take all this to consideration and Richard Bunn says that it is not a straightforward decision. According to him, listed events are necessary because some sports are so embedded in British culture. The English FA Cup final for example is a day in everybody’s diary and has been going on for over 100 years. In addition, it is difficult to imagine that any politician would be brave to support the idea of giving such events to pay-TV. “I do not think they would do it even if it

generated more money for the simple reason that they wouldn't be elected the next year.”

A grey area around the listed events is what will happen after the digital switchover when more channels will be able to reach almost the whole of the population. David Murray says that even though the number of potential qualifying channels may increase, there will still be a distinction between free digital and pay digital channels. The Olympics must be on free TV in their entirety so if a pay-TV channel bought the rights and sublicensed some of the hours back to a free TV broadcaster, this agreement would be open to challenge.

5.2.3. Future Threats for the BBC

The BBC depends on the licence fee but its amount, the way it is spent and perceptions about how useful it is and whether it should only be available for public service television or whether it should be the only way to finance the BBC can always change. There have been calls to reduce this amount, especially under the difficult economic climate, and the BBC has finally been forced to accept a six-year freeze (BBC website, 20 October 2010). This decision has a profound effect on the way the corporation is run and means that sport executives have less to spend than they had initially budgeted for. The loss of the exclusive rights of the Masters Golf after 24 years was blamed on the freeze and allowed Sky to step in and win some of the rights.

The golf deal came after BBC's Strategy Review in March 2010 where the corporation admitted that it was considering a 9% cap on the amount it spends on sports rights and would continue to look for opportunities to share the sports content with other broadcasters where this is justified in terms of audience expectations and value for money. There was also a proposal for less sports coverage on BBC Two (BBC Trust, 2010, p.57).

A few months later, in September 2010, the BBC lost the rights to the IAAF World Athletics Championship in 2011 to Channel 4 (IAAF official website, 30 September 2010).

Commercial broadcasters have often argued that the licence fee gives the BBC an unfair advantage and the former Labour government had announced plans in 2009 to spend some of it to help provide universal access to broadband and fund ITV regional news services that the broadcaster could not support due to financial difficulties and falling advertising revenue (*The Guardian*; 16 June 2009). The funding of broadband to rural areas has been added to the BBC's obligations but the suggestion to help ITV has been shelved. However, the argument about the licence fee is still present and the BBC will always be affected by the political situation in the country.

Finally, the BBC Charter Review has indicated that the licence fee is the best way to finance public service television but proposed that, towards the end of the digital switchover, a new review should be conducted in order to consider alternative

funding methods such as advertising, subscription²³ or grant-in-aid²⁴ (Select Committee on BBC Charter Review, 2005).

These possible developments can affect bidding for top events and it is difficult to see the BBC moving towards securing live top quality football content. In addition, it must always justify its investment and follow the rules regarding the public service remit²⁵. Events like the Olympics, the World Cup and the English FA Cup final meet these rules but the BBC needs some local success in general in order to increase the “national importance” and this can never be guaranteed.

The future of listed events is another factor that could impact greatly on sports coverage. The recent review is in favour of the BBC but David Davies, who led the review, has admitted that after the digital switchover, there could be a host of other broadcasters, including pay-TV broadcasters, who would be in a position to bid for listed events.

Andrew Brann says that this is a possible scenario. “I cannot be certain by my guess is that if Sky could take away the Olympics from the BBC by putting it on a free satellite channel and being allowed to do this because everybody would have gone digital by then, they would do it. The next step is that they would charge for it, they would monetise for it in some way. But they would then have taken the Olympics away from the BBC who would probably never get it back. When the Olympics are

²³ Pay the licence fee as a subscription service

²⁴ The government will give money directly to the organisation

²⁵ “Bringing audiences together, across the UK, for shared experiences, for example by broadcasting sporting events of particular national importance and promoting interest and participation in smaller, minority-interest sports that are less well covered by commercial networks” (Select Committee on BBC Charter Review, 2006).

on for 16 days, it must be a huge hit for Sky Sports. And they would then try to change the law which is the constant running battle of competition.” Mr. Brann adds that the perceptions of people can also change with time and they would forget that some events like the Olympics or the World Cup used to be on free television. “It has already happened with the Premier League. People were initially outraged at the idea that they would have to buy a Sky dish to watch football but this quickly changes.”

As a public service broadcaster, the BBC also depends on the EBU being able to secure collective deals for sports rights. This is the case for many World and European Championships (cycling, athletics, gymnastics...). It was also the case for the World Cup until 1998 and the Olympic Games until 2012. However, many big federations begin to consider selling the rights to individual countries and this can affect the price and the competition within a given market.

5.2.4. The EBU and Sports Rights

The European Broadcasting Union was founded in 1950 by Western European radio and television broadcasters and merged with its counterpart in Eastern Europe, the OIRT, in 1993. It has 75 active members from 56 countries in and around Europe and 43 associate members around the world. Its members are radio and television companies, most of which are government-owned public service broadcasters or privately owned stations with public missions. The UK has two members: the BBC (founder member) and UK Independent Broadcasting (UKIB) (member since 1959). The UKIB is an affiliation of British independent television production companies

and broadcasters, whose primary function is to represent non-BBC broadcasters' interests at the EBU. Its members include ITV and Channel 4. The EBU operates the Eurovision acquisition and distribution arm that handles many top sports rights. In the UK, the BBC is the primary licensee for sports rights acquired by the EBU as a result of its public service broadcaster status and long-term relationship with the Union (Elman et al, 2005, p19; EBU official website; Ofcom, 2007, p.87).

The EBU was for years the most powerful player in the European television sports rights market acquiring collective agreements for its members for top events such as the Summer and Winter Olympics as well as the World and European Football Championships. However, its position has become weaker and there are three main factors responsible for this: the rapid escalation of sports rights fees; legal challenges from commercial rivals attacking its collective buying practice; and the growing tendency among rights holders to pursue a more active market-by-market approach (Elman et al, 2005, p.19).

“For the EBU members, this was a cheap way of acquiring rights,” says Andrew Brann. “They also acquired them for a very long period forward and it was a very cost-effective route.”

The EBU has traditionally been granted an exemption from competition law by the European Commission but this has been challenged by a number of commercial broadcasters. The first case was back in 1987 when cable pan-European sports channel Screensport complained that Eurovision's collective buying of sports rights was anti-competitive. A year later, the European Commission said that it would

grant EBU exemption from competition law for collective buying if rights that were not used by members were sub-licensed to non-members on reasonable terms. Further complaints were made by France's M6, Spanish channels Telecinco and Antenna 3 as well as Italy's Mediaset and Germany's DSF and in 2002 the European Court of First Instance ruled that the commission had made an error in granting the exemption. (Elman et al, 2005, pp.21-22). It found in particular that the sub-licensing scheme was such that competing non-members would in practise never be able to obtain a license for the live transmission of sporting events which the EBU members did not intend to broadcast themselves and that the acquisition of sub-license for deferred transmission was also subject to extremely restrictive conditions (Van Bael and Bellis, 2005, pp.535-536).

The EBU was forced to revise its sub-licensing rules and published further amendments in 2005 and 2009. As for the European Commission, it has decided to adopt a more passive attitude and will no longer grant exemptions but has agreed not to act against the EBU as long as the Broadcasting Union regulates itself (Elman et al, 2005, p.22).

Apart from the top properties, where all members contribute towards the total bidding fee, the EBU's acquisitions are funded by whichever members are willing to act as "guarantors" for specific properties. With some events, there are not enough guarantors to cover all European rights, in which case the rights for some territories will not be covered by the deal (Elman et al, 2005, p.21).

“The national broadcasters have the money and the power of decision,” says Richard Bunn. “As the EBU, when I was negotiating, I could do nothing unless I was instructed by individual members. There were times when a contract would come up but there would not be enough interest to warrant putting together a bid. For the major sports, where there was enough interest, they would indicate what they valued the contract and then my mandate was to go out and negotiate.”

The EBU secured deals for top events for many years but lost the rights to the 2002 and 2006 World Cups to the Kirch Group, which subsequently collapsed in 2002, and UEFA decided to go for a market-by-market approach for the rights in Euro 2008. However, the EBU won back the rights for the World Cups in 2010 and 2014 in a deal that excluded the top five markets (UK, France, Germany, Italy and Spain) and the Nordic countries (Denmark, Finland, Norway and Sweden).

“I think that the EBU’s role is still very relevant and history proves it,” says Stefan Kürten²⁶, Director of Operations at the EBU and former Vice-Controller of Sport at ZDF. “We lost the World Cup in 2002 but won it back in 2010 and 2014. The presence of the EBU is very important in the strategic decision of a federation to either have direct contact and contracts with the broadcasters or go with an agency.”

This type of deal where the EBU will submit bids for smaller regions and the big markets will negotiate their own agreements could be the way forward, at least for the premium events. Part of the reason is that the big markets believe that they may

²⁶ Interview conducted in July 2009

be able to struck better deals if they go by themselves rather than providing the biggest financial share as guarantors for the top deals (Elman et al, 2005, p.16).

However, Mr. Kürten thinks that this new approach is one that is mainly being pushed forward by the federations. “I think that the federations want to have direct control over certain territories. This is not just about getting more money but about having direct negotiations, direct relationships with the broadcaster, controlling the commercial deals, controlling the exposure, understanding in detail the individual broadcast concepts, controlling the number of billboards, putting trailers, promotional material so all the issues that are of relevance for a federation.”

One interesting development was the decision of the IOC to reject in 2008 an EBU bid for the 2014 and 2016 Olympics which covered all European markets. Instead, they chose to negotiate directly with individual broadcasters. The first two deals took place in Italy²⁷ and Turkey where Sky Italia and commercial broadcaster FOX, both owned by Rupert Murdoch, won the rights respectively.

However, there are arguments that this risky approach could backfire. “Having been involved in the negotiations for many years, I am surprised that the IOC has decided to end this relationship like this without any effort of keep it going,” says Mr. Bunn. “I think that it is actually going to be a harder time than the IOC or their agent²⁸ imagined. I think that, under the difficult economic climate, there will be a lot of countries that will say ok, but I am going to pay less than I offered within the EBU contract.”

²⁷The only European country that excluded itself from the EBU deal for the 2010 and 2012 Games

²⁸ Sportfive which was chosen by the IOC to handle TV rights for the 2014 and 2016 Olympics in 40 European countries excluding the big five (UK, Germany, France, Spain, Italy) and Turkey

David Murray is of the same opinion. “I suspect that the IOC will regret not having done a deal with the EBU when it had a very good offer on the table. Look at the market now. It is in pieces.”

Some members of the IOC have long supported the idea of putting more pressure to the EBU to improve its offers. Richard Pound, the former Vice-President of the IOC, was one of them and had often warned Juan Antonio Samaranch, the IOC president between 1980 and 2001, that the protectionist approach in Europe angered U.S. television networks. The EBU deal for the Barcelona Olympics for example represented a figure of slightly less than 20 per cent of the sum paid by U.S. network NBC (Barney et al, 2004, p.200).

Richard Bunn says that the U.S. and the European markets are different and that it is only in the U.S. where broadcasters actually make money from the Olympics. Despite that, there are numerous factors that make the Games important for European broadcasters. “In terms of your prestige, in terms of the image of your channel, in terms of your support for sport, it is a good fit. It also happens at a time, summer, when fewer people are watching TV, you need hours and hours of programming and if you can put 12-14 hours of the Olympics, the cost becomes interesting. You do not make money but you do not have to produce other programming.”

The IOC decision could be risky for a number of other reasons. EBU members have considerable expertise in covering the Olympics, both during the Games and in the

intervening years and there is a fear that a general entertainment channel like Fox Turkey, with little history of sports broadcasting, will struggle.

In addition, there are fears that there will be little competition for the Games in the big five markets where commercial broadcasters are struggling and public service broadcasters have to justify their spending and often face cuts in the difficult financial climate. The IOC defied its critics by securing a deal with Spanish public service broadcaster RTVE in September 2009. The deal was reportedly worth \$100 million but it was signed at a time when the hosts of the 2016 Games had not been announced and Madrid was among the candidates (Sport Business, 7 September 2009). The Olympics were also the only sporting event excluded from a new Spanish law that stated that public service television should not spend more than 10% of its budget on the acquisition of sporting events (*El Pais*, 4 September 2009). The IOC has had a tougher time in the other three big markets where deals have yet to be signed and where Germany's ARD has openly accused IOC's expectations as unreasonable threatening that no television coverage was a possibility.

Abandoning the EBU could also have ramifications on the wider coverage of Olympic sports outside the Games. The EBU has multi-year deals with many Olympic sports and its commitment to those could be jeopardised if their members lost rights to the Olympics. (*TV Sports Markets*, 7 November 2008).

The EBU has for example agreements with the skiing, cycling, rowing, athletics, wrestling, equestrian, swimming and gymnastics federations and they are often the only partner, at least for the long-term, for these sports. They also argue that they do

not just provide a home for them but work closely with the federations in order to improve their profile, popularity and make them more TV-friendly. Richard Bunn and Stefan Kürten both mention the example of biathlon. “The federation came to the EBU when I was there and asked us what they could do to get their sport on television and develop a television product,” says Mr. Bunn. “We sat down together, worked it all out, they listened and got it approved and that was it. They keep changing, developing and revising their competition structure to make sure that the interests of television are very well catered for.”

Mr. Kürten adds that the presence of good local athletes helped the sport in some countries like Germany but considers biathlon one of the biggest success stories of co-operation between federations and broadcasters. “The way the sport was handled and presented changed from a rigid to a very flexible and attractive structure and there was a permanent discussion between broadcasters, federations and athletes.” Biathlon used to have rest days which made the production of the event very costly for example. The federation and the broadcasters found common ground where some rest days would still be held but the World Championships would be organised in such a way that every day would be filled with something and there would be a flow of attractive events in order to avoid losing money and audiences.

It is finally important that the EBU, regardless their contracts with major and minor sports, are the union of the public service broadcasters and have the cultural and political support that follows them. “These broadcasters represent a lot and have understood the need to diversify,” says Richard Bunn. “They have more channels, internet activity, they are collaborating with other distributors like BBC and iPlayer,

they work with different players in the market in order to offer more services to the public and I think that they have a key role to play.”

5.3. Commercial broadcasters

There are two major free-to-air commercial networks in the UK, ITV and Channel 5, as well as Channel 4 which is a publicly-owned national broadcaster funded by commercial activities including advertising. There are many smaller digital commercial channels but they do not have an important presence in sports programming.

ITV was originally founded in 1955 to provide competition to the BBC. It is made up of 15 regional licences, providing television to viewers across the UK. ITV Network operates ITV1, its main channel which covers a full range of genres, including drama, entertainment, news, current affairs, factual, sport and children's programming. It also owns ITV2, which has a mix of talent, celebrity gossip and factual shows, ITV3, which shows classic drama from the ITV archives, ITV4, which shows drama, cult shows and sports, and CiTV, short for Children's ITV. ITV1 is subject to a series of public service obligations and regulations concerning its relationships with producers and between the various companies within the ITV Network. As well as network programming, each of the ITV licences provides regional programming to cater for the interests of people living in each area of the UK. Its revenue derives primarily from the sale of advertising airtime and sponsorship (ITV and ITV plc websites; visited May 2010).

Channel 4 was launched in 1982. It transmits across the whole of the UK, except some parts of Wales which are covered by the Welsh language S4C. Channel 4 operates a number of other services including the free-to-air channels E4, which

stands for Entertainment 4 and broadcasts popular US imports and British shows, More4, which has lifestyle, documentary and arts programming and Film4 that screens films. The Corporation's board is appointed by Ofcom in agreement with the Secretary of State for Culture, Media and Sport. (Channel 4 website; visited May 2010).

The Channel's primary purpose is the fulfillment of its public service remit, which was most recently defined in the 2003 Communications Act. This states that "the public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming"²⁹ (Channel 4 Website; visited May 2010).

Channel 5 was launched in 1997 as the final analogue broadcaster. It was wholly owned by RTL Group, the largest TV and radio broadcaster in Europe, until July 2010 when it was sold to media tycoon Richard Desmond and his Northern & Shell company. Channel 5's brands include Channel 5 as well as the digital offers 5*, which broadcasts drama, films and popular factual and lifestyle programmes and 5USA which offers drama, films, sport, comedy and youth programming from across the Atlantic (Channel 5 Website; visited February 2011).

Viewing rates have declined for all three major channels (ITV1, Channel 4 and Channel 5). ITV1 had a 50% share in 1982 dropping to 41% ten years later, 24.1%

²⁹ Programming should in particular (a) demonstrate innovation, experiment and creativity in the form and content of programmes;

(b) appeal to the tastes and interests of a culturally diverse society;

(c) make a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and

(d) exhibit a distinctive character.

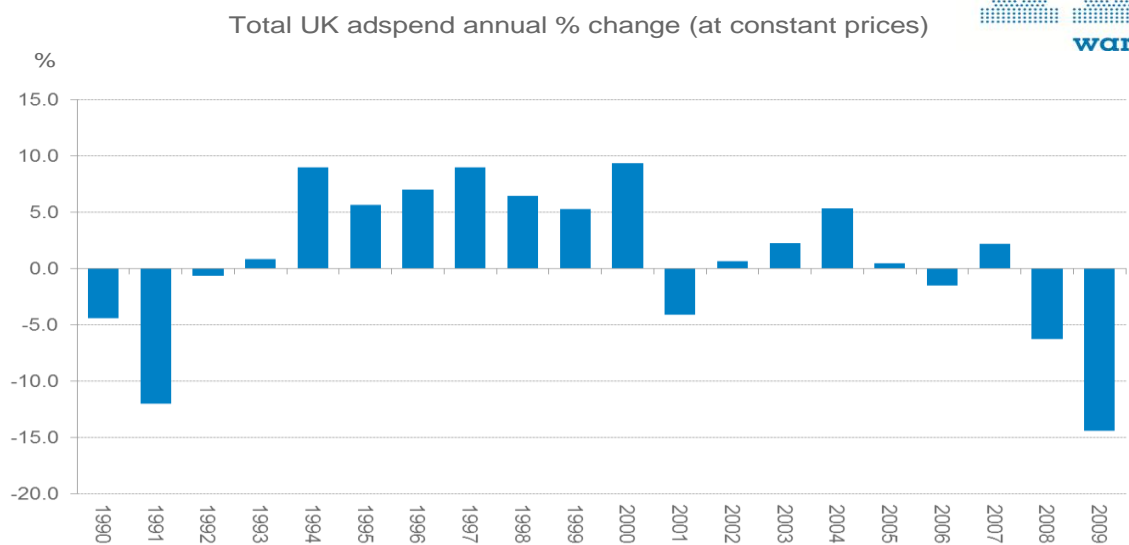
in 2002, 18.4% in 2008 and 17.8% in 2009. Channel 4 (including S4C) had a 4% share back in 1983, reached its peak between 1993-1995 with 11% but moved down to 7.5% in 2008 and 6.8% in 2009. Channel 5 had its best year in 2004 with 6.6% of the viewing share but went down to 5% in 2008 and 4.9% in 2009 (Source: BARB online archive). There were some good news for ITV in 2009 as, despite the overall drop in the viewing rates, it increased the peak-time viewing of its family of channels which includes ITV1, ITV2, ITV3 and ITV4 by 1.5%. Channel 5 also registered a slight growth in audience share across its family of channels (from 6.09% in 2008 to 6.12% in 2009). This was not the case for Channel 4's portfolio of stations which dropped from 11.6% to 11.2%. (*The Guardian*, 14 January 2010).

Year	Channel						
	BBC1	BBC2	ITV 1 (inc. GMTV)	C4 + S4C	C4 +1	Five	Others
1981	39.0	12.0	49.0	-	-	-	-
1982	38.0	12.0	50.0	-	-	-	-
1983	37.0	11.0	48.0	4.0	-	-	-
1984	36.0	11.0	48.0	6.0	-	-	-
1985	36.0	11.0	46.0	7.0	-	-	-
1986	37.0	11.0	44.0	8.0	-	-	-
1987	38.0	12.0	42.0	8.0	-	-	-
1988	38.0	11.0	42.0	9.0	-	-	-
1989	39.0	11.0	42.0	9.0	-	-	-
1990	37.0	10.0	44.0	9.0	-	-	-
1991	34.0	10.0	42.0	10.0	-	-	4.0
1992	34.0	10.0	41.0	10.0	-	-	5.0
1993	33.0	10.0	40.0	11.0	-	-	6.0
1994	32.0	11.0	39.0	11.0	-	-	7.0
1995	32.0	11.0	37.0	11.0	-	-	9.0
1996	33.5	11.5	35.1	10.7	-	-	10.1
1997	30.8	11.6	32.9	10.6	-	2.3	11.8
1998	29.5	11.3	31.7	10.3	-	4.3	12.9
1999	28.4	10.8	31.2	10.3	-	5.4	14.0
2000	27.2	10.8	29.3	10.5	-	5.7	16.6
2001	26.9	11.1	26.7	10.0	-	5.8	19.6
2002	26.2	11.4	24.1	10.0	-	6.3	22.1
2003	25.6	11.0	23.7	9.6	-	6.5	23.6
2004	24.7	10.0	22.8	9.7	-	6.6	26.2
2005	23.3	9.4	21.5	9.7	-	6.4	29.6
2006	22.8	8.8	19.6	9.8	-	5.7	33.3
2007	22.0	8.5	19.2	8.6	0.2	5.1	36.5
2008	21.8	7.8	18.4	7.5	0.7	5.0	38.8
2009	20.9	7.5	17.8	6.8	0.7	4.9	41.4

Annual % shares of Viewing (Individuals) 1981-2009; Source: BARB

In addition, 2008 and 2009 were very difficult years for advertising, the main source of revenue for commercial channels. There was a 4.9% decrease in advertising expenditure in television in 2008 and a 14.4% in total advertising in 2009, the biggest fall since measurements began in 1982. The industry started to recover in 2010 but with internet competing and getting a greater share every year (20% in 2008 and 24.2% in 2009 compared to TV's 26.4%) and the market still fragile, commercial channels are faced with many financial challenges. (Advertising Association, 2010, p.5).

Adspend declined 14.4% year on year in 2009
(at constant prices)



Source: Advertising Association/Warc Expenditure Report, www.warc.com/expenditurereport

5.3.1. Sports content and the strategy of commercial broadcasters

During the first decades that ITV was on air and up until 20 years ago, there was little competition from other channels and little competition for sports content.

“BBC was our main competition but even there, we had some co-operation,” says Andrew Brann who was involved in the joint BBC-ITV deal for the football rights in the 1983-84 season. ITV would also screen some general sports programmes like World of Sport that covered everything from horse racing to wrestling and speedway. Since then, sport has become a premium product and commercial broadcasters have had to revise their strategies amid growing competition from more channels and pay-TV. “The sports strategy fits in with the commercial strategy,” adds Mr. Brann. “ITV for example is a purely commercial broadcaster that makes its money from selling advertising and it is therefore equating the audience that it will gain versus the cost of the rights.”

Commercial channels are very interested in valuable audiences that are hard to reach and important to advertisers. That’s mainly 15 to 35 year-old males that are the most likely to spend money on different products. “And when you are targeting an audience, if you get enough of those males, you probably get elsewhere enough of everybody else that you want: housewives with children, old people or very young people who do not particularly matter to you anyway.” According to Mr. Brann, the difference between ITV and Channel 4 is that Channel 4 needs valuable audiences, upmarket people and the young and difficult to reach while ITV needs mass audiences including valuable audiences.

ITV1 has had great success with talent shows like the X Factor and Britain’s Got Talent and even though its all-day viewing share dropped by 3.5% in 2009, the popularity of such shows meant that the peak-time viewing slipped by just 0.9% (*The Guardian*, 14 January 2010). The sports coverage has to compete with these

programmes and bring big audiences and it is not a coincidence that the only sport that makes it to ITV1, their flagship channel, on a regular basis is football.

ITV has joint rights for the Champions League with Sky (three-year deal until 2012), joint rights for the European Championship (until 2012) and the World Cup (until 2014) with the BBC and rights for the FA Cup and England Internationals including all home qualifiers until 2012 (four-year deal; initially joint with Setanta and then ESPN). They have also secured rights for the Europa League until 2012, the Guinness Premiership Rugby highlights, British Touring Cars, the Tour de France and the Indian Premier League in cricket³⁰ but they are shown on digital channel ITV4. The only rugby property that made it to ITV1 in recent years was the World Cup.

Minor sports will struggle to find a place in the schedule and especially in the schedule of ITV1. “They could have any of the minor sports for nothing. I am sure that the Badminton Association would be delighted to make a deal with ITV but they wouldn’t be interested even if it was for free because it won’t deliver mass audiences,” says Mr. Brann.

Choosing less popular sports like motor racing and giving them air-time on ITV4 is an interesting decision but Richard Bunn says that the economics are different. “It may be that the organisers of the British Touring Car Championships have sponsors who want to be seen on television and therefore come to an agreement with ITV to pay for the production and not ask any money for the rights on the understanding

³⁰ Some cricket matches have attracted over 500,000 viewers

that the events are shown and through that the sponsors pay their money which actually finances the event.” This is common practise for a number of minor sports and the main reason why Formula 1, which has many lucrative sponsorship agreements (80-85% of its income comes from sponsorship), prefers the mass audiences of free-to-air to the money of pay-TV.

Channel 4 used to be more involved in sport and provided live Test cricket coverage between 1999 and 2005 and Italian football between 1992 and 2002. The channel says that it is not in a financial position to compete strongly for top competitions such as the ones that are included in the list of protected events. Instead and in line with their remit, they focus on minority sports and events that are not well-covered by other broadcasters, including sailing, triathlon, beach volleyball and smaller motorsports (Channel 4 submission to the DCMS free-to-air events review, 2009, p.1).

Their biggest sports coverage is in horse racing. Channel 4 took over the sport from ITV in 1984 when there was some co-operation between the two channels. “In the early days when it didn’t have much money, Channel 4 needed material to fill its afternoons,” explains Mr. Brann. “Horse racing was live, colourful and it got an audience. Of course, the horse racing audience is more downmarket and much older so not an obvious one for a brand new channel but it still did its job.” Most of these sports rights are acquired cheaply (Channel 4 is being subsidised to show horse racing for example) and they are not shown during peak-time.

The most recent and prominent Channel 4 acquisition was the London 2012 Paralympic Games where they outbid BBC and expect that local athletes will do well³¹. They also secured the World Athletics Championships in 2011 and 2013.

Channel 5 has always tried to have a presence in sport despite a restricted budget. It has rights to the Europa League until 2012 (three-year deal), cricket highlights and used to be involved in American sports. Robert Charles³², the Channel 5 Controller of Sport until 2010, says that securing football deals was the priority. “Football is very attractive for advertisers and as the vast majority of the Channel 5 revenue, around 95%, comes from advertising, it is important to provide programming that is attractive to them. It also brings loyalty for the sport and the clubs that it shows, it is event-television which is an important factor and gives a grown-up feel to the channel. In the past, we covered England internationals, Champions League qualifiers, pre-season friendlies and they did well...” Channel 5 has the first choice Europa League match from each game week and has exclusive rights to screen the final.

Mr. Charles adds that cricket highlights are interesting for advertisers because the audience who watches the programme is predominantly male, ABC1³³ and that’s very helpful in reaching this sought-after group of viewers. The strategy behind the coverage of American sports, which were never shown during peak-time, was that they were distinctive and provided a different strand of programming of quality sports at a relatively low cost. But despite the relatively small cost and in an attempt

³¹ Channel 4 promised to deliver over 150 hours of coverage of the Paralympics and follow key disability sport and sporting events in the run-up.

³² Interview conducted in May 2009

³³ A=upper middle class, B=middle class, C1=lower middle class: These are the most valuable consumers for an advertiser.

to save money, Channel 5 had to scale down its American sports coverage initially dropping baseball and basketball, then NFL and keeping only some wrestling and martial arts programmes. Channel 4 picked up the NFL rights and agreed to screen a live match from September 2010. Channel 5 also dropped their Italian football coverage in 2008 after only one year and fairly disappointing viewing rates. This was not a surprise as the Premier League is ultra-dominant. In addition, it is now accepted that the Spanish league is the second most popular in the country as it attracts some of the best footballers in the world and has not had to deal with the scandals that have plagued Italian football.

Robert Charles says that the live coverage of top content such as Premier League football is out of reach of free-to-air broadcasters because there is a strong pay-TV operator in the country. Channels must therefore try to be more tactical. The BBC for example have paid significant sums of money to be the highlights broadcaster of Premier League football and represent the sport in this way. ITV have secured the Champions League. “But for Channel 4 and 5, it is more difficult to do this because of the share of viewing and the advertising they attract as a result of this. They must therefore cut their costs accordingly.”

The economic climate is finally very important when commercial broadcasters form a strategy. With the public service broadcaster and pay-TV both strong in the country, free-to-air commercial channels need confidence in the market and healthy advertising revenues in order to be able to compete and have more aggressive strategies.

5.3.2. Commercial broadcasters, bidding for sports content and the change of strategies

Sport is a very important but difficult type of content for commercial channels. The top properties attract advertisers and audiences and improve their image but cost too much. Minor sports cost little and sometimes nothing but do not necessarily fit in with their commercial strategies and schedule.

Mr. Brann thinks that it is crucial for the profile of the biggest channels to bid for the top sporting content and that the main football deals (Champions League and FA Cup) make sense even if there is a danger of losing money during an economic downturn. "I think that the main commercial channels have to be in the game and this is the same everywhere in Europe. Whether you are called ITV here or RTL in Germany, you need sport." Robert Charles is of the same opinion.

Sport may not be a big money-maker for free-to-air broadcasters but there are multiple reasons why people buy sport, says Richard Bunn. "The business of sport and the business of television is quite complex. You do not buy an event just to buy the event. You buy what you can do with that event in terms of building up an audience before it, keeping the audience after it, promotion, cross-promotion, identifying you as the football channel... A fascinating example is Fox which is the Murdoch channel in the US. They bought for huge sums of money the National Football League (NFL) because that was the way to let the public know that Fox was now a network. And Rupert Murdoch wrote off in his accounts \$350m which is what he lost in the season but he didn't care because it was worth making Fox a

network in the eyes of the public. The loss in sport was compensated by the advertising he got in other programmes.”

With the Premier League, the biggest sports property in the country, on pay-TV, ITV identified the Champions League as the ideal sports content for the most popular commercial channel in the UK. It acquired exclusive rights for the competition in 1992, the year that the new format was introduced, and held them until 2003. When UEFA introduced different packages, it successfully bid for one of them in the three following tender processes between 2003 and 2012. According to these deals, ITV broadcasts the first and second choice matches on one Champions League day with Sky Sports showing exclusive coverage on the other days well as all the remaining games that are not shown by ITV on their Champions League day. The two broadcasters have shared coverage of the final.

The first ITV-Sky Champions League deal was in 2002 and during a year when ITV faced fierce competition from BBC that filed a bid as well. ITV actually wrote a letter to the government asking it to investigate BBC’s attempt and arguing that the public service broadcaster could be in breach of its charter if it showed considerable amounts of advertising during the tournament. “We understand that the BBC is preparing to demonstrate to UEFA that it can show some form of sponsors’ credits in its proposed broadcasts of UEFA Champions League matches. For the BBC to be preparing to demonstrate to a rights owner just how far it is willing to go in offering advertising to the sponsors of that event, raises great concerns about the BBC’s position as a publicly funded broadcaster which does not carry advertising.” The letter added that BBC’s plan to compensate UEFA for less advertising contradicted

their commitment not to over-pay for sporting rights and ensure value for money to the licence-fee payer (*The Guardian*, 30 August 2002).

Channel 4 and 5 have also expressed an interest for the Champions League rights but their budget is restricted and the value of the rights high. The amount was £36m per year for the period 1996/97-1998/99 when there were 24 teams taking part, £65m per year between 1999/00-2002/03 when the second group stage was introduced and there were additional games, £82m between 2003/04-2005/06 when the second group stage was scrapped but UEFA introduced different packages and made a deal with ITV and Sky Sports and £85m per year between 2006/07-2008/09 (Ofcom, 2007, p.34). The 2009/10-2011/12 deal is thought to be worth around £135m with Sky paying over £80m and ITV £55m (*The Guardian*, 30 March 2008).

The Champions League has always produced strong ratings. Around 19 million watched Manchester United winning the competition in 1999 on ITV1³⁴ and 16.1 million watched Liverpool repeating this success in 2005 (ITV1 and Sky Sports)³⁵ (Ofcom, 2007, p.34). A total of 14.6 million people watched the all-English final between Manchester United and Chelsea in 2008 on ITV1 and a further two million saw the match on Sky³⁶. ITV alone made about £10m from advertising during the match, with £1m coming because it went into extra time (*The Times*, 23 May 2008). However, local success is once again paramount. The 2008 final was comfortably in top place in ITV's top 30 programmes of that week but the 2010 final between Inter Milan and Bayern Munich, both surprise finalists, was down in 20th place with an

³⁴ Peak rating; the average was 15.62m

³⁵ The figures do not take into account those watching the games in pubs around the country

³⁶ Average of 10.05m and 1.28m respectively

average viewing rating of 3.17 million for the whole programme (including pre and post-match analysis) for ITV1 and 0.68 million for Sky³⁷ (BARB online archive).

ITV has also been involved in bidding for the UEFA Cup (now Europa League). In 2004, it won a three-year deal to broadcast the quarter-finals, semi-finals, the final and the UEFA Super Cup³⁸. The deal was reportedly worth £25m for the three seasons (Ofcom, 2007, p.47). The UEFA Cup performed strongly for ITV with peak audiences in excess of 1.5m viewers watching on ITV4 in 2008 for example and a peak of more than seven million watching the 2008 final on ITV1, in which Rangers lost 2-0 to the Russian team Zenit St Petersburg. However, when the new tender process began in 2008, ITV decided to concentrate on the most lucrative Champions League and scale down its UEFA Cup coverage winning second pick of seven games, five third picks and three fourth picks throughout the tournament. It also lost the right to show the final (*The Guardian*, 4 June 2008).

An interesting decision was the one to drop the Formula 1 coverage and concentrate on football. “I think that apart from the prestige, ITV does make money out of the Champions League but it did not make money out of Formula 1 which is why they decided to drop it. And they did even though the champion at the time was a driver from the UK,” says Mr. Bunn. The BBC, which had decided against bidding for the Champions League and had lost the FA Cup, was happy to pick up the sport but there was little interest from commercial channels who felt that Formula 1 was too expensive in terms of rights, production costs and had a difficult time schedule for events in other continents.

³⁷ Peak rating of 10.05m for the actual game on ITV1 and 1.28m on Sky

³⁸ The clubs owned the rights to the early rounds and UEFA controlled the rights from the quarter-finals onwards

While ITV has mainly concentrated on top sporting content, Channel 4 has modified its strategies over the years. In the early days and based on a governmental decision, it did not sell its advertising. It was sold by ITV that would then have to give Channel 4 around 17% of their total advertising revenue. “During the first three-four years, from around 1982 to 1986, they lost money on Channel 4 and from 1986 to 1992, ITV made a lot of money out of the advertising on Channel 4,” says Mr. Brann.

However, the important thing is that Channel 4 did not have to worry about its advertising revenue so its sports acquisition rights back then were about its remit to be different, to cater for tastes and interests not catered for by other channels. “Whereas the Super Bowl and American football for example had to a limited extent been shown on British terrestrial television on ITV and BBC, Channel 4 took it on big time, explained the game to the public and it became very popular in the mid-1980s,” adds Mr. Brann. “There were around 100 teams playing the game up and down the country. As for the sports rights, we did not pay much for them because the NFL was selling millions worth of merchandising in the UK which they never sold before. I had the best seats at the Super Bowl every year because they were so delighted with what we were doing for the merchandising.” This was also the time when Channel 4 took over horse racing from ITV.

When Channel 4 started to sell its own advertising, different pressures applied but as a new channel, they tried to secure sport in order to improve their profile and prestige. Cricket was their main deal where they bid against the BBC. “We paid a lot of money for that and there was a fine balance and the question of are we paying

too much,” says Mr. Brann. The idea behind the deal was that Channel 4 was again trying to be innovative and different. “BBC had cricket from the beginning of television in this country and we were braced for everybody saying this is terrible, you are showing adverts during the cricket when actually the reverse happened. Almost from the start, everybody saw how superior our coverage was.” Channel 4 used the best slow-motion technology at the time and accessible commentators in order to introduce the sport to a wider audience. They also innovated the use of Hawk-Eye which is now used in the coverage of many sports like tennis

Since then, sport has become less important for Channel 4 and Mr. Brann thinks that there are different reasons behind this. The first is that the prices are too high for the top content and the second that cricket, where the channel had a long tradition, very difficult to schedule for a terrestrial channel because it is so unpredictable. “If it rains, is it going to rain for an hour or for the whole day? A test match can last five days or three days. What do you do in the other two? You say that there is going to be cricket in the newspapers and you suddenly put on old movies where you don’t get the audience that you normally would because you put something when you made a big splash about something else.”

A third reason according to Mr. Brann is that the current Channel 4 management is not that close to sport. “The whole sports world is a different world and a very clubby one where everybody knows everybody and you are talking to them all the time. The ongoing relationships are vital and Channel 4 does not have a special commissioning editor for sport any more. Sky is always wining and dining and talking to people. The way the sports rights work, nothing happens for a long time

and then it all suddenly happens at once and it is those who have been involved all the way along who get it right.”

Despite their fairly limited coverage of sport, the agreement to televise the 2012 Paralympics, the Athletics World Championship and get some NFL rights back shows that the channel is still interested in it as well as in being innovative.

Knowing how much to bid is a major factor for commercial channels which rely almost exclusively on advertising. Andrew Brann says that deciding on a price is an art as much as a science. Channels will look at what the rights were worth last time, what the inflation rate for sports rights is and they will also try to get as much information as possible from the federation in order to make the best guess possible. This is not always easy but if a federation is keen, they will give some idea of where the price is going. The cricket federation was keen for example that Channel 4 got involved in cricket. “I remember the first deal when we took cricket away from BBC,” says Mr. Brann. “Michael Jackson, who was Chief Executive at Channel 4, came bursting into my office on the day when the decision was being made and asked me whether we were bidding the right price. I went through the whole process that I’ve been with him countless times, i.e. here is the inflation rate for sports rights over the last three years, here is what others have paid and here is our best guess and as a result, I think that a £52m deal over three years is the right price to be bidding. Later that day, BBC bid £48m and we bid £52m so we got it exactly right. But it is hard to get it right and many things can go wrong.”

Big broadcasters who have a secure budget like the public service broadcasters or an established pay-TV operator with a healthy number of subscribers can up to a point get the price wrong. This is not the case for commercial broadcasters and especially for those who have to compete with a restricted budget.

Robert Charles says that by the necessity of the size of Channel 5, what it does has to work and this is the same for most commercial channels. They will always look at what the return on their investment will be and in order to get involved in the bidding process, they must have a solid reason “here and now”. “When you acquire properties, you do look at it and say this looks positive because our nation, the general interest in it or the quality of it is good. When we acquired the cricket rights for example, it was the year after England had won the Ashes. We couldn’t have predicted that because we did the deal some months before it happened but we were confident that there was enough interest in the sport generally speaking, that people would watch and this is the key really. We wouldn’t make a deal for athletics because there is not enough interest here and now.”

Mr. Charles adds that one-off deals for certain events like football games are also of interest to a commercial broadcaster with a restricted budget. Channel 5 did this with England internationals and club friendlies which were a big success. The England-Poland qualifier in 1999 attracted 5.63 million viewers and is the highest-rated programme of the channel with the Albania-England qualifier in 2001 in second place with 5.59m viewers.

Channels have more ways to secure themselves in case things go wrong. They rarely make a deal for more than three or four years and Stefan Kürten says that some try to put get-out clauses in the contracts.

5.3.3. Future threats for commercial broadcasters

Free-to-air commercial broadcasters are very much dependent on the financial climate. Since their revenues come from advertising and sponsorship, they need confidence in the market and investment in the advertising sector. When there is an economic crisis, their budget is badly affected and they have to respond accordingly. Measures include defensive strategies (Slack, 1997) like firing staff, closing down some parts of the business, reducing the cost of production, offering less money to programme acquisitions and renegotiating contracts or the timing of the payments.

ITV, the biggest commercial broadcaster in the UK, had to resort to all this during the difficult years of 2008 and 2009. They announced plans to close down some regional services, talked about cuts in programming budgets³⁹, left their Formula 1 contract and asked the Football Association (FA) to smooth payments for the FA Cup to address short-term cash flow problems (*London Evening Standard*, 4 March 2009, *The Telegraph*, 29 May 2009).

Channel 4 made similar announcements in 2008. The plans were to cut 150 jobs or 15% of its total workforce, the programming budget by more than £25m and save a

³⁹ Up to £135m over two years

further £25m from other areas including marketing and new media (*The Guardian*, 23 September 2008). There have also been reports about merger plans of ITV with Channel 4 and/or Channel 5 which have not materialised but give an idea about the challenges that commercial broadcasters face during an economic downturn. The prices of the top sports properties tend to resist well during these periods so it is logical that commercial channels find it harder to compete with pay-TV and to a point with public service broadcasters.

A second issue is that even when there is confidence in the market and advertisers spend more, commercial broadcasters have to compete for advertising with other types of media (print, radio and internet) and an increased number of TV channels. This is why ITV has talked about reducing its dependence on the free-to-air advertising model by exploiting opportunities such as launching subscription-only HD versions of ITV2, ITV3 and ITV4 on Sky (*BBC News Online*, 3 August 2010).

In order to boost advertising revenues, commercial channels are in need of local sporting success. The Champions League may be an extremely attractive competition but advertisers will be a lot keener if they know that an English team is involved in the final and that they are likely to get an average of 10m viewers watching than 4m if there are no domestic sides. Domestic success is not a guarantee though as the surprise elimination of the England football team from the European Football Championship in 2008 proves.

The presence of the listed events is also important for free-to-air commercial broadcasters and it is not a surprise that they are in favour of them. Channel 4 has

stressed for example that even though these rights are currently out of its reach, it fully supports the logic of having a list (Channel 4 submission to the DCMS free-to-air events review, 2009, p.1). This list has allowed ITV to get involved in the World and European Football Championships, two of their most treasured properties. Any change that would leave the door open to pay-TV would threaten their strong involvement in football. This is also the case if UEFA stopped selling different packages for the Champions League, a decision taken after the involvement of the European Commission that wanted more broadcasters as well as media and telephone operators to have access to these rights.

A final threat could come from a possible change of attitudes regarding the ability of public service broadcasters to bid for certain events. ITV complained about the BBC's bid for the Champions League in 2002 but it did not object to its Formula 1 contract, a sport which also has heavy links with advertising and sponsorship. Other public service broadcasters in Europe have rights to the Champions League and if the British public is persuaded that this deal represents value for money, the biggest commercial broadcaster could have strong competition for the rights.

5.4. Pay Television

5.4.1. The early years. Sky V BSB

The history of pay-TV in the UK is directly related to the history of BSkyB (British Sky Broadcasting) owned 39% by Rupert Murdoch's News Corporation, the world's second-largest media conglomerate behind Disney and owner of the FOX network in the US, different print and broadcast media in Australia and New Zealand, Sky Italia and Sky Deutschland in Europe, British newspapers The Times and The Sun, social-media and entertainment website Myspace and many other media and entertainment businesses around the world. BSkyB had 10 million customers in November 2010 (BSkyB press release, 8 November 2010).

Rupert Murdoch understood the benefits of growth strategies, vertical and horizontal integration, cross-media ownership and how to put this into practise before anyone else. He built up his empire from a small newspaper in Adelaide and his approach to business is considered innovative and ruthless.

Rupert Murdoch identified a gap in the UK TV market from an early stage. Back in the 1960s, he tried to get involved in ITV by buying a stake in LWT (London Weekend Television)⁴⁰. The result was not what he expected as tight regulations regarding ownership and programming decisions did not allow him to seize enough control. He sold his stake in 1980 but continued to believe that the BBC-ITV

⁴⁰ LWT controlled the ITV franchise at weekends in the capital

monopoly was fragile and could be broken and that the up-market choice of Channel 4 did not offer enough diversity (Horsman, 1998, p.2).

The new, less regulated, more flexible and commercial satellite technology provided the ideal opportunity. In 1983, he bought Satellite Television UK (renamed Sky Television in 1984), a pan-European satellite channel broadcasting repeats of British programming and cheap American imports. It was relaunched as the multi-channel Sky Television in 1989 as a response to the refusal of the Independent Broadcasting Authority (IBA)⁴¹ to allow Murdoch to bid for the UK Satellite TV licence won by the British Satellite Broadcasting (BSB) alliance⁴².

The Sky channels were carried on the Astra Satellite, owned by a Luxembourg based consortium and controlled from there but their broadcasts originated in the UK and were subject to British regulation by the Cable Authority, the body that regulated the cable television industry and not by the tougher IBA. In this way, Rupert Murdoch found a loophole in the system in order to build his TV business. The service offered four channels, the entertainment Sky Channel, Eurosport, Sky Movies and Sky News.

The BSB shareholders did not seem particularly worried about the Astra launch assuming that their official status operator would see off any competition. They also offered five channels, the leading-edge technology in a smaller dish and high-quality transmissions when Astra could only offer a big dish and inferior picture quality. (Horsman, 1998, p.40)

⁴¹ The regulatory body in the UK for commercial (including satellite) television

⁴² This was formed by Granada Television, Pearson, Virgin, Anglia Television and Amstrad

Sky on the other hand believed that it was extremely important to launch the service first, gain the “early mover” advantage and get as many dishes to as many homes as possible. They didn’t even care that due to technology restrictions in scrambling the signal, the four channels would initially have to be free.

Sky launched on schedule, 5 February 1989, unlike BSB that missed its launch target by nine months and appeared in April 1990. The official broadcaster had to deal with numerous problems starting from the technology of the small dish that did not initially work, huge costs to develop the encryption technology needed to scramble BSB’s movie subscription service and a management team with many specialists in marketing who did not however have experience in television.

Sky had its own problems starting from the dish shortage since the manufacturers were reluctant to commit to large-scale production. This was a key issue as the Sky channels were initially free and depended heavily on advertising. However, advertisers were skeptical about spending money on a company that could not deliver credible audiences and despite some lucrative contracts with Hollywood studios for the Sky film channel, the audiences did not follow⁴³. The broadcaster was losing at least £2 million a week and resulted to a direct door-to-door selling technique. The next step was to recruit experienced television management and cut costs.

By the late summer of 1990, things appeared better for Sky as it had managed to attract 750,000 subscribers while BSB had signed up just 110,000. However, both

⁴³ Only 10,000 dishes had been sold after five months on the air

companies had huge losses and the idea of a merger began to emerge. Secret talks took place in October 1990 and BSB had to concede that the limitations of their satellite system that carried up to five channels gave a significant advantage to the Astra satellite that carried 16 channels and was planning more launches. From that concession, the logic of the merger unfolded in Sky's favour and at a time when the Murdoch empire was close to collapse. The new company would be called BSkyB but trade as Sky. There was political reaction after the merger, mainly from the Labour Party, but the Conservative government was relaxed about the deal and it has always been thought that the support to the Conservative Party provided by Murdoch's News Corporation newspapers offered a significant advantage to Sky in the early years of its existence (Horsman, 1998, pp.67-76).

With just one pay-TV available, customers became more confident about purchasing the service but there were still financial problems and the shareholders had to put in more money to keep the company alive. If a deal had not been reached, BSkyB may have ceased operations but the majority of the shareholders agreed to help. Once the money was secured, the BSkyB management began to renegotiate movie contracts with Hollywood studios and look for the right content that would give Sky an edge and more subscribers (Horsman, 1998, pp.78-84).

5.4.2. BSkyB and the first football deal

Successful pay-TV initiatives in the US were the first to show that sport was one of the main reasons why people would sign up to subscription services. "Different markets have different strengths in pay-television and that reflects what alternative

choices are available, what the distribution platforms are... There are a number of factors that come into play but it has been found over the years that premium sports content is possibly the biggest single driver to premium subscription services,” says Dr Toby Syfret⁴⁴, a television analyst who covers market developments in the UK and continental Europe. “It used to be premium movies as well but premium sport is clearly the most important driver.”

BSkyB already had a movie channel and by 1992 more than 1.8 million people received their programming on satellite with another 430,000 on cable. However, there were still big debts and the company decided to turn its attention to sport. Football was the obvious choice as it was the most popular sport in the country and even though it was historically associated with the working classes, it had a broad national appeal and TV audience in terms of demographic, gender and class (Horsman, 1998, pp.88-90).

BSkyB decided to take part in the tender process for the Premier League rights but had to come up against ITV that guaranteed a much larger number of viewers and an established and well-known partner to the league. There was also the question of whether the pay-TV operator could afford to make such a big investment which is why they initially suggested a joint bid to their rivals. ITV declined the offer and BSkyB managed to reach an agreement with the BBC according to which the pay-TV operator would get the live rights and the public service broadcaster the highlights.

⁴⁴ Interview conducted in June 2009

The league finally went with the BSkyB/BBC offer and there were many reasons behind this decision. The first was the marketing of the offer and promises about a widespread and quality coverage that would not threaten ticket sales but actually increase attendance in the football grounds. BSkyB and its Australian executives had the experience and similar examples from the Rugby League deal in Australia. BSkyB was also able to form close relationships and secure important alliances within the Premier League⁴⁵. The determination to secure the football rights was equally important. Despite their financial situation and the uncertainty about the future, the Sky executives agreed to make an improved joint offer with BBC of £304 million for five years when ITV had offered £262 million. The presence of the BBC was finally a deciding factor because it meant that some football would still be available on free-to-air.

Phil Lines⁴⁶, the Head of International Broadcasting and Media Operations at the Premier League until 2010, says that almost two decades after the first deal, the top football league would still not consider taking the highlights away from free-to-air. “This is something that the league has never considered because whichever political party is in power, it is very difficult to imagine anyone who would be happy with that happening. We thought about a lot of things but this was not one we had ever talked about.”

Taking the live rights off free-to-air was already a bold decision and it initially sparked a lot of controversy and complaints from the football fans. “I remember that when pay-TV came on the scene, there was a lot resentment and many fans moaning

⁴⁵ Rick Parry, the Chief Executive of the Premier League, controversially revealed the ITV bid and allowed Sky to make a new and improved offer

⁴⁶ Interview conducted in June 2009

about having to pay to watch their favourite football games,” says Mr. Lines. “But I have noticed that the younger generation accepts it the same way that they accept their electricity and gas bills.”

Despite the controversy, the Premier League deal was an instant success. By August, BSkyB had signed up nearly one million subscribers willing to pay for the sports channel. After a shaky start, the coverage was also a success introducing US-style slow motion replays, multi-camera angles and celebrity commentators. The football contract was followed by similar deals for cricket, rugby and golf events giving Sky an identity as the ultimate home for sports and top sporting content (Horsman, 1998, pp.100-102).

5.4.3. The BSkyB strategies in sport

The BSkyB strategies have not changed a lot since the early days. Their dedication in sport, investment in new technologies and “early mover” advantage are very much part of their identity.

Marc Rautenberg⁴⁷, a senior manager at Kentauro sports rights agency, says that no broadcasters other than pay-TV have built their whole strategy on football rights in order to make their business model work. National and commercial broadcasters have a more varied and less risky approach and this is the case in most European countries. “They will also base their strategies on news, entertainment and films other than sport.”

⁴⁷ Interview conducted in June 2008

BSkyB's main strategy is to preserve the Premier League rights either exclusively (when they were allowed to buy everything in one package) or secure the majority of the packages including the top quality ones (when the European Commission asked the Premier League to split the rights into different packages in order to increase competition). The second must-have property is the Champions League where they have exclusive coverage of one matchday and show the games that are not broadcast by the ITV channels on the other.

Phil Lines says that it is now widely accepted that pay-TV is the home for top football content. "I would never say never but right now pay-TV is looking a stronger bet because the advertising market is not in good condition and there is less competition to pay-TV than it has been in the past. ITV for example were in a better financial condition to bid before than they are now so we are not going in that direction. In fact, we have moved further away."

The Premier League and the Champions League are both important properties but the first seems to be the content that pay-TV cannot do without. According to Andrew Brann, this is because the Premier League has a larger number of games over a longer period of time, more frequency, it involves exclusively English teams and creates more loyalty among the subscribers.

The second major strategy of BSkyB is to combine the top football content with new technologies and as many services as possible in order to make their subscribers even more loyal. Their set-top boxes (Sky+) allow viewers to pause and rewind live TV and record their favourite shows. The company has also invested on

high definition (HD) technology offering an HD box and HD TV packs. In addition, customers can choose to buy their telephony and broadband from BSkyB at discount prices if they get many services. The next step is investment in 3D technology. “Their subscribers are very sticky because once Sky are in a home, they can offer you to subscribe to cheap broadband, cheap phones, you get your Sky+, you potentially get your HD,” says David Murray. “All the technology-based services that Sky offer are designed to make it very difficult to leave because you lose your phone, your broadband, your Sky+ box with all your programming on...”

Andrew Brann argues that BSkyB is primarily a sport and technology business because these are the areas they control tightly and the ones that work the best for them. “Their other channels like the entertainment Sky1 for example are not particularly successful.”

Phil Lines says that BSkyB are in a strong position to take advantage of new technologies and have done so in the last 15 years. He adds however that the strategy of being there first and securing the right content before any competition makes a move is even more important and shows how paramount content is. “You do not even always have to have the best technology. There are classic cases like the Betamax versus the VHS cassette where one was way, way better than the other but VHS went and got all the content rights. DTH (direct to home satellite) is not as good as cable but it has all the best content. Sky could make any system work if they have the Premier League. Without the Premier League, Sky would not work.”

The Premier League and the Champions League may be the most desirable content but Sky wants to identify with top sport in general. This is why they constantly strive to stay involved in other popular sports such as cricket, rugby and golf. In a speech in 2009, Chief Executive Jeremy Darroch stressed that “while many customers joined us for football, they increasingly chose to stay with us for the breadth and depth of sport that we had on offer” (Speech at a Sports Industry Group event, 2009, p.3).

BSkyB are also keen to cover minor sports and competitions because they have to fill in the schedule of four sports-dedicated channels and attract as many customers as possible. Richard Bunn says that the criteria that apply for free-to-air and especially commercial broadcasters are not important here because Sky do not really care about viewing rates. “When you are a subscription channel, the viewers are not important because you do not depend on advertising. Two things are important: a) that you can increase the number of subscribers and b) that you do not lose the ones you already have.” In addition, the pay-TV operator is in a strong position to negotiate very low fees and sometimes pay nothing for minor sports. “Sky pays a lot of money for football, it pays a lot for rugby and cricket but on what terms and conditions do people think that they will give minor sports some airtime?”

It is finally extremely important for BskyB to maintain close relationships with the federations and the most important rights holders. This is a strategy that they followed from day one and Jeremy Darroch says that in order for Sky to be successful, they have to build collaborative, long-term relationship with sporting bodies (Speech at a Sports Industry Group event, 2009, p.4).

5.4.4. Other pay-TV initiatives. BSkyB V ITV Digital

The success of BSkyB attracted many TV businesses which felt that the big and strong UK market could support two pay-TV operators or that if they made the rights moves and challenged Sky, they could end up with a profitable business.

The first such effort came back in 1998 when digital terrestrial television (DTT) started in the country. A consortium of Carlton Communications and Granada Media, largely the owners of the ITV network, won the auction to operate the DTT platforms but BSkyB, which was also involved in the initial Carlton-Granada consortium, was frozen out by the Independent Television Commission (ITC) and the European Commission over fears of a Murdoch-dominated media. Carlton and Granada were therefore left on their own with BSkyB as a competitor rather than an ally. The digital terrestrial television network was launched as ONdigital in 1998, rebranded as ITV Digital in July 2001 and ceased operations in May 2002 having failed to attract a sufficient number of subscribers while creating huge debts for its parent companies.

There were many reasons behind this failure. The launch and early months of the service were beset by technical, operational, managerial and public relations' problems (Boyle and Haynes, 2004, p.30). Carlton and Granada had constant rows over when and how much to invest in the platform and this managerial upheaval led to the departure of Stephen Grabiner, ITV Digital's chief executive, and other members of the management team. In addition, ITV Digital did not bring outside expertise to help run the platform (*The Observer*, 28 April 2002).

The technological problems were equally important. The software that run the boxes had a tendency to crash and the service was hampered by the limited coverage of the ITV Digital signal that reached 50-60 per cent of the UK (Boyle and Haynes, 2004, p.30).

The new company advertised itself as a different, more exciting and cheaper alternative to Sky but once it started operating, it attempted to copy most of BSkyB's strategies creating the perception that it was just a worse version of the successful pay-TV broadcaster. BSkyB was actually forced to supply ITV Digital with key channels such as Sky Sports and Sky Movies but the carriage fee was so high (£60 million) that it only increased the debts of the DTT platform. BSkyB's decision to give away free set-top boxes meant that ITV Digital had little choice but to follow suit, a move that caused it to lose a further £100 million a year (*The Observer*, 28 April 2002).

Amid all these problems and the inability to attract enough subscribers, ITV turned to the well-tried solution of investing in sport and especially football that continued to be extremely popular in the country.

The rights for the Premier League, the Nationwide League (second division) and a package of rights for the Football Association, including England internationals and the FA Cup, were tendered during the same period and that meant that the battle to secure live football was intensified. ITV Digital had to compete with BSkyB and cable companies NTL and Telewest that were also trying to enter the sports rights market. This situation created unprecedented competition and drove up the prices.

“When you have two or more companies bidding one against each other, there will be bidding wars where a false market will be created and people will end up paying overflated fees,” says Henry Birtles⁴⁸, Managing Director of sports media consultancy Henry Birtles Associates and former Head of International Distribution at Sunset+Vine.

ITV Digital made an initial offer of £240 million over three years for the Nationwide League rights but the representatives of the Football League felt that they could get more and asked all the participants for improved offers. In the meantime, BSkyB, who were determined to retain the Premier League rights, decided to pull out of the bidding process, a decision that did not become public and meant that ITV Digital had no idea how many broadcasters were still interested. As a result, they upped their bid to just over £96m per year and when the Football League pushed for more knowing that they were desperate to get football content for their new sports channel, they offered £105m per season. That deal represented a 400% increase from the previous contract that was worth £25m a year (Boyle and Haynes, 2004, pp.32-34).

ITV were also involved in the rights tender for the Premier League but missed out to Sky.

As soon as the Nationwide deal was signed in June 2000, ITV Digital began preparations for the launch of their subscription channel ITV Sport which would

⁴⁸ Interview conducted in May 2004

also show Champions League games⁴⁹, the Worthington Cup, World Championship Boxing, ATP Masters Tennis and Champions Cup Snooker. Stuart Prebble, Chief Executive of ITV, said that “this new channel could not have a better pedigree. Its scheduling, quality and promotional strength will fit hand in glove with what many millions of sports fans already enjoy and expect from the network.” (PR Newswire press release on behalf of ONdigital, 25 April 2001).

There was a lot of enthusiasm in the ITV headquarters and part of the reason was that the new channel would be exclusive to DTT customers while Sky had been obliged to offer two of its premium channels, Sky Sports 1 and Sky Sports 2, due to a clause in their rights deal with the Premier League (Boyle and Haynes, 2004, p.34).

The theory said that the ITV Digital offer of channels was more complete and the initial signs were positive. In September 2001, the company said that sales were above target, subscribers were 1,217,000, 138,000 ITV Digital customers had signed up for the ITV Sport Channel and churn was below forecast at 23.1% and was set to fall further in 2002 (PR Newswire press release on behalf of ONdigital, 30 September 2001).

However, it only took a few months before it became clear that the new company was in serious trouble. The economic euphoria that existed in 2000 gave way to a sharp economic downturn, uncertainty in the markets and a 5% decline in the global advertising market (Clarke, 2002, p.93). The media and telecommunications sectors

⁴⁹ One game would be on the free ITV1 channel and the second on pay-TV

were particularly hit and that, combined with the cost of setting up a huge company, brought ITV Digital in a difficult position. The number of subscribers of the ITV Sport Channel did not show further improvement either and the chronic technological problems with the picture and the nationwide coverage kept the churn rate between 20 and 35% at any time (Clarke, 2002, p.92).

Carlton and Granada began to look for a new investor and changed their mind about keeping the ITV Sport Channel exclusive to their customers. They tried to reach an agreement with BSkyB but their rivals had realized that they did not really need it and argued that the proposed carriage fee was too high.

Mr. Bunn says that keeping the channel exclusive to the ITV Digital platform was a key strategic mistake. “The reality of life is that producing programmes is fine but you then have to make sure that the viewers have access to those programmes. They hadn’t worked out how to distribute their channel to a big enough audience.”

ITV Digital then tried to renegotiate existing contracts starting from the lucrative deal with the Football League that had proved a big disappointment with the viewers. The two sides had much-publicised talks and rows with the Football League refusing to accept less money and ITV Digital threatening that this would be the end of the company. The DTT platform finally went to administration on 27 March 2002 and was liquidated a month later leaving a number of Nationwide clubs on the brink of financial destruction. The clubs did manage to redeem some revenue but through a much-depleted deal with BSkyB worth £95m over four years (Haynes, 2005, p.74).

The football deal may not be the only reason for the fall of ITV Digital but there were many similar examples all over Europe at around the same time. The best-known were the demise of marketing giants and sports rights distributors ISL/ISMM and the Kirch Group in Germany that overpaid for sports rights during a euphoric period when there was strong competition, great optimism in the market and a belief that sport could earn a company millions.

“It was a crazy thing,” says Ben Nicholas⁵⁰, Head of Sales and Acquisitions at IMG UK until 2010. “ISL spent huge amounts of money on swimming for example. It was mad and their cost bases were unsustainable. I used to go there when I worked for ESPN and they were huge. You would never think that they were in danger of going bust.”

Paul Lynch⁵¹, former Senior Account Manager at Octagon CSI and currently Head of Marketing and Communications at Human Race LTD, adds that most industry experts agreed that the sums were unusually high but it was difficult to predict at the time whether these deals would lead to a disaster and whether there was enough space for one or two pay-TV operators. “Everybody realized at one point that there would only be one survivor but they wouldn’t have worked it out from the beginning.”

Ben Nicholas was involved in a similar experiment during that euphoric period as he used to run the sports department of Home Choice, a television and Video On Demand (VOD) service. “It was terribly exciting for one year. We thought that this

⁵⁰ Interview conducted in May 2004

⁵¹ Interview conducted in May 2004

was going to be a great thing, we had a big launch, secured the VOD Premier League rights for £4 million... It was a new form of distribution, TV broadband, but it ran out of money.” Mr. Nicholas believes that the company should have tried to do everything on a smaller and cheaper scale like creating internet channels. Instead, they saw themselves as competition to Sky and placed too much importance on the technology that allows viewers to watch what they want, when they want which doesn’t work particularly well with sport anyway. “The theory was that you would return home and the game would be there waiting for you but in principle, live sport works much better.”

Home Choice tried to negotiate with BSkyB so that the Sky channels would come in through their system but the established Sky would not agree. Again, Mr. Nicholas thinks that it is now easy to understand that the VOD technology was mainly a complementary service and not direct competition to Sky but it was difficult to see the full picture from the beginning even if there were points when they were skeptical about it. Home Choice was sold to Tiscali UK in 2006 and it is now an IPTV service operated by the TalkTalk division of Carphone Warehouse under the name TalkTalk TV.

Mr. Lynch says that it is now clear that the fragmented European market is not big enough to sustain more than one pay-TV operators making huge investments and fighting for premium sports content in a given country. “Europe is not such a big market as the United States and that’s because there are X amount of languages, X amount of cultural and social differences.” In smaller markets, first mover

advantage is crucial and BSkyB, which had launched 8.5 years earlier than ITV Digital, already had 6.75 million subscribers by November 1998.

Regardless the exorbitant fees and the strength of the UK market, the decision to go for the rights of Nationwide League football was also a strategic mistake and revealed the limitations of the sports content. As a genre, it may be popular on TV but there are very few sports and competitions that can drive up subscriptions and the Premier League is probably the only one in the UK.

The quality and prestige of lower league football are not the same and this is bound to diminish the quality of the overall product. Fans who do not support lower league clubs are less likely to watch their games and the ones who support these teams are more likely to attend them in person anyway. Premier League clubs have more fans, the tickets are more expensive and most matches are sold out weeks or months in advance. That leaves a large number of people who are keen but unable to attend the game. There are also the neutral fans whose majority will choose to watch a well-known team over a lower league club. In other words, ITV Digital appeared to ignore one of the fundamental laws of economics, that of supply and demand (Clarke, 2002, p.91).

“People felt that they already had their BBC where they could watch different kind of sports for free and a subscription operator that offered a great sports service. They did not think they needed more,” says Ben Nicholas.

ITV made a similar mistake with the decision to put some games on PayPerView (PPV) and expect that they would get extra financial help. Their financial projections were based on one successful PPV experiment when almost 30,000 subscribers chose to watch Oxford United v Sunderland during the 1998-99 season. However, Sunderland were not like most lower league division clubs. They had a big fan base and were only allocated 2000 tickets for a match that took place 200 miles away. PPV was also a new thing and many fans decided to watch the game just for the technology novelty factor (Clarke, 2002, p.91).

PPV did not work at all for ITV Digital and Mr. Nicholas thinks that it is difficult to expect that the viewers will want to spend more money on top of the subscription fee on a regular basis. The practise has shown that PPV in the UK and in Europe in general works only when top teams are involved or when there is a one-off big event like a boxing fight.

It may be widely accepted that ITV Digital made a number of strategic mistakes but David Murray believes that once they decided to compete with Sky, there was little room for manoeuvre. "You have to spend a lot of money to secure rights and hope that the subscribers will follow. If that doesn't happen, you are in trouble but you have to be pretty risky to launch a competing sports channel because you start from nothing and invest up front."

After the demise of ITV Digital, the DTT licence went to Freeview, whose initial shareholders were the BBC, Crown Castle UK and BSkyB. Freeview is a collection of free-to-air channels and services where viewers need a set-top box or a television

with an integrated digital tuner. It was launched in October 2002 and Channel 4 with ITV became equal shareholders in 2006.

A year after ITV Digital ceased operations, Stuart Prebble gave an interview where he blamed the technology, piracy, the sudden downturn in advertising, ferocious competition from BSkyB but also the lack of political support for the failure of the platform. “We had countless meetings with the government about the power of the signal. We got a lot of sympathy; no movement. Probably this is the single biggest issue. After we closed, they turned up the signal threefold. And guess what? Freeview has no problems. And you never hear of a set-top box going back because you can’t get a signal, do you? The truth is the government was terrified of doing anything that would irritate Sky.” (*The Guardian*, 6 June 2003).

5.4.5. BSkyB V Setanta Sports

The failure of ITV Digital and its sports channel led to a fairly quiet period for sports rights where BSkyB had a leading role, the BBC continued to take advantage of the listed events and cover their traditional Olympic Sports, and ITV focused on its free channels and the Champions League.

The next challenge for BSkyB was created after a European Commission ruling on the sale of the Premier League rights. The commission, worried that the collective selling to one broadcaster was anti-competitive and reduced the choice of media operators by offering limited packages and the choice available to consumers, decided to intervene and dictate a different way of selling. A similar process had

already taken place regarding the Champions League rights (Haynes, 2005, p.75). According to the new ruling, the rights had to be sold in a competitive bidding process subject to scrutiny by an independent trustee, the live matches would be sold in six packages which would be smaller and more balanced than previously and, most importantly, that no one buyer would be able to purchase more than five of the packages. This decision would be initially binding on the Premier League until 2012.

This ruling meant that Sky could not secure exclusivity in the next bidding process and that another broadcaster would finally get some top sporting content. There was a window of opportunity and Irish broadcaster Setanta Sports⁵² decided to take advantage. They took part in the 2006 bidding process and secured two of the six packages with the other four staying with Sky. ITV, Channel 4, Five and cable broadcasters NTL were also believed to have been among the bidders. According to the deal, Setanta would pay £392 million for 46 games over a three-year period while Sky would show 92 matches for £1.31bn. It was later revealed that the BSkyB rights included the most popular packages.

The Premier League rights deal was followed by more contracts with the Scottish Premier League (for £54.5m over four years until 2010) and the English FA to show

⁵² Setanta Sports was formed in 1990 to facilitate the broadcasting of Irish sporting events to Irish expatriates. Its founders Michael O'Rourke and Leonard Ryan were living in London during the 1990 World Cup. When they discovered that there was not going to be coverage of Ireland's crucial group match against Holland, they telephoned FIFA and the BBC and asked how much it would cost to show the match live at a dance hall in Ealing. When more than a thousand expat Ireland fans turned up and paid £10 each, O'Rourke and Ryan realised that they could create a whole business. In the early years, Setanta stuck to broadcasting Irish sport, such as Gaelic football and hurling, to a network of pubs. But the two owners soon developed grander ideas and negotiated the rights to broadcast English and Scottish football games to expat fans living in Ireland and other countries, including the United States (Scotland on Sunday, 7 June 2009). The result was the creation of sports channels in Ireland, Canada, Australia, Africa and the UK.

FA Cup games, England away World Cup qualifiers and home friendlies (£150m over four years starting from August 2008). Setanta also secured rights for the Home Nations World Cup qualifiers, the US PGA golf tour, Indian cricket, boxing and other sports for their two main channels Setanta Sports 1 and Setanta Sports 2. In November 2007, they also launched Setanta Sports News, a 24-hour sports news channel, together with Virgin Media television.

Setanta Sports was available on satellite through Sky Digital, cable through Virgin Media, on Freeview⁵³, digital service Top Up TV, IPTV offerings BTVision and Tiscali TV (now Talk Talk) and finally on the Internet.

The Setanta bosses felt that they had made the right moves and had avoided the mistakes of ITV Sport. Rather than concentrating on lower league football, they secured rights for the Premier League and backed it up with other popular content (FA Cup, England Internationals), made their channels available in as many platforms as possible including the internet and employed experienced television executives. Their biggest signing was Trevor East who became their Director of Sport. He was the former Deputy Director of Sky Sports for a decade and before that spent 22 years at ITV. A number of other executives followed East from Sky to Setanta.

The company borrowed heavily to finance the different acquisitions but the economic climate in the UK was euphoric and there was a lot of confidence in the market. In July 2008, Setanta even agreed to sign a new four-year deal with the

⁵³ A special Freeview box was required which had a card slot suitable for a Setanta subscription card

Scottish Premier League for a much-improved £125 million starting from 2010 in spite of the fact that the economic climate was beginning to deteriorate (*The Times*, 1 July 2008).

The initial subscriber numbers were good but euphoria soon gave way to a deep recession, the credit crunch, job losses and a lot of uncertainty. People were thinking twice about spending their money and the subscriber numbers plateaued at around 1.2 million.

The tender for the new Premier League contract for the 2010/11 to the 2012/13 seasons took place at around the same time and a financially overstretched Setanta Sports won a single out of the six possible packages leaving it with just 23 games. The deal, which was announced in February 2009, was overall worth £1.782 billion.

There was a lot of speculation that Setanta could lose a number of subscribers before the new season began and the negative publicity put the company in the spotlight and hit the confidence of its shareholders. It was difficult to find money during the economic downturn and Setanta failed to make a £3 million payment to the Scottish League in June 2009. This was followed by a second missed payment to the Premier League and a couple of weeks of frantic negotiations and efforts to secure funds and new investors. A solution was never found and the company went to administration at the end of June.

Dr Toby Syfret, who has written extensively on Setanta Sports, says that the loss of one Premier League package and the economic downturn had an impact on the

future of the company but their business model was primarily responsible for its demise. There are different steps that a company has to follow if it wants to enter the market as serious competition. The first is to have access to the top content which was largely sorted after the European Commission Ruling. “But if you decide to buy, you have to bid and anything can happen in an auction, particularly when you have around ten rounds of bidding, you are given misinformation about what is going on etc etc. You still think that this is a huge opportunity though and you have to grab it. But once you grab it, you have to have other good rights to fill in the rest of the schedule because 46 games do not get you very far. You then sign everything else and this is where you start getting into really serious sums of money.”

The next decision according to Dr Syfret is whether the company is going to wholesale the channels, i.e. offer them to other platforms who put them on and get some of the money for it. In this case, the platform is responsible for marketing the channels to its customers and gets extra money from a bigger number of sales. The other solution is to retail the channels, i.e. be wholly responsible for the sale, marketing and customer relationships.

Setanta followed the wholesale model in Virgin Media’s case with the latter offering the sports channels as part of their packages. The downside of such a deal is that the company receives less revenue than if it sold the channels directly to subscribers and it seemed that Virgin was the winner of the agreement as the terms were clearly in their favour. Dr Syfret says that things are not that straightforward. “Virgin probably won the most out of it but I think it was a very beneficial deal for Setanta because less than 1 million Virgin Media customers take the Sky premium

sports services. If they were selling their channels purely as a premium service on Virgin, they would need to sell at least 300,000 or 400,000 which I really do not think they would get as a supplementary to the Sky.” The main advantage therefore of the wholesale model is that it opens up a larger market.

Setanta followed the retail model in Sky’s and Freeview’s case and took all the responsibility for selling and marketing the channels. “They allowed people to come in and out on a monthly basis which means that you get high churn. In addition, if you follow this model, you have to be able to service your customers. BSkyB had £800 million budget for marketing, customer servicing and customer care support so more than 20% of what Setanta had,” adds Dr. Syfret. “In Sky, you only have about four set-top manufacturers of set-top boxes which are done to specifications given by Sky. In the Freeview area, you have something like 13 manufacturers of set-top boxes and equipment, about 50 different models and you have less money which causes much more problematic service relationships. In the end, you end up with a problematic retail model making it easy for people to come in at a month at a time. It also makes it difficult to keep customers and I certainly know people who got Setanta for one month to watch one game and then dropped it.”

One solution would have been to reach a wholesale agreement with Sky which Setanta considered in the very late stages. However, that would mean that Sky would be in full control because the more dependent a company becomes on a wholesale solution, the more vulnerable it is and it is not in a position to decide how much it earns.

Another interesting factor is that Setanta's subscriber numbers stalled at the 1.2m mark, well below the around 2m needed to break even. Again, the economic climate did not help but it is questionable whether there was the ability to reach that number in the first place. "One has to think where these numbers will come from. We know that some will come from satellite but we critically need some to come from terrestrial," says Dr Syfret. "There must be a big opportunity there because very few have any pay-TV. If there are 10-12 million digital terrestrial homes, you think that 500,000 or even 700,000 would be good enough. And you then say surely, out of 10 million, you can do it but can you? You think that it is a small amount, just 7%, but the reality is that almost everybody who seriously wants football will already be a Sky subscriber. You therefore have few people who would be interested in paying for what is not the top-flight Premier League live matches. You will of course get some, like 200,000 but there is never the potential that the Irish guys thought there would be."

Mr. Brann says that this was not a surprise and that it was hard to imagine many football fans giving money for another sports package on top of Sky, especially when this package was not adequate. According to him, Sky were clever to identify exactly which packages they needed and which ones they could easily do without. They let Setanta win the less popular ones, effectively saving Sky money, and squeezed their rivals into oblivion.

Dr. Syfret is of the same opinion and thinks that even Sky were surprised to win the fifth package in the 2009 tender. According to his estimations, Sky bid the same price plus 7.5% as an inflation rate for the three-year period (2.5 for each year).

“They probably thought we’d better put in a figure because we do not want Setanta to get it for nothing. They were not particularly trying to win and probably offered slightly less than what Setanta had offered last time. But to their surprise, they won because Setanta had dropped its bids by 20%.”

Robert Charles thinks that Sky did not mind having a weak Setanta around because that helped them justify the presence of healthy competition in the market. However, he believes that the Irish entered the market far too late to become competitive. Sky was very mature and established to find itself in difficulty. David Murray and Andrew Brann agree with this. They think that Sky is so dominant that a second player would only be a niche channel. If there are two giants, they push the prices up and Sky already has huge resources. Once again, the market proved too small and the top content too limited to justify such an investment.

Phil Lines says that the Setanta demise proves that the European Commission ruling was wrong and tried to create an artificial market. “It’s all very well to say that we want to create equal competition but how do you then make businesses work? It’s never been proven that there is enough space for two pay-TVs in any given European country. Equally, the premium that the broadcaster wants is exclusivity. This is what makes people subscribe and broadcasters pay large sums of money, it is the large sums of money that make the league attractive to the players and the whole thing works on this basis. I am at a loss to understand how a 50-50 share between two operators for example would benefit anyone. And at the end of the day, the European Union and any government should be interested in protecting the people and how are the people protected if they have to pay two subscriptions?”

The fall of Setanta Sports opened a window of opportunity to US network ESPN that took over the last Premier League package as well as some of the other rights held by Setanta. This allowed them to launch a new sports channel in the UK and Ireland in August 2009. Dr. Syfret thinks that Sky and Walt Disney, the owners of ESPN, have a more symbiotic relationship. They have worked together for many years with Sky retailing the Disney channels on its network and have followed the same example with the ESPN channel. The American network sees this as an opportunity to further establish its pan-European presence, one of their core strategies in the last years. It does not however see itself as a direct competitor to Sky, at least not for the time being.

5.4.6. Sports rights, the future of pay-TV and new threats for BSkyB

The UK has one of the strongest pay-TV markets in Europe. BSkyB has seen a meteoric increase in its revenues since the early days of Sky versus BSB and the company announced in June 2010 that ARPU⁵⁴ was £508 compared to £464 one year ago (BSkyB results, 2010, p.2). Admittedly, pay-TV took advantage of the fact that when it was introduced, there was an important gap in the market and little choice in channels and content. As a result, people got used to the idea of paying for their favourite programmes and especially for top movies and sport. This is in contrast with Germany where pay-TV is still struggling to take off. Sky is operating there as Sky Deutschland but despite following the same strategies, the numbers are far from impressive – just under 2.5 million satellite dish owners in August 2010

⁵⁴ Average Revenue per User

with just 1,000 and 6,000 net additions in the previous two quarters (*The Financial Times*, 16 August 2010).

Marc Rautenberg, a German national, says that the UK pay-TV market is more developed because German viewers have so much choice in their free channels that it is easy to form the opinion that it is unacceptable to pay for their favourite programmes. They also get football highlights on free-to-air a short time after the games end.

BSkyB had the time and the space to grow but recent developments have proved that even the UK pay-TV market does not have space for more than one major services fighting for top content. All the interviewees agree that this makes little financial sense as most households can only afford to pay for one service. In addition, the premium content is very restricted. Premier League football seems to be the only one and if there are different packages as in the Setanta case, the top quality packages are the ones that really count.

There are three main threats for Sky. The first one could come from losing the Premier League rights but in order for this to happen, somebody else must pay more to secure them. There was the idea in the old days that the Premier League would create its own channel and sell the content but it has been abandoned and Mr. Brann thinks that it would now need so much expertise and time to reach the Sky standards that it would make little sense. Mr. Lines says that these plans were abandoned because the clubs do not like taking risks and would rather pass the responsibility on to the broadcaster.

Sky could also face a new challenge from another broadcaster but the company is so mature and rich that it would be extremely difficult to take the rights off them and create a new service from scratch. “It would require people who are very wealthy, can afford to lose money for a long time, risk all their fortune and have a great vision like Rupert Murdoch,” says Andrew Brann. A big telecommunication company may be able to fall into this category, especially if it fears that unless it enters the content market, it stands to lose many telephony and broadband users.

Public service and commercial television could also pose some threat. The BBC and ITV have the backing of law in the listed events which means that Sky cannot compete for lucrative properties like the World Cup. In addition, commercial television has the backing of sponsors who push big federations like UEFA to give some content to free-to-air in order to attract mass audiences. However, this threat is restricted and mainly affects further growth than the existence of pay-TV. One could argue that the World Cup and exclusive rights to all the Champions League games could increase the number of subscribers but wouldn't really change the BSkyB strategies or its future. The BBC cannot be a big threat with its fixed budget and obligation to explain why their acquisitions are in the public's interest and commercial television's dependence on advertising means that their budget has serious limitations. Andrea Radrizzani⁵⁵, Group CEO of MP&Silva sports media agency, says that due to the ups and downs in the advertising market, more and more content moves towards pay-TV where the consumer has to pay for it.

⁵⁵ Interview conducted in June 2008

The second threat could come from legal decisions that will restrict Sky's ability to grow further and have a monopoly or a near-monopoly on the top content. Setanta's challenge came after such a decision and Sky are currently fighting against an Ofcom ruling which demands that they reduce the wholesale price at which they sell Sky Sports 1 and Sky Sports 2 to rivals such as Virgin Media, BT Vision and Top Up TV by 23.4% per subscriber per month. Ofcom has also said that BSkyB must offer wholesale high-definition versions of Sky Sports 1 and 2 to rivals but stopped at setting a price.

The ruling was greeted positively by the other operators⁵⁶ but angered BSkyB and the biggest sports governing bodies. The Premier League together with the Rugby Football Union, the England and Wales Cricket Board, the Professional Golfers' Association, the Football Association and the Rugby Football League submitted a joint letter to Ofcom warning of serious consequences for sport.

"The effect will be to subsidise companies that have shown little appetite for investing in our content and fundamentally damage the investment models that have helped sport become a successful part of the UK economy and made sport so attractive to UK consumers," said Richard Scudamore, the Chief Executive of the Premier League (*The Guardian*, 31 March 2010).

BSkyB has launched an appeal to the CAT (Competition Appeal Tribunal) and has reached an interim deal under which Virgin Media, BT and Top Up TV can take advantage of the reduced wholesale price for the two Sky Sports channels but must

⁵⁶ Virgin Media however wants Sky Sports 3 and 4 to be included in the deal

place the difference between the new regulated price and Sky's original wholesale price in a so-called "escrow" account. If Sky wins its case, the money will be handed over to the satellite broadcaster as it will be able to put its prices up again. If Sky loses, the cash will be returned to the three companies. This regime only applies to companies that wish to offer Sky Sports 1 and 2 on digital terrestrial and cable TV (*The Guardian*, 29 April 2010).

BSkyB lawyers argue that Ofcom does not have the jurisdiction or power to adopt the decision under section 316 of the Communications Act 2003 and that Ofcom had erred in assessing the impact and proportionality of the fixed price (*New Statesman online*, 11 June 2010).

Mr. Brann says that the legal department of BSkyB is one of the best in the country and has played a key role in keeping the company ahead of everybody else. "I have worked against them and they are formidable. They have better lawyers than the British government".

Another legal battle has come from an unexpected source, a Portsmouth pub landlady that paid almost £8000 in fines for showing Premier League matches via a Greek provider (the deal was much cheaper). She then appealed to the European Court of Justice and a nonbinding opinion from an EU legal adviser said that Sky's block on her breached EU law. If that becomes a full ruling, it paves the way for pubs to show Premier League games from any legal source in the European Union and could even jeopardize the way the Premier League rights are sold in the country and the continent (*The Telegraph*, 3 February 2011).

According to the interviewees, a final threat for BSkyB could come from within the organisation. They have so far worked with some of the most experienced television executives, have employed key personnel in every area of the business, have followed closely and invested in technological improvements and have maintained a close relationship with their major rights holders starting from the Premier League. The theory says that they are almost unbeatable but changes at the top managerial level and complacency can create problems in the future.

Chapter 6: The UK Market (Part II): New technologies and other factors that affect sport on television

6.1. New Technologies

6.1.1. Cable and IPTV

The cable market in the UK was dominated for years by two companies – Telewest which was founded in 1984 and NTL, founded in 1991. Both made an attempt to get secure premium sports content but their bids were never serious enough to threaten BSkyB or even the top commercial channels. NTL came close to broadcasting Premier League football when it won the contract for 40 pay-per-view games in June 2000. The licence was to run for three years with NTL paying approximately £109 million each season. It never materialised as the company quickly realised that it could not afford the money and pulled out.

Serious financial problems forced Telewest to merge with NTL in 2006 and the new company ntl:Telewest changed its name to Virgin Media at the end of the same year and following its merger with Virgin Mobile. This merger created the UK's first “quadruple play” media company bringing together television, internet broadband, mobile phone and fixed-line phone services.

Virgin has 3.7 million pay-TV subscribers, 4.2 million in broadband, 4.3 million in telephone and one million in mobile. Sixty-two per cent take a “triple play” of at least three services. (*London Evening Standard*, 28 April 2010). Despite these

numbers, Virgin has yet to express a serious interest in acquiring sports rights. Customers can get Eurosport, Eurosport 2 and Sky Sports News with any TV package as well as ESPN with the most expensive package but have to pay separately for the premium Sky Sports channels. The Setanta Sports channel was a joint venture between Setanta and Virgin Media but once the first ceased operations, Virgin did not try to replace it with a new version. Based on current evidence, they seem to be content with offering a multi-channel service together with telephony and broadband but do not want to open up a sports rights war with Sky. Dr Toby Syfret says that most of their customers are not that interested in sport anyway.

Freeview, which took over the DTT licence after the failure of ITV Digital, does not run any channels and does not get involved in rights acquisitions but customers can get ESPN through a suitable card slot.

Top Up TV offers over 40 Freeview channels plus the ability to pause, rewind live TV and record channels overnight in order to be watched the next day. Customers can also choose to access a library with hundreds of top shows, series and movies. Sport is an important part of the Top Up TV line-up but, like Virgin, they choose to stay clear of direct competition with Sky and instead offer Sky Sports 1 and 2 as well as ESPN as a premium service where customers have to pay extra. The ruling to force BSkyB to sell its sports channels at a reduced price was greeted positively by Top Up TV which now offers the possibility to customers to buy either Sky Sports 1 on its own or together with Sky Sports 2 or ESPN.

IPTV (Internet Protocol Television) is an exciting development that is beginning to take off in European countries⁵⁷. Many telecommunications companies have taken advantage of the new technology that allows them to add TV to their telephony and broadband services. France Telecom for example started the Orange-branded TV channels, the most successful IPTV service in France. The offer includes the Orange Sport packages that show games from France's top division, the Ligue 1 (Orange France Telecom website). Deutsche Telekom in Germany has secured IPTV football rights for the Bundesliga until 2013 and is in direct competition with Sky Deutschland. It had 1.156m subscribers to the IPTV service "Telekom Entertain" by the end of 2010 (iptv-news.com, 25 February 2011).

British Telecom (BT) launched its IPTV service BT Vision in December 2006 and timidly entered the sports rights market by winning joint "near live" rights with BSkyB for 242 Premier League games per season. The deal was for three years and BT Vision was able to broadcast pre-recorded Premiership matches in full from 10pm on the day on which they were played. One game each Saturday was also available at 8:30pm. Between them, the two companies paid £84.3 million (*The Telegraph*, 26 May 2006). In addition, BT Vision offered the Setanta Sports channels.

The near-live service ceased at the beginning of the 2010-11 season and David Murray says that this type of content is unlikely to pull in customers on its own. "It is hard to imagine that many people would watch a 45-minute edit or a full 90-minute rerun of a game where the score is already known."

⁵⁷ According to the International Telecommunications Union, it is defined as "multimedia services such as television/video/audio/text/graphics/data delivered over IP based networks managed to provide the required level of quality of service and experience, security, interactivity and reliability"

Mr. Murray adds that it was surprising BT did not choose a more aggressive strategy at the time. “BT had at one point 80% of the telephony market but around 50% of the broadband market. As everybody migrates from telephony to broadband, their market share inevitably falls. So I think that securing some exclusive content for their broadband service, which is relatively cheap in their overall business plan, will potentially push this service up.” BT had just 520,000 customers signed to BT Vision by November 2010 (Marketing Magazine, 11 November 2010).

Rather than acquiring the content exclusively for their customers, BT Vision chose to make a deal with ESPN after Setanta ceased operations and took advantage of the new Ofcom ruling in order to start offering Sky Sport 1 and Sky Sports 2. Their most aggressive decision was to offer the two channels at just £16.99 a month back in July 2010. This dropped to £6.99 for customers who took either of the Sky Sports channels together with ESPN as long as they had a 24-month contract for broadband and telephony and to £11.99 if they chose both Sky Sports channels (BT Vision website; visited August 2010). In comparison, it cost £26 a month for a basic Sky subscription with Sky Sports 1 or 2. BT Vision hoped that this move would increase their subscriber base that was 467,000 in July 2010. Gavin Patterson, the Chief Executive of BT Retail, said that there were 4 million potential customers who would like sport if it was at a lower price. He added that not having Sky Sports had cost the company customers. “We reckon one in two customers we have approached in the last two years turned us down saying 'Great service but sorry, pal – no Sky Sports, so we’re washing our hands of you’” (*The Guardian*, 1 July 2010).

BT expected that the low pricing would create some loss and BSkyB tried to hit their competitors harder by actually increasing the price that their own customers paid by £3. According to the Ofcom ruling, an increase in the retail price will also result to an increase in the wholesale price forcing BT into making an even bigger loss on the service. Sky argued that the £3 increase to its retail customers was logical and would cover the costs of the new three-year deal with the Premier League and further investment in sports rights (BBC News Online, 1 July 2010).

6.1.2. The future of IPTV in the country

It is difficult to predict how IPTV will evolve in the country and there are mixed signals in the European markets. There are reports that France Telecom are keen to sell the Orange TV venture with News Corporation, the Rupert Murdoch company, expressing an interest. Orange have reportedly been put off by high prices for sports rights (paidContent:UK, 7 July 2010). Orange Sport had just 320,000 subscribers in September 2010 and this is one of the main reasons why they will not get involved in the next bidding for the rights of the French League (*L'Equipe*, 17 February 2011). Deutsche Telekom on the other hand have unveiled plans for new features in their TV service that will enhance the experience of the customers (Deutsche Telekom Press Release, 3 September 2010) but Stefan Kürten believes that it is impossible for both Sky Deutschland and Deutsche Telekom to survive and be profitable. BT Vision operate in a particular market where there is one very powerful operator. They have tried to use legal methods and cheap pricing in order to weaken BSkyB but the case studies in the UK market have proved that

differentiation strategies work better than cost leadership in content-based businesses.

What looks certain is that we are moving towards a direction where convergence will play an important role as many viewers choose to get their TV, internet broadband and telephony from the same provider. Jenkins (2006) defined convergence as the flow of content across multiple media platforms, the cooperation between multiple media industries, and the migratory behaviour of media audiences who will go almost anywhere in search of the kinds of entertainment experiences they want (Jenkins, 2006, p.2).

Convergence is also important in the way sports rights are sold. Some years ago, the distinction was based on the technology but it is now based on whether the content is live, near-live or highlights. David Murray says that this is the most efficient way to do business because new technologies have muddled the boundaries between television, internet and mobile. “Take selling live rights on mobile. If a federation tries to do that, then what is mobile? Is it 3G, is it WiFi? If it’s WiFi, then that’s effectively a broadband right. And what is broadband? If you have broadband plugged at the back of your television, is it still broadband? It is only going through this process that people have realised that they have to adopt the platform-neutral perspective.” This effectively means that whoever wants to secure live premium content has to compete with all the players regardless the technology and BSkyB who have been around for longer, have a huge customer base and the most comprehensive offer of channels and services have an advantage over everybody else.

This could be the reason why BT Vision has initially chosen a less aggressive approach. Andrew Brann thinks that the quality of management is also important with BSkyB being the company that is better run. Despite that, BT remains a telecommunications giant and therefore a valid opponent for BSkyB.

A final point that has to do with IPTV as a whole and not just in the UK is that the technology can be global when satellites cannot. In addition, it can help to stop piracy. Phil Lines says that this is the greatest thing about the technology. “This is how digital TV works. I have a digital package, I encrypt it, you pay me some money to give you a card to unencrypt it and you then have this wonderful package that you can do what you like with. You can give it to your friends, send it round the world etc... I can’t do anything about that. However, if I give you the package in the first place through IPTV, I can put DRM⁵⁸ encoded into it which means you can’t look at it except on that PC.”

Mr. Lines adds that most big federations would like to have content distributed this way but everything depends on the governments investing in high speed internet. The UK government for example has announced that every community in the country will gain access to super-fast broadband by 2015 (BBC News online, 6 December 2010). Phil Lines is of the opinion that this wouldn’t necessarily bring a big change to the top players in the market. BSkyB for example would just change distribution mechanism and embrace IPTV but would still be in pole position as long as they had the right content and a quality service.

⁵⁸ Digital Rights Management

6.1.3. WebTV and Sports Rights

Setanta offered the possibility to watch their sports channels on the internet and Sky launched Sky Player at the end of 2008. This service lets people in the UK and Ireland to subscribe to packages of TV channels to watch on their PC and MAC without the need to subscribe to an existing TV-based service.

Other operators are also exploring or using the option of putting content on the internet. The BBC have BBC iPlayer, a free service that allows people to either watch or listen to a current show as it is transmitted live or catch up with a programme up to seven days after broadcast. Not all programmes are available and some like Match of the Day cannot be transmitted due to rights issues. Other sports programmes are not available live but can be watched later on in the form of highlights or replays. This was for example the case with the World Cup and the European Championship in Athletics. The Football League Show with highlights from lower league football is also available on iPlayer.

ITV, Channel 4 and Channel 5 operate ITV Player, 4oD and Demand 5 respectively. These services can be watched on the Internet (as well as on BT Vision and smaller IPTV services) and show programmes that recently appeared on their channels. However, due to rights issues, some programmes like film and sport are not available.

Virgin has finally launched Virgin Media Player, part of their TV on Demand service which allows their customers to watch shows and whole series online.

It is obvious that these services are complementary to their TV offers and have little importance when it comes to sporting content. Sky are the exception.

6.1.4 Mobiles and Sports Rights

BSkyB has launched Sky Mobile TV which allows customers to watch Sky Sports 1, 2, 3, 4, Sky Sports News, Sky News, ESPN and At The Races live on their iPhone/iPod touch and iPad. Some competitions like WWE wrestling, MLB Baseball or the Serie A are not available due to rights restrictions but the lucrative Premier League is part of the deal.

BSkyB also had the rights for mobile highlights of the Premier League but lost out to ESPN in the last tender. The Disney-owned broadcaster will now distribute clips to mobile phones for three seasons from 2010-11 to 2012-13.

Sports content on mobile devices is expected to grow in the future but the new platform-free approach in selling the rights that is being followed by more and more federations means that whoever gets the live content will be able to exploit it on all platforms. In addition, most interviewees agree that mobiles can only play a secondary role in live sports content because the size of the screen does not allow the viewer to get the full experience offered by a big screen. Ben Nicholas says for example that it is a totally different experience and there is the additional cost.

6.2. Sport and Viewing Rates

6.2.1. What do UK viewers prefer to watch on TV? The top properties, minor sports and the strategies of the Premier League

There is little doubt that football is the number 1 sport in the country. The English Premier League demands huge amounts for the TV rights and other top football competitions such as the Champions League, the FA Cup, the European Championship and the World Cup are extremely popular.

According to Mori's SportsTracker survey in 2003, 42% of the British public claimed an interest in football, up from 41% in 1996, the previous time that the survey took place. Two-fifths (42%), including three in five men, said that they watched football regularly on TV, an increase of 4% (Ipsos Mori, 16 February 2003).

Rugby and cricket are the other two team sports that are traditionally on TV but their popularity has decreased. Around 19% said that they watched Rugby Union regularly on TV in 1996 and just 16% in 2003. Cricket was further down with 16% in 1996 and 15% in 2003.

A comparison of the viewing rates of the last Football (2010) and Rugby (2007) World Cups reveals some interesting results. Both competitions took place in countries where the time zone was of little significance (rugby in France; football in South Africa) and both were shown on free-to-air (BBC and ITV for the football;

ITV for the rugby). The English football team performed poorly and got eliminated in the round of the 16 while the rugby team went to the final despite an average start. The opening England game against USA in South Africa attracted an average of 12.342 million viewers on ITV (plus 1.234m on ITV HD) or a share of 50.2%. The second game against Algeria attracted an average of 13.176m on ITV (1.447m on HD) and a share of 51.8% and the third against Slovenia 11.582m on BBC (927,000 on HD) and a share of 71.7%. The knock-out match against Germany was watched by an average of 15.807m on BBC1 (1.664m on HD) and a share of 73.4% (Source: BARB online archive; World Cup viewing).

England's win over USA in their opening game in the Rugby World Cup was not in the top 30 weekly programmes on ITV and was clearly beaten by an England football qualifier against Israel that was shown on BBC on the same day and at around the same time. The qualifier attracted an average of 5.94m viewers, was in 14th place in the weekly BBC rates and would have been in 13th on ITV. The second England game (against the eventual winners South Africa) attracted 4.91m viewers but the top sports programme of the week was the Euro2008 England qualifier against Russia which attracted 9m viewers on BBC. The third rugby group game was not in the top 30 weekly programmes of ITV. The France-Ireland match was there with 3.65m viewers but it was once again beaten for the first place by another football programme, the Champions League on ITV which attracted 4.2m.

The quarter-final between England and Australia was the first one that beat a football programme (Champions League) during that week attracting 5.47m viewers on a Saturday when the Champions League got 4.79 on a Tuesday. The semi-final

against France got 9.87m and the final against South Africa an average of 13.13m. The Football World Cup final which did not involve a home nation attracted an average of 13.438m on BBC (plus 1.437 on HD) and 2.787m on ITV (plus 169000 on HD) (Source for all the ratings: BARB online archive)

“Football is clearly a long way ahead,” says Robert Charles. “Rugby is also a good sport but if we are talking about commercial television, the only rugby competition that can attract big audiences and is of interest is the World Cup.”

Football on the other hand offers a much wider choice with the World and European Championships, national team qualifiers, the Champions League, the Europa League, the Scottish league and mainly the English Premier League. According to Mr. Brann, the Premier League is more attractive to the viewer because many supporters can watch their favourite team and identify with the competition. The Champions League comes second because it involves fewer games, fewer domestic teams (four) and many fans do not feel the same attachment. The Europa League is in third place because it is less prestigious than the Champions League. As for the national team events, they are very important but considerably fewer in number, less regular and the finals take place every four years.

Phil Lines thinks that the popularity of the English Premier League has a lot to do with the quality of the games (the Scottish League is nowhere near as important for example), the amount of stars that play in the country and the strategies that it follows when it comes to securing and distributing TV revenues.

It is interesting to have a closer look at the strategies that have made the Premier League the most attractive TV sport property in the country and one of the most attractive properties around the world. Luck has played a role because football is popular anyway. Phil Lines admits that some sports have such little following that it is extremely difficult to help them grow even if their executives follow the best strategies. The Premier League was also lucky to auction the TV rights when BSkyB badly needed sporting content. The two have since grown together.

However, the league was not just content to get the money from the Sky contract. It devised ways to help the clubs become more powerful and attract new fans-customers domestically and around the world.

Phil Lines says that the strategies are simple and consistent with the league never moving away from the principles of its business model. “Money drives this league. Most people think that there is a discussion about the rights. There isn’t. It is a pure mechanic – who pays the most. Within the invitation to tender, the league invites channels to explain how they are going to use the rights and then there is a long contract which deals with how they can use them, how they can’t use them, the repeats, the platforms etc. By and large though and this is important to remember is that the strategy is to get the most money. If broadcaster A says that they are going to use all the matches, show all the magazine programmes and the quality is going to be great but they offer one million less than broadcaster B, the league will go with B. And if you get the most money, you get the best players because whoever pays the most, is probably going to do the most with the content anyway. Why wouldn’t they?”

The league is also adamant that it is crucial to create a level-playing field for national and international broadcasters who wish to take part in the bidding process, follow a strict formula and avoid lengthy negotiations. “The league dictates how they do business. It says: this is the date and this is the hour and in that hour you submit your bid electronically here. And before you submit it, we tell you the rules. So they might for example say that there is a 10% high bar which means that if someone is 10% more than the rest, they’ve won. If no one is 10% more than the rest, the next round of auction will be in an hour’s time. The Premier League does not go to a room and discuss with them which interestingly is very different from most rights holders.”

According to Mr. Lines, this strict and straightforward process may not always be popular but it is widely respected.

The level playing field is equally important in the way the money is distributed. Outside of the domestic television revenue, everything is split equally and that includes the centralized sponsorship and the international TV revenue. Half of the domestic revenue is split equally by club, 25% is split by league placing and the rest is split by television appearances but there is a minimum so even if a team only appears six times, it is paid as if it appeared ten. This way, the league wants to secure that all the teams have steady and healthy revenues that allow them to attract top players, improve their facilities and ultimately improve competitiveness and a product that they want to offer to the local and international market. Mr. Lines adds that if just a handful of teams were popular, the league would have a hard time to sign collective deals abroad.

The top four sides are still more popular but the league feels that it is UEFA that is responsible for this. “There is little difference between finishing 15th and 14th, there is little difference between finishing sixth and fifth but there is a huge difference between finishing fifth and fourth and this is completely outside the league’s control. That is down to the control of UEFA and the Champions League.”

English football is shown almost everywhere in the world and the league has identified three categories of markets. The best countries are those where football is extremely popular and either do not have a strong league of their own or have cultural links with the UK like Hong Kong, Singapore and the Far East in general. The English Premier is the most popular league there. Mr. Lines says that they could have had competition from the Champions League in theory but the European games are played in the middle of the week and during the evening so in the middle of the night or very early morning in Asia.

The second category consists of countries that are very interested in football but have traditionally strong leagues like Italy, Spain and other European countries. English football is not the most important sports property there but remains popular because the league is strong and has many big players, including players from these countries which is a key factor when it comes to attracting and retaining interest.

There are finally the markets where football is not the number one sport like the US. “I do not see us making any challenge to become the top sport there,” admits Mr. Lines. “The US has NFL, basketball and baseball. The downside is that you are only ever going to be the number four sport but the good side is that it is such a huge

market that being number four is pretty good and the revenue is steadily increasing. Actually, being number two in India behind cricket is pretty good too.”

A final interesting strategy is that the Premier League is against signing contracts that sacrifice the revenue in order to secure more exposure in new markets. They were for example criticized for agreeing a deal with a small, struggling Chinese pay-TV operator. This decision meant that a very small percentage of the potential audience was able to watch the games when the German Bundesliga chose to give their rights for free to the national free-to-air broadcaster. “There is always a mistaken assumption that you do much better financially out of having more people watching,” says Phil Lines. “How? Somebody has to monetize that because they are not paying the Bundesliga any money including sharing any advertising or sponsorship revenues. They can say that we’ve got millions of viewers across China but the Premier League has 60m in the bank.”

The strategy of giving the rights away for free in the hope that the product will become more popular is not one that would work with football clubs according to the Premier League. “People may have in their mind a long-term strategy,” adds Mr. Lines. “Classic business models: get people hooked and then make it more expensive. This doesn’t work because the clubs change. Three go down every year so they do not have long-term business plans. Their main interest is how much money they can get before the transfer window closes.”

At best, the Premier League has agreed to make one of their ten weekly games non-exclusive in some markets and then sell this match to a free-to-air broadcaster as

well. This is for example what happens in Africa. The league says that they do this partly for exposure, partly because they have a moral obligation and partly for political reasons.

Andrew Brann thinks that the Premier League is one of the very few properties worldwide and domestically that can afford to go exclusively to pay-TV and not suffer in popularity. He doesn't believe that other team sports have the same power with cricket an example. "Free-to-air gives you more exposure and I think that the ECB (England and Wales Cricket Board) have done a disservice to the sport by taking it off terrestrial television. Cricket cannot afford not to be in front of the youngsters who can take the game and keep it vibrant." The Mori SportsTracker survey seems to agree. Only 19% of the British public expressed an interest in cricket in 2003, down from 21% in 1996 and only 2% said that they practised the sport regularly.

Live cricket is currently on Sky Sports with the highlights on Channel 5 and some on ITV (England's 2010-11 Ashes in Australia). In summer 2009, England faced Australia in the Ashes, one of the most prestigious fixtures in the cricket calendar. Sky Sports had 1.03m viewers on Sunday 2 August and the highlights on free-to-air attracted 1.54m, the 13th most popular programme on Channel 5 during that week.

However, the Ashes were not in the top 30 programmes of the "Others"⁵⁹ during the previous week (Tour de France on ITV4 made it to the 23rd place with 610,000 viewers) and the highlights attracted 1.45m viewers on the 20th, the day that

⁵⁹ a category that includes all the channels apart from BBC1, BBC2, ITV, Channel 4 and Channel 5

England took a 1-0 lead in the Ashes series and ended a 75-year wait for a win against Australia at Lord's cricket ground. The highlights did better on Sunday 23 August when England retained the Ashes by winning the deciding Test to seal a 2-1 win. Channel 5 got 2.09m viewers, their fifth most popular programme during that week. However, Match of the Day on BBC2 with highlights from the Premier League did better with 2.65m viewers on the same day. It is also interesting that the Athletics World Championship on BBC2 did even better with 2.74m viewers (Source: BARB online archive).

Apart from football, rugby and cricket, motorsports and boxing are the two other sports that find their way regularly to the schedule of free-to-air and pay-TV channels. The European Grand Prix in Formula 1 in Spain attracted 3.53m viewers on BBC2 in June 2010. The British Grand Prix did even better with 4.8m viewers on BBC1 a month later. Boxing is an interesting case because even though it doesn't have the regularity factor, big fights can attract many viewers.

Traditional sports and big competitions, especially when there is a national interest, are the next category and even though they cannot compete with football, they are still popular with UK fans. The Olympic Games are the most typical example. The Opening Ceremony of the Beijing Olympics in 2008 attracted 5.08m viewers on BBC1 even though it was on a Friday and started at 12:45. During the next three weeks, the Olympics were always in the top 30 programmes of the two BBC channels. Between the 11th and the 17th of August, the Olympics appeared five times in the top 30 BBC1 Programmes and four in the BBC2.

World and European Championships (athletics, swimming) are also popular and the same goes for traditional sports such as snooker or traditional events with British character such as the Wimbledon Tennis Tournament. Wimbledon 2010 was clearly beaten by the World Cup that was shown at around the same time but it was still one of the top programmes on BBC appearing ten times in the top 30 programmes on BBC2 between the 21st and 27th of June. The highest Wimbledon rating for that week was 2.75m viewers when the World Cup got 15.81m (England-Germany). The European Championships in Athletics appeared seven times in the BBC2 programmes in August 2010 with the most popular getting 3.62m viewers. It is interesting that this coincided with Great Britain's best ever performance at the European Athletics Championships with 19 medals. Viewing rates were less impressive for the 2006 Championships with the programme appearing six times on BBC2's top 30 and the most popular one getting an average of 1.6m viewers (Source for all the ratings: BARB online archive).

The problem for these minor sports is that when they are taken away from the context of the big event, they find it difficult to persuade broadcasters to give them some airtime. Things are even tougher for sports that do not have a traditional following in the country.

Most interviewees paint a gloomy picture for minor sports on TV. Henry Birtles says that things were easier in the early days when many new channels wanted as much content as possible and turned to different sports. Since then, football demands over 70% of their sports budget. "Minor sports do not command the same position in the market. Television stations often say that they don't have the money

but they are also used to a culture of taking advantage of them and say that they are not going to pay.”

Paul Lynch adds that minor sports are often happy to go with contracts that do not offer any money because their top priority is to secure exposure and through that sponsorship deals. In addition, television stations are more comfortable of giving airtime when there is a major sponsor behind the event.

Andrea Radrizzani argues that minor sports begin to command more attention when a big star or a big team appears in one country. However, this popularity lasts for as long as the star keeps winning events so the sport ideally needs more than one big name to survive in the long run.

Phil Lines admits that it would be very difficult to apply the Premier League strategies to minor sports because they have such little power compared to football. “They definitely have to think outside the box. There are different cases like sailing or equestrians for example that are followed by few people but have affluent fans around the world. If I was working for them, I would probably try to take advantage of the internet and create a web subscription channel that could be seen around the world. There are ideas but unfortunately, there are not many things that one can do.”

This does not necessarily mean that minor sports cannot develop their product. Paul Lynch says that despite the difficulties, there are many areas that can improve. It may be more complicated and the results may be less impressive but careful research, good organisation and handling of the product, the presence of a few stars

and a healthy income can transform the sport and its chances of appearing on television.

Ben Nicholas says that Extreme Sports are the best example. “Understanding which sports will become more popular in the future is crucial for the channels. This is what ESPN did with X Games. They created an event like the Olympics, marketed the product to the right demographics and took advantage of some stars to develop the sport.”

Making the sport relevant to young people is the best strategy according to Richard Bunn. If it becomes popular among them, then it has a guaranteed future.

6.2.2. Research and Decision Making

Sport and its unpredictable character make research an important part of broadcasters’ job before they make a final decision about a rights agreement.

Research of the market is the first step. Andrea Radrizzani says that agencies and broadcasters need to have an excellent knowledge of the different demands that a market has and package the product in such a way that corresponds to its needs. That includes a close look at the ratings, the demographics and the expectations of the viewers.

A SWOT analysis⁶⁰ of each individual sport is equally important according to Paul Lynch. “We would ideally want to know how one sport is doing in different markets: how many play the sport, how competitive it is, how many turn up to watch the games, how much they pay...From a strategic point of view, this is important for its long-term growth.”

Agencies and channels will also do practical research. Agencies will approach channels to see whether there is a substantial interest in putting a sport in their schedule while broadcasters will approach advertisers and check whether they are willing to spend money on a particular event.

Marc Rautenberg says that experience is another important factor. When a property has been around for a long time or when a broadcaster has been many years in the business, it is easier to make decisions about prices and investments.

Research may also be done by testing a fairly unknown product and see whether it actually works in practise. Stefan Kürten argues that this is sometimes inevitable with minor sports where it is difficult to make predictions. Biathlon is an example of a small sport that transformed itself in order to suit television and became quite successful. “European broadcasters tested snowboarding as well but it proved that people were more interested in practicing than watching.” When a broadcaster tests a new sport, the price and the terms of the contract are very important as they can help them to leave it and avoid big losses in case it does not work.

⁶⁰ A strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities and Threats in a project or business venture

Most broadcasters will finally count on simple logic. Robert Charles says that this may not necessarily be the best practise but it is one that works because most executives know or have a feeling about what should be on TV.

Others argue that the research that is done is not enough. Ben Nicholas for example says that if the channels had done their homework more thoroughly, there wouldn't be so many disaster stories like ITV Digital. Dr Syfret is of the same opinion. He thinks that business plans and decision making processes can be wrong when there is not enough research or analysis beforehand with Setanta a typical example. Paul Lynch adds that there is not enough research on the external environment and how that can affect the rights and the broadcasters.

In general, things can go wrong when broadcasters do limited research and have unrealistic expectations about a market (many pay-TV initiatives that overestimated the strength of the pay-TV market), do not have enough experience to understand what they buy either because they are inexperienced themselves or deal with a new product or a new technology (ITV Digital, Setanta or the Home Choice examples), when they make wrong calculations about the price and when they are forced to make hasty and risky decisions in a climate of pressure.

6.3. Production Issues

6.3.1. The quality of the production

The formulation of strategies, the choice of the content, the bidding process and the signing of the agreement are the first links in the chain of sports programming. The production is the next step and an integral part of the programme's success.

Television and sports executives recognise that offering a product that is easy and attractive to watch can make a big difference. This is more evident when two broadcasters share the rights or when different leagues compete for airtime in more than one market.

David Murray says that production is extremely important for the BBC. They want to offer the best coverage, reporting, analysis, features and interviews and prove that they remain the top broadcaster in the country. According to him, the viewing rates of the Euro and World Cup Final which they share with ITV prove that a) the BBC offers the best coverage and b) a good production can be a deciding factor when two free-to-air channels offer the same product.⁶¹

Andrew Brann adds that Channel 4 did something similar with cricket when they first secured the rights. They knew that having the content was not enough and that they had to find a way to make the production interesting to the wider public. "It is

⁶¹ The World Cup final in 2010 was watched by 13.438m on BBC and 2.787million on ITV. BBC1's coverage of the 2004 Euro Final attracted nearly 11 million viewers, with ITV1's coverage of the match averaging just over 3 million.

the same case with Sky and football. They spend a lot of money and if one looks at their Champions League production, they try to differ from ITV by using the latest technology, the best graphics, interactive features and top commentators.”

Andrea Radrizzani, who has extensive experience in negotiating and selling rights all over the world and particularly in Asia, says that the Premier League is an ideal example. “It is the best football programme in terms of quality of production and this influences the price and the negotiations when they go abroad. That’s because broadcasters know that they get something which is good to watch and can then localise and customise the content to suit their individual needs.” Mr. Radrizzani adds that the English and Italian leagues are more popular in Asia than the Spanish because the quality of the production is better. “Even the quality of the stadium plays a role because it allows the cameras to be closer to the pitch and get better angles. The commentary, the graphics and the programmes before the games are equally important.”

Smart scheduling can help the production as well and it is interesting that the Premier League has found time slots that suit both the UK audience and their fans around the world. This is different to the Spanish league where the time slots make it difficult for fans to follow it outside Europe.

Paul Lynch says that the production has to be of the best quality because sport has to remember that it does not just compete with sport but all the programmes that are shown at the same time. “There is so much on offer and people have less time so

sport has to think what will hold the attention of the viewers so that they won't switch to something else.”

The problem is that a good production can be very expensive as it involves all the latest technology, numerous cameras, crews, journalists... Richard Bunn says that broadcasters become increasingly worried by the numbers involved and that even though production is very important, television executives have to draw a line at some point and find a balance that will secure quality without significant losses.

6.3.2. Production, relationships and the co-operation between sports federations and television stations

The decision about how a sport is packaged and produced is normally the result of negotiations between the sports federations/rights holders and the broadcasters and all the interviewees agree that the UK market is so developed that sport and television know what they want and expect from each other. Many executives who used to work for TV have moved to sport and have helped to smooth the relationship. There may be some differences between federations but the general rule is that all of them are familiar with what televised sport entails.

“In the early days, federations would rely heavily on broadcasters,” says Mr. Brann. “They have now become a lot more sophisticated and that includes minor sports that have to work harder to find ideas that suit television.”

However, the power in the negotiating table greatly depends on how popular the sport is. “If it is a big sport, it has more say and can influence the final decisions,” stresses Henry Birtles. “If it is a small sport, it will mainly look for exposure and will have less power to dictate when it is shown – prime time or not, how it is portrayed, how much it is promoted, whether the production educates the audience and how many minutes the broadcaster devotes on it.”

The Premier League is again the typical example of an association that has full control over how their sport is produced. They are responsible for the production of ten weekly games and three magazine shows so the quality is completely up to them. They also have a workshop every summer where they invite their partners to discuss what everyone is doing and how things can improve. They recognise however that there are cultural differences and do not expect that different countries will treat the programme in exactly the same way that UK broadcasters do.

Personal relationships are important in securing good co-operation between broadcasters and sports executives. BSkyB has created a close relationship with football, rugby and cricket with many executives taking its side both in the fight against the Ofcom ruling regarding the prices it charges to competitors for its sports channels and the recommendation to take Cricket’s Home Ashes Test matches back to the listed events. This shows a trust as well as the certainty that their sports are better off on Sky.

Phil Lines stresses that the relationship of any sport with its main broadcaster is extremely crucial. If it is close, then both can become successful. “BSkyB

recognises that it is in their interest to have a financially strong Premier League. If the teams did not have the money, they would practically destroy the TV product so they treat it a bit like the Sky league.”

The BBC makes an equally big effort to stay close to the people who are behind their main sports properties, i.e. FIFA, UEFA and smaller federations ahead of the Olympic Games. Commercial television on the other hand has the disadvantage that it is dependent on the advertising market which means that if advertisers have financial difficulties or if the sport goes through a tough period and it becomes less popular, broadcasters cannot continue with the investment and cannot build the long-term relationships that BSkyB or the BBC can.

Good relationships are formed through professional meetings and constant discussions but informal gatherings, dinners and drinks are important as well.

Personal characters can also affect the world of sports rights. Henry Birtles says that television executives cannot make too many personal choices because their decisions will be called into question but he has come up against cases, especially in big markets, where personal interests of the top executives affected whether their channel went for a certain sport and the relationship it built with the rights holders.

Ben Nicholas remembers that when he worked for Home Choice, his boss was so emotionally attached to the project that it was difficult to see its defects. “He was working on that plan since 1991 and spoke about it as if it was the best thing ever.

He was completely evangelical about it and had managed to transmit this enthusiasm to the rest of us.”

However, if the interviewees would have to choose one word for the world of TV and mainly sport executives, that would be conservative. Some are prepared to take risks (BSkyB example) and others may be forced to take risks but most are quite cautious and worried about making mistakes.

6.4. Sport Television and the external climate

Television has widespread penetration in the UK. In January 2011, out of the 27.1m homes in the country, 26.2m had television and 24.6m digital television (Source: BARB online TV Facts)

The UK has the most successful pay-TV operator and viewers who love sport, especially football, and are familiar with the idea of paying for their favourite programmes.

However, the particular characteristics of the market are largely responsible for this success. The limited number of free-to-air choices before the creation of BSkyB meant that the large UK market was unexploited and the best place to test new ideas. Germany on the other hand and many smaller European markets – Greece among them – had far more free-to-air choices and there was less need for a new broadcaster.

In addition, the UK is a good market for national broadcasters thanks to the listed events. These guarantee that the BBC has a constant presence in the sports world and is identified as one of the top providers of sports programming.

Politics, the media and sport have had a long-term and close relationship and the political climate where channels operate is always important. Sport is so popular that politicians are unlikely to make decisions that will upset their voters. Mr. Lines for example admits that keeping the Premier League highlights on free-to-air is partly a political decision.

The media are also powerful organisations and politicians would think twice before threatening the status quo. Dr Syfret argues that the former Labour government, which lost power in 2010, was reluctant to make important changes because it felt weak and would win nothing if it went against Sky or other broadcasters. A more powerful government could have been more determined but it has often been reported that many governments had a close relationship with BSkyB and News Corporation that owns some of the most influential newspapers in the country.

The legal environment is another important factor but there is not a clear law for sports rights. The European Commission is trying to foster more competition but according to Dr Syfret, their efforts are sometimes counterproductive. There is a decision that dictates how the Premier League should sell its domestic rights but it only applies to the UK and it is only for a limited period of time. Mr. Lines thinks that different decisions for different countries are confusing and it would be better if there was a completely free market.

Other regulations like the Ofcom ruling against Sky or the new proposals for the listed events are further external factors that can affect sports rights and the balance in the sports TV market.

Changing lifestyles can also play a role. The younger generations are more familiar with new technologies, live in fast-paced environments and have a wide choice of pastimes. Sport has to make sure that it stays vibrant and relevant in order to compete with other pastimes and other programming.

6.4.1. Sport Television and the Economy

The economic climate has a direct impact on the daily life of broadcasters and sports rights. National broadcasters are more resistant because they have fixed revenues but if the government decides that it has to cut or freeze spending⁶², then the funding of the BBC will also be in danger. In July 2010, Culture Secretary Jeremy Hunt attacked the BBC's "extraordinary and outrageous" waste and said that the public service broadcaster needed to recognise the very constrained financial situation the country was in. (BBC News online, 17 July 2010).

Pay-TV is also resistant to financial crises because its revenues come mainly from subscriptions. There is a view that when people have less money, they tend to stay at home and watch more television. However, the money that is around is unlikely to support two services that compete against each other for the same top content.

⁶² which is exactly what the current Conservative government has announced

Commercial broadcasters are the ones that are more vulnerable during a recession. Despite having the biggest advertising share, ITV was forced to make cuts in jobs and programming in 2008 and 2009 under the difficult economic climate. In March 2010, ITV Chairman Archie Norman warned that the austerity measures of the UK government could knock the fragile confidence of advertisers who were only just regaining their nerve following the longest recession on record (Daily Mail, 3 March 2010). Robert Charles adds that Channel 5 and 4, which haven't got such a big advertising share, have an even harder time.

Attitudes can change after a big crisis. The market was very quiet after the ITV Digital debacle and Henry Birtles says that television executives were more cautious than usual. It took almost five years for the next daring experiment (Setanta) and the market has been quiet since then but the case studies indicate that when the time passes and the financial situation improves, people tend to forget the failures and there are some who are prepared to take new risks.

A final interesting point is that football and the top properties in football do not seem particularly affected by the financial climate. The Premier League continues to have a big contract with Sky and got a replacement for the Setanta contract straight away (ESPN) without losing money. Despite its troubles, ITV is also faithful to its Champions League coverage as a programme that sets the broadcaster apart from other commercial offerings.

Smaller football properties and minor sports on the other hand are a lot more affected. After the Setanta failure, the Scottish Premier League agreed a £65m five-

year deal with Sky and ESPN to screen 60 live matches each season. That means that Scottish clubs got about half of what they would have gained under the Setanta deal.

6.5. The future of sport television in the UK

The UK sport television market is one of the most developed in Europe. All the interviewees agree that it is sophisticated and has high standards in terms of the product that is being offered. “It is developed from the federation to the club to the television station,” says Marc Rautenberg. “Everybody has high standards. If it is the television station, in terms of the finished product; if it is the club, in terms of the marketing and the people who work there and if it is a federation, in terms of exploiting all the revenue streams.”

What makes the UK particularly special when it comes to sports programming is the wealth and strength of its main pay-TV broadcaster. BSkyB has been a powerful force for over a decade and most interviewees agree that unless it makes a big mistake or starts to have management problems, it will be difficult for anyone to challenge them.

The prices paid for sports rights will depend on the political and financial climate as well as on local success and the popularity of a particular sport but the chances are that the prices for the top properties will continue to rise. The Premier League has seen a constant increase despite the financial crises of the last decade and the

interviewees expect that Sky will continue to bid aggressively for this type of content.

Exclusivity will continue to play a key role with more and more channels seeking to get one set of rights regardless of the platform. Technology is moving towards convergence anyway and it is not possible to make a distinction between traditional television, IPTV or mobile. “The separation of the rights by platform was only an intermediate step in the commercial development,” says Stefan Kürten.

New technologies offer the opportunity to new players to enter the market and telecommunication companies may be the broadcasters of the future. However, telecommunications companies do not have a big presence in the UK market and the power of BSkyB is again the main reason.

The interviewees agree that the traditional players will continue to have a strong presence starting from the BBC that is historically close to sport or ITV that has to be more selective but recognises the importance of top sporting content – rates, prestige, attracting the desirable viewers... Smaller commercial stations will try to do the same but have to be even more selective and take chances wherever they can.

New television stations may make their appearance in the next years but past experience has shown that there is little space for major broadcasters and in order for one to survive, another may have to disappear.

It is even possible that traditional commercial broadcasters will be forced to merge in order to survive the financial crises and the problems in the advertising market.

IPTV and the web will offer more opportunities for exposure to small broadcasters and small sports but these channels will cost little to build and will have limited power.

Chapter 7: The Greek Market (Part I)

7.1. The history of Sports Television in Greece

The history of Greek television begins in 1951 with law 1663 which provided for the foundation and operation of radio-television stations of the Armed Forces⁶³ as well as for the operation of the Information Service of the Armed Forces (YENED; Greek: YENEΔ) which was responsible for setting up and operating radio-television stations (source: Hellenic Ministry of Foreign Affairs website; visited June 2009).

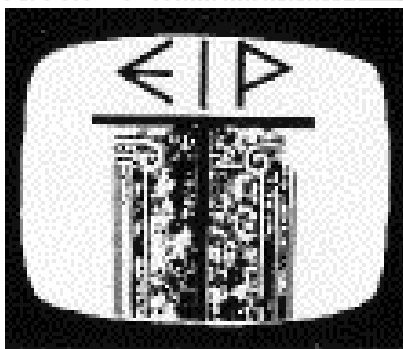
This development took place 19 years after the first experimental television broadcasts in the UK but the political and economic situation in Greece was largely responsible for this delay. The year 1923 saw the end of a decade of continuous wars and the beginning of modern economic development which was characterised by the quick pace of industrialization, an increase in the numbers of potential workers and the reorganization of the middle classes. This period came to an abrupt end during the Second World War, the German occupation from 1941 to 1944 which left the country in ruins and a Civil War until 1949 (Voglis, 2010; Foundation of the Hellenic World: Hellenic History website, visited December 2010).

It was actually Italy that suggested in 1960 that Greece should allocate part of the money from the war reparations in order to install a modern television network in the country. The press was initially against this idea as some newspapers felt that

⁶³ This provision was abolished 15 years later

television would become a partisan body and others that the money should be spent more wisely to rebuild the country (*To Vima*, 22 February 2009).

In the early 1960s, TV programmes were broadcast experimentally. The first experimental television station was set up by the Public Power Corporation during the International Fair of Thessaloniki in September 1960 and was on for 22 days. One hundred television screens were placed inside the fair and around the city but the station was dismantled as soon as the fair was over (*To Vima*, 22 February 2009). Greek national television began officially on 23 February 1966 under the name of EIR (EIP). The Hellenic Armed Forces launched their own channel TED (TEΔ) three days later. At the time, there were around 1200-1500 television sets in the capital.



The EIR signal

Sport played a central role from the beginning. Three months after the birth of state television, the Football World Cup took place in England. It was too early for live transmission but Kostas Sismanis, a former BBC journalist who worked for EIR, managed to get some games on film. They were shown a day later but they were very successful and introduced international football to the Greek public. They also

helped in popularising the new medium as 15000 television sets were bought within a few days during the World Cup (*To Vima*, 22 February 2009).

Sport was quickly included in the daily news and the first specialist sports programme began in September 1966. It was called *Athlitiki Kyriaki* (Sport Sunday)⁶⁴ and it initially had highlights from the biggest football game of the weekend and sports news. TED followed in 1967 with a 15-minute sports programme.

In 1968, TED, which had changed its name to YENED, showed live a Greece-Yugoslavia basketball game and in 1969, EIR showed the European Athletics Championships from Athens live to the rest of Europe. A few months later, they showed the second half of a football game between Greece and Switzerland. They decided to skip the first half because EIR felt that the viewers would get tired.



“The events in front of your eyes with Westinghouse television sets.” Advertisement ahead of the European Athletics Championships in Athens

⁶⁴ Most of the Greek games were and are played on a Sunday

The next three years were particularly fruitful for the football-television relationship. Greece had an unexpected strong run in the 1970 World Cup qualifiers⁶⁵ and that increased interest for the finals which were the first event of such a scale to be fully broadcast on Greek TV. A year later, Panathinaikos reached the final of the European Champions Cup losing 2-0 to Ajax. They also played in the Intercontinental Cup against Nacional Montevideo. Through these events that were seen as a national and not just a sporting success, football and television took centre stage in the social life of the country (Basantis and Zaharopoulos, 2008, pp.41-42). Local businesses identified the opportunity and EIR signed the first sponsorship agreements for sports programmes with a tobacco company.

In 1970 and during the Junta, EIR (National Foundation of Radio-Television) became the National Foundation of Radio and Television (EIRT; Greek: EIPT) and in 1975, after the end of the Junta, the National Foundation of Radio and Television became Greek Radio and Television (ERT; Greek: EPT) with the aim of “informing, educating and entertaining the Greek people” (Hellenic Ministry of Foreign Affairs website; visited June 2009). It was also decided that the main funding was going to come through a fee in the electricity bill⁶⁶.

Colour broadcasting started in 1979 and in 1982 YENED became a public non-militarised broadcasting corporation under the name ERT2.

Sport continued to be very popular. Between 1978 and 1980, the viewers followed the national team in the successful qualifying campaign for the 1980 European

⁶⁵ It did not make it through but finished second in their group

⁶⁶ Advertising was also allowed as it was felt that the Greek people should not bear the entire burden

Nations Cup. The interest increased by the fact that all the games could now be watched on colour television (Basantis and Zaharopoulos, 2008, p.42). In 1987, ERT and ERT2 merged into one corporation under the name ERT with five radio stations and two television channels, ET1 (Greek Television 1) and ET2 (Greek Television 2). Another channel (ERT3) was launched in Thessaloniki in 1988.

The year of 1987 was key for Greek sports. The basketball national team won the European Championship, the first time that Greece won a team competition, and it was estimated that 97% of the audience watched the final between Greece and the USSR (*Eleftherotypia*, 12 August 2001). Basketball became temporarily the country's favourite sport and took advantage of law 1866 that allowed the operation of private television stations in 1989, the same year that the national team added a silver medal in the Belgrade European Championship and Thessaloniki club Aris came third in the Final Four.

Mega Channel went on air on 20 November 1989 and was an instant success with a viewing share of 32% in 1990. Its two main shareholders are Pigasos Publishing LTD (26.82%), a company that owns four newspapers including the sports paper Goal News and a number of magazines, and Lambrakis Press S.A. (22.11%), a company that owns two of the most established newspapers in Greece (Ta Nea and To Vima), sports newspaper Exedra, a number of magazines and the portal in.gr.

MEGA was followed by ANT1 TV on 31 December and a number of smaller private channels. ANT1 is owned by Antenna Group, the largest Greek media company whose operations include broadcasting (TV and radio), publishing,

telecommunications and a record label. MEGA acquired the rights for the Greek football league for the season 1993-94 and shared them with ANT1 for the following season as both stations realised the importance of sport in establishing a new channel. ANT1 also acquired the rights for the Greek basketball league.

The first analogue pay-TV channel, Filmnet, appeared in 1994 showing well-known movies throughout the day. It was followed by Supersport which won rights to a number of sports, including football and basketball. In 1999, NETMED, the owners of Filmnet and Supersport, acquired a license for the provision of pay-TV and radio programmes via satellite. The new satellite subscription service was named Nova and offered most of Greece's major free-to-air channels together with Filmnet and Supersport as well as many international channels and interactive services. NETMED sold their pay-TV business to telecommunications company Forthnet in 2008.

A second pay-TV operator, Alpha Digital, was launched in October 2001 but it only survived one year after overpaying for the rights to football league games. This is one of the main case studies that will be analysed.

A digital terrestrial service was launched by ERT in 2006 on a trial basis. It included four thematic channels, cine+ which focused on movies, spor+ with sport content, prisma+ which focused on the disabled people and info+ which had news-style programmes and was broadcast through spor+. Cine+ and Spor+ merged into one channel in 2011.

In 2009, commercial television channels Alpha, Alter, ANT1, Makedonia TV, Skai, MEGA and Star established Digea, a company which has undertaken digital broadcasting of television programmes for private stations of national range as well as for any other stations choosing to use its services (Digea website; visited December 2010). Digea is currently available in Attica, Thessaloniki, Central Macedonia, Northwest Thrace, Rhodes and Corinth.

In the last years, telecommunication companies have begun to offer televised service via IPTV. Sports content is at the forefront of their advertising campaigns.

7.2. Public service broadcasters

ERT⁶⁷ is the public service broadcaster in the country funded by the licence fee included in the electricity bill, state aid and advertising. Its popularity was severely hit by the advent of commercial television with its two main channels attracting a combined audience share of just 7.7% in 1995 (Elman et al, 2005, p.124). The corporation began a major restructuring plan in order to improve its identity and in 1997 ET2 became NET (New Greek Television) with ET1 keeping its old name. ET1 positioned itself as a manifold entertainment channel and NET as a news and information channel. ERT3, which has been operating as an independent branch since 1994, became ET3 (Greek Television 3) (ERT online; visited June 2009).

If one adds the two digital terrestrial channels, the Parliament Channel and ERT World, its satellite programme transmitted mainly free-to-air in Cyprus, Europe, the

⁶⁷ Greek Radio and Television

Middle East, North America, Africa and Australia, ERT currently has seven channels.

The overall audience share has been steadily increasing and although it is still behind the big commercial channels, NET, which has taken over the most popular content, passed the 10% mark for the first time in 2008 (10.4%). The percentage was 8.8 in 2004 and 9.6 in 2007. It went down to 9.4 in 2009 and was 9.5 in 2010. ET1, its second major channel, had an audience share of 3% in 2010 but it used to be close to 6% at the beginning of the decade (5.5 in 2001 and 2003). ET3 had 2.7% in 2007, and was up to 3.6% in 2010 (Source: Nielsen Audience Measurement Greece online archive⁶⁸).

ET1 has information, children, religion, education, music and sports programmes as well as documentaries, movies and Greek series. NET has films and drama but it mainly focuses on high quality news and sport. Over the years, it has proved very difficult for ERT to challenge commercial television on popular programmes such as Greek series, entertainment and films. Funding is part of the reason but ERT also feels that its mission to inform, educate and entertain the Greek public cannot support certain types of entertainment programmes⁶⁹. They have identified news and sport as their main strengths and in a 2008 rebranding by Red Bee Media, they introduced two content brands, ERT News and ERT Sport. The brand designs for these two have been unified across ET1, NET and ET3 for the first time to highlight ERT as an over-arching brand (Red Bee Media News Release, 3 June 2008).

⁶⁸ The viewing rates take into account only the free-to-air channels

⁶⁹ Reality TV for example

7.2.1. The ERT Strategies in Sport

ERT has always had a strong relationship with sport. As the first television organisation in Greece and a member of the EBU, ERT has associated its name with the Olympic Games, World and European Championships. It has a vast archive and experience in covering the big events.

Antonis Katsaros⁷⁰, the director of Sports Programming at ERT until 2010, says that a quick look at the weekly programme of the channels is enough to understand that sport plays a major role. “ERT has heavily invested in sport content. Most of the big projects are there. That includes the Olympics, the World Cup and the European Championship in football, the Winter Olympics, the Champions League, some games of the Super League⁷¹...Everything is either there or on pay-TV.”

In 2007-08, sport accounted for 12.8% of NET’s programming. The percentage was 12% for ET1 and 9.7% for ET3. MEGA, the biggest commercial channel, which had an audience share of 17.6% during the same year was a lot less involved with sport occupying just 1.6% of its total programming. Drama was in the top spot for MEGA with 39.9% followed by news and information with 37.3% and films with 12% (Nielsen Audience Measurement Greece online archive).

The success of major sporting events further persuaded ERT to concentrate on sport. In 2004, the Greek football team were the surprise winners of the European Championship and the final against Portugal attracted 3.044m viewers, the highest

⁷⁰ Interview conducted in May 2008

⁷¹ Top football league in Greece

ever sports audience in a multichannel environment⁷². For Euro2004 as a whole, ERT's audience share reached 20.0%, rising to a high of 23.1% in the week of the final. During the Athens Olympics, the ERT channels were comfortably the most popular during the three weeks of the Games. The weekly audience shares totalled 31.2%, 37.9% and 40.2% respectively (Elman et al, 2005, p.125).

In the Beijing Olympics in 2008, ERT's total audience share was 28.4% during the first week in spite of the time difference and poor performances from the Greek team. That percentage does not account for those who watched the coverage on the digital terrestrial channel Spor+. NET had an audience share of 13.9% on its own, only 0.5% behind MEGA that was in first place (*Eleftherotypia*, 19 August 2008).

Antonis Katsaros says that there are two main reasons behind the strategy to invest in sport content. The first is that ERT is a public service broadcaster and has the obligation and interest to put a lot of sport in their schedule. The biggest part of its revenue comes from the licence fee and state aid, in other words from Greek taxpayers who are extremely keen to watch sports programmes and will never complain about too much sport on TV. "On the contrary, we often had people sending emails or writing letters complaining that a sporting event took place in their area and we did not cover it. It is humanly impossible to cover everything but it shows that people want more and feel that since they pay the licence fee, they have the right to see their favourite sports." Olympic sports and sports of national interest are very popular with ERT.

⁷² In 1987 when the basketball team won the title of the European Champions, there were just two public service channels available

The second reason is that unlike some European public service broadcasters, ERT are allowed to increase their revenue through advertising and sponsorship⁷³. Their decision is therefore one that is also based on business criteria. Sport and especially prime sport is extremely popular and can attract advertisers. “The first thing that a company will look is whether you have good sporting content,” adds Mr. Katsaros. “Shows and sports are the main attraction for them.”

7.2.2. ERT and the bidding for Sports Content

Bidding for sports rights has changed completely since the advent of commercial television and even more since the arrival of pay-TV in the country. When ERT had a television monopoly, many of the domestic deals were not even written. People who knew each other and had developed a friendly relationship would get together and agree to put a local championship on television. As for the international events, ERT would get everything from its membership at the EBU. The European Broadcasting Union remains a big source for sports rights and people inside ERT feel that it will continue to be for the near future. It may not be as strong as in the past but it still has an important presence and a negotiating power.

Verbal agreements between friends have not disappeared completely but they are only for a few minor sports where there is little or zero competition between channels and where public service television is probably the only home for them. “If we wanted to show rowing for example and knew the people, we could reach a verbal agreement. But that’s the exception to the rule,” says Mr. Katsaros.

⁷³ Advertising only stopped during 1967-1974, the Junta years

Minor sports, which include Olympic sports such as swimming, athletics, gymnastics or weightlifting, traditionally among the most popular in Greece during the Olympic Games, continue to have a presence at ERT. They are mainly shown during the summer months when an event takes place in the country or when the EBU has secured deals for European and World Championships. In order to fulfil its public service remit, ERT will also secure deals for the qualifying campaigns of the Greek national teams in basketball, volleyball and handball.

Bidding for prime sports content is a more complicated business and it is clear that ERT want to have a leading presence in the area. They partnered pay-TV Nova between 1995 and 2001 in deals for the rights to the top football league with Nova getting the live content and ERT the highlights. This is similar to the BBC deals for the highlights of the Premier League. However, they created headlines when in 2006 they announced that they had reached an agreement with top Greek football clubs Olympiakos and Panathinaikos for the live coverage of their home matches. The reported amount was 14.5 million Euros for the Olympiakos games for the period 2006-2008 with an option for a third season and 16 million Euros for the Panathinaikos games for the period 2007-2010 (two-year contract with the third season an option). Commercial television station Alpha, which had also bid for the games, offered Olympiakos close to 5m per season which means that the ERT offer was 45% higher (in.gr, 12 June 2009).

During the same year, ERT bid successfully for the free-to-air Champions League rights for three seasons (2006-07 to 2008-09). Commercial channel MEGA, which

had the rights for many years, was forced to abandon the top European football competition.

In 2007, ERT added two more Super League clubs to their football portfolio, Aris and Xanthi (3 million and 1.6 million respectively) (*Sportsbiz Weekly*, 7 May 2009).

The reaction from the commercial television and the print media was one of dismay. Some called the agreements a scandal arguing that public service television used taxpayers' money to fund private football teams. They also talked about unfair competition and distortion of the market. The union of Greek commercial broadcasters EITISEE launched an official complaint to the European Commission (TV Sports Markets, 10 October 2008). In addition, there was the fear that these contracts would reduce competition and give even more power to the two top football clubs that already dominated the Greek league.

Vasilis Panagiotakis⁷⁴, the Controller of Sport at Alpha until 2009 and then an executive at LPD Productions responsible for the production of the sporting content for Conn-X TV, says that ERT were the most peculiar part of Greek television. "They had the money from the licence fee and the state aid and spent outrageous sums. None of the commercial channels could justify the money spent for the Olympiakos rights because they could never earn it back. Euro2008 is another example. It was not sold to the EBU so all the commercial channels were potential buyers. However, nobody could afford it. Does one think that MEGA, ANT1 or Alpha were not interested? But the sums were too big. ERT did not have the

⁷⁴ Interview conducted in May 2008 with a further interview in December 2010

pressure to make money so one should never look at what they offered. We know what we, as Alpha, offered and the same goes for the other commercial channels. But we could not look at ERT in the same way. They were a completely different competition.”

ERT took advantage of the fact that there was no clear regulation regarding their budget, how much they were allowed to spend on sports rights and whether the money spent distorted the market. They did not officially announce the budget allocated to different areas of programming and the state avoided interfering in such matters. Mr. Panagiotakis remembers that he was one of the executives who signed the complaint to the European Commission but never got a response.

Dimitris Papanikolaou⁷⁵, the Director of Sports Programming at MEGA until 2009 and currently one of the main presenters at the Novasports Channels, says that MEGA decided to leave the Champions League consciously in 2006 because the sums did not make financial sense. Due to the presence of ERT, the rights had seen a big increase and the commercial broadcaster did not want to lose money. “We couldn’t pay 10 or 11m Euros for a product that couldn’t earn us more than 5m and one has to take into account that MEGA has the best advertising team in the television market. ERT earned around 2.5m Euros.”

ERT used the argument that other public service channels have been using around Europe, i.e. that acquiring rights for sports events is a vital part of their public service remit. The commercial channels could not afford the rights but ERT had a

⁷⁵ Interview conducted in June 2009

different and bigger budget and made a strategic decision to spend more on news and sports, the two areas where they had an established presence, experience and success.

They also argued that whether an offer is scandalous or outrageous depends on a number of things. The money was spent on relevant (an important factor in the news values theory), prime sports content such as the Champions League and the home games of the two biggest teams in Greece. They did not spend it on programmes that nobody wanted to watch.

Mr. Katsaros says that the Olympiakos and Panathinaikos games performed consistently well in the viewing rates. “We could even get 40% and over for a 15-minute period of a 90-minute game that started at 7pm on Sunday even when they played against a small team. This is extraordinary. The Olympiakos games had the highest ratings of all our programmes during the first year of the contract with the exception of the Eurovision Song Contest. In order to get similar ratings, commercial channels spend huge amounts of money on shows and Greek series. Some are successful and earn their money and some are not. We did not have shows and our strategy was to spend accordingly on sport. People have to remember that we are talking about prime content that is often shown at prime-time. If one looks at the top sports programmes, they all perform above the average of the ERT channels. The news ratings are also beginning to improve so these two genres have helped ERT to improve its overall ratings and the whole dynamics of the channels. This may be a public service broadcaster but has to find a way to exist in the market. It cannot abstain from everything.”

Fans who did not support Olympiakos and Panathinaikos were unhappy with this argument and felt that it was unfair to pay a licence fee that supported individual teams. ERT responded that these were the most popular teams in Greece, they had fans all over the country and not just in the capital and that the ratings proved a general interest for games that included top teams.

Nikos Kiranis⁷⁶, the Media Rights Director at marketing and sports rights agency TAF Sports, says that the viewing rates justify ERT's choice. It may be difficult to cover the expenditure but the top football matches bring high rates, improve the advertising revenues and the prestige of the channels and help the programmes that are shown before and after the games.

In 2009, the Greek league signed a collective agreement with pay-TV Nova for the rights of the live games. Panathinaikos and Aris were included in this agreement that is described in detail in the pay-TV section but Olympiakos and Xanthi felt that ERT offered them a better deal and decided to leave their home games on free-to-air.

7.2.3. ERT Digital and sports content

ERT Digital was launched in 2006. Customers had to buy a set-top box or a digital television but there was no subscription. A research revealed that 55% of them were interested in Spor+, 36% in Cine+ and 9% in Prisma+ (*Eleftherotypia*; 26 June 2009). According to the European Commission, the penetration of digital terrestrial

⁷⁶ Interview conducted in May 2008

television in Greece in 2009 was 2% when the average for the EU was 23% (European Commission website: visited December 2010).

ERT placed great importance on Spor+. “The plan was to invest more on Spor+ and digital television as a whole,” says Mr. Katsaros. “This, in spite of the fact that the market was not familiar with it. There was no federation, even the smallest, that wanted to be in Spor+. They all preferred to be on free-to-air because they argued that nobody would see them on the digital channel.”

ERT secured deals to show the Scottish and the Dutch championships exclusively on Spor+. They also showed basketball games of small teams, handball, volleyball, swimming, some motorsports and repeats of Super League and Champions League games. They finally has some live events from the 2008 Olympics.

7.2.4. The Greek economic crisis and how it affects the ERT strategies

Years of unrestrained spending assisted by cheap access to borrowing during the economic good times and the failure of the government to implement financial reforms left Greece badly exposed when the global economic downturn struck. National debt was bigger than the country’s economy and banks started to worry that it might fail to pay its loans. To cover the risk, they charged Greece more to borrow cash making the problem worse. Eventually the government asked for help and agreed on a rescue package from the European Union and the International Monetary Fund (IMF). The money is being loaned at a better rate but comes with tough conditions and promises to cut the budget deficit. Both the public and the

private sectors have been severely hit and the result are job losses, salary freezing and often reduction, companies that struggle to survive, fewer investments and a general strategy to spend less.

ERT are no exception. In April 2010, the new Managing Director Giorgos Gampritsos presented a review of the policies of the public service broadcaster that included a reduction in the costs at all levels (*To Vima*, 1 May 2010). He added that ERT would seek to renegotiate the contracts with Olympiakos and Xanthi but couldn't and wouldn't force the two clubs to accept new deals. As expected, Olympiakos and Xanthi did not accept any reduction.

ERT also decided to change the structure and expenditure of its flagship sport programme *Athlitiki Kyriaki*. The highlights programme would become shorter, would have a simpler structure and fewer guests in the studio.

In actual fact, the ERT strategies in sport are largely the same. ERT journalist and former *Athlitiki Kyriaki* presenter Anna Karamanli⁷⁷ says that ERT continues to value sport a great deal. What has changed is the amount of money that they are willing to spend. If they can secure a property at a reduced price, they will be happy to get it but if they feel that the asking price is high, they will not make the investments of the past.

They are for example expected to bid again for the Champions League but offer less money. They have also kept a low profile when it comes to the renewal of the

⁷⁷ Interview conducted in December 2010.

Olympiakos and Xanthi contracts and there are rumours that when these contracts expire, the two clubs will follow the collective selling model and move to pay-TV.

Mr. Panagiotakis thinks that ERT, like all free-to-air channels, now considers that the price is more important than the prestige or the viewing rates.

7.2.5. Future threats for ERT

ERT has a high profile and a leading presence in sports rights agreements. It is considered a threat and top competition for commercial and pay-TV but it also faces a number of challenges. The first one is the collective selling of the rights for the top football league, especially during a period of financial turmoil. As mentioned, the Super League decided to abandon the tactic of individual selling and signed an agreement with pay-TV Nova in 2009. ERT managed to keep top club Olympiakos and Xanthi but the contracts are expensive and it is now possible that the financial situation will not allow the public service broadcaster to renew the deals. In this case, the whole Super League will move to pay-TV and ERT will be left without top league football.

There is the option of bidding for the cheapest Super League packages but the strategy of getting the top teams means that they would be less interested in securing games that are still fairly expensive but cannot guarantee big viewing rates and improve the profile of the broadcaster. The top packages are crucial for the survival of pay-TV and ERT are not certain that they can currently afford to sign individual clubs, let alone secure the top packages. Everything depends on the

economic situation of the country, the policies of the government and the measures that are imposed on Greece by the EU and the IMF. The economic situation will also affect the ability of ERT to secure other top football competitions like the Champions League as there is always the fear that the state will not have enough money to support the broadcaster.

In addition, collective selling has restricted ERT's freedom of handling the football content. The new contracts are complicated and with a lot of details about who shows what, when and for how long. Under the 2009 deal for example, the longest-running sports programme *Athlitiki Kyriaki*, which includes highlights from the Super League games, has to start at 22:45 during the winter period and at 23:45 during the spring period. In 2008-09 when there was no collective selling, *Athlitiki Kyriaki* started at 22:00 and when Olympiakos faced Panathinaikos in the classic Greek derby, the programme showed a special edition at 20:35 right after the end of the match. The 22:45 time is difficult even if people in Greece tend to watch television until late⁷⁸ and Mr. Panagiotakis says that the 23:45 time is almost non-existent.

A second threat comes from further weakening of the EBU that could force ERT to sign all the agreements on its own. This could mean more competition from commercial television and pay-TV as there aren't any listed events in Greece.

A third threat comes from the fact that ERT is mainly financed by the taxpayer (77.6% of the total revenues in 2008). There were always complaints about how

⁷⁸ The Champions League games for example begin at 21:45 and this has never been a problem

their money was spent but these were usually sporadic and short-term. However, attitudes are changing due to the economic crisis and the public service broadcaster has to justify its choices. Increased expenditure for sports content at a time when ERT is trying to reduce debts of 110m Euros (*Imerisia*, 30 April 2010) will be tricky to explain, especially when the new managing director has announced cuts and reduction in the costs.

There is also the debate about fair competition in the sports rights markets, the role of public service television as a whole and finding a balance between the public service remit and the fact that broadcasters operate in a highly competitive market.

The European Union has had to deal with the same debate but public service broadcasters have so far defended their corner successfully. ERT did this during the European Commission review of the 2001 Broadcasting Communication regarding state aid of public service broadcasters. As expected, the European Commission did not make sweeping changes and avoided general rules about public channels buying sports rights. However, any change to the status quo could impact on the ERT strategies.

The same could happen if Greece follow France's example and ban advertising from prime-time evening programmes. Culture Secretary Pavlos Geroulanos said in 2010 that the government was discussing the option of reducing and ultimately banning advertisements during children and news programmes. They were also considering a reduction in the licence fee (*Naftemporiki*, 17 March 2010). Unless the gap in the budget is covered by other means, television executives in Greece

believe that ERT will have to further revise its strategy on sports rights agreements.

“They would have to follow the example of commercial television and try to recover what they spend,” says Mr. Papanikolaou.

7.3. Commercial Broadcasters

Law 1866 and the advent of commercial television changed the media landscape completely. Greece has a population of around eleven million people and there were ten analogue free-to-air channels that could be received everywhere in the country in 2011. Three were public service (ET1, NET and ET3) and the rest commercial. Six were based in Athens and one, the smallest, in Thessaloniki (Makedonia TV). The Athens-based channels were MEGA, ANT1, Alpha, Star, Alter and Skai.

There are also many local stations that either belong to the municipalities⁷⁹ or are private-owned.

MEGA had an audience share of 21.3% in 2001, 16.9% in 2004, 17.6% in 2008 and 20% in 2010. ANT1 had 22.9% in 2001, 20.8% in 2004 and was down in second place in 2008 and 2010 with 15.1% and 15.5% respectively. Alpha is in third place with 14.6% in 2001, 13% in 2004, 14.2% in 2008 and 11.7% in 2010. Star was in fourth place until recently but Alter moved ahead in 2008 with 11% compared to Star's 10.6%. It had 10.8% in 2010 with Star on 9.9%. Skai, the newest addition to the list, got 3.7% in 2008 and 4.4% in 2010 (sources: Nielsen Audience Measurement Greece online archive and MEGA Channel Corporate; visited January 2011).

Commercial channels get their revenues from advertising and sponsorship. It is interesting that in 1989, television got 47.5% of the total advertising expenditure. In

⁷⁹ TV100 that belongs to the Municipality of Thessaloniki for example has been on air since 1989

1995, it reached 70% but it has steadily declined since then. In 1998, it got 47%, in 2004 magazines moved ahead of TV, in 2006 it got 33.9% and in the first three months of 2009 it moved down to 32.16%. Magazines attracted 40.57% during the same time. The reason for their popularity is that there are many specialist magazines and advertisers find it easier to reach their target audience through them.

There was some theoretically positive news in the first three months of 2010 with television attracting 35.3% of the total expenditure but the magazines were still in first place with 38.2% and the actual expenditure for TV was 161.8m Euros, 1.47% less than during the first three months of 2009. The situation became more alarming after the first eleven months when it was estimated that the actual drop in television advertising was 17.95% compared to the first eleven months in 2009 (sources: Hellenic Ministry of Home Affairs and Media Services Greece; visited January 2011).

Advertising Expenditure (Traditional Media) January 2010 – November 2010

Medium	1/2009 - 11/2009	Percentage (%)	1/2010 - 11/2010	Percentage(%)	Difference (%)
Television	646,542,642	32.43%	530,477,892	31.03%	-17.95%
Magazines	794,309,337	39.85%	671,794,623	39.30%	-15.42%
Newspapers	401,719,329	20.15%	397,198,900	23.24%	-1.13%
Radio	150,827,491	7.57%	109,844,504	6.43%	-27.17%
Total	1,993,398,800	100.00%	1,709.315,919	100.00%	-14.25%

Source: Media Services Greece

7.3.1. Sport and the strategy of commercial broadcasters

Sport is a popular but also a difficult genre for commercial broadcasters. Some do not even consider it part of their programming because of the cost of securing sports

rights. Alter and Star for example had zero sports content between 2006 and 2010. Instead, they concentrated on news, information, entertainment and films. Star is trying to attract a younger audience and has a lot of entertainment and “light news” programmes.

The two channels made some effort with sport in the past but it was always limited to occasional UEFA Cup matches and some motorsports. Alter showed coverage of the Greek Cup final in 2004 (Elman et al, 2005, p.131).

MEGA, ANT1, Alpha and Skai adopted a different strategy. They felt that in order for a commercial station to win a leading place in the market, top sport content was necessary.

All the interviewees agree that there is no television station that does not need sport. Other programmes like morning shows and game shows can often bring more money because they cost less (their production sometimes costs more but the rights make premium sport more expensive) but sport is the most important content when it comes to winning prestige. “No other genre can compete with sport in this sense,” says Mr. Panagiotakis.

New commercial channels tend to invest heavily in sport because they have to win an audience and a name. “When MEGA started back in 1989, we put a lot of sports content from general sports programmes to games from the top football league and the Champions League. ANT1 did the same with football and basketball,” says Mr. Papanikolaou.

Alpha acquired its name in the market through the contracts with top league football clubs, the rights to Formula 1 as well as rights from European football leagues. At the time, the main shareholder was the Kontominas Group, whose president is Dimitris Kontominas, a former owner of Greek football club Aris.

Skai was the latest example. They went on air on 1 April 2006 and secured a deal to show a Thursday game from the Euroleague as well as the Final Four in basketball. They also won rights for the Moto-GP World Championships and Superbikes. Their most high-profile deal came in 2009 when they won the right to show one Super League game per week (on Saturday at 16:45) as well as the first highlights programme from the weekend games on free-to-air television. Their highlights began at 21:00 during the winter months and at 22:00 in spring, 1h45min earlier than the equivalent ERT programme (*Sportsbiz Weekly*, 7 May 2009).

The difference with the public service broadcasters is that the strategies in sport are always restricted by the fact that commercial television has to at least recover its investment and if possible make money. Sport cannot guarantee this. Minor sports do not attract advertisers and top league football games are too expensive. Mr. Papanikolaou says that minor sports cannot have their home on commercial television. “An established channel like MEGA has such a settled programme that it would be impossible to upset it for a sport that cannot bring good ratings. They would not be interested in showing it even if they got it for free. We quickly abandoned our general sports programmes for example because we saw that the

production costs were high, the ratings low and there was little interest from the advertisers.”

Mr. Kiranis adds that experiments cost and channels do not want to try new sports. “They know that they are unlikely to be a success and prefer well-established solutions.”

Ben Nicholas says that when he worked as Director of Sales at ESPN International and travelled in Greece, he found that the television executives were very welcoming to their guests but rarely prepared to sign deals for new sports.

That leaves the top content and the current strategy of Greek commercial television is not one of risk taking which is not a surprise if one considers the restrictions of the market, i.e. small population, saturated market and not much money around. “They invest up to the point that their budget allows them to invest,” says Mr. Panagiotakis.

The channels are sometimes allowed to go a bit over their budget when bidding for the Super League or the Champions League but this is because they are confident that they can recover the money from other sources, i.e. high ratings that can help the ratings of the programmes that start before or after the football games, a loyal audience for the channel, more exposure and an overall high profile. This was at least the case until the recent financial crisis. Confidence has been severely hit since the end of 2009 and risk aversion has grown stronger.

7.3.2. Sports bidding, financial pressures and the change of strategies before the economic crisis

Sport can be an excellent advertising tool for a young commercial channel. The big dilemma is whether it makes financial sense to stay involved after the channel has established its name. “Yes and no,” says Mr. Panagiotakis. “No in the sense that it is a lot of money but one must also take into account that sport can help the channel to keep its audience.”

Under a difficult economic climate, the increase of rights fees and the presence of ERT and pay-TV, MEGA was forced to abandon the Champions League that was almost part of its identity in 2006. They also abandoned the Super League rights⁸⁰ back in 1994. Instead, they concentrated on news and Greek series where they have been traditionally strong and getting consistently high ratings. Between 2005 and 2007 for example, they had huge success with comedy-drama *Sto Para Pente* (In the Nick on Time), one of the most popular shows in Greek television history. The last episode in June 2007 attracted an audience of almost 3m viewers (a rating of 66%) (Source: Nielsen Audience Measurement Greece online archive).

As for the sports rights, MEGA turned to the more affordable UEFA Cup and managed to secure the rights for the qualification and friendly games of the national football team at the end of 2004, the year that Greece were crowned European Champions. “These were very successful deals,” says Mr. Papanikolaou. “The UEFA Cup earned us a lot of money and the deal with the national team was

⁸⁰ or A Ethniki as it was called at the time

excellent both for the channel and the football association. MEGA got high ratings and money from the advertisements and they got exposure and 12 sponsors.”

ANT1 followed a similar strategy. They abandoned football and basketball in the 1990s and sporadically showed motorsports, athletics and some friendly games in football. In 2007-08, sport accounted for 1.5% of their total programming. News and information were in top place with 48% and drama in second with 29.9%.

Alpha continued to invest in sport and mainly football but there was a sharp change when the Kontominas media group sold a 66.66% stake to Pan-European company RTL in September 2008. Under the old management, Alpha got involved in the 2008 bidding process for the collective rights of the Super League and acquired one package. The new owners decided that they did not want to sign the agreement which is how the package ended with Skai, the channel that had made the second highest bid. The Alpha decision to leave the contract represented a change in strategy with the focus being on reducing costs during a financially tough period and concentrating on other genres such as shows. Alpha had the most successful morning show on Greek TV at the time.

However, after a cooling in the relationship of sport and commercial television, the two biggest stations began to change strategy yet again.

Despite the financial success of the UEFA Cup, MEGA abandoned the competition in 2009 and won back the more expensive Champions League for three seasons. The new deal allowed them to show the most important Tuesday game live,

highlights from all the Tuesday games and the second most important match later in the night. ERT, through NET, did the same on Wednesday and also got the Final. The remaining games were shown live on pay-TV Nova. The deal may not have been as secure financially as that of the UEFA Cup and the national team but Mr. Papanikolaou says that it was another well-thought decision. “It was a conscious decision to leave the Champions League and it was a conscious decision to get it back. We were aware that it may not bring money but we wanted it because of the prestige of the competition and the channel. MEGA is the leading channel in Greece and needs top content. In addition, people were used to seeing the Champions League on the channel. It was part of its identity and MEGA needs quality programmes that will help it not just during the day of the games but throughout the week. In terms of viewing rates, I think that it missed the Champions League.”

It is also significant that Greek series did not perform particularly well or as well as in previous years for either MEGA or ANT1 during 2008 and 2009.

ANT1 followed a similar strategy to its main rival. In 2009, it showed the home games of a few basketball teams including the powerful Panathinaikos and Olympiakos, Formula 1 and acquired the rights for the Europa League⁸¹ for three years from 2009-10 to 2011-12.

According to Mr. Papanikolaou, the criteria for choosing content for commercial television are a) what the channel gives in terms of money, b) what the channel gets in terms of advertising and viewing rates and c) whether the channel can improve its

⁸¹ The new version of the UEFA Cup

ratings in the groups and ages of viewers where they are not particularly strong. ANT1 may be in second place and close to MEGA in the overall ratings but they have had problems to attract male viewers, which is why they decided to turn to sport. MEGA has more balance in the viewers who watch the channel (sex and age) and their advertising share is around 30% (29.6% in 2006, 31.2% in 2009 and 29.4% in 2010). ANT1 had 24.9% in 2006, 21.3 in 2009 and 25.4% in 2010. Male viewers and younger audiences are always popular with advertisers (Source: Media Services Greece; visited January 2011).

Alpha was third in the advertising revenue in 2008 and 2010 with 16.5% and 15.7% respectively followed by STAR with 16% and 13.5%. The new strategy of RTL did not favour sports programming but RTL followed similar strategies in other European countries and they did not last long. Its German branch left many sports properties aside but RTL re-established the sports rights agency UFA Sports in 2008 after a decision to invest again in the area (Source: UFA sports website; visited April 2009).

7.3.3. The economic crisis and the impact on commercial broadcasters

Commercial broadcasters have been severely hit by the economic crisis. Their dependence on advertising and sponsorship makes them particularly vulnerable and the numbers are not encouraging. Expenditure on television advertising dropped 17.08% from 2008 to 2009 and a further 17.95% in the first eleven months of 2010.

Panos Voglis⁸², the co-presenter of *Skai Goal*, the highlights programme at Skai, describes a difficult situation for the channels, the executives who have to decide on the strategies and the employees. “The biggest change is that the strategies can now change on a monthly basis. If we are in December, we talk about what we are going to do in January. We don’t even plan for February. This is a huge problem because if the channels do not know what they are going to do next month, where does that leave the employees? When the day is over, they say that they are fortunate to still have a job. In one month, MEGA had 40% drop in its advertising revenue compared to the same month in the previous year, ANT1 around 30% and Skai 18%. And if MEGA, who are so strong, have such big problems, people can imagine what this means for the rest.”

In order to handle the situation, commercial channels have begun to make technicians, journalists and admin personnel redundant but there is also the argument of the employees that some media use the financial crisis in order to reduce costs and get rid of their staff without having to explain themselves to the workers’ unions.

In addition, they are trying to get rid of expensive programming and sport is at the top of the list. A new tender for the Champions League and the Europa League rights will take place in 2011 and even though MEGA and ANT1 have not confirmed this officially, many executives argue that it is common knowledge that the two channels will not seek to renew the deals (have already tried to renegotiate unsuccessfully the current deals). “It is expected that only pay-TV Nova, IPTV Conn-X as well as ERT will prepare a bid,” says Vasilis Panagiotakis. “MEGA and

⁸² Interview conducted in December 2010

ANT1 have lost a lot of money on European football because the rights are simply too expensive. In general, sport is a luxury these days and everybody has forgotten about the prestige and the rates. They mainly care about their survival.”

Mr. Voglis is more pessimistic. He thinks that even the public service broadcaster will struggle and will be surprised if any top football competitions are left on free-to-air while the financial crisis lasts. He adds that MEGA were also unlucky because the only Greek team that made it to the group stage did poorly and the advertisers were further discouraged by the bad results.

Mr. Panagiotakis thinks that Alpha were probably lucky to leave sport just before the beginning of the deep crisis. Their ratings suffered but they saved millions. Alpha’s only sporting content in 2010 was Formula 1 which they took over from ANT1.

The biggest changes took place in young channel Skai which decided that it was spending too much on sport. They initially complained that violence in Greek football reduced the value of their Super League investment. They then said that they were paying too much for a package that didn’t include any big matches and they finally admitted that the amount was too heavy for a new commercial channel during a financial crisis.

Mr. Voglis describes the situation. “In 2009, Skai decided to invest in sport and won the rights to show one Super League game every Saturday as well as the first highlights programme. This started in the 2009-10 season but by February 2010

they were already thinking that this was so costly that they weren't sure they wanted to continue for a second season. By May and with the financial crisis getting worse, they had already made up their mind that they wanted to leave the Super League. In other words, they signed a contract for three seasons and decided to abandon it after seven months. This is a drastic and profound change in the strategy of the channel. In 2009, everybody said that Skai would also compete for the Champions League and/or the Europa League rights for the period of 2012-2015 and this was a serious possibility. This is now out of the question.”

Panos Voglis adds that if it wasn't for the financial crisis, Skai may have kept the Super League package because they were happy with the viewing rates. “I remember that I was covering a PAOK-Asteras Tripolis game that got 21% which is an amazing number for Skai. In general, the rates were between 13% and 21% which are well above the average of the channel. But the advertising revenues were not there and we saved around 8m Euros by leaving football.”

Skai was also forced to abandon (use get-out clauses and pay some compensation) the top division and the Euroleague in basketball which didn't bring good viewing rates. They only kept the Spanish league with one game on Saturday evening, a motorsports programme and the Super League highlights. They finally left the rights for some NBA games but nobody stepped in to get them.

According to Mr. Voglis, this is because very few broadcasters were prepared to spend any money and the prices for the rights did not drop accordingly. “A second example is the Serie A that nobody got even though Greek player Papastathopoulos

moved to AC Milan and the Greek viewers are traditionally interested in Italian football. This says a lot about the situation with sports rights and I think that the prices will have to drop if federations and agencies do not want to see their product being overlooked.”

Vasilis Panagiotakis and Anna Karamanli are of the same opinion and think that even UEFA will have to drop its demands in future negotiations for the Champions League and the Europa League.

Mr. Voglis says that the current strategy of Skai and most commercial channels is to keep a low profile when it comes to sports rights, get a few things at a lower price than they would normally get them and just wait until the crisis is over.

7.3.4. Future threats for commercial broadcasters

The first threat for Greek free-to-air commercial broadcasters comes from the economic situation in the country. As the previous section showed, when there is less money around, they lose their negotiating power and ability to compete for top sporting content.

The second threat comes from the fact that there is so much choice of free-to-air channels in the country. Competition for ratings is fierce and the market is small. It has often been described as saturated and this is bound to create problems even if the financial situation improves.

The third threat is that commercial broadcasters do not just have to compete with each other or with television as a whole. They must also compete for advertising revenue with other media (newspapers, magazines, radio and the web) and the latest indications are that specialist magazines are winning the battle. This problem can be exacerbated during a financial crisis when advertisers and sponsors become more careful with money.

If one station faces shortage of advertising revenue due to its competition with print and other broadcast media, expensive programming like sports will give way. Broadcasters with stable revenue streams such as ERT (licence fee) and a healthy pay-TV (subscribers) are less affected.

Collective selling can also be a threat for commercial broadcasters. It gives them the possibility to bid for some games but the top packages are very expensive and the least popular cannot guarantee the same ratings. They may help a new channel, especially if the price is right, but may not be enough for an established station with good and cheaper alternative solutions for the same day and time. On 7 February 2009 for example, the football game between Aris and Panionios (teams that fought to finish inside the top six) shown by NET came fourth in the ratings of the day. The programme started at 18:51 and finished at 21:03. The first place went to a repeat of a cooking programme in MEGA (started at 19:03 and finished at 19:58), the second to the MEGA evening news (19:59-20:57) and the third to another MEGA cooking programme (18:06-18:59). Big commercial stations would be more interested in games such as the Olympiakos-Panathinaikos derby that came comfortably first when it was shown on Sunday 1 March 2009 (42.2% of the audience share)

(Source: Nielsen Audience Measurement Greece online archive). As a result, it would make more sense to bid for the games of a top team than go for a specific package which is the same strategy that ERT followed.

Political and legal factors are also a challenge for commercial broadcasters. Their efforts to weaken public service broadcasters have been largely unsuccessful and if this continues to be the case, Greek commercial channels will always find it difficult to compete with ERT who have always had sport at the top of their agenda.

7.4. Pay Television in Greece

There is one satellite pay-TV operator in the country, Nova, and its history goes back to 1994 with the launch of Filmnet and Supersport. The current satellite subscription service offers around 60 channels from the Greek free-to-air to specialist music, news, children, documentary, adult, entertainment, film and sports⁸³. The cheapest packages do not include any of the premium film or sports channels. The sports package which includes the seven Novasports channels (the name changed from Supersport to Novasport in 2008), Eurosport 1 and 2 and Motors TV costs 52.20 Euros per month. The full package which includes all the channels (film+sport) is slightly more expensive (61.92 Euros)⁸⁴. Forthnet was running a promotion in 2010 where customers could choose to sign a 12-month contract for telephony, internet and the sports or films TV package paying 59.90 Euros per month.

In 1999, when Nova launched the satellite subscription service, it got 5000 customers within one week when the company had predicted a maximum of 3000. The next months and years were not as impressive and growth has been steady but small. In 2005, Nova had 304,000 subscribers but that included the subscribers for the digital satellite and the old analogue service with just Filmnet, Supersport and a children's channel (95,000 analogue subscribers) (Elman et al, 2005, p127). In September 2009, the number was 357,532 in Greece and Cyprus. That was down from 362,308 in 2008 but the difference was because a number of analogue subscribers abandoned the service. Subscriptions to the satellite service and in

⁸³ Also over 150 satellite TV and radio channels

⁸⁴ 2010-11 prices

Cyprus showed small improvements. The most impressive increase was in September 2010 when the overall number jumped to 374,531 in spite of the fact that 10461 analogue subscribers left the service and the number of subscribers in Cyprus went down by 2042 (Source: Forthnet-Nova website; visited September 2010). The biggest increase was in the digital satellite platform (29,502) and many analysts think that the financial crisis played its role as people chose to stay in, spent less money outdoors and more time in front of their television sets. Nova made a profit for the first time in 2004 and has continued to make a profit since then.

Subscribers Nova	30/9/2010	30/9/2009	Difference
Greece (Digital Platform)	340.228	310.726	29.502
Greece (Analogue Platform)	23.286	33.847	-10.461
Cyprus (Digital Platform)	10.917	12.959	-2.042
Total Nova	374.531	357.532	16.999

Source: Forthnet-Nova

7.4.1. Sport and the Nova strategies: The early years.

Nova followed the classic pay-TV strategy of Sky Sports by investing heavily on films and especially sport. “It is well-established that there are two things that drive subscriptions,” says Mr. Panagiotakis. “Sports and high quality films. There is also a third factor in Greece that most people tend to overlook. There are areas like some

islands or Halkidiki in the north where the signal of free-to-air channels is not strong. People cannot even watch ERT clearly and this is why all the islands have Nova.”

In 1994-95, Nova and ERT paid 5.6m Euros in order to get the rights for the top football league away from MEGA and ANT1⁸⁵. The deal was for one year and the amount increased to 9m Euros the following season. The two channels then signed a contract from 1996 to 2001 with 10.1m Euros a season. These deals secured Nova exclusivity of the football games and were followed by deals for the Greek basketball league, the Euroleague and many top European football leagues. Minor sports like volleyball, tennis, golf and rugby were also shown in order for the offer to become more complete.

Dimitris Gontikas⁸⁶, the Director of Television at ERT between 2008 and 2010 and Head of Development for the Novasports (at the time Supersport) channels between 2002 and 2008 says that Nova wanted a) to have a leading presence in top sports and b) cover as many sports as possible, something that could clearly differentiate them from other channels. “The viewers mainly want the big football games but they also want a complete package. This is what the research on pay-TV in the country has shown. Foreign football leagues are for example becoming more popular and this will continue to be the case in a globalised society.”

One interesting factor is that the network did not offer special packages for many years. If someone was interested, he/she had to subscribe to the whole service and

⁸⁵ ERT got the highlights

⁸⁶ Interview conducted in May 2008

the initial price was close to 45 Euros per month, an amount that was considered high for Greek standards.

Mr. Gontikas says that the company did not have an option but to put a fairly high subscription price. “People were saying that it was one of the most expensive pay-TVs in Europe but the top packages in other countries were actually more expensive. Nova only had one package and they were forced to do this because the start-up costs are everywhere the same. Even though the Greek market is small, it costs the same to create and develop the product and the company had to find a way to survive.” The packages were introduced only when Nova began to have stable profits and felt that it was time to move forward.

Getting the top content for a logical amount of money and paying small sums for minor sports was also part of their strategy. They also endorsed new technologies such as interactive services and mobile content and spent a great amount of time promoting the product. In an interview with *MEN Magazine* in 2001, Lambis Tagmatarhis, the President and Managing Director of Nova at the time, said that high quality promotion and presentation of the service to the subscribers was the priority from day one (*MEN Magazine*, November 2001).

Thanasis Tsianos⁸⁷, Sales and Acquisitions Manager at Olympic Sports Marketing, thinks that Nova have the best marketing department on Greek television. “This is vital for them. They have no other option but to be very professional and present the product in the best possible way.”

⁸⁷ Interview conducted in May 2008

It is interesting that, even during the financial crisis, Nova has continued to invest in technology launching high definition channels (Novacinema HD and Novasports HD) and a new HD decoder in summer 2010.

7.4.2. Nova V Alpha Digital

Nova's growth in the Greek market was never spectacular but it was straightforward until the launch of a second pay-TV operator, Alpha Digital. Law 27125 in 1999 established that sports clubs were allowed to sell and exploit individually the TV and radio rights to their home games. In October 2001, the owners of commercial channel Alpha launched their digital pay-TV offer under the name Alpha Digital. In order to attract attention and ultimately subscribers, they approached a number of first division clubs and offered large sums of money for their rights. Some had agreements with Nova but decided to break them and follow the new company. Nova did not take the case to the courts because that would take time and money and it is often counterproductive.

Alpha Digital secured deals with ten top league football clubs including Olympiakos, Panathinaikos and AEK, the three biggest in the capital, as well as PAOK and Aris, the biggest clubs in Thessaloniki. The amount for the football rights for the 2000-01 season under Nova and ERT was 10.1 million Euros and the amount for the 2001-02 season under Nova and Alpha Digital went up to 61.3m.

As for the service, the new pay-TV operator offered up to 171 channels for 43.50 Euros a month and included two Alpha Sports channels (Elman et al, 2205, p.32).

Mr. Panagiotakis says that the competition was so fierce at the time and the amounts so big that the Greek market could not handle it for long. “If you know that your competitor is planning to give an X amount, you have to offer more, then your competitor may decide to do the same and it is a vicious circle. Even the smallest football clubs that have little following doubled their income from TV rights during the 2001-02 season. The costs were too high for the Greek market and there is the extra competition from free-to-air channels.”

The subscribers were also a key problem. Alpha Digital needed to cover the huge investment but there were reports that they only attracted 40000 subscribers (Elman et al, 2005, p.132). Many Greek viewers were sceptic about new technologies, some were already subscribers at Nova and there was a general distrust created by the fierce competition between the two operators. Lambis Tagmatarhis said that the two companies were practically fighting for a number between 300,000 and 350,000 subscribers. “We have a market of 3m households. The penetration of pay-TV in Europe so far is between 10-15% so that means that we can expect between 300,000-350,000 subscribers. This number is simply not enough for two pay-TV operators.” (*MEN Magazine*, November 2001).

Mr. Panagiotakis adds that the Greek salaries did not and do not allow a household to have two subscriptions either.

Nova avoided following the amounts paid by Alpha and that helped them survive. Nikos Kiranis thinks that it was also important that they entered the market first and had established a name by then.

Alpha Digital had other weaknesses like making little effort to acquire other sports rights and being forced to screen some football games on the Alpha free-to-air channel because it could not provide its customers with satellite dishes (Elman et al, 2005, p.133). ITV Digital and Setanta Sports had similar problems in the UK proving how difficult it is for a new broadcaster to manage rights, finances, customers, logistics and technology at the same time and when there is an already established operator. Alpha Digital tried to renegotiate contracts only six months after agreeing them and ceased operations in September 2002 leaving a number of clubs with big debts⁸⁸.

The clubs tried to negotiate new contracts with Nova and free-to-air channel Alpha and ended up agreeing terms with the second. However, Alpha were determined to stick to the commercial channel policy of giving logical sums and avoiding too much risk. The total sum paid by Nova and Alpha for the 2002-03 season was 31m Euros and it further dropped in 2003-04 (25.4m). It slightly increased in the next two seasons (26.3m each season – again Nova and Alpha) but a more significant increase took place only when ERT re-entered the market (*Sportsbiz Weekly*, 7 May 2009).

All the interviewees agree that regardless the technological problems and the strategies that ALPHA Digital followed, the Greek market is too small for two pay-TV operators. “There is no way that this model with two subscription services could have survived. There were so many examples in bigger markets and it was easy to

⁸⁸ Reports in the Greek press suggested that TV rights accounted for 70% of their income.

predict the outcome,” says Mr. Gontikas. “One would either close down or they would have to merge.”

Yiota Bournioti⁸⁹, General Manager at Olympic Sports Marketing, is of the same opinion. “We knew that one was not going to survive and we were just waiting to see which one it would be. I think that Alpha Digital knew this as well. They just hoped that Nova would close down.”

The problems with Alpha Digital and overbidding for sports content persuaded Nova that they had to stay cautious and buy at a price that could bring revenues. If that wasn't the case, they would not bid. According to Mr. Grontikas, they also tried to sign contracts for as many years as possible and put legal clauses in case a team or a federation wanted to break the contract as it happened with Alpha Digital.

7.4.3. Nova and the collective selling of football rights

In the summer of 2006, the football clubs of the top division formed the Super League that replaced A Ethniki as the championship was known until then. The objectives were further co-operation among the clubs, improved organisation and better exploitation of the product. A move to a collective selling of TV rights was also among their priorities. According to Kostas Piladakis⁹⁰, the President of football club Larisa and President of the Super League between 2008 and 2009, collective selling can maximise the revenues, reduce the gap between the big and the small teams and make the championship more competitive. “Until recently,

⁸⁹ Interview conducted in May 2008

⁹⁰ Interview conducted in June 2009

teams that got promoted from the second division had to put all kinds of pressure and beg in order to find someone to take over their rights. Nobody wanted to offer them a decent deal.”

Discussions about the collective selling began at the end of 2006 but the first contract was signed for the 2009-10 season. Of all the broadcasters that showed an interest, Nova was the main one which is not a surprise as pay-TV depends heavily on football.

Mr. Gontikas says that the collective selling gives many advantages to a pay-TV operator. It makes the transmission slots easier, improves organisation and the way the programme is handled, allows for special arrangements for the payments such as giving some money up front if the club needs it...

Nova had in the meantime changed owners moving to telecommunications company Forthnet and were beginning to offer telephony and internet as well as pay-TV services. The purchase was completed on April 14, 2008.

The bidding for the football rights began in 2008 but Olympiakos and Xanthi withdrew from the group of the 16 teams expressing their disagreement with the way the process was handled. Instead, they signed individual agreements with ERT that had decided to abstain from the process because they felt that it would be wrong for a public service broadcaster to gain exclusivity or the majority of the games from the top Greek league. ANT1 was not involved either. MEGA, that had initially planned to make an offer, sent a letter to the Super League in October 2008

informing them that they were no longer interested. The departure of the two teams and the fear that there were many different opinions in the league were the main reasons that MEGA changed its mind.

There were 14 teams left but there were reports that more were beginning to consider the ERT option. A third departure would have probably cancelled the bidding process but the 14 teams found common ground and Nova with Alpha won the contract for a reported amount of over 130m Euros for three seasons. Two months later, it became clear that RTL, the new Alpha owners, were not happy with some terms, the delay in the signing of the contract and the old strategy of the channel to be heavily involved in sport. The deal fell through and Skai stepped in to secure the Alpha package that included a weekly Saturday game. It was reported that ERT were also interested but Skai successfully argued that a broadcaster that wasn't involved in the initial process should not be allowed to get the games (*Kathimerini*, 22 March 2009).

The final deal was not signed until 23 April 2009 because the sides involved had to sort out a number of crucial details. ERT wanted to make sure that it would show one game per week and that meant that the scheduling of the Olympiakos and the Xanthi games would have to be made in a certain way⁹¹. In addition, ERT requested that the four most popular Olympiakos games would be shown at prime time (19:00) and not early in the afternoon. The league accepted these conditions but ERT was asked to pay an extra 2.5m Euros on top of the annual fee of 10m (Olympiakos got 7.5m and Xanthi 2.5m) (*Sportsbiz Weekly*, 7 May 2009). The

⁹¹ So that either would have a home game every week

public service broadcaster initially agreed, then changed its mind and refused to pay the extra amount. As it happened, the league draw left ERT without a football game for just three weekends and it is widely believed that there was some kind of secret deal that left both sides satisfied.

Skai was not happy with this development but went along with the deal when Nova offered them five games from the more popular packages that would however be shown at the same day and time as all the Skai games (Saturday at 16:45) (*Kathimerini*, 8 May 2009).

As for Nova, they paid 35m Euros per season for five live games every week. Compared to the 2008-09 season, the new deal guaranteed home games of top club Panathinaikos and all the big derbies with the exception of those that Olympiakos would play at home. However, the numbers had also increased. Nova, ERT and Alpha paid 35.6m Euros in 2008-09. The share of Nova was less than 18m and the difference represented an important risk.

Ms. Bournioti says that a change of owners will usually bring change to the strategies. Mr. Papanikolaou thinks that Nova did not have much of an option anyway. If they didn't pay the requested amount, the collective selling would not have gone ahead and the clubs would have to sell their rights individually with some going to ERT or other broadcasters.

Nova was equally keen to secure top content because the competition with ERT and MEGA had already lost them the most popular games of the Champions League. In

addition, they felt pressure from other telecommunications companies that began to enter the IPTV market and were looking for sports rights with Conn-X being the main danger.

Mr. Piladakis thinks that even though the deal was very good for the clubs with the small sides doubling their TV income, there was room for improvement. “I think that we could have got more but it is obvious that we have to build our product before we can increase the amounts.”

Phil Lines says that taking a risk to secure the premium football content is a good decision and can benefit any broadcaster in any country. This is as long as the money goes back to the game and improves the standards of the league. If it is not used wisely, then the product will lose value.

The Greek league has suffered from lack of competition for many years with Olympiakos winning the last 13 of the 15 championships. There is also a big gap between the top clubs and the ones at the bottom of the table. Olympiakos got around 7m Euros from TV rights in 2008-09 and 11 out of the 16 teams less than 2m each (from 1.2m to 1.8m). Olympiakos own a 33,334 capacity stadium and Thrasylvoulos, the team that finished last in 2008-09, played in a stadium with a 3142 capacity. The average attendance for the whole league in 2008-09 was 7965 and ranged from 25,368 for Olympiakos to 826 for Thrasylvoulos. There was a slight increase of 1.36% for the 2009-10 season.

Fan trouble in and around the stadia that devalues the prestige and quality of the product is a further problem as is the long-term suspicion that the Greek league is not fair and that referees have an impact on the outcome of the game. “Fans feel that if a small team faces a big club away from home, the result has been decided beforehand,” says Mr. Panagiotakis. “This creates negativity to those who want to go to the stadium as well as to those who want to watch the game on television. It is difficult for the channels to change this but the league has to find a way to alter perceptions.”

Mr. Piladakis says that the clubs have taken this into account and introduced measures to tackle the problems. Building new stadia or improving the existing ones is among the top priorities and one part of the revenues goes to stadia improvements. In addition, the Super League asked the state to allow the clubs to take over security inside the stadia. Security is currently a responsibility of the police which gets in return 10% of the TV contracts “We feel that the fans antagonise the police and that makes the situation worse,” says Mr. Piladakis. The Super League has also put terms in the contracts about whether violent incidents should be shown on television and about the criticism that the referees receive. This is a sensitive area and many people in Greece argue that in order to increase controversy and boost ratings, sports programmes put too much attention on the mistakes of the referees.

Nova was the first broadcaster to announce in 2010 that it would abandon the practise of having a specialist guest who would analyse all the refereeing mistakes during the highlights programme. Violence remains a big problem though and there

was a 64% increase of violent incidents during the 2009-10 season (Super League website; visited July 2010).

Both Nova and the Super League tried to secure themselves in the contract. Mr. Piladakis says that the payment for the first year was covered by a bank guarantee that is renewed every season. If the guarantee cannot be renewed for any reason, the rights will revert to the clubs. Nova have ensured that they can have a say at when (day and time) the games will be played, get a refund every time a game is called off and moves to a different date or if the play-offs do not take place. In general, they try to make sure that the product will be as much TV friendly as possible.

7.4.4. Nova during the economic crisis

Successful Pay-TV operators are fairly resistant during a financial crisis because they have a stable revenue stream (subscribers). Thanks to the Super League contract and the fact that people spend more time at home, Nova saw a healthy increase in their number of digital satellite subscribers in 2010. They also took advantage of the Skai problems to add the package with the Saturday game to their Super League offer. This allows them to show at least seven games from the top league each week and eight when Xanthi and Olympiakos do not play at home.

In addition, the Skai decision to leave football allowed Nova to increase its negotiating power for an extension to the initial contract due to expire in 2012. The Nova executives offered their help but asked for a two-year extension. The Super League initially wanted one year but agreed to extend the contract until 2014.

According to the Sportsbiz magazine, Nova will pay 43m Euros for the 2012-13 season and around 47m for the 2013-14 (*Sportsbiz Weekly*, 7 October 2010).

This is another big deal for Nova and Vasilis Panagiotakis thinks that it is risky but also a necessity for the pay-TV operator. It is risky because they agree to pay a significant amount of money for a product that hasn't improved in quality (violence, empty stadia, mediocre spectacle) but a necessity because pay-TV needs football and telecommunications company Forthnet has to support pay-TV if it also wants to support its telephony and internet services.

7.4.5. Future threats for pay-TV

It has already been mentioned that the Super League deal could pose a risk for the finances of Nova that have been healthy since 2004, the first year that they recorded a profit. Future profits depend on subscribers and the ability of the Super League to modernise Greek football and make the championship more competitive.

Collective selling is good for pay-TV but there is no guarantee that the clubs will continue to support it. The law does not force them to go one way or the other and if they move back to individual selling, competition will increase with ERT, possibly commercial television and IPTV.

The power of free-to-air television is a third threat. ERT, Mega and ANT1 won the main rights to the Champions League and the Europa League leaving Nova with many European games but not the important ones. The economic crisis is expected

to change this but it is almost certain that as soon as the situation improves, the free channels will seek to get involved again. Champions League is extremely popular in the country and the free-to-air channels avoid putting their best programmes when the games are on, at least while Greek teams are involved. In 2004, the Champions League accounted for 10 of the top 20 sports programmes despite Euro2004 and the Athens Olympics (Elman et al, 2005, p.130).

The number of free-to-air channels is another problem. “Apart from sports, it is difficult to explain why someone would need pay-TV,” says Ms. Bournioti. “Everything you need is on free-to-air.”

The biggest threat for a pay-TV operator will however come from another pay-TV service. There is a widespread belief that only one can survive forcing the other to close down and new technologies pose a threat. Nova is owned by a telecommunications company and similar companies are introducing IPTV offerings and try to win new customers. One of them, OTE, has already launched its own sports channels (Conn-X Sport) and has the ability to launch a satellite service. The urgency of Nova to renew the Super League deal comes from the fact that they see Conn-X as serious future competition.

Piracy is also a threat. There have been many arrests of individuals or groups who charged money for intercepting the Nova signal and offering their premium channels without the monthly subscription. It is impossible to estimate exact numbers but Forthnet believe that it could be close to their official subscriber numbers.

Chapter 8: The Greek Market (Part II): New Technologies and other factors that affect sport on television

8.1. New Technologies

8.1.1. IPTV in Greece

Telecommunication companies in Greece have shown a big interest for television offerings in what is known as triple play – phone, broadband internet and television all through the same line and all paid in one bill.

Vivodi and On Telecoms were the first two companies to offer IPTV content followed by OTE and Hellas Online. The Vivodi offer had 18 channels divided into five categories: news, documentaries, entertainment and fashion, adult and sports⁹².

On Telecoms offered all the Greek free-to-air channels, the ERT digital channels, 18 international free-to-air and 15 subscription channels⁹³. It was also the first operator to attempt building its own sports channel and secure prime sports content. They got involved in the Super League bidding without success and in November 2008, UEFA announced that the telecommunications company had successfully bid for live games to the Champions League and the Europa League. Under the deal, ERT and MEGA would get the first-choice games on Wednesday and Tuesday respectively and On Telecoms would show the remaining live on its IPTV platform.

⁹² The four sports channels were ESPN Classic, ESPN America, Yacht Sail and Extreme Sports.

⁹³ Including Eurosport, Eurosport 2, ESPN classic, ESPN America, Yacht Sail and Extreme Sports

They would also get highlights and the weekly magazine programme. Four months later, these rights were picked up by Nova after On Telecoms decided that the deal did not make financial sense.

The difficult economic climate, the price for acquiring sports rights⁹⁴ and the fact that new technologies did not have the same following and popularity as when they first entered the market (just 15.5% of the population had broadband access) were the main reasons that persuaded On Telecoms to change interests (*Eleftherotypia*; 5 March 2009). Vivodi and On Telecoms merged in September 2009.

Hellas Online offers 12 free channels including five sports channels⁹⁵ and five subscription channels that are part of the Discovery network (Hellas Online TV website; visited July 2009).

OTE, a part-public, part-private telecommunications organisation, launched Conn-x TV in February 2009. It was initially received in five areas in the country but it is now available almost everywhere. It has 48 channels including Eurosport, Eurosport 2, ESPN Classic, ESPN America and Extreme Sports. They also have their own dedicated sports channels Conn-x TV Sport 1, 2 and 3. In 2009, Conn-x TV bid successfully for the rights to the Spanish and the German leagues taking them away from Nova. They also secured rights for the less popular Italian Cup, the Portuguese and the Austrian leagues and the Championship in England. They would like to invest further in sports but this is not an easy area as Nova were quick to renew the Super League contract.

⁹⁴ There were reports that the cost was 21 million Euros for three seasons

⁹⁵ Eurosport, Eurosport 2, ESPN Classic, ESPN America and Extreme Sports

Mr. Papanikolaou says that it is difficult to see how the IPTV efforts will prove successful in the short to medium term. The first problem is that new technologies are not very popular with Greek people who need time to endorse them. “People cannot trust you straight away and we are reading that customers who joined new companies for telephone or internet had complaints about the quality of the service. Imagine how difficult it would be for them to accept these companies as their new television provider. It requires years, someone to say that they are happy with it, more people to follow... We just have to think that in order for Nova to get 300,000 subscribers, it took them around seven years.”

The second issue is the price. If the price is low, customers may be happy to subscribe to triple play even though it would still be difficult to subscribe to Conn-x and Nova at the same time.

The third issue is that in order for an IPTV provider to have a leading presence in the television market, they need content and mainly top sports content. “You cannot go to the market with just the Spanish and the German league,” adds Mr. Papanikolaou. “With the Super League gone, they have to wait before they can get their hands on top Greek football. In other words, the investment has to be for the long-term and companies have to be prepared to lose money in the process.”

Conn-X reached an agreement with the Football League, the second tier in Greek football, for the 2010-11 season for a reported amount of 1.5m Euros. The price was low and Vasilis Panagiotakis says that they saw some improvement in the subscriber numbers outside Athens, i.e. from fans who wanted to follow their local

teams in the second division. Conn-X also secured the rights for the Greek Cup and secured more subscriptions as the competition progressed. As of 2010, they had 38000 subscribers. This number is not a surprise to the Conn-X executives who know that they do not have a competitive enough offering.

8.1.2. The future of IPTV

It is difficult to predict the future of new technologies due to the constant changes and improvements. All the interviewees agree that Greeks do not accept new technologies easily. But even if they do in the future, in order for these services to stand alone as competitive television offerings, they have to acquire good content. “You may have the technology but if you do not have the content, you cannot achieve anything,” says Mr. Gontikas.

Of all the IPTV efforts, OTE and Conn-x are considered the main threat for Forthnet and Nova. OTE (Hellenic Telecommunications Organisation), which used to belong to the state, had the monopoly for fixed telephony until 2001. Although it is now a part-public, part-private company, it is still the most famous telephony operator in the country. Deutsche Telekom are among their biggest shareholders and it may not be a coincidence that the IPTV offering of Deutsche Telekom in Germany has invested heavily in football initially co-operating with pay-TV Premiere and then deciding to go on their own.

Law 2644 of 1998 allows the operation of subscription radio and television satellite services and Hellas Sat, which owns and operates the Hellas SAT2 satellite

launched in 2003, are a subsidiary of OTE. It is therefore widely expected that the launch of a satellite pay-TV service will be the next step (Naftemporiki, 23 February 2009).

In an interview to Naftemporiki newspaper, Panos Sarantopoulos, Direct General of Home Clients at OTE, said that subscription television was underdeveloped in the country and had a big margin for improvement (Naftemporiki, 23 February 2009).

Vasilis Panagiotakis thinks that the next 6-12 months will be crucial for Conn-X. The management of OTE changed in 2010 and the organisation has to decide whether and how much they are going to support the TV offering. The early indications are that they will support it because they see triple play as the future in telecommunications. The advantage of OTE compared to other companies is that they have money and a big budget, bigger than Forthnet. They can launch and consider launching a satellite pay-TV service but their big disadvantage is that there is not enough top content available. Nobody expects that the second division or the Greek Cup will make a real difference for them and Conn-X's first big battle will be the bidding process for the Champions League and the Europa League. If they secure some of the rights, they will make a step forward but they still have to wait for the Super League.

Mr. Panagiotakis thinks that if it wasn't for Conn-X, Nova would never have put pressure to renew the Super League contract or offered so much money. "The Greek clubs are lucky that Conn-X is around. If it wasn't for them and Nova felt secure,

they would have said: Sorry but we have a financial crisis and if we are to renew the deal, we are going to offer a lot less.”

8.1.3. WebTV and sports rights

Nova was the first TV operator that took advantage of the WebTV option. Through their website, fans who were based in Greece could watch live Champions League games as well as recorded Super League matches, first division basketball and the best match from the Premier League each week. The games were offered pay-per-view but there was also a package deal for the Champions League. Fans who were based abroad could choose individual games or packages for live and recorded matches of the Super League and the first division in basketball. The service stopped in 2010 but started again in 2011 as an extra service to Forthnet subscribers.

From the other channels, SKAI was the first to offer some live programmes on their website. The rest started with short clips that mainly acted as an advertising tool but they now offer WebTV services where viewers can watch series and shows a few hours after they are broadcast.

There are channels that are exclusively available on the web but they are mainly low-budget efforts and the quality of the picture is not always good. However, they have the advantage that they are fairly easy and cheap to set up. According to Mr. Kiranis, this could potentially help minor sports to find their way to people's homes and increase their popularity.

8.1.4. Mobiles and sports rights

Nova is the only operator that has taken advantage of mobile rights. They sell content to mobile operators and that includes live streaming, highlights from the Super League, the best goals as well as sports news.

Mr. Gontikas says that since the advent of pay-TV, new technologies were part of the Nova strategy. They followed them closely and wanted to be the first to check their potential. They were not certain about how they would affect the market but thought that it would be safer to be there first and ahead of everybody else. When Nova signs a contract, they get the whole package of live rights including those for mobile and internet content in order to have exclusivity and protect their product.

How much sports television executives believe in mobile technologies is a different matter. One of them was once told by a friend who sold mobile rights in the UK that he had no idea why people bought them. In general, there is distrust about how new technologies can help and whether they can be the revolution that it was thought they would be. Predictions are difficult to make but according to all the interviewees, mobiles are unlikely to bring anything significant in the short to medium term.

Mr. Gontikas thinks that it is not easy for the Greek market to see their full potential anyway because it is so small. “There has been research about this. If one takes mobile rights for example, one has to ask how many operators offer the technology, how many people have it in their mobile, how many know how to use it and how

many of those are interested in a particular sport. The numbers are not big and this is why it is better to buy all the rights together.”

8.2. Sport and viewing rates

8.2.1. What do Greek viewers prefer to watch on TV?

There is no doubt that football is the most popular sport on Greek TV. On 1 March 2009, Olympiakos faced Panathinaikos in the classic Greek derby both in football and basketball. The football game shown by NET attracted 1.413m viewers and got 42.2% of the audience share and the basketball game shown by ANT1 an hour later attracted 802,000 viewers and a share of 21.3% (Nielsen Audience Measurement Greece online archive). During the same year, Olympiakos got eliminated in the third qualification round of the Champions League and Panathinaikos in the round of the 16. As for the basketball teams, they both reached the Final Four of the Euroleague with Olympiakos taking the fourth place and Panathinaikos winning the trophy for the fifth time in their history and the fourth since 2000.

Basketball did become the most popular sport for a few years after the success of the national team in 1987, the first time that Greece were crowned European Champions in a team sport. The players and the teams were everywhere in the media including television and Mr. Kiranis thinks that there may have been an overkill. “However, football was equally present on the television screens and people never got bored,” he adds.

The general feeling is that football is by far the most popular sport with some television executives placing it first, second and third in the choice of the viewers. “I would say that it is football, then football and then football,” says Mr. Papanikolaou. Mr. Gontikas, a former volleyball player and member of the Greek national team that won a bronze medal in the European Championship in 1987, is of the same opinion. “If you draw a line in the centre of the continent, you will get central and northern Europe where football is in first, second and third place followed by rugby or tennis or cricket or Formula 1 in fourth. In the south, it is football and then basketball in fourth place.”

In a research by Metron Analysis, football was the favourite sport of Greeks in 2009. It came first with 38%, down from 41% the year before. Basketball was second with 16.8%, up from 14.4% the year before and athletics in third with 10%, down from 12.6%. The percentages were different for men with 63% saying that they prefer football followed by basketball (13%) and women where basketball, volleyball and football were close with 20.4%, 15.8% and 14.9% respectively. Football remains particularly popular among the working classes (42.2%) and less so among the upper class (29.4%) (Source: Super League website; visited July 2009).

Viewing rates confirm these findings. Fifteen of the top 20 programmes for male viewers in 2008-09 were football games. There was only one basketball match in 19th spot and three programmes that belonged to other genres – the Eurovision Song Contest in third place and a satirical programme in the seventh and 14th spot (Nielsen Audience Measurement Greece).

From all the football competitions, the Super League and the Champions League are the ones that broadcasters prefer. There is a big gap between the Super League and the second division in Greece. The former has secured a prestigious contract and the latter was until 2007 without a television home. ET3 showed two games per week until the 2009-10 season but got them for free through a sponsorship from OPAP (Greek Organisation of Football Prognostics). It has now moved to Conn-X TV but for the same amount that the top league got back in 1991-92 (*Sportsbiz Weekly*, 9 May 2007).

There is also a difference between the Champions League and the Europa League (former UEFA Cup). The 2010 Champions League final between Bayern and Inter was watched by 1.277m people and got an audience share of 31.9%. The final between Manchester United and Barcelona in 2009 was watched by 1.492m and got a share of 42%. Both finals were shown by NET and secured the top place in the viewing rates of their day. The 2010 Europa League final between Atletico Madrid and Fulham was broadcast by ANT1, was watched by 758,000 and got an audience share of 18.6%, the seventh most popular programme of the day. The 2009 final between Shakhtar Donetsk and Werder Bremen was watched by 1.166m (30.3%) and the 2008 final between Zenit St Petersburg and Rangers by 1.112m (27.9%). These two finals were screened by the more popular MEGA and secured the second and third spot respectively in the viewing rates of the day. (Source: Nielsen Audience Measurement online archive).

Mr. Papanikolaou says that MEGA were worried that not enough big teams made it to the latter stages of the Europa League which is why they decided to leave it. “The

way the competition is built, it is very probable that you will not get big names in the last rounds. A final between Shakhtar Donetsk and Werder Bremen is not particularly popular with Greek people. So even if the deal was more affordable from a financial point of view, the channel wasn't happy with the ratings.”

In addition, there is a difference between the Super League and the other European championships even if the quality of the Spanish or the English league is clearly better. Mr. Panagiotakis says that the Greek viewer is always intrigued by the local league. Alpha made an experiment with the Spanish league but the rates were not good enough for a commercial free-to-air channel. Since then, commercial television has largely abstained from bidding for the European leagues which have mainly ended with pay-TV that needs more variety.

The games of the national football team and European and World Championship Finals are the last big properties in football. ERT has so far managed to secure European and World Championships but commercial television and pay-TV hope to get involved in the future. MEGA for example has been impressed with the ratings for the nation team. They got 1.522m viewers (41.3%) for the Israel-Greece World Cup qualifier on 28 March 2009 and 2.240m (46.5%) for the Greece-Israel qualifier four days later. The two teams met again in the Euro qualifiers on 12 October 2010 and MEGA got an audience share of 34.6% (1.801m viewers).

High-quality matches are extremely popular but they are impossible to predict in advance. The two Olympiakos-Panathinaikos derbies in 2009 (0-0 on both occasions) got high ratings (1.863m and 45% the first and 1.413m and 42.2% the

second) but were dwarfed by the Greek Cup final between Olympiakos and AEK⁹⁶ that got 2.061m viewers and 51.7% of the audience share. That match was called the best final in the history of the competition with AEK taking a 2-0 lead in the first half, Olympiakos equalising in the second, both teams scoring in the final minutes to take the game to extra time, two goals and two red cards in extra time and a final score of 19-18 after the penalty shoot-out. The game, screened by Alpha, finished at 23:50 and the post game show that was exclusively for the final at 01:10 in the morning. However, it was the second most popular programme of the day and was watched by 822,000 viewers (27.4% audience share). The pregame show, where no one could have predicted the outcome, was in eighth place and was watched by 462,000 (16.2%) even though it was shown at a more logical hour (16 minutes between 20:00 and 20:16) (Source for all the ratings: Nielsen Audience Measurement Greece online archive).

When *Athlitiki Kyriaki* showed highlights of the first Olympiakos-Panathinaikos derby (0-0 in November 2009) and the remaining games of the matchday, it was not even in the top ten programmes of the day while the post-match analysis for the second derby (March 2009) was in sixth place with 518,000 viewers (14.6%).

From the remaining sports, basketball has an interesting presence but it is well behind football. “The national team is popular and when Alpha had the Final Four, we got good numbers. But a game for the Greek championship that is not a derby gets a 4%. The worst that you get from football games between two small teams is 11.5%,” says Mr. Panagiotakis.

⁹⁶ Another very popular team in Greece

There is a big gap between the top and the bottom basketball teams and some were almost left without coverage in 2009 before ending with Spor+. Mr. Gontikas says that the basketball federation made an effort to improve organisation after they won the silver medal in the 2006 World Championship. They went to the state with a plan about the future of the sport but nothing happened. According to Mr. Piladakis, the gap between big and small teams in basketball has actually increased. “We have seen big investments from Olympiakos and Panathinaikos but the rest haven’t followed and the championship is not competitive enough. Unfortunately, neither basketball nor any other team sport has followed the Super League example of bringing the teams together and working for a common and better future.”

The Olympiakos and Panathinaikos home games as well as some Euroleague matches and the Final Four are the most valuable properties in basketball.

Motorsports and Formula 1 in particular have also had a good presence on free-to-air television with ANT1 getting an average of 26.3% share among the 15-44 year olds that mainly interest the advertisers for their 2008-09 coverage (*Sportsbiz Weekly*, 21 May 2009). However, the changes in the time based on where the Grand Prix takes place are a hindrance. MEGA expressed an interest for Formula 1 but decided against bidding for this reason. They did not want to destabilise their schedule and move around popular programmes like the news bulletins. ANT1 quickly left Formula 1 for the same reasons.

The remaining sports end up on pay-TV with very small contracts or in ERT. “Small federations must try to stay close to ERT because that’s usually the best home for them,” says Mr. Kiranis.

There is a final factor that can decide whether a viewer will watch a particular game or a particular sport and it has little to do with the sport itself. This is betting that is popular in the country and Mr. Tsianos says that many viewers will sit down to watch a European game because they have a bet and not because they are necessarily interested in the teams.

The last big property are the Olympic Games that are an interesting case because the IOC had until recently worked exclusively with the EBU. However, their approach is changing and commercial television or pay-TV may soon start to get involved⁹⁷.

The Olympics are very popular and a valuable property for ERT. They would also be valuable for pay-TV and commercial free-to-air television but the commercial channels believe that there are some exceptions. “The Olympics that take place in a European country like London 2012 are an interesting property for commercial television,” says Mr. Papanikolaou. “They may be on for a brief period but if MEGA won the rights for example, it would start promoting the event three years in advance and could see a benefit. The Olympic Games in another continent would be a different thing. I am not sure that commercial channels would be interested to cover Games in Seoul or Beijing because of the time difference. It is tougher to keep the viewer constantly in front of the screen.”

⁹⁷ Pay-TV showed some minor sports during the Olympics but through a deal with ERT and not the IOC

According to all the interviewees, popularity of the different sports is unlikely to change drastically in the future with football always in top place. The market is too small to support many sports and small federations will depend on Greek success at the international level. But their increased popularity is unlikely to be long-term if the successes do not continue.

8.2.2. Research and Decision Making

All the channels will undertake research before making a decision but this largely depends on the sport property. If the decision is about the top Super League games or the Champions League, research is not considered necessary. “Television executives do not ask themselves whether these properties are popular,” says Mr. Katsaros. “We know that they are. The main question is do I have the money to get them.”

The channels will usually look at the viewing rates, the profile of the people who watch the programmes as well as at general research about the popularity of sport and, in the case of pay-TV, the factors that drive subscriptions. Before signing an agreement, commercial television will also ask for the opinion of their advertiser-clients. If the advertisers are interested in the product and plan to support it, they will go ahead with it.

Research is quite important when channels have to make a decision about whether to buy a single game on its own like a friendly, matches in the qualification rounds of the Champions League and the Europa League or qualifiers of other national

teams other than the Greek. The decision is a combination of studying the viewing rates and the demographics of the people who watched similar events in the past as well as checking the schedule of the competition during the same day and time.

Mr. Panagiotakis says that Alpha had financial and viewing success with individual football games showing them at a period and time when the competitors did not have strong offerings. A Dutch Cup game that involved Ajax got unexpected good ratings but the fact that Greek international Haristeads was playing for them at the time was also influential. The viewers had a familiar face to watch and the interest increased.

Channels will also work together with rights agencies asking them for properties for certain times and for certain age groups. Mr. Tsianos thinks that more detailed research about the best properties according to the profile of each channel would further benefit the Greek market. There is also the feeling that research will have to be followed by extensive promotion of the product that has been purchased. “It sometimes happens that one channel that doesn’t necessarily attract a football audience at a certain time of the day buys a property and does not support it enough,” says Ms. Bournioti. “When their regular viewers turn on the TV and expect to watch what they normally watch at that time, they see the game and change channel. This does not mean that the match is not good but that the channel did not make a big enough effort to attract the right viewers.”

According to Mr. Tsianos, the support of the product can change perceptions and win viewers for a channel. ANT1 for example which is not particularly popular

among younger male viewers got a high rating, the highest at the specific time, when they screened a live friendly between the football teams of Brazil and Turkey.

8.3. Production issues

8.3.1. The quality of the production

The production and the presentation of the sports programme is the next step after the signing of an agreement and competition among the channels is fierce. Mr. Katsaros says that nothing is left to chance and the summer meetings are endless with discussions about who will present the live games and how, who will be in the studio, how they will be dressed, who will be invited as a guest, how much time each video will play... Everything is decided in advance and the programmes are becoming more detailed and complicated with time.

It is widely accepted that the quality of the production can help the viewing rates and the prestige of the channel. Mr. Panagiotakis says that a good production can always attract the viewer. “There is a big difference between a game that is shown with three cameras which is a very poor production and another where you have many cameras and you make it impressive for the viewer. When Alpha screened Olympiakos-Panathinaikos in the past, they had 17 cameras.”

Pay-TV have always considered production extremely important and as one of the factors that distinguish them from the rest and persuade viewers to become subscribers. Content and production are the two areas where they feel that they have

an obligation to play a leading role. Otherwise, it is impossible to attract new subscriptions and beat the competition.

All the interviewees agree that production has improved in recent years. There is still a gap between the richer and bigger markets and the small Greek market but the gap is getting narrower. Some television executives are however worried that Greek television prefers shows and the show-off over quality, hard news and analysis. Viewers are partly responsible for this as they often prefer to watch programmes that put the show ahead of everything else.

The economic crisis can and has affected production to an extent. Pay-TV has continued to make investments but commercial channels try to save money from whenever they can. The Skai Super League highlights programme for example was going to be one of the major shows of the channel but it is now a low-budget programme according to Panos Voglis. ERT have also tried to save some money by changing the structure of *Athlitiki Kyriaki*.

8.3.2. Production and the co-operation between sports federations and television stations

The production of a sporting event is not the exclusive choice of the broadcaster. The more popular the event and the more organised the sports federation, the more standardised the production and the demands of that federation. The Champions League is a fairly standard production and if a channel can't follow the requirements, it cannot get the rights. The channels work closely with UEFA and

TEAM, the exclusive marketing agent of UEFA for the Champions League, the Europa League and the UEFA Super Cup. “This is where you can see the difference in the organisation and the knowledge of the subject and it has helped Greek television to improve as well,” says Mr. Gontikas.

The Super League is trying to follow a similar model with suggestions and requests about the quality and how the product is produced and presented.

Big football clubs are also trying to protect their product and the way it is handled. They ask for good time slots and promotion for their sponsors. They also want to have a close relationship with the channel, get a good presenter and an attractive production.

All the interviewees agree that they are overall satisfied with their co-operation with sporting bodies. However, they also stress that they have to find a balance between listening to suggestions and presenting the programme in an impartial way.

Small clubs and federations are less powerful and organised than big ones and their main interest is to secure a contract. “Money is always the deciding factor when you sign an agreement regardless of who you sign it with. But small teams do not have the luxury to ask for more. They sometimes say: give us the money and do whatever you want with the product,” says Mr. Panagiotakis.

Personal relationships and personalities are also important before, during and after the signing of the deal. The Greek market is small and everybody knows everybody

else. They know who they deal with and what to expect. Personal relationships are particularly important during the initial approach and can guarantee a more harmonious co-operation.

However, friendships cannot play a role in the bidding process. “If there is a tiny difference in the offer and the federation or the club has a friendly relationship with you and is happy with your work, then maybe they will prefer your channel over another one,” says Mr. Panagiotakis. “But money is above everything else. If you do not make the highest bid, you will not get a deal even if you are the best friends in the world.”

The personality and the preferences of the television executives can be a factor but only for very small deals and to a small extent. The size of the Greek market cannot allow for experiments and television executives will usually go for what has proved to be successful rather than new ideas or sports that they personally like. “One sport that I would like to see on television is water polo but I can never go and suggest that we spend money on it,” says Mr. Katsaros.

8.4. Sport Television and the external climate

It has often been mentioned that the size of the Greek market affects the everyday life and the decision-making of television stations. It allows for fewer experiments and it is difficult for new media and new sports to break through. The buying power of Greek people is another important factor. The average annual income in Greece

was 16,725 Euros in 2008, has dropped since the economic crisis and it is extremely difficult for a Greek household to support more than one operator.

Mentalities and habits are also important. There are so many free-to-air channels and people consider it their right to watch television for free. In the 2009 research of Metron Analysis about the preferences of Greek people in sport, 66% answered that they prefer to get information about football on free TV, 31.9 through sports newspapers, 21.8% on the radio, 18.2% through the political newspapers, 16.9% through subscription television (down from 19% the previous year) and 16% through the Internet.

There are no listed events in the country, partly because pay-TV has a brief history and free TV is so powerful. Nova secured some rights for Euro 2008 but they were forced to step back and give them to ERT after receiving pressure and some privileges like renting television frequencies that belonged to ERT for their Filmnet and Novasport channels (*Eleftheros Tipos*, 10 December 2008). They also agreed to get pictures from ERT for the 2008 Olympic Games in order to build five Olympics channels⁹⁸ with live, recorded content as well as highlights. A similar deal had been reached during the 2004 Olympic Games.

The political climate where channels operate is always interesting. Mr. Katsaros says that owning a channel is part of owning power. Different decisions can therefore be affected by politics, alliances or the effort to gain more power.

⁹⁸ ERT Olympics 1, 2, 3, 4 and 5

The legal environment can also play a role. It can bring changes to the way channels operate, are financed and into how much competition they have. The European Commission has so far avoided drastic changes and has dealt with each market separately. Greek laws are equally important. Law 27125 of 1999 that gave the clubs the right to exploit their TV and radio rights individually has had an important impact on the way rights are sold and what each channel can buy.

Changing lifestyles are another factor that television stations must take into account. There is the argument that during an economic crisis, people spend more time at home and therefore watch more television, which is not a surprise as the microeconomic theory explains, because even subscription fees are still cheaper than other services and leisure activities. However, there is also the opinion that lifestyles are a lot busier nowadays. “This is a social phenomenon,” says Mr. Katsaros. “We work a lot more than we did in the past and this is not just in the office. There are meetings, other things that you have to sort out... Television asks its clients to watch more programmes and more channels but people do not have the time. And rather than reducing the offer and improving the quality, the offer gets bigger and bigger. The viewers must therefore become selective. And the only programmes that will always have high viewing rates are the ones that are objectively good. Thirty years ago when there was just one football game every month, Greek viewers would even stay in to watch an obscure match. This is not the case any more.”

8.4.1. Sport Television and the economy

An economic crisis can have a big impact on the everyday life of television stations and the Greek market is the perfect example. Commercial broadcasters, whose revenue comes from advertising, are forced to make employees redundant, freeze the top salaries, reduce budgets and change strategies. The channels that have a smaller share of the advertising revenue are the ones that are affected the most and are even in danger of closing down.

Even ERT, that has a stable revenue stream, has announced plans to reduce its budget which will include reducing costs in programming.

The uncertainty that the crisis brings forces some executives to stay away from expensive content that is traditionally popular with the Greek viewers and can improve the profile and prestige of their channels.

A big failure like that of Alpha Digital can also affect confidence and have a knock-on effect on other businesses. Mr. Tsianos remembers that the days and months after the closure of the pay-TV operator were testing for the market. Contracts were renegotiated, big deals fell through and there was a great uncertainty about the future. Some companies that were involved in sports rights closed down and the ones that continued to operate had to work hard to stabilise their place in the market. There was not a big change in the working relationships of those involved in the market but there was a determination to reduce the prices and bring them down to a

feasible level. The same determination exists at present and many executives feel that they have to pay less.

What is interesting is that top sports rights are more resistant to financial crises. The Super League rights were not only unaffected but saw an increase.

In general, it seems that top sporting content is popular enough to resist a financial crisis up to a point and that it is competition that has a bigger impact on the prices and the logic behind them. The period from 2000 to 2010 in Greece showed that when competition is fierce and especially when there are two pay-TV operators or the danger of new operators entering the market, the prices can see a big increase. “There were even properties that increased by 1000% during the Alpha Digital era and this is clearly illogical,” says Mr. Tsianos. When there is competition in the market but less fear that one company is directly threatening the existence of another, the prices see more stable increases. Prices drop mainly after a big failure but the top properties are always in less danger.

8.5. The future of sport television in Greece

The final part of this chapter is not an attempt to make predictions. It will mainly give ideas and opinions about future directions and the short to medium-term future.

Based on past experience, the interviewees agree that as soon as the economic crisis is over, the prices for sports rights will continue to rise. The increase is unlikely to be extraordinary unless channels fight for their survival. During the crisis though,

the prices are expected to drop and channels to abstain from the bidding process if the deals do not make financial sense. Pay-TV will be the big winner during this time.

They also believe that the popularity of the sporting content and of particular sports will not change. Minor sports can expect fluctuations based on how successful Greek athletes are but they should not maintain this popularity for the long-term.

Television, whichever technology is lying behind it, is expected to continue to play a leading role in sports rights with the remaining content (e.g. mobile) mainly a supplement.

The most important development in the market should come from the plans of IPTV and especially OTE to expand its current offer and use satellite services. Their plans could lead to a new crucial point in the history of sports television.

Regardless the plans of individual organisations, all the interviewees believe that unless the market changes drastically, there is no way that two pay-TV operators will survive and be successful. On the contrary, they think that the market is already too saturated and cannot support new ventures. “Even if the best channel opens today, it will not survive unless another one closes down,” says Mr. Katsaros.

Mr. Papanikolaou thinks that there will be fewer big channels in the future because some will not survive competition. He also thinks that if there are fewer leading

channels, they may decide to form alliances and reach informal agreements in order to keep sports rights at a logical level.

Public service broadcasters will continue to be strong but they and everybody else will depend on the economy and legal decisions that could change the way they are financed and make business. The involvement in sport of the biggest commercial channels will depend on the prices and how other genres perform for them.

The number of channels as a whole could increase with new technologies but most new channels will be for niche markets and will not have a wider impact. They could give a voice to minor sports but improved organisation and co-operation of teams and federations will also be a pre-requisite for the successful entrance of these sports to the television market.

Chapter 9: Conclusions

9.1. Introduction

This project looked into the strategies and decision making of sports television broadcasters in the UK and Greece, the factors – internal and external – that can affect their decisions within their given market as well as the factors that make a sporting event a good television product.

The main period of the analysis and the case studies were between 2002 and 2010 but older examples were used where necessary.

The thesis is based on empirical evidence taken from qualitative, semi-structured interviews with leading television executives and people who were involved in sports television agreements. They were asked to comment on the importance of the television content, explain their strategies, the reasons for making certain decisions, analyse the market where they operate as well as different case studies. Their responses were enhanced with background information from books, newspapers and magazines in order to create a complete picture and explain how the world of sports television programming operates and why some decisions are more successful than others within a given market.

The thesis addressed the main question:

- what makes a sporting event a good television product

- what strategies do television executives follow and how do they choose sporting content for their channel and
- which factors – internal and external – can affect this decision and its success within a given organisation and market

based on the conceptual and theoretical issues raised by previous literature on sport, journalism and the media and strategic decision making.

It will now try to answer main question and make a comparison between the two countries. Finally, it will explain the contribution of the project to journalistic and media studies and make suggestions for further research.

9.2. What makes a sporting event a good television product?

Sport is considered a popular media⁹⁹ content and this has been recorded both in academic works (Barney et al, 2005; Gratton and Solberg, 2007; Stead, 2008; Boyle and Haynes, 2009) and media articles. Section 2.1.1. “The popularity of the Sports Content” provided examples of readership figures of sports newspapers and viewing rates of sports events that reinforce the above statement.

However, a closer look into the viewing rates as well as the empirical evidence from the interviews suggests that this is only partially true. There are some sports and/or sports events that are considered a top media product and can demand high fees and others that will consider themselves lucky to even get some free airtime as Henry Birtles stressed. A football league game in the UK and Greece is treated very

⁹⁹ Print, broadcast and online

differently by television to a rhythmic gymnastics championship. Similarly, a top league football game is treated very differently to a football match in the lower leagues. An event like the Olympic Games, which brings together a number of sports, many of which have limited popularity on their own, has a huge following in both countries.

In order to appreciate why this is the case and how media choose content, it is imperative to have a closer look into journalism studies, news values and the content selection theory which analyse the factors that make a story or an event worthy of appearing in the media. Admittedly, there is very limited research that focuses specifically on sporting events but this is not a surprise as journalism studies have traditionally concentrated on politics and international relations treating sport as a subject of less significance. Boyle (2006) says that despite agreeing on its commercial importance, research into sports journalism is largely absent from the growing body of work that might be called 'journalism studies' (Boyle, 2006, p.9). Rowe (2007) adds that sports journalism is often described as "the toy department of the news media" (Rowe, 2007, p.385) and Costera Meijer (2002) that reporters and editors distinguish between "real" and "other" news with politics, international relations and the economy belonging to the first category (Costera Meijer, 2002, p.7).

This helps explain why the subject has been frequently overlooked in mainstream journalism studies. It does not mean however that a) the content is not crucial when making a decision about which sports should appear on television and b) that

journalistic studies do not apply to sport that is after all one of the most popular and vibrant pieces of journalism.

The evidence from this research points to the fact that content is not just crucial but THE most deciding single factor of whether a decision will be successful or not. Phil Lines maintains that content is “king” and evidence from other interviewees supports the assertion that many TV/sport executives feel the same way. There are many factors that can affect a decision but if the content is not valuable, the rest makes little sense. Even technology that has been heralded as a key driver in sports business cannot help without the presence of valuable content. The Betamax versus VHS or the DTH versus cable examples explained by Phil Lines show the limitations of technology and the story of Home Choice described by Ben Nicholas provides further evidence to the argument.

The ITV Digital story is a story of many faults but primarily a case of overvaluing a specific type of content (lower league football). The demise of Setanta took place during a difficult economic climate but as Dr Syfret argues, few people would be interested in paying for a channel that did not include the top Premier League live matches anyway. The economic climate primarily exposed a problematic content decision. ALPHA Digital was the story of overestimating the value of the content offered by a small league where there is huge difference in the strength and popularity between very few top clubs and all the remaining teams.

Content studies do therefore apply to sport and can provide an explanation as well as guidance to which type of content will be valuable for the media in general and television in particular.

The term frequency mentioned by Galtung and Ruge or timeliness (Schulz) in the news values theory shows why a) certain sports whose frequency is similar to the frequency of the medium are more valuable for television and b) why leagues that last longer and can be televised on a regular basis are more important than one-off competitions, especially for pay-TV that needs subscriber loyalty. Andrew Bran talked about Channel 4 struggling with scheduling cricket due to its unpredictable nature and Richard Bunn with Stefan Kurten explained how biathlon agreed to modify its structure in order to suit the frequency of television and improve its chances of appearing in the medium.

In fact, there is not a single news values factor that cannot be applied to sports programming. Amplitude explains why team sports like football, rugby or basketball are often better for television than individual sports and why world and European championships are so popular with the viewers.

Elite nations and familiar faces are particularly popular as well and for the minor TV sports, the presence of familiar faces (national success) could be the factor that decides whether they get any airtime. Even the factors of simplicity and balance can play an important role. David Murray, Vasilis Panagiotakis, Antonis Katsaros and Andrea Radrizzani argued that a product that is easy and attractive to watch can secure better viewing rates over a similar one that doesn't have these characteristics.

The Galtung and Ruge hypothesis that “the more events satisfy the news values criteria, the more likely they will be registered as news” (Galtung and Ruge, 1965, p.71) sounds like a logical deduction but explains why some sports like football and competitions like the Champions League or the local leagues (Premier League in England and Super League in Greece) that satisfy all (or the vast majority of) these criteria are must-have properties when other sports are not. This can help sports executives to understand TV and the media and try to increase the popularity of their sport with the guidance of these factors (Nicholson, 2007).

The answer to the first question is therefore that

- there are certain factors that make sport a good television product
- these factors are directly related to journalism and content studies and they are the same that will decide whether any event will be recorded in the media and
- that making sure that the content is valuable from a media and journalistic point of view is the most deciding factor in the success of any decision made by television executives.

9.3. What strategies do television executives follow and how do they choose sporting content for their channel?

The strategies, i.e. the plans that executives use in order to achieve the objectives of their organisation (Das, 1990), are directly related to the type of the organisation, its mission, vision and the objectives themselves.

The thesis made a distinction between free-to-air public-service and commercial broadcasters as well as pay-TV in the UK and Greece with the empirical evidence suggesting that all three types of broadcasters treat sporting content to a somewhat different way. What they have in common is that all of them appreciate the importance of owning top sporting content. Regardless whether they were able to secure it, David Murray, Andrew Brann, Robert Charles, Antonis Katsaros, Vasilis Panagiotakis, Dimitris Gontikas and Dimitris Papanikolaou admitted that owning valuable content would only help the prestige and viewing rates of their channels.

National public service broadcasters base their strategies on the fact that their programming has to follow certain rules, have a public purpose and justify the licence fee. This is why they choose sports and competitions that a) can reach the whole of the population, b) bring the nation together and strengthen national identity, c) are traditionally popular, d) take place in the country and e) cater for different interests provided that there is enough interest together with some local success. Viewing rates are important but the licence fee is there to make sure that public-service broadcasters do not base their decisions on pure commercial criteria.

The BBC and ERT will therefore choose to cover big international events like the Olympics or the football World Cup that can reach the whole of the population and have the ability to strengthen national identity, smaller competitions of popular sports like football, rugby (UK), snooker (UK), basketball (Greece) and volleyball (Greece), smaller sports with local success like athletics, rowing (UK), cycling (UK) and weightlifting (Greece) as well as all the continental and world championships that take place in the country.

They have however accepted that the top football league (Premier and Super League respectively), which is of vital importance to pay-TV because it brings customer loyalty, is one type of content that they cannot afford any more. The BBC has accepted this a long time ago and ERT has admitted that it is not in the interests of their licence-fee paying viewers that the national broadcaster has a monopoly on the top football league. Their executives tried to keep a piece, but as the economic crisis becomes deeper and the budget of ERT is scrutinised, it becomes evident that they have to do without this type of content.

The other important thing when it comes to the strategies of the public service broadcasters in the UK and Greece is that both consider sport as a key part of their existence and the public seems to be of the same opinion. The UK public identified sport as BBC's second most valued type of programming after news and in their rebranding, ERT established that the Greek public felt the same way. As a result, it is difficult to see either broadcaster moving away from sport, especially some key premium content like the Olympics or the football World Cup even if that content is expensive.

There is of course the question of whether this is in the public's interest. Solberg (2007) argues that expensive sports programmes could be handed over to commercial rivals who will be willing to take them over, are free to watch and can be seen anywhere in the country, i.e. to commercial broadcasters who meet all the criteria specified in the Listed Events. The core programmes from international sports events are usually produced by a host broadcaster, TV viewers across the world watch identical pictures so their quality will not be influenced by which

broadcaster shows the event within a nation. Leaving some expensive programmes would also mean that public service broadcasters could spend more resources on programmes with merit goods and externality characteristics that are usually not popular with commercial broadcasters. Their attitudes therefore suggest that public service broadcasters try to uphold their own popularity by spending resources on programmes that could be watched for free elsewhere, worry more about their prestige and less about the viewers (Solberg, 2007, pp. 289-309).

The theory on bureaucratic behaviour can provide an explanation as to why public service broadcasters choose to behave this way and often overlook recommendations from the welfare economic theory. It regards bureaucrats as individuals who aim to maximize their own personal utility functions. Weber (1947) argued that a bureaucrat's natural objective is power. According to Tullock, understanding the behaviour of higher level bureaucrats requires an understanding of the behaviour of an intelligent, ambitious, and somewhat unscrupulous man in an organizational hierarchy (Tullock, 1965, p.26). Niskanen stressed that managers of bureaus have several goals including salary, perquisites of the office, public reputation, power, patronage... (Niskanen, 1971, p. 38). Fitch explained that one of the main objections to the way in which bureaucracies operate lies in their tendency to disregard and place their own convenience over the needs and wishes of their clientele (Fitch, 1974, p.509).

This is a serious concern which does not only apply to sport but forms part of an on-going debate about the types of programmes that appear on public service television and the money spent on them and other activities. ERT for example has not just

received criticism for its spending on sports programming but its overall careless attitude with money (number of employees, exorbitant salaries of the top executives, money spent on their most popular properties including the Eurovision Song Contest).

When it comes to the specific charges about their strategies in sports content, public service broadcasters maintain that it is part of their remit to identify programmes that can reach the whole of the population and help strengthen national identity. David Murray and Antonis Katsaros mentioned this in their interviews. In addition, they strongly believe that they can offer something different to the commercial broadcasters even if they present exactly the same event. David Murray thinks that the big difference in the ratings of the BBC and ITV in the World Cup final shows that the devotion of the BBC to sport, the preparation, the analysis, the programmes that precede and follow the live event play a key role in educating the viewer, which is also part of their remit, and ultimately improve the quality of the product.

Public service broadcasters' devotion to sport in the UK and Greece is also proved by the support they offer to individual Olympic sports in the run-up to the Olympic Games and as part of their strategy of promoting the Olympics. It is unlikely that commercial broadcasters would offer the same support and it is very interesting that during a discussion about the Olympics, MEGA decided that, even if the price was affordable, they would only be interested in the event if it took place in a part of the world where the time difference would not be a major concern.

Finally, it is evident from the organisational strategy theory and the empirical evidence that all broadcasters, including public-service, need to have a clear business-level strategy. Television and the media in general are a competitive business and different broadcasters must identify how they can gain a competitive edge over their competitors (Slack, 1997). Failure to do so could threaten the long-term future of an organisation so it is not a surprise that both the BBC and ERT have chosen news and sport, historically two of their biggest strengths, as the content that will keep them relevant in a multi-channel environment. One solution that could keep public-service television and its critics happy is to try to share some of the top sporting content with commercial channels. The BBC and ITV have successfully done this with the European and world football championships.

Free-to-air commercial broadcasters base their strategies on the fact that they have to attract enough advertising and sponsorship to keep them alive and prosperous. The empirical evidence shows that when it comes to sports content, they show less devotion than public-service broadcasters and use it depending on the circumstances. Andrew Brann, Robert Charles, Vasilis Panagiotakis and Dimitris Papanikolaou argue that sport can bring prestige and credibility to any channel which is exactly what has been suggested in the academic literature (Boyle and Haynes, 2009). This is particularly important during the first years of one channel's existence when it has to make its mark and establish a name in the market and among the viewers.

Top sporting content can also play a crucial role when a commercial channel needs to boost its ratings and attract more viewers and/or more desirable viewers. Both

ITV and MEGA, the two commercial channels with the biggest revenue from advertising in the UK and Greece respectively, have identified the Champions League as the type of content that attracts big ratings and valuable viewers. ANT1 and Channel 5 opted for the less prestigious and more affordable Europa League.

However, commercial channels are traditionally strong in many other areas of programming such as drama, shows, talk shows and reality TV which are not time-sensitive like sport¹⁰⁰, can offer a variety of popular solutions and can be produced and shown at any time of the year when sporting competitions have to follow a fairly strict calendar. As a result, commercial broadcasters are more loyal to this type of programming and there will be occasions when they decide that sport is too limited in its valuable content and too expensive (when it is valuable) to form part of their schedule.

Football is the main property free-to-air commercial broadcasters are interested in but the top football league is too expensive and out of their reach. It also involves a number of smaller games that would not necessarily attract as many viewers as their current programmes do. The Champions League and the Europa League however are a good fit because they involve fewer games and, based on the UEFA rules, winning one package for a specific day allows the broadcaster to choose the most prestigious game of that day. Big football competitions like the Euro and the World Cup are interesting as are the Olympics (to a lesser extent) and big international competitions of other major team sports like rugby (UK) and basketball (Greece). Formula 1 and smaller sports during a period of great local success combined with

¹⁰⁰ can be shown at the time chosen by the broadcaster without that impacting on their viewing rates, which is totally different to live sport

the presence of big sports stars can find and have found their way to commercial TV¹⁰¹ but they are less important and normally stay to one channel for a limited period of time. Minor sports are of no interest.

Pay-TV broadcasters base their strategies on the fact that they need subscriber numbers and subscriber loyalty in order to survive and become profitable. Football and in particular the local top football league is the single most important type of content that can bring both numbers and loyalty. There are a number of other types of content that can be popular with the viewers (series, shows, news) but as Dr Syfret says, it has been found over the years that premium sports content is possibly the biggest single driver to premium subscription services.

Pay-TV needs content quality and exclusivity of that content but it also needs content quantity because a group of channels like the Sky Sports or Nova Sports channels cannot survive with just the local top football league. Football remains the priority with both pay-TV operators expressing a big interest for the Champions League as well as the best European leagues¹⁰². Other big team sports like rugby, cricket or basketball are also part of pay-TV's schedule but the amounts they demand are nowhere near as high as the amounts paid for the top football league. Minor sports that are practically shown for free form part of their offering as well and as Dimitris Gontikas and Dr Syfret argue, all the content that follows the top football league is important because it shows to the subscriber that the channel offering is complete and responds to different tastes and preferences. It may not be the reason why someone chooses to become a subscriber but can strengthen customer loyalty

¹⁰¹ ANT1 and athletics

¹⁰² The Spanish La Liga on Sky Sports and the English Premier League on Nova Sports

as do all the other services that pay-TV broadcasters now offer (telephony, broadband, HD technology). One-off big competitions like the football World Cup and the Olympics are of an interest but as they don't take place frequently, they cannot offer subscriber loyalty.

The problem with pay-TV is that although its potential success is a very attractive business proposition, especially as it is now becoming part of the triple-play offering, the logic behind it is based on a very specific and limited type of content that is limited not only in a small European market like the Greek but also in a bigger market like the UK.

Based on all the above, the answer to the second question is

- There is not one strategy that works universally for all broadcasters. Different broadcasters will choose different strategies depending on their mission, vision and objectives
- Sports television is a competitive business and it is important for broadcasters to identify the strategies that will give them a competitive advantage and help them stand out against the rest (business-level differentiation strategies)
- Public-service broadcasters in the UK and Greece have identified sport as one of their biggest strengths and look for content that can reach the whole of the population, strengthen national identity, are traditionally popular, have a local character (take place in the country) and cater for different interests
- Commercial broadcasters look for content that can improve their ratings, popularity among the desirable viewers, prestige and attract advertisers.

- Pay-TV looks for content that attracts subscribers and brings subscriber loyalty.

9.4. Which factors – external and internal – affect the decision of television executives and their success within a given organisation and market?

The previous section explained how internal factors like the mission, vision, the objectives and the strategies of a television organisation affect its decisions when it comes to choosing sporting content. One question that arises from the case studies and the discussion about the importance of the content is why television executives have so often overestimated it leading to disastrous decisions as is the case of ITV Digital, Setanta and Alpha Digital. This makes little sense, at least until one looks thoroughly into the decision making theory and the empirical evidence of the research.

When the first efforts to challenge already established pay-TV operators appeared, there was little and imperfect knowledge on the subject. Paul Lynch, Ben Nicholas, Yiota Bournioti and Dimitris Gontikas admit that the sums involved in some of the early pay-TV case studies were unusually high, that most people expected that only one operator would survive but they couldn't predict exactly how catastrophic these decisions were, who would close down and whether one would disappear completely or the two operators would merge. Paul Lynch adds that in the very early days, it was not even clear whether big European markets like the UK could support two pay-TV operators. The very first decisions were therefore taken under conditions of risk and even uncertainty, they were largely non-programmed and

mistakes are much easier under these circumstances (Simon, 1960; Pugh and Hickson, 1996; Slack, 1997).

The presence of television executives with experience in and a thorough understanding of sports programming can also play a role. Sky realised this from the beginning but this was not so much the case for BSB, ITV Digital and Alpha Digital.

In addition, organisational theory stresses the importance of the personality of those who make decisions and maintains that decisions are bounded by the emotions of the managers, their limited cognitive ability to process all the information available and factors such as time constraints or imperfect information (Slack, 1997, p.258). It is therefore unrealistic to believe that television executives will make a decision based only on objective criteria. Ben Nicholas says that the owner of Home Choice was evangelical about his project and Henry Birtles remembers that the head of Sports in one of the major Australian channels would always refuse to buy a popular horse racing event because he did not like horse racing.

Organisational-level decision models further suggest that most decisions cannot be characterised as structured and logical. On the contrary, decisions are affected by erratic preferences of managers, aim at a “quasi-resolution of conflict”, try to avoid the uncertainties of long-term forecasting and are a learning process (Carnegie Model). Chance and luck like first-mover advantage can affect them (Garbage Can Model) and decision making processes are characterised by interrupts, events that

result in the change of pace or direction of the whole process (Mintzberg, Raisinghani and Theoret, 1976).

All this shows that it is not just the type of the organisation, its objectives and strategies that affect the decisions and their success within a given market but also the individuals who lead these organisations. There is also the external environment and interrupts, changes in the external environment, which can have a profound effect on a decision.

The prospect of a successful television broadcaster, especially a pay-TV one, is one that is very lucrative and attractive. The history has shown that it is very difficult for some businesspeople to resist this prospect. Setanta saw the European ruling on the sale of the Premier League rights as a chance in the external environment but most interviewees argue that once they made the decision to compete, the same external environment did not leave them any room for manoeuvre. They could do little about the fact that Sky already had a huge subscriber base and a very good relationship with most sports federations, which could help in a bidding process. They could not do anything either, as Dr Syfret says, about the fact that they needed more sporting content than the 46 football games to complete their offering which led to more spending during a difficult economic climate. A bad economic climate cannot turn a good decision into a bad one but can expose problematic decisions a lot faster.

New technologies can create a new media landscape and it is now evident that in the convergence era, television is becoming directly related to telephony and broadband as part of triple-play. This creates a new media war between the traditional pay-TV

providers, which had the monopoly on prime-time content and are now offering triple-play, and telecommunication companies that used to have near-monopoly in the telephony business and start to realise that in order to protect their telephony and broadband customer base, they have to get involved in content acquisition. The content should once again decide the winner because it is the one that gives a competitive advantage, differentiates a company and has been proved to attract subscribers to pay-TV services.

Based on all the above, the answer to the third question is

- The mission, vision, the objectives, the strategy and structure of an organisation are the internal factors that affect the decisions made by television executives with public-service, free-to-air commercial and pay-TV acting differently based on all these factors
- Personalities and preferences of the individual executives can play a role
- Decisions are rarely logical and objective but often a learning process and can be affected by chance and interrupts
- The external environment where a television organisation operates and changes to the environment can lead to new decisions, change of direction and affect the degree of success or failure of old decisions.
- The economic climate, new technologies and the legal environment are the main external factors that affect the decision making of television executives
- The content is once again the safest guidance when making a decision

9.5. UK and Greece – a comparison

9.5.1. Public service broadcasters in the UK and Greece

The public service broadcasters of both countries have a long tradition in sports broadcasting and consider sport a key genre. Their strategies are similar. They focus on big events, on the most popular and traditional sports but also on fringe Olympic sports where the country has been or starts to become successful. The viewing rates are important because public service broadcasters have to compete in a difficult market and prove that they are relevant but they are not the only deciding factor. The BBC and ERT have stable revenues in order to protect them from acting as mere commercial businesses and instead offer a more diverse programme. The difference is that ERT is allowed to top it up with advertisements and must also look at what advertisers expect.

The BBC and free-to-air broadcasters in the UK have the support of the Listed Events regulation. There is no such regulation in Greece but part of the reason is that the public service broadcaster has traditionally been so powerful that it was difficult for commercial stations and sometimes even pay-TV to challenge them. Nova couldn't challenge ERT in the 2009 Champions League bidding.

The biggest difference with the BBC is that ERT have always felt less pressure to justify its sports strategies. The BBC was heavily criticised by commercial broadcasters and was forced to announce that it had not entered the Champions League bidding process for the 2009-2012 seasons. ERT didn't have second

thoughts about competing for these rights and made the decision to get involved in the top league and secure deals with the two biggest clubs Olympiakos and Panathinaikos. They were never forced to provide a detailed budget either but this is not just in sports programming and it is more of a general failure of the public service broadcaster that ended in big debts which were hugely exposed during the economic crisis. Anna Karamanli says that this is not going to change the ERT strategies but should force management to act in a more responsible way.

Despite the failures, public service broadcasters are still very relevant to Greece and also the UK. They have the backing of governments and people and the licence fee that protects them. Viewers still turn to them for and identify them with the big events and unless regulations and political support change, this should continue to be the case. When there is less money around, public service broadcasters with stable revenues will be able to secure more rights and when there is euphoria in the market, they will have more competition from commercial broadcasters.

9.5.2. Commercial free-to-air broadcasters

When it comes to commercial free-to-air broadcasters, there is a stark difference between the two countries and that's in the amount of free-to-air choices that Greece traditionally had. The UK had ITV, Channel 4 and Channel 5 and Greece had seven channels that could be seen anywhere in the country creating a particularly saturated market where many similar organisations fought for advertising revenue. This is not ideal even under the best circumstances and when there is an economic crisis and companies spend less on advertising, commercial channels are in serious trouble.

All the interviewees agree that certain sporting content is important for commercial broadcasters because it can boost the viewing rates and improve their prestige. The problem is that it is expensive content and the smaller channels either cannot afford to compete for sports rights (e.g. Star in Greece) or have to be careful, strategic and even opportunist about what they choose.

That leaves the major commercial broadcasters and the strategies are similar in both countries. They choose sports and competitions that are safe bets, guarantee viewing success and advertising interest. The Champions League is the typical example that both ITV and MEGA are keen to have. However, traditionally popular sports that are not top football events are not certain to receive offers from commercial broadcasters. This is what happened with Formula 1 and ITV. The viewing rates were not bad, a British driver won the title but the advertisers did not follow an event that is tough to schedule and takes place in different time zones.

The main difference between the two countries comes from the fact that the UK market is bigger, the UK economy more stable and the BBC not that involved in certain rights. ITV for example, the biggest commercial UK broadcaster, has had financial difficulties but continues to feel that it can afford and absolutely needs the Champions League.

MEGA evolves in a much smaller but saturated market, a country with a less stable economy and has to compete with an ambitious and aggressive ERT when it comes to sports broadcasting. This is why it was forced to leave the Champions League at some point even though it was aware that this was one type of content that could

greatly help MEGA's prestige and ability to reach viewers (including valuable viewers).

9.5.3. Pay-television

Based on the eight-year long case studies and the interviews, it is evident that neither Greece nor the bigger and more prosperous UK can afford two or more successful pay-TV initiatives that fight for top content. One has to be a fringe organisation. If both decide to compete for a major share of the market, the logic says that one will disappear. The economic climate does not allow viewers to subscribe to two services but the most important reason is that the type of content that attracts subscribers is limited anyway. In fact, it is just the local top football league and if both operators share these rights, the one who gets the biggest games has a significant advantage.

Both countries have also shown that first-mover advantage is paramount. The first operator has more room for manoeuvre and mistakes because it arrives first and without competition. The longer it stays in the market, the stronger it becomes because it can then add more content, channels and services. Varied content and new services are important for customer loyalty.

New entrants have to find the right content, handle the huge start-up costs and identify the right customers. The vast majority of those will have already subscribed to prime pay-TV packages and persuading these people to abandon them is not easy. As Mr. Brann says, that requires investors with huge amounts of money who are

prepared to take big risks and run up losses for a long period of time. BSkyB seems to be in a very powerful position in the UK but could face competition from British Telekom (BT) that has money and a great interest in protecting its telephony and broadband customer base.

Nova looks more vulnerable in Greece. Part of the reason is that there is such a big offer on free-to-air that fewer viewers subscribe to pay-TV and the Nova revenues cannot be compared to Sky's. The size of the market also means that the number of potential subscribers is significantly smaller. Telecommunications company OTE can pose a threat because it has a big budget, an interest in protecting their telephony and broadband customer base and the ability to put their TV offer on a satellite.

The case studies have also proved that when there is an economic crisis, pay-TV becomes more powerful. People tend to stay at home and Nova has seen an increase in the subscriber numbers. During an economic crisis, more and more sports move to subscription operators because they can still afford the rights. It is also important that generalist channels can replace sports with other popular programmes that attract viewers and therefore advertisers. Pay-TV on the other hand sees sport as the absolute must-have content.

9.5.4. Management style in the two countries

All the interviewees agree that they and sports TV executives in general do not like to take unnecessary risks. They deal with significant amounts of money, their

decisions can have a direct impact on the success of their organisation and they do not feel comfortable with dangerous practices. They will rarely give a chance to a new sport and will instead go with trusted solutions, especially if they work for a commercial channel. Robert Charles says that in order to make a choice, there has to be a valid reason here and now. Predictions are difficult and even though they can have an opinion about which sports will have local success in the future, they cannot make a decision based on a prediction. BSkyB was a risky organisation during its first years but the UK TV climate at the time justified this to a point.

Risks will mainly be taken during euphoric periods and when new organisations want to challenge the status quo. Even then, this will mainly involve bidding wars for established valuable rights.

Experiments with new sports can mainly be made by public service broadcasters. They will not involve a lot of money but they are the best place for minor sports that want to secure exposure.

TV executives in Greece say that the small size of the market allows them to take even fewer risks. Executives in big markets can be a bit more ambitious but the smaller and the more fragile financially the market, the less room for choice and this is why it is often mentioned that businesses in Southern Europe are risk-averse.

Personal relationships are still important. Richard Bunn and Andrew Brann argue that the world of sports broadcasting is a clubby one and close relationships can

facilitate everyday business and win broadcasters an advantage over their competitors.

Research is part of the decision making process but television executives count a lot on experience and some interviewees like Ben Nicholas, Thanasis Tsianos and Dr Toby Syfret think that further analysis and research would benefit the world of sports broadcasting.

9.6. Contribution of the thesis

The subject of sports programming and sports content has been a personal interest for years and the idea for the PhD came from the need to complete an academic education that included a first degree in Journalism and Mass Communications and an MA in International Journalism. Despite being taught many different subjects during five years of studies (newspaper, radio and TV journalism, different types of reporting, international relations, public relations, law, linguistics, social psychology, history, languages, politics...), there was never enough emphasis on how media executives make decisions, the strategies that they follow and the factors that affect these decisions.

This project tried to respond to these questions giving an emphasis to sports broadcasting and will hopefully be of use to journalism students as well as to any other students and academics that have an interest in sports programming. Adding the subject of 'Content selection and Media Decision-making' to the curriculum of journalism schools could only help students appreciate the different types of media

and content and would enrich journalism degrees whose strength are after all that they look into many different disciplines while leaving the student free to analyse and question each new knowledge and pursue his/her own interests.

The biggest contribution however to academia is the subject itself and its angle. It is amazing when one considers how many times the word “content” and its importance was stressed in the empirical evidence and how little attention it has received in academic studies that looked into the subject of sports programming. This reveals a striking gap in the literature and in the overall discussion about sport on television. This gap is not evident in academic journalistic research on other types of content such as politics or international relations which shows that sport is still treated as the “toy department of the news media” (Rowe, 2007). There is some evidence that this is slowly beginning to change (Boyle, 2006) but this thesis would argue that it is not enough to only recognise the gap in the literature but also to start developing a tradition of robust research on sports content, sports programming, conceptual and practical issues of sports journalism.

This project has shown for example that the lack of interest in sport of those involved in journalism studies meant that the importance of the content, which is the single most deciding factor in the success of any decision made by television executives, has been largely overlooked or not sufficiently analysed.

A third piece of contribution is the comparative nature of the research. It compares two television markets (UK and Greece), three different types of broadcasters (public-service, free-to-air commercial and pay-TV) and each type of broadcaster

during a period of eight years. Moe and Syvertsen (2007) note that an influx of comparative works in broadcasting remains slim and have argued for the benefits of comparison both of different broadcasters, diachronic comparisons of how media institutions faced changes and how they have been transformed into cross-media operations and comparison that looks beyond national borders (Moe and Syvertsen, 2007, p.160).

This thesis finally tried to bring together the academic and business worlds and the findings will hopefully be useful in a business sense as well, i.e. to those who are involved or want to get involved in sports television.

9.7. Suggestions for further research

This project was an attempt to analyse and compare sports television programming and the decisions made by television executives in the UK and Greece. The findings can lead to general conclusions and have a long-term significance but the markets keep changing and further research can follow new case studies that will lead to new conclusions and add to the knowledge of sports programming.

In addition, the project can only be enhanced by similar research and comparison in other European countries. The German TV sports market is very interesting for example (big market, lots of free-to-air choices, struggling pay-TV) but due to time restrictions, it was impossible to analyse it. The French, Spanish, Italian, Dutch and Scandinavian markets can also provide important case studies.

A more ambitious project would be to conduct similar research in other continents, especially as there are a number of markets that are significantly bigger, have different political systems and historical and cultural backgrounds. The projects could then be compared and new conclusions would be extracted.

It would also be interesting to use a similar analysis in other genres of television programming and look into the strategies of different commissioning editors and the factors that affect them.

It would finally be a great step forward if journalism studies began to pay more attention on issues that surround sports-related subjects.

APPENDIX

List of interviewees

1. David Murray: Head of Sports Rights at the BBC and former Vice President of the Sports Group at the EBU
2. Richard Bunn: Head of Television Programmes and Controller of Sport at the EBU between 1978 and 2000.
3. Andrew Brann: Former executive at ITV Sport and Head of Business Affairs and Programme Finance at Channel 4 between 1986 and 2003.
4. Stefan Kürten: Director of Operations at the EBU and former Vice-Controller of Sport at ZDF
5. Robert Charles: Channel 5 Controller of Sport until 2010
6. Dr Toby Syfret: Television Analyst at Enders Analysis.
7. Phil Lines: Head of International Broadcasting and Media Operations at the Premier League until 2010
8. Marc Rautenberg: Senior Manager at Kentauro sports rights agency

9. Henry Birtles: Managing Director of sports media consultancy Henry Birtles Associates and former Head of International Distribution at Sunset+Vine.
10. Ben Nicholas: Head of Sales and Acquisitions at IMG UK until 2010; previously worked for Home Choice and ESPN
11. Paul Lynch: former Senior Account Manager at Octagon CSI (1998-2006). Currently Head of Marketing and Communications at Human Race LTD
12. Andrea Radrizzani: Group CEO of MP&Silva sports media agency
13. Antonis Katsaros: Director of Sports Programming at ERT until 2010
14. Vasilis Panagiotakis: Controller of Sport at Alpha until 2009 and an executive at LPD Productions responsible for the production of the sporting content for Conn-X TV
15. Dimitris Papanikolaou: Director of Sports Programming at MEGA until 2009 and currently one of the main presenters at the Novasports Channels
16. Nikos Kiranis: Media Rights Director at marketing and sports rights agency TAF Sports
17. Anna Karamanli: ERT sports journalist and former *Athlitiki Kyriaki* presenter

18. Panos Voglis: Sports journalist and co-presenter of *Skai Goal* highlights programme

19. Dimitris Gontikas: Director of Television at ERT between 2008 and 2010 and Head of Development for the Novasports (at the time Supersport) channels between 2002 and 2008.

20. Thanasis Tsianos: Sales and Acquisitions Manager at Olympic Sports Marketing

21. Yiota Bournioti: General Manager at Olympic Sports Marketing

22. Kostas Piladakis: President of football club Larisa and President of the Super League between 2008 and 2009

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