The landscape of sports is changing dramatically at every level. Clubs are taking a more analytical approach to decision making, fans are more knowledgeable than ever before – to the point that clubs are hiring bloggers and writers based on their work in the public sphere – and fantasy sports have developed from a niche hobby to a billion dollar industry. So it should not be surprising to see developments with how people watch their sports; although the cable and satellite companies themselves could be left behind as fans begin to cut the cord.

There are more than 82 million paid television subscribers in the U.S. according to the Leichtman Research Group and, per the Multimedia Research Group, sports account for 37% of all television viewing. Broadcasters are going to have to adapt to the streaming culture; television lacks the freedom that streaming on a smartphone, tablet or lap top can provide, and it comes at a cost much lower than a cable contract.

A CouponCabin.com survey in June 2013 revealed that 45 percent of U.S. adults believed that cable television was a waste of money, despite 81 percent of respondents reporting they are currently subscribed to cable or satellite television services – and 43% of people kept their cable television services because losing it meant they could watch live sports programming. Sports have a huge influence on people’s lives, and an increased appetite for sports from the consumer is driving the industry into a multi-billion dollar business.

However, there are an increasing number of options available to consumers who want to drop their traditional television subscriptions but not abandon their television-watching habits. A broadband subscription combined with a streaming device allows people have more freedom to pay for what they want to watch and decide how they want to watch it. From Netflix to Amazon Prime, Sling TV, MLB.TV and other on-demand streaming options, consumers can now be selective with their viewing, although the convenience factor of cable deals is still a draw to some. But what should concern both cable companies and sports broadcasters alike is the growth of the streaming culture, as online powerhouse companies could soon change the current sports broadcasting landscape as we know it.
The answer to this question is, quite simply, yes – although it comes with a caveat. Cable and satellite subscriptions have dropped by over three-quarters of a million over the first three quarters of the year per the Leichtman Research Group, following up on losses of over a million subscriptions in 2014:

The second quarter losses were the biggest on record for a single quarter, although losses of just under 145,000 subscribers in the third quarter of 2015 for the top nine cable companies pales in comparison to the 440,000 lost subscribers during the same period in 2014 as well as the nearly 600,000 subscribers lost over the third quarter of 2013. However, the caveat is this: the 750,000 customers lost by cable and satellite customers so far this year amounts to less than 1 percent of the total number of subscribers entering the year, so while the losses are mounting up, there is still a large core set of subscribers fueling these companies, as 83 percent of American households still pay for television. However, that does not mean that there isn’t a concern over the health of the long-running set-up of the industry, which has also been seen by plunging stock prices.

Yet as the cable and satellite customer base drops, broadband subscribers have grown. There were more broadband subscribers (over 87 million) entering 2015 than there were cable and satellite customers (83 million), and broadband customers have increased by 1.5 million over the first two quarters of the year – an increase of 1.7 percent.
With online subscription services like Netflix, Amazon Prime and Sling TV available to customers, broadband has reaped the benefits as it provides consumers with further reasons why it is a necessity.

At a panel at Sportel America in March, Daniel Cohen, SVP, Americas, at MP & Silva, highlighted the need to appeal to millennials, citing a recent study that estimates 70% of U.S. millennials consume live sports content on mobile devices. The issue boils down to fan engagement outside of the stadium, due to the ways that people are viewing sports.

“There are less people watching full games than they did five years ago. It has become more about highlights and picking and choosing what they want to watch when they want to watch it. That’s created more verticals for rights holders or broadcasters. We look to partner with leagues that are pushing the envelope and adopting and adapting to these new technologies that allow fans to engage and consume their content in many meaningful ways — as opposed to just the TV broadcast.”

It’s a scenario that suits streaming, and leagues are responding. While an MLB.TV deal allows the viewer to not only watch the entire game live, but it also edits a condensed version of the game that is available to what at their convenience as well as multiple highlights – rather than having to wait for brief highlights of their team on shows like SportsCenter or Baseball Tonight.
The major benefit to cutting the cord is obvious: it saves people money. The cost of cable continues to rise, with many people paying over $100 per month for the ‘privilege’ of watching television, although this pales in comparison to countries like the United Kingdom for the cost of watching sport – as both Sky and BT Sport charge viewers directly, on top of a legally required television license.

The problem is that cable subscribers have to pay for every channel in that package, regardless of whether they watch that channel or not. This has allowed sports broadcasters to grow, but the increasing rate of people cutting the cord and de-subscribing will provide a different challenge for cable companies, and it may lead to the de-bundling of packages.
The loss of customers is likely to play a role in the increase of subscription costs as companies seek to recover their losses. At a panel at Sportel America in March, Scott Moore, president, Sportsnet and NHL properties, Rogers, discussed the end of the all-encompassing pay-television bundle in Canada, where operators must offer subscribers a basic-programming tier for $25 a month or less before the addition of programming packages by March 2016, following the British model.

“The de-bundling of sports is – next to piracy – the second-biggest challenge to keeping the sustainability of rights. In Canada, on top of being a heavily pirated market, we are the most regulated market in the world. With total flexible packaging and à la carte, it will be the end of a number of specialty channels. If we go from 10 million subscribers down to 5 million subscribers, we will have to charge double or 2½ times in order to stay sustainable.”

It potentially sets up a vicious circle for cable companies, as ensuring that they are not losing revenue could lead to others cutting the cord. Fortunately for cable companies, sports broadcasting should continue to be available.

Live streaming services via the leagues directly also provide benefits to cutting the cord. Say you’re a fan of a MLB team from outside of the local market; while you’d be in the blackout zone for the team in the local market, you could watch every single game of your favorite team live online. This very much suits Red Sox fans living in Florida, or Yankees fans living in Los Angeles – as well as fans of the sport living abroad – at a potentially much lower cost. However, that benefit hasn’t applied to local sports fans, who still had to pay the cost of subscription for the regional broadcasters to watch their favorite teams whether they were at home or on the road. This is set to change with a number of MLB teams in 2016, with blackout restrictions being lifted in at least 15 markets.

COULD ONLINE SOURCES BECOME MAJOR BROADCASTERS?

The answer? Not any time soon, or at the very least national broadcast deals for the big four sports in the United States won’t be available. The problem due to the long term nature of TV deals domestically. The NFL’s deal with FOX, CBS, NBC and ESPN runs through 2022; the NBA have an agreement with ABC, ESPN and TNT through 2024-25; the NHL is with NBC and Versus in the US through 2023 and Rogers in Canada until 2025; and MLB has teamed up with ESPN, FOX and TBS though the 2022 season. Even MLS has a deal with ESPN and FOX Sports through 2022. These deals provide clubs with a huge amount of revenue, and that’s just national television deals too, as local and international contracts provide a further boost. The NFL, MLB and NBA rank in the top four worldwide for annual revenue from the media, while the English Premier League is the highest ranking soccer league.
However, Yahoo highlighted the huge potential of online streaming when it broadcasted the Jacksonville Jaguars vs Buffalo Bills in October 2015. While the NFL likely had more interest in this game in terms of broadening their market in the UK, the International Series game shattered all expectations and promises to sponsors, as the 33.6 million streams far exceeded the 3.5 million that the company promised to advertisers, which undoubtedly thrilled the league.

It likely widened the competitors for the next major television broadcast deal, yet this gives the likes of Yahoo, Google, Amazon and Apple time to perfect their models to monetize the product, and online services do have more opportunities for advertising revenues. With Television limited to commercial breaks and sponsorship, online sources can add the webpage itself as well as pop-up ads, which would take the viewer directly to the advertising source – something that is impossible for cable and satellite companies to offer, which is likely to have a huge appeal for at the very least fantasy and betting websites. So when the next round of bidding for national broadcast rights comes around, we could very easily see the likes of ESPN, NBC and FOX battling companies like Apple, Google and Yahoo for the rights to be the main sports broadcasters in the United States in each sport.

This model could also appeal to teams rather than local broadcasting contracts too, and the LA Clippers owner Steve Ballmer has reportedly investigated the potential during negotiations over the team’s local broadcasting contract. Being able to sell subscriptions to fans across the globe with their own sources of advertising income may become a better model to follow; however, this would also mean that clubs would have to take on production costs, as well as potentially having to set up other shows to further appeal to consumers. The league may also have objections if it takes revenue away from it; for example, this could certainly be the case in baseball, as teams could then limit the appeal of MLB.TV.
Cord cutting is real, and the number of people cutting the cord is likely to grow. While the overwhelming majority still continue to subscribe to cable and satellite, there is a continuing trend of people ending their subscriptions and moving to online sources, and companies are not helping themselves reverse this by increasing costs to current subscribers.

Yet as cord cutting is in its infancy, it will be interesting how this affects the sports business as a whole. Could major online brands become big players for broadcast deals in the future as the decade turns to the 2020s? Yahoo certainly proved that there is huge potential in this business model, and for the big four leagues it would certainly help the brand beyond the North American shores, potentially reaching a previously unreachable audience. And at home, this would appeal to a generation of people who prefer to stream their sports – and this group of people is only likely to continue to grow, as the next generation who grew up with smartphones and tablets could start to see cable and satellite as outdated technology for entertainment, with their devices available whenever and wherever they want them.

The early potential of a new age of sports fandom is clear to see, and as cord cutting continues, streaming could very easily take over as the primary option for sports viewing in the not-to-distant future.

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