Street & Smith's SBJ SPORTS BUSINESS JOURNAL

OPINION

Innovation from sports properties and media partners will be in the spotlight

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1.3.2024

Today's abundance of live event programming has required sports properties to find creative ways of engaging with and differentiating their offering with media partners. For decades, media companies have paid rights fees to pro and college leagues for content. But now, digital streamers and linear networks recognize that buying content is no longer good enough.

Fans of "Thursday Night Football" get to see alternative camera angles, stats and a selection of broadcast teams on Amazon Prime Video. Younger fans get to experience Nickelodeon-style graphics on ESPN and live-player action converted into "Toy Story" figurines.

But innovation is no longer limited to an expansion of choice or enhanced viewer experience. 2023 was a year of notable deal structure innovation with the emergence of several new media partnership arrangements across professional sports, new startup leagues and rapidly growing sport franchises.

MLS, Apple and Messi

After mandating that local club television deals expire prior to the 2023 season, MLS consolidated its rights into a single 10-year national streaming package with Apple. Their deal is so much more than delivery of games on Apple TV. It touches every part of Apple's ecosystem including News, Wallet, Maps, Music and even Apple retail stores. The NFL, NBA, MLB and NHL and now NASCAR have already started to include digital partners with packages offered to Amazon Prime, YouTube TV, Facebook, Apple and others, but MLS is the first league to create a long-term exclusive package with a streaming platform. Innovation for Apple went a step further when they decided to increase its investment by sharing MLS Season Pass subscription revenue with global icon, Lionel Messi, as part of his deal to join Inter Miami. MLS reported more than 110,000 new sign-ups on the day of Messi's Inter Miami debut, triple the number of sign-ups on opening day of the 2023 season and more than 288,000 subscriptions to AppleTV+ in his first month in the league. To date, Season Pass has more than doubled its subscriber base since Messi began playing in early July.

USFL, Fox and XFL

In the world of new startup leagues, Fox acquired the intellectual property of the 1980s USFL in 2021 and the first season of the rebooted league kicked off in 2022. After two attempts at spring football by Vince McMahon, the assets of the XFL were acquired by a combination of RedBird Capital and the team of Dwayne Johnson and Dany Garcia. There have been multiple attempts through the years to build a sports property based on the seemingly insatiable appetite for football in the U.S. In 2023, the two leagues decided to combine their efforts and a merger was approved by the Department of Justice. On the surface, it appears that the media network, Fox, will own 50% of the combined entity. Media companies like ESPN (X Games) NBC (American Century Golf, The Dew Tour) and Turner (The Match) have built properties from scratch before, but Fox is now investing in existing leagues in partnership with private equity firms, looking to capture high advertising CPMs and maximize the revenue of live sports. With the first incarnation of the XFL in 2000, McMahon was actually years ahead of his time because the original venture was jointly owned with NBC.

FloSports and High Limit Racing (HLR)

Innovative partnerships are not limited to team sports with national audiences. Since 2006, FloSports has built a subscription video streaming service dedicated to sports not traditionally receiving prime-time coverage, offering both live and on-demand programming. FloSports has established itself as an innovator and leader in sports streaming and in November made a notable investment into High Limit Racing, bringing content and media distribution even closer. Owned by NASCAR Cup Series champion Kyle Larson and five-time World of Outlaws Sprint Cars champion Brad Sweet, High Limit Racing recently consolidated the organizations behind sprint racing by acquiring NASCAR legend Tony Stewart's All Star Circuit of Champions.

Over the years, FloSports has built its audience through media rights deals with select governing bodies (e.g., Varsity Spirit, USA Wrestling) leagues and conferences (e.g., Coastal Athletic Association, South Atlantic Conference) and events (e.g., Chili Bowl Nationals, The Cheerleading Worlds) and organized their offerings into appropriate verticals such as FloWrestling, FloGrappling and FloRacing. FloSports approaches each of these agreements as true partnerships aimed at growing audience alongside the rights holder by sharing insights, providing back-end software services and building meaningful content together. With HLR, FloSports has taken this approach a step further, acquiring a minority equity stake in the new venture. In the last 25 years or so, sports leagues have often received equity from licensee (e.g. Fanatics) as compensation for use of the intellectual property. In this approach, the media producer/distributor is investing its funds in a sports property, much like Apple contracted with Messi to increase their chances of success with the MLS.

"As we continue to get deeper in these sports, where we know how we can create value for us and also the community and our partners, we'll invest in these verticals and hopefully drive progression of these middle- and long-tail sports," said Mark Floreani, founder and CEO of FloSports, in a Nov. 7 press release.

In sports, monetization is a factor of audience, in terms of size and value to media, sponsors and licensees. Apple is investing in a third party (or specifically, an athlete) and Fox has formed its own property partnering with professional investors. FloSports has demonstrated their commitment to a highly engaged and emotionally connected fan base. They understand the potential value of their sports and see the opportunity to grow the size of their audiences, starting with HLR.

There has been talk that the new media deal for the expanded College Football Playoff would include revenue sharing for the student athletes involved. Do the media companies bidding have to share revenue with the student athletes to ensure success? Probably not. But perhaps the CFP entity needs to share revenue with these football players to secure the federal legislation that they are seeking to pull-in the fragmentation caused by conference realignment, NIL collectives and the transfer portal? If so, will both the networks and CFP take less, or just the CFP?

If the last year is the beginning of a trend, it’s becoming evident that sports properties and their media producers/distributors will require innovative, multi-party partnerships to increase the chances for success for all.

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