



# TV FUTURES INITIATIVE

## SPORTS: THE NEW BATTLE GROUND FOR PREMIUM OTT

COMCAST   
TECHNOLOGY SOLUTIONS

 **Akamai**

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## SPORTS: THE NEW BATTLEGROUND FOR PREMIUM OTT

It is now more than a quarter of a century since Rupert Murdoch vowed to use premium sports content, specifically from the newly-formed English Premier League, as a “battering ram” to sell pay-TV subscriptions in the UK. It worked, and since then TV providers around the world have built huge paying audiences on the back of exclusive sports content.

We are now facing a new revolution in the TV and video space, and once again sports content is at the heart of it. New technology and changing consumer behaviour are driving a shift in how video content is created, delivered and consumed. For both traditional broadcasters and their new internet competitors, a new battleground is emerging. The winners will be those most able to acquire, deliver and generate value from premium sports content for a new generation of fans.

Increasingly, the major internet players – Google, Amazon and Facebook – are also waking up to the value of live sports content, and are starting to chase the same distribution rights as established broadcasters. They have deep pockets for content acquisition, and established video delivery networks that can reach millions, or even billions of potential sports fans simultaneously. Traditional pay-TV platforms, meanwhile, have long recognised the importance of offering exclusive sports packages to their subscribers and are willing to pay to retain them.

At the same time, a new generation of fan-based sports sites are attracting millions of younger users who appreciate the opportunity to access an engaging mix of footage, social interaction with their favourite players and teams, and fan-generated content.

The opportunity for sports rights owners to reach new audiences via IP-delivered content has never been greater. The challenge, though, will be in partnering with technology providers who can draw on a legacy of delivering high quality sports video content, combined with market-leading technology stacks and delivery infrastructure.

Successful OTT services will need to deliver at scale and reliably across multiple devices and geographies. This requires not only the content delivery infrastructure to distribute high-resolution live feeds with minimal delay and maximum uptime, but also the expertise to ensure that feeds adhere to the necessary rights policies across territories and devices.

Building a successful OTT service that fans value highly is just one side of the equation for rights owners – they also have to ensure that they can successfully extract the value they create by monetising their services effectively, especially as rights continue to become increasingly expensive to procure, and sensitive to manage, particularly across multiple regions.

This white paper includes the perspective of leading industry players, from sports aggregators to brands, as well as from Comcast Technology Solutions (CTS) and Akamai. It seeks to provide an insightful guide into sports brand and rights owners looking to build an OTT solution that can attract, engage and retain sports fans across multiple devices and geographies.

Comcast Technology Solutions, Akamai and MTM would like to thank all those who contributed to this report by participating in our interview programme.

# EMERGING SPORTS CONTENT TRENDS IMPACTING OTT PROVIDERS

The world of premium sports content is changing. Our research identified four key trends that will impact the sports content delivery landscape for both broadcasters and OTT providers. Although each of these trends has different implications for prospective sports OTT providers, the underlying driver in each case is the same – there is huge demand from fans for broadcast quality sports content delivery that is not currently met in some of the territories, devices and formats they desire. They expect a seamless experience; one that delivers consistent, high quality video on any device and on any network and, where required, a service that delivers targeted ads to the right audience - data infused experience.

As a result of increasing demand from fans across the world, distributors of sports content need to be thinking globally; not only delivering a broadcast-quality experience but also exploring alternative models to create value that can be flexed to meet the needs of different types of fans. There is also an opportunity for forward thinking services to combine emerging short-form and social content with live events to create a fan experience that deepens engagement.

These new dynamics threaten established services and business models, yet create timely opportunities for forward thinking OTT services to bring the next generation of premium sports services to market.

## 1. FANDOM IS BECOMING INCREASINGLY INTERNATIONAL – THINK GLOBAL

The nature of fandom is becoming increasingly international. Fans of major English Premier League clubs, for example, can now watch their teams play from a crowded bar in most cities across the world. Already, the combined international fan bases of Manchester United, Chelsea and Arsenal are estimated to exceed 210m, dispersed across the globe – from Venezuela to Vietnam.

International demand presents opportunities for federations and sporting clubs to build a strong menu of rights packages and content that's relevant to local fans. Along with international opportunity however, comes additional complexity. For OTT services, this means ensuring content is tailored to local requirements – with appropriate subtitling and audio, together with geo-specific advertising and payment infrastructure. Rights owners must decide whether to engage directly or use the local knowledge of broadcasters and other distributors to maximize the opportunity.

Audiences are not just fragmenting across geographical boundaries, they are accessing and engaging with complementary content across a wide range of devices and platforms alongside the traditional TV screen. Delivering high quality content securely and at scale can therefore present complex logistical and technological challenges for sports services.

Successful global OTT sports services need to consider the opportunity costs arising around rights management. Providers must ensure content is delivered only to the users that have the right to view, based on their subscription package, device and location. This means building a technology solution that can readily implement policy rules that are strictly based on audience and event information. Unintentionally breaching an agreement here could have very serious contractual and monetary consequences for a content provider.

*“Providers can't just think about the US and UK. Sure, you need that track record in major markets and global reach, but you also need local teams elsewhere, and the flexibility to support multi-region language and payments etc.”*

1 - Unibet (2017), Going Global Fan Database

## 2. FANS EXPECTATIONS AROUND QUALITY OF LIVE SERVICES ARE HIGH

New sports OTT services need to take into account that fans have enjoyed decades of high quality sports content delivered over broadcast channels. They are accustomed to high-resolution, reliable and low-latency feeds, and expect the same level of service over IP on their TV – indeed, many now expect this on their mobile device as well. In a recent survey 73 % of sports fans felt it was important that they be able to access content “wherever I want” and 80 % of fans had accessed content on their mobile while simultaneously watching the live event on TV<sup>2</sup>.

*“Fans used to accept grainy mobile footage because that used to be all you could film on your phone. Now they expect much more, they expect it to look just as good as TV, with the same production values... That’s how a brand differentiates itself from what fans are able to get by themselves on social media.”*

Mobile functionality and the ability to deliver high-resolution video are now table stakes for any IP service, whether it be live or VOD. However, low latency and reliability are still differentiators when it comes to live sports events. In a recent study it was found that higher resolution video generated over 10 % more engagement by viewers and that a single buffer could cause engagement to decrease by nearly 20 %<sup>3</sup>.

The ability to interact with sports content away from the main screen via social media or gambling apps means that any delay introduced into the feed can significantly detract from the live experience. Despite advances in internet delivery, it is not uncommon for some providers’ live streams to run over 30 seconds behind the actual event, compared to less than 10 seconds for satellite broadcast.

Similarly, while VOD subscribers might accept a minute of downtime or delay while watching a movie on Netflix, fans who unexpectedly miss the last minute of a crucial match are likely to cancel their subscriptions. And as the number of concurrent streams around live sporting events continues to grow, this issue will become even more critical.

*“The biggest change I’ve seen in the last 2-3 years is the quality of experience that fans expect. People are used to “Netflix quality” and expect that from live services [delivered via IP] too. You need to be as good as linear broadcast via satellite.”*

To deliver broadcast-quality video at scale, OTT services need to appreciate the complexity associated with delivering live content and work with a partner able to overcome the technical and logistical challenges. This means a global infrastructure and, ideally, a legacy of experience in the broadcast arena – where reliability and quality of experience are paramount.

## 3. MONETISATION STRATEGIES MUST EVOLVE AS RIGHTS COSTS INCREASE

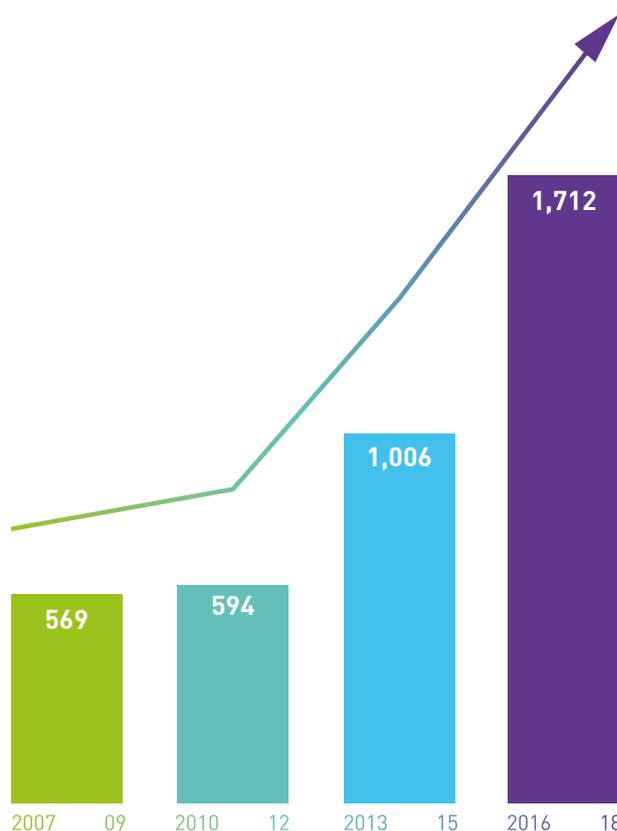
Competition from broadcasters anxious to attract and retain sports fans within their subscriber base has driven the value of premium sports rights to all-time highs. This is especially the case for the relatively small number of sports events and brands that have genuinely global appeal.

In 2014, for example, NBC paid a reported US\$ 7.7 bn for the right to broadcast the Olympics in the USA through to 2032, while in 2015, Discovery and Eurosport acquired most of the European multiplatform and distribution rights for the Olympic games between 2018 and 2024 for US\$ 1.4 bn<sup>4</sup>.

2 - Performance Communications and Canvas8 (2017), *The Future of Sports Fans Report*

3 - New Study: Quality of OTT Video Streaming Experiences Directly Tied To View Loyalty, Service Provider Success; Akamai Technologies Inc; June 2017

4 - Bloomberg (2015)



PREMIER LEAGUE UK TV BROADCAST RIGHTS, £ M PER YEAR<sup>5</sup>

Football rights – especially those involving either one of the handful of global club brands, or the English Premier League (EPL) – also continue to grow in value. EPL content is broadcast in more than 200 markets worldwide, and in the UK alone, the most recent auction of EPL rights generated over £1.7bn (US\$2.2bn) per year. This new figure, boosted by competition between Sky and UK incumbent telco BT, is approximately three times the annual cost in 2007.

Across the industry, it is widely held that this upward trend will continue, especially if the cash-rich internet players, as predicted, make more substantial moves into the sports arena by bidding for rights.

*“I would be amazed if Facebook or Google weren’t involved in the next Premier League rights auction in some capacity”*

Following Amazon’s acquisition of the UK ATP World Tour rights in August 2017, others elsewhere in the sports industry expect to see further rights acquisitions by the internet media giants. Facebook, Google and Amazon bring not only cash to bear, but also expertise in using data and analytics to better engage and extract value from their users via advertising.

As the cost of rights increases, so too does the importance of sports OTT services being able to monetise their content effectively. For established broadcasters, this requires rethinking traditional business models and offering customers a variety of ways to pay for the content they consume on their services.

*“We’ve quickly learned that every consumer is different. You have to change the way you offer sports – it can’t be the same pricing model for every fan or every event. You need premium subscriptions, a menu of tiered services and the option to pay for a single event pass... and that’s not even thinking about advertising opportunities”*

In practice, this means offering a menu of payment models, including the ability to easily subscribe (and unsubscribe), or to select from a menu of à la carte content, including “skinny bundles” and one-off events. For some users, it may also mean exploring ad-funded or “freemium” alternatives to a choice of direct payment models.

5 - English Premier League (2015)

## 4. SHORT-FORM SOCIAL CONTENT OFFERS OPPORTUNITIES FOR REINVENTION

The continued importance of social networks in the day-to-day lives of sports fans is also giving rise to global fan networks that share content and experiences online. Much of the content shared is not from the sporting events themselves, but ‘companion content’ such as behind-the-scenes footage, player interviews and fan commentary. This consumption fuels excitement, deepens engagement both before and around the main event. By some estimates, fan consumption of sports-related videos increases 75% the day before the transmission of a live event<sup>6</sup>.

*“In reality, fans are creating their own ecosystem around the content. It’s not the sports brands and rights owners.”*

Much of this growth has been organic, enabled by new social platforms and fuelled by the fans themselves rather than sports brands. Leading global sports brands are well aware of the importance of social media as a channel, though harnessing the energy and passion of such fan networks remains a challenge for both sports rights bodies and traditional broadcasters.

Social networks give brands and rights owners the potential to maintain an ongoing conversation with fans throughout the week, rather than just during the match or game, and to build hype around live events. Many across the industry believe that the future for successful OTT sports services lies in combining these new forms of popular short-form content with broadcast-quality live event coverage.

*“The next big thing in sport doesn’t look like TV on your computer or mobile. It needs to start with a blank sheet of paper”*

6 - Performance Communications and Canvas8 (2017), The Future of Sports Fans Report

## THREE SUCCESS CRITERIA FOR SPORTS OTT SERVICES

While it has never been more challenging to meet the rising expectations of fans, the opportunity to meet those expectations via new delivery models has not been as great since the advent of pay-TV. OTT services will be the next battleground for premium sports content. But how can prospective distributors, and those looking to refine their services, be sure that they are setting themselves up to succeed?

Given the emerging trends in content consumption, those services should start by focusing on the following three key areas: scalability, monetisation and rights management.

### 1. DELIVER A “BETTER THAN BROADCAST” EXPERIENCE AT SCALE

Across the sports media landscape, OTT solutions offer the opportunity to bridge the gap between the broadcast and social experiences, between the live event itself and the growing amount of content that surrounds it – in order to deliver something truly unique to fans. But the backbone of any successfully service, and a point of differentiation from rivals, will still be the live event coverage.

Sports fans have high expectations, and will not accept delayed or unreliable coverage. Sports services' reputations will be on the line at each event, and they will find fans quickly turn elsewhere should they not deliver the best possible quality of experience every time.

To achieve this, it is vital that rights owners and distributors partner with technology suppliers that not only truly understand the traditional broadcast environment but also provide services that can deliver a better than broadcast experience across OTT services.

### 2. OFFER A FLEXIBLE APPROACH TO MONETISATION

As the prices paid for premium sports rights continue to escalate, it is becoming even more critical that rights owners maximise the value that they extract from them. This means considering flexible and hybrid business models.

Delivering a subscription service on a global scale requires the ability to manage subscribers and payments internationally, as well as a CRM integration that can track users' experiences and viewing behaviour. This helps to identify and mitigate churn.

Fans will always have very different preferences for how they pay for and consume content. As well as standard subscription packages, leading services will likely need an à la carte range of “skinny-bundles”, as well as the option to pay for individual events for example.

In order to appeal to the widest variety of fans, OTT services may also choose to offer ad-funded alternatives to subscription. To maximise the return on their assets, premium content owners need flexible management of their advertising inventory – the ability to tailor the contents and choreography of ad breaks based on a viewer's behaviour, device and demographic.

Flexible ad management can also be adapted to user behaviour. Long-term heavy users of free content are less likely to upgrade to subscription packages, and therefore can be served a higher number of ads. New users, who would be at higher risk of churn if served too many ads, may have the potential to be upsold to a subscription package.

OTT sports services need to replicate the broadcast advertising experience across multiple devices, with a combination of sponsorships, promos and adverts inserted into the live-stream. This approach differentiates itself from traditional pre-roll and mid-roll advertising in two ways: it can serve to reduce user frustration if they feel their experience is affected by the monotony of pre- and mid-roll ads, but more importantly it facilitates greater opportunities for monetisation of content.

### **3. PREPARE FOR THE COMPLEXITY OF INTERNATIONAL RIGHTS MANAGEMENT**

While fandom is becoming more global, and sports video consumption fragments across devices, sports rights are still primarily sold nationally, and may be subject to device restrictions. OTT services need an accurate location for every user and device, to ensure that they are complying with the rights they own – and that their content is reaching the eyes of those who have the right to access.

To deliver a seamless experience while still complying with location and device restrictions, OTT sports services need to work closely with their delivery partners to develop and enforce clear policies. In reality, this means sharing rights metadata throughout the delivery ecosystem, and ensuring all participants are speaking a common language to enforce policies reliably.

A robust rights management approach is critical for success; by meeting the demands placed on sports services by both fans and rights holders and to reduce the risk of blackouts, interruption or any violation of rights policies.

## ARE YOU READY FOR THIS NEW WORLD?

The writing is on the wall: we will see more premium sports rights begin to tip the financial seesaw to a business model of delivery over IP. Content rights holders will be looking for the balance between audience reach and revenue, as they always have, but now with a host of new challenges, the most fundamental of which are considered above.

This really is the second coming of OTT video. LIVE streaming sports events for millions, not thousands of concurrent viewers have the ability to draw viewing populations together like never before; not isolated in living rooms, but on myriad personal devices, accessible anywhere in the world and with a plethora of ways to legally access and pay for content.

The opportunity is clearly huge. In this new landscape, success will require working alongside a trusted partner with proven broadcast credentials and a deep understanding of delivering video at enormous scale. The ability to manage content rights and maximise ROI will equally be critical.

Are you ready for this new world? Because your viewers are.

## APPROACH TO THE STUDY

The findings in this report were developed between May and October 2017 and are based on MTM research and analysis as well as interviews with a range of leading sports brands, rights holders and distribution platforms. All interviews were conducted under the Chatham House Rule (no attribution without prior permission), with participants speaking as individuals and not as company representatives.

The opinions expressed in this paper are solely those of the authors and reflect MTM's judgement at the time of writing, based upon the available information. These views do not necessarily represent the views of the interviewees and contributors. Any errors or mistakes are entirely the responsibility of the project team. Inevitably, this paper provides a partial view of a highly complex industry: it represents a snapshot of industry perspectives at a particular moment in time.

## ABOUT COMCAST TECHNOLOGY SOLUTIONS

Comcast Technology Solutions, a division of Comcast Cable, serves the advertiser, content provider, global operator, and technology markets with a complete portfolio of products and capabilities to meet the evolving needs for content distribution and monetisation in a multi-platform world. Built on Comcast's robust media and entertainment infrastructure, Comcast Technology Solutions offers an unmatched breadth and depth of expertise, spanning twenty years in broadcast and digital, to help customers deliver engaging experiences and forge new business models.

For more information, visit [www.comcasttechnologysolutions.com](http://www.comcasttechnologysolutions.com).

## ABOUT AKAMAI

Akamai is the global leader in Content Delivery Network (CDN) services, making the Internet fast, reliable and secure for its customers. The company's advanced web performance, mobile, performance, cloud security and media delivery solutions are revolutionising how businesses optimise consumer, enterprise and entertainment experiences for any device, anywhere.

For more information, visit <https://www.akamai.com>.

## ABOUT MTM

MTM is an international research and strategy consulting firm, specialising in media, technology and advertising. MTM helps clients in the private, public and not-for-profit sectors around the world understand and respond to digitally-driven change, providing award-winning consumer research, industry analysis, strategic advice, and support for new ventures, business development, and organisational change and transformation. MTM's approach combines in-depth knowledge of our sectors, a unique combination of skills and capabilities, and wide-ranging engagement with the market. Headquartered in London, MTM is a private company working with clients around the world.

For more information, visit <http://www.mtmlondon.com/>.



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