

# THE OTT REPORT

*SportBusiness*

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**Editorial and research team:**

David Walmsley  
Adam Nelson  
Richard Welbirg

**Typesetting:**

Character Design, Hereford

**Published by:**

SportBusiness, a division of SBG Companies Ltd  
133 Whitechapel High St  
London E1 7QA  
T: +44 (0) 20 7265 4100  
F: +44 (0) 20 7265 4220

**Registered address:**

Park House  
116 Park Street  
London W1K 6AF

**Cover images:**

Getty Images Sport

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## PUTTING THE CORD TO THE SWORD | SPORT GOES OVER THE TOP

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The next big thing in almost any market is reliably hailed “the Netflix” of whatever sector is being disrupted by its new distribution model. This month alone, Texture is “the Netflix of magazines”, *Forbes* is following the billion-dollar race to become “the Netflix of China” and the *Wall Street Journal* says “the Netflix of music” won’t be Spotify. But one market attracts the moniker far more frequently than any other: sport.

Ignoring the fact that the company apparently least interested in becoming “the Netflix of sport” is Netflix itself, the prevalence of this piece of digital shorthand highlights the level of anticipation that exists among rights-holders, broadcasters, technology providers and brands over the possibilities to which new online distribution platforms can open the market. The race is on to go Over The Top.

This report examines what going OTT means for sport, exploring the forces driving the rise of streamed sports coverage, both live and on-demand, and assessing the benefits these new services can bring. It also investigates the size and strength of the barriers that are discouraging more rights holders and consumers from cutting the cord, looks at the potential impact of the tech giants joining the fray and asks how the market will evolve over the short and medium term.

### 1. The Story So Far: Streaming’s Rising Tide

2017 was the year in which OTT video became a demonstrably mainstream platform as viewership of its services extended into a majority of US homes for the first time. The rise of OTT represents a shift in viewing habits away from linear television that is being driven by the expansion of ownership of streaming-enabled devices and improvements in

network connectivity that have normalised video consumption on smartphones into a behaviour that is now spreading to bigger screens and a wider range of demographics.

This sea-change has created a new opportunity for sports properties to go direct-to-consumer with their own live and on-demand OTT services; an opportunity that an increasing number of organisations of all sizes are exploring as a means of growing their revenues and expanding their reach.

Established broadcasters are by no means out of the picture, though. Aside from their own ambitions to go OTT, linear television continues to dominate the viewing habits of all demographic groups from Millennials up, delivers audience numbers beyond the current reach of streaming platforms and enjoys some residual protection from the technology gaps that its would-be successors are still to bridge.

### 2. Audiences and Data: Not Just a Number

For sports rights-holders, the appeal of OTT services centres primarily on their potential audience – in terms of both quantity and quality alike. On quantity measures, the economies of DTC delivery are enabling smaller federations to aggregate dispersed viewers into a viable audience base and larger properties to reach under-served fans beyond their core markets. And in quality, the one-to-one nature of OTT distribution means all rights-holders (and their commercial partners) can learn much more about audience demographics, habits and preferences than they can through linear TV.

The wide range of metrics OTT providers are able to track is now producing a rich flow of data that can be used to drive content strategy and improve subscriber retention rates through personalised and interest-led programming, as well

as deliver more targeted and contextual commercial messaging.

### **3. Clinging to the Cord: Barriers to OTT Growth**

The 'what' and the 'why' of OTT sport have been very clearly articulated by the technology's advocates, but outstanding questions over the 'how?' and the 'how much?' are leaving many consumers and rights-holders wary of getting on board the bandwagon just yet.


Connectivity remains the weak link in OTT's distribution chain, with even high-profile properties still suffering embarrassing service outages and sports fans resigned to experiencing latency, buffering and loss of picture when they watch live action online. That situation is likely to become even less acceptable as the costs of going OTT begin to mount for properties and consumers alike, for the former through the production expense of creating their own output and the latter through the patchwork of subscriptions increasingly required to stay across the disconnected DTC landscape.

One potential solution to the platform proliferation problem already being floated is (with apologies to Netflix) an 'iTunes of sport' that allows consumers to choose their viewing from across multiple services on an à la carte basis, funded by micro-payment models and dynamic pricing. This is additionally seen as a concept that could also help address the other main barrier to rights-holder participation – piracy – by making legitimate content easier to find.

### **4. Faster, Higher, Stronger: The Future of OTT**

The interdependent relationship that exists between platform development and media consumption habits will continue to fuel the growth and shape of OTT services in sport, with the data-generation capacity of DTC platforms now starting to inform content strategy and fan behaviours continuing to drive the introduction of new functionalities.

Personalisation is already emerging as a strong focus of DTC provision, with audience preferences shaping content development – particularly outside the live window – and those of the individual feeding scheduling, discovery and presentation. From a hardware point of view, consumers' willingness to multi-task is creating a growing need for OTT producers to extend the viewing experience onto second screens or incorporate additional activities into the main stream.

But potentially the biggest game-changer would be a move by one or more of the FANGs – the global tech giants Facebook, Amazon, Netflix and Google – to become a major player in the sports-rights market. Their involvement to date has mostly had a proof-of-concept feel about it, while the disincentives to deeper engagement that exist around commercial models and logistics mean there is no clear consensus on where, how (and, for some, even if) they will look to put sport at the heart of their media businesses. Rights-holders await their conclusion with anticipation; incumbent media partners are steeling themselves for a fight. 

## THE STORY SO FAR | STREAMING'S RISING TIDE

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Sport is often perceived as playing catch-up in a streaming revolution whose pace has so far been set by music, film and television. But the fact is the industry has had skin in the game for more than 20 years now.

Sports broadcasting first went over the top as long ago as September 1995, when ESPN's SportsZone streamed live radio coverage of the Seattle Mariners' Major League Baseball (MLB) game at the New York Yankees over something called 'The Web', which the Seattle Post-Intelligencer helpfully explained was "a rapidly growing section of the Internet enlivened by pictures, sound and video". The Mariners' local tech business connections – RealNetworks streaming pioneer Rob Glaser is a long-time shareholder in the franchise, while ESPN's SportsZone was part-owned by Microsoft co-founder and Seattle native Paul Allen – got them first out of the blocks but inferior sound quality to standard radio and technical limitations that restricted access to the stream to only a few hundred people at the same time meant this exciting new era of sports media consumption made little immediate headway. "Why would anyone want to listen to a radio on a computer when there's a perfectly good one in the car?" the *Tampa Tribune* wondered.

Some 22 years on, the internet is now a logjam of streaming services of all shapes, flavours and sizes, but with MLB still very much on base and having undergone an expansion that is emblematic of the pace of change experienced throughout sports media at large.

Having started streaming live videos of games in 2002, its annual volume of broadcast output reached 18,000 hours in 2009 before rocketing to 400,000 hours just five years later, fuelled by the in-house expertise of MLB Advanced Media, the

technology arm that proved so successful it spun off a separate entity, BAMTech, which provides end-to-end content delivery solutions to other leagues, broadcasters and non-sports platforms such as Hulu and is now majority-owned by Disney following successive buy-ins that earned MLB and its member teams more than \$2.5bn over 2016 and 2017.

### 1.1 More screens. More choices

With comScore data indicating that viewership of OTT video services reached majority status in US homes during the first quarter of 2017, these are now clearly mainstream delivery platforms for entertainment content. This level of access has been achieved through a confluence of three important trends: expansion of ownership of streaming-enabled devices, changing television viewing habits, and the emergence of new technologies and platforms to exploit the opportunities created by the first two shifts.

Chris Wagner, executive vice-president and co-founder of digital video technology specialist NeuLion, which powers the OTT services of sports properties including the NBA, UFC and English Football League, says of the cause and effects of the change: "We are as consumers spending less time in front of the TV set. Cable subscriptions are decreasing, certainly here in the States. In 2050, there will be more smartphones than people. Quality [of OTT services] is now better than the legacy television experience as the ability to personalise is far better – the consumer wants to pick and choose. These are all big macro trends that mean the whole video ecosystem is under complete change and that the urgency to go DTC is bigger than I've ever seen it. Every media company, especially in sports, is now in a position where they

have to have a DTC service because that is where the audience is.”

The key enabler of the current virtuous spiral of growth OTT services are enjoying is the technology element: without the widening availability (and, crucially, affordability) of streaming-ready devices and the network capacity to deliver reliable, high-quality video to them, consumers would not be able to move their consumption habits away from linear television and towards OTT. That in turn would inhibit the expansion of service provision and choice by keeping addressable audiences below the levels needed to attract new entrants on the supply side.

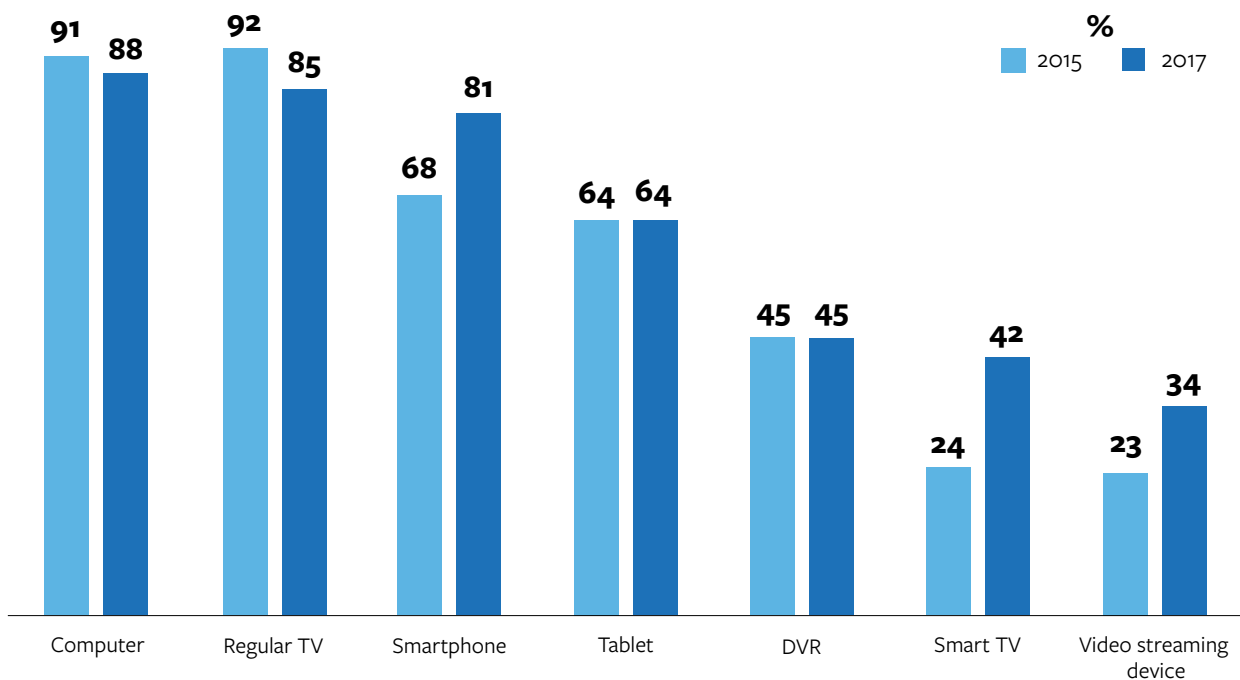
Smartphone penetration in Western economies has been approaching saturation point for a

number of years and has been a primary driver of video consumption over social media and platforms such as YouTube. At the same time, however, it has formed a bridgehead for OTT services to reach more and bigger screens by normalising this type of consumption for a widening range of demographics. As Rainer Geier, managing director of streaming technology provider Sportradar OTT, puts it: “We are now going from linear broadcasting to OTT. We expected the transition to come earlier but in the last two years it has really been increasing and reaching a critical size. That comes with mobile devices and mobile usage by Millennials particularly.”

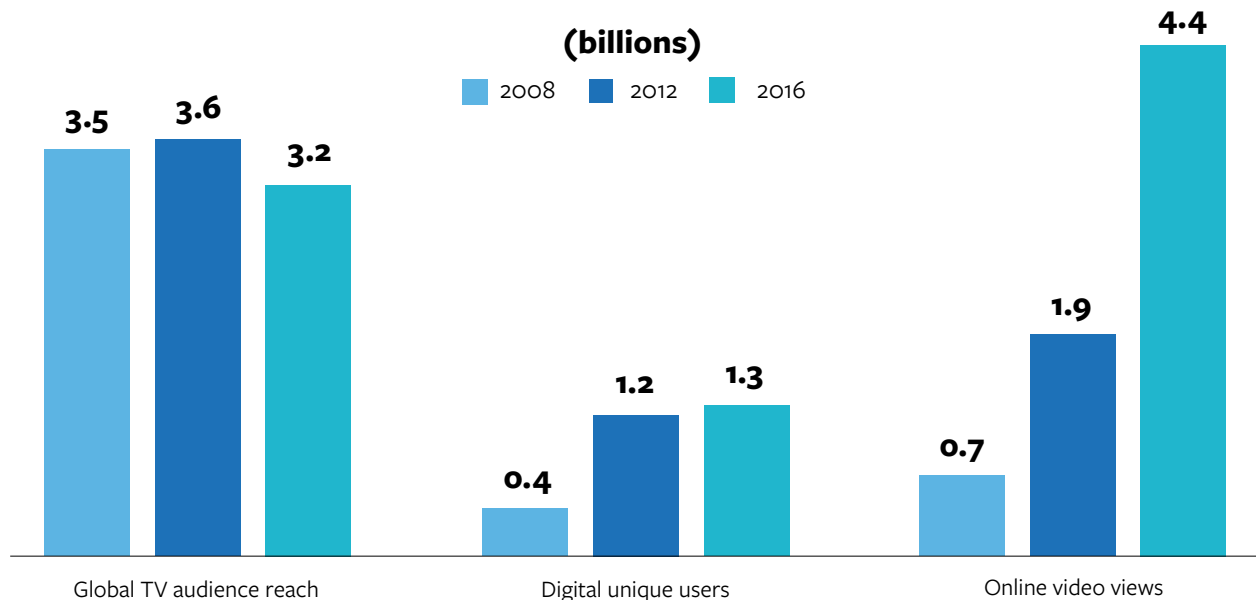
It is the arrival of OTT capabilities in the centre of the entertainment home through smart TVs and

### Ownership of video streaming devices, 2015 v 17

Base: 651 and 821 adults aged 18+



Source: IAB Research

**Olympic Games broadcast metrics, 2008-16**

Source: IOC

video-streaming devices, however, that has had the most powerful impact on the big-screen viewing that dominates live sports consumption. According to the Internet Advertising Bureau, ownership of smart TVs among US adults grew by 75 per cent between 2015 and 2017 to achieve 42 per cent penetration overall. Ownership of streaming devices such as Roku boxes or Amazon Fire sticks also jumped 48 per cent over the same two-year period to reach 34 per cent in 2017. Data from the UK communications regulator Ofcom, meanwhile, puts streaming device penetration among Britons at 21 per cent in 2016.

More significantly, owners of these devices are increasingly confident in using them, with the result that consumers are watching less conventional linear TV and more streamed services (primarily on-demand), even if they do so on the same screen. The IAB research found that the proportion of streaming-enabled TV owners in the US who streamed video on a daily basis rose from 32 per

cent to 46 per cent between 2015 and 2017, while Ofcom found that streaming devices in the UK were used by 86 per cent of people who had access to one. The result of these shifts is that, in the UK for example, average daily time spent watching broadcast television fell by 12 per cent between 2011 and 2016.

This expanding OTT audience has attracted more OTT services, which have in turn attracted more viewers by making more content available to them. Estimates by Ampere Analysis indicate that Netflix subscription numbers in the UK grew from 3.6 million in Q4 2014 to 6.0 million by the same quarter of 2016, while those of Amazon Prime expanded from 1.1 million to 3.8 million.

The shift is evident in live sports audiences too, so while Super Bowl LII was in conventional viewing terms only the ninth-most watched edition to date, it was by far the most streamed, with NBC reporting an average minute audience of 2.02 million, peaking at 3.1 million concurrent streams and with



a total of 633.7 live streaming minutes consumed across 6.1 million unique devices, the last two of those numbers up 185 per cent and 112 per cent respectively from NBC's last Super Bowl stream in 2015. In the UK, broadcast viewing figures for Sky Sports live Premier League output fell 14 per cent in 2016/17, but audiences watching via its OTT services Sky Go and Now TV were up 31 per cent. And for the summer Olympic Games, streamed video views grew from 700 million at Beijing 2008 to 4.4 billion at Rio 2016 as total viewer hours fell from 37.3 billion to 30 billion.

"There will always be a place for linear television," says David Abrutyn, executive vice-president and principal of global sports investment firm Bruin Sports Capital, which is involved in OTT ventures with the NFL and the ATP in tennis. "But if you are looking at the amount of video being consumed by OTT platforms, it is already several billion hours annually and the data suggests that, from a US perspective (although the trend will be similar elsewhere), as many as 30 per cent of households no longer have traditional pay-TV. Over the next several years you will have more cord-cutters trying to meet their needs and then a large section that will be cord-nevers: 18-year-olds and over who have never had a cord. How will you reach those people who consume not just sport but traditional TV in a different way to the way 40-somethings might? That is the challenge: to put the jigsaw pieces together and reach audiences wherever they want to consume their sport. In today's consumer-driven marketplace you have to be where the audience wants to engage with you. There was a perception that live sports was one of the reasons why people wouldn't cut the cord but if you look at Direct TV, Hulu and ESPN with their much talked-about OTT service, we are creating an ecosystem in which you can cut the cord and still have sports available to you."

## 1.2 Rights-holders: A mass participation event

There are now reported to be more than 200 OTT services available in the US alone, with a new offering joining the market at least once a month on average during 2016 and 2017. Growth rates in the sport sector are if anything even higher, to the point that NeuLion streamed 63,000 live events during 2017, comprising around 300 petabytes of data. And with the following just a snapshot of some of the parties coming to the table in 2017-18, the numbers are likely to continue rising well into the medium term:

- ESPN Plus is slated to launch in April 2018, offering live sports not available through its pay TV service for \$4.99 a month.
- Formula 1's F1 TV will be available in around 40 countries for the 2018 season, charging \$8-12 a month for commercial-free coverage and exclusive features, and setting a medium-term audience target of five million subscribers.
- Spanish football league LaLiga announced it will introduce its own multi-sport OTT service in August 2018, aiming to improve the visibility of 64 Spanish sports federations alongside coverage of its own competition.
- The Professional Bull Riders series launched its own western sports service, available for \$6.99 a month through its own app and website initially but coming to services including Amazon Prime, Apple TV and Roku later in 2018.
- The Volvo Ocean Race began live-streaming its in-port competitions over Twitter from January 2018.
- In September 2017, the International Tennis Federation unveiled its own live streaming platform for its Davis Cup and Fed Cup competitions.
- A 10-year, \$525 million agreement between the Women's Tennis Association and digital content



specialist Perform Group led to the launch of OTT service WTA TV, offering live and on-demand of almost 2,000 matches for a monthly fee of \$9.99 or \$74.99 annually.

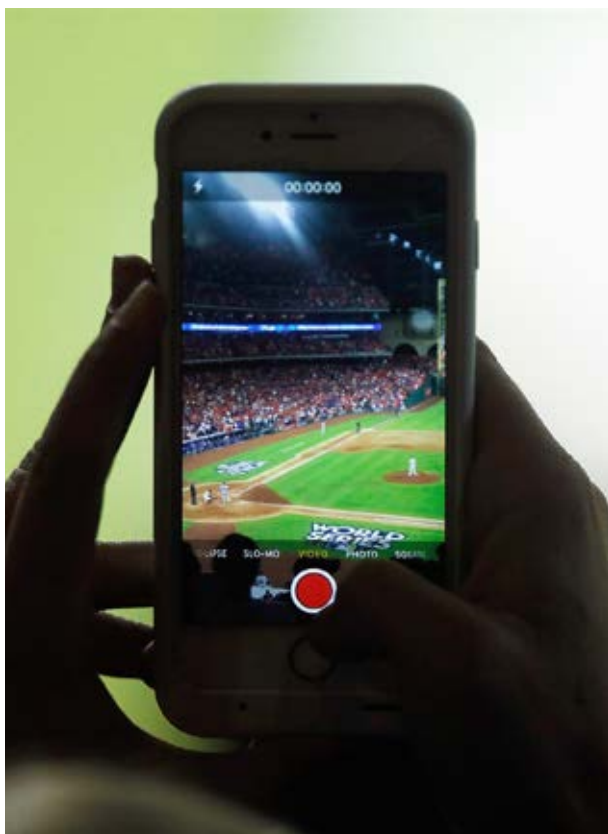
- Also in tennis, rights distributor Lagardère Sports enabled triple Grand Slam winner Stan Wawrinka and world number seven David Goffin to stream their matches at the 2018 Open 13 Provence and Open Sud de France tournaments respectively live on their Facebook pages within certain territories.
- World aquatic sports governing body Fina launched its FinaTV OTT service at its 2017 World Championships, the first of its marquee competitions to be streamed through the new platform.

All these rights-holders clearly have a primary focus on the revenue opportunities of going DTC, but

with development of these services complicated by existing media rights agreements – F1 TV is available in France and Germany but not the UK, for example – the initial focus of the majority is on expanding their fan bases beyond the audiences of their pay-TV (and, in some cases, free-to-air) output. This is true at both ends of the scale, as the examples of the proprietary OTT services of the NFL and European Hockey Federation demonstrate.

### 1.2.1 NFL Game Pass

Game Pass is the NFL's own OTT service, which offers different levels of service to fans according to their location. Within the US, Game Pass provides live streams of pre-season games and on-demand replays of all regular season contests, although all out-of-market Sunday games can be watched live via an additional pay service at nflsundayticket.tv.



Outside the US, Game Pass subscribers can watch every game live or on-demand and have round-the-clock access to the NFL Network channel (with some blackout restrictions in Canada, the UK and Republic of Ireland). Both products include a condensed 'game in 40 minutes' option which is considered to have strong appeal as a view-in-commute product for international markets in which live action plays out overnight. An annual subscription costs \$99 in the US or £140 in the UK.

The service re-launched in Europe in September 2017 with a renewed focus on portability, control and data visualisation in response to the views of 5,000 subscribers surveyed during the off-season, and the NFL says it will be an increasingly important focus of its business strategy over the next five years. The League also streams all games live in Canada through the sports-dedicated subscription

platform DAZN and has made Thursday night games available free-to-stream via Twitter and Amazon Prime, using multiple platforms to test penetration rates and explore customer acquisition options, in expansion markets especially.

David Abrutyn, of Bruin Sports Capital, which runs Game Pass in Europe through OverTier, a joint venture with WPP, underlines the focus of the product on extending the league's visibility and reach. "The NFL Game Pass product enables NFL fans around the world to be engaged in viewership of games as well as all the collateral programming that goes with it," he says. "If you are serving more people than you did last year, that would be success."

### 1.2.2 EuroHockeyTV

EurohockeyTV is the streaming platform of the European Hockey Federation, set up in the summer of 2017 with the aim of growing interest in the sport and providing access to live action for audiences in regions under-served by television coverage. Built in partnership with Sportradar, EurohockeyTV will stream 163 matches from more than half the 30-plus tournaments it runs at senior and junior level during its first year of operation and aims to expand its scheduling by opening the platform for national associations to use as a home for their own live output. The federation has sufficient budget to manage broadcast coverage at eight tournaments, while individual hosts are able to perform the same duties at a further eight. The service does not charge viewers for access but requires one-time registration to watch live streams. All on-demand content is open access.

The first events steamed live by EuroHockeyTV were the 2017 European Senior and Under-21 Championships, after which registrations reached 30,000. Euro Hockey League coverage attracted a further 5,000 subscribers with winter indoor

competitions taking the base up to 40,000 in the early months of 2018. The federation's year-one aim is to reach 60,000 registrations by April 2018, which it expects to do with a further round of EHL action.

EHF General Secretary Angus Kirkland says of the platform's longer-term goals: "What we are trying to create is a home for hockey in Europe where people will automatically go to watch. We are building a community and the more content you can have, the more people are getting involved and the money will eventually fall out as we become more able to bring in sponsors and advertisers too."

### 1.3 Broadcasters: TV still part of the big picture

Streaming may be the future of sports media but cable, satellite and terrestrial broadcasting is a long way from being consigned to its history. Sport still needs what are now being termed legacy broadcaster systems, and the business models of these platforms still need sport. But there are also areas in which the interests of OTT and cable/satellite services will continue to coincide.

For sports properties seeking to reach mass audiences, conventional television is still the only game in town. OTT audiences continue to set record after record, but they are coming off a relatively small, early-adopter base. The peak television audience for Super Bowl LII was more than 35 times the size of its online equivalent, while, more widely, research by UK industry body Thinkbox compiled from Ofcom, BARB and comScore data found that live TV viewing still accounts for 60 per cent of the average person's video day – and falls only to 40 per cent even among the prime cord cutters of the 16-24 demographic.

Cable and satellite broadcasters are not doing sport a favour by giving them dedicated channels and vast amounts of airtime though – exclusive

access to sport has been the hook on which many broadcast businesses have been built, not just in driving subscriber numbers but as a gateway to selling wider bundles of communications services. An October 2017 US consumer survey by PwC found that 81 per cent of sports fans subscribed to pay TV – nine points higher than the whole-sample average – but also that 82 per cent of this group would happily cut the cord if they could watch live matches elsewhere.

The question of which party needs the other more will play out in rights negotiations – with the spectre of an Amazon or Facebook bid floated during the most recent round of domestic Premier League bidding a likely sign of things to come – but even where an ambitious OTT provider does make a major purchase there are likely to remain some areas in which cooperation with incumbent legacy broadcasters is still of mutual advantage. Technological advance will erode this need over time but at present OTT services operate under restrictions of reliability and reach that do not generally apply to signals being beamed from satellites or through cables.

The most overlooked of these is out-of-home viewing, which can add significant numbers to live sports audiences. Nielsen's US out-of-home reporting service launched in 2017 found that this segment gave sports events an average uplift in viewership of 9 per cent, with ESPN seeing a 19 per cent boost for its live college football coverage. In Germany, the biggest Bundesliga matches can attract out-of-home audiences of two million-plus, while in the UK it is believed that viewership in pubs and clubs can often eclipse domestic ratings for the Premier League, with audience demographics skewed towards the most valuable target groups of sports properties and associated brands.

For OTT newcomers to the out-of-home segment, the issues that are currently hardest to

address are around latency and the policing of rights.

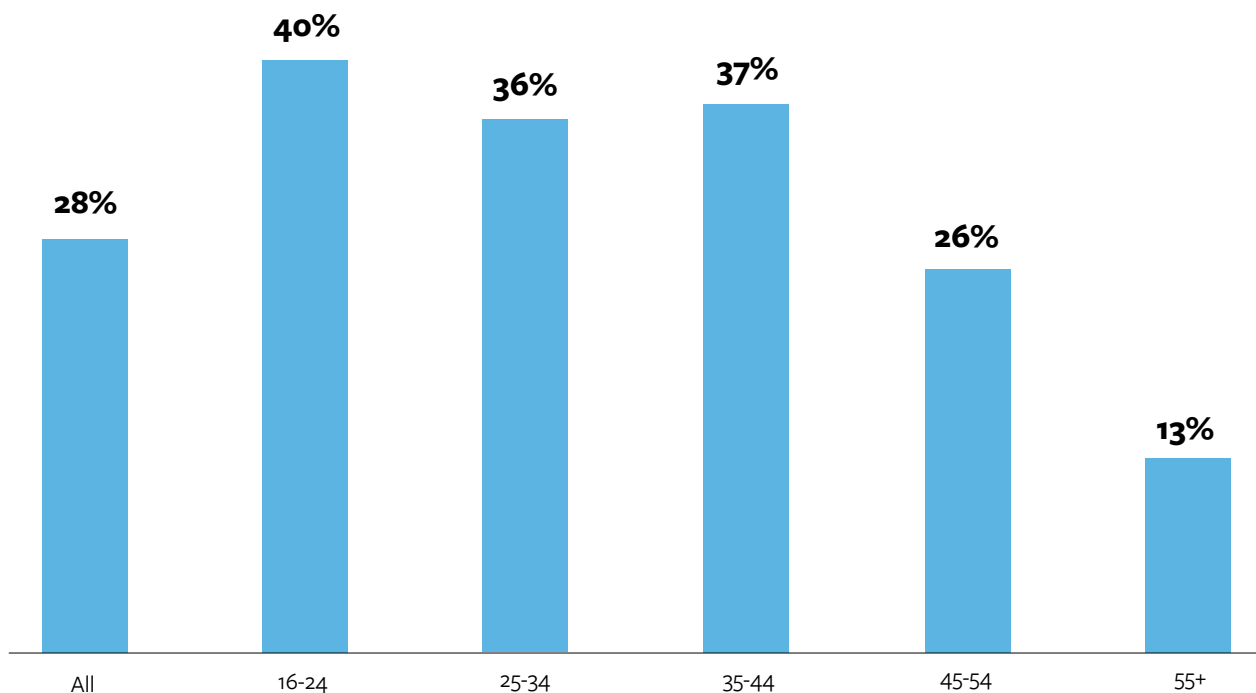
Dependence on broadband networks – especially in rural areas – and the variability of WiFi connections within venues creates a risk of spoilers the near-instantaneous and simultaneous nature of broadcast delivery does not, whether that is through social media or the cheers of the bar next door alerting the audience to a goal being scored before it happens on the screen in front of them. And with one of the appeals of the lean OTT business model being its ability to thrive on low costs and margins, the resource required to police

out-of-home rights – which still depends largely on physical inspections of premises – is a more significant burden than it is for incumbents with established systems of protection.

Broadcasters are in no way irrevocably welded to their satellites or tied inextricably to their cables, though, and in fact, on the contrary, many are looking forward to escaping the cost burden of keeping their distribution systems flying through space as they go OTT themselves. There is a wide expectation that these legacy platforms will go the way of the dinosaur, but circumstances dictate that their extinction date is not yet imminent. [O](#)

### Past-year viewing of live sport on television in a venue outside the home, October 2016

Base: 960 internet users aged 16+ who have watched live sport on TV or online in the last 12 months



Source: Mintel

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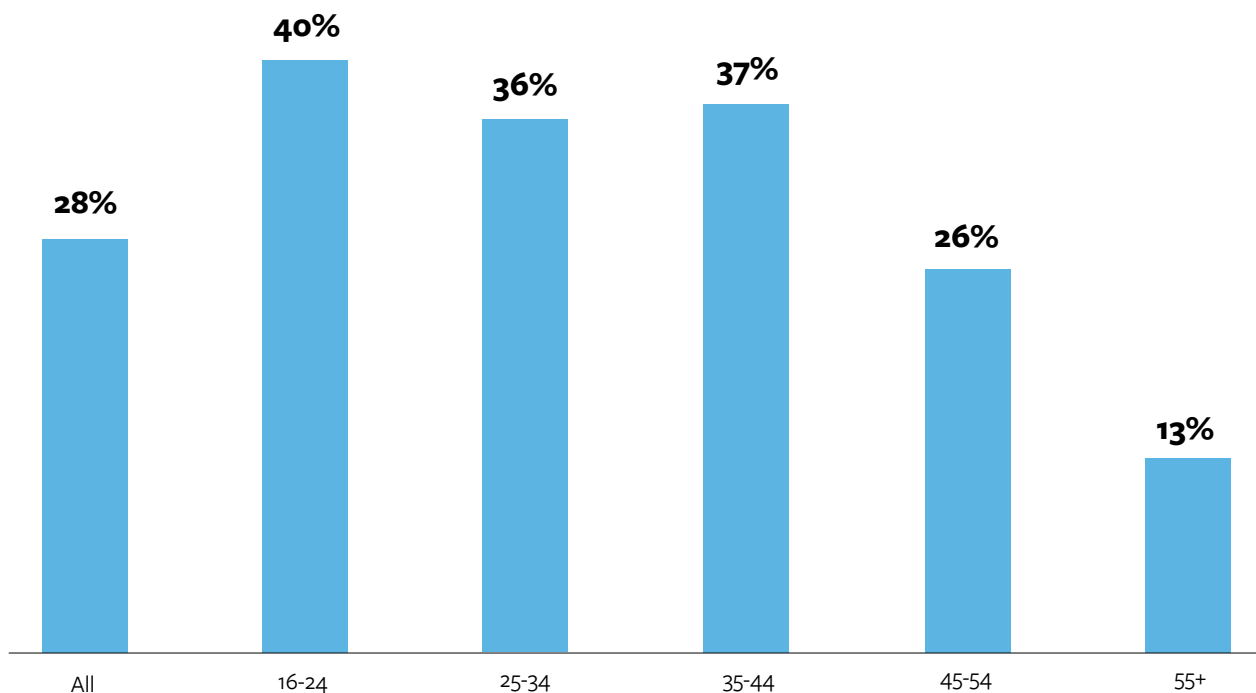
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Source: Mintel



## AUDIENCES AND DATA | NOT JUST A NUMBER

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For many niche and minority sports that are under-served by mainstream broadcast coverage, OTT platforms are already able to compete for rights-holders' attention on the measure of quantity: audiences that are too small to attract a television fee can be viable online, and make a positive contribution to revenues if a property can aggregate and monetise them across a number of territories. As European Hockey Federation General Secretary Angus Kirkland explains: "The one advantage we have [in going DTC] is if we can't get a broadcast deal in a territory we have the flexibility to say the content is available through the platform and maybe you have to pay to watch it. I'm not saying we will do that in the near future but it's a good opportunity for us because it means we don't have to accept a bad deal any more."

That is a view seconded by David White, president of media at Lagardère Sports and Entertainment, who says: "If a federation, for example, cannot achieve a fee for their media rights, they haven't really got a lot to lose by going DTC. They know where their fans are and they can work with their sponsors to make sure they can achieve delivery to the number of people they need to form the basis of an audience."

In the very highest tiers of the rights pyramid, however, it is significantly harder to make the OTT numbers add up in the same way, with incumbent broadcasters (especially those going free-to-air) still able to reach larger audiences than those delivered by emerging digital alternatives to date. But OTT platforms here are much better able to compete with legacy linear TV on audience quality than they are on quantity: digital delivery enables rights-holders to gain a much fuller picture of their viewership than simply how many people are watching, allowing them to drill down demographically into who these consumers are,

where they are from and a whole range of further detail around their behaviours and preferences that can have a profound impact on business strategy stretching far beyond media rights.

Craig Niven, lead consultant at data-driven marketing agency Two Circles, which works with OTT products including NFL Game Pass and the ATP Tour's Tennis TV, says of the platform's key point of appeal: "A big difference between OTT and traditional, broadcast television is the ability to track true viewership volume. Monitoring engagement on traditional, broadcast TV is primarily achieved through BARB or Nielsen, who will attach consumption tracking software to a representative sample of the population, track what that sample watch and then extrapolate that number to present total viewership. This means traditional broadcasters struggle to get a true read of whether 13 million people were watching something – it's an estimate.

"Not only can OTT get you a true figure of the total viewership volume, but you can also build a greater understanding of your audience's consumption habits at a user level. For example, OTT allows you to track how many users watch a live match, and then help you understand other types of content they watch on your product. Some might primarily watch live content, others would watch replay or highlights of a specific player or team ... but ultimately you can see exactly what a user's viewing preferences are. This gives you a much more rounded view of what people are doing with your content, which is incredibly interesting and powerful insight that can drive both editorial and commercial strategy."

### 2.1 Viewers in close-up

So who is watching? OTT may have been around for more than a decade but is still an emerging

technology in the sports media market and, as such, has seen its general user base exhibit the expected characteristics of early-adopter demographics. Consumer research carried out by market intelligence agency Mintel in October 2016 found use of subscription services among British adults was skewed towards men, younger generations (particularly Millennials) and more affluent household income groups.

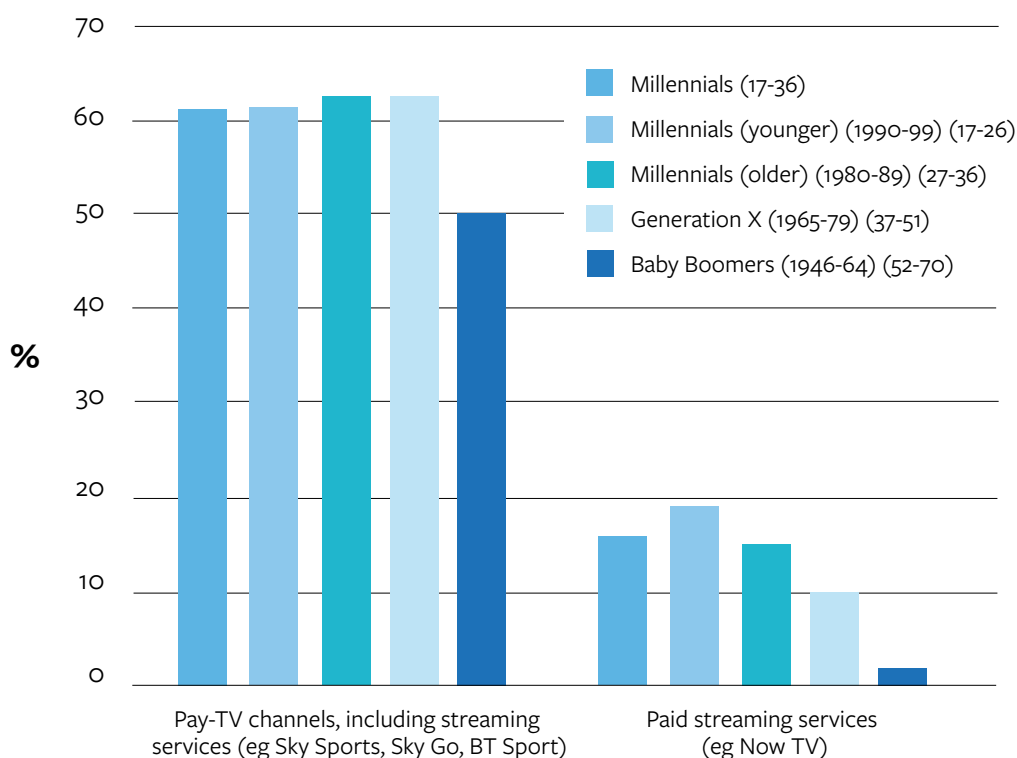
However, that picture is beginning to change as digital literacy becomes more widespread, helping older groups in particular gain confidence in using these types of online services. Sportradar OTT managing director Rainer Geier explains: “The digital

audience is 80 per cent male and 75 per cent are aged 20-35. They are much younger than a classic linear audience. But now older audiences are coming to OTT too because there are many more offerings, and in many cases also because there is no other way to get access.”

The on-boarding process is ironically also being helped by the restrictions on content that pre-existing contractual commitments have imposed on rights-holders, so that many proprietary DTC offerings are based around more traditional media formats that are familiar to older audiences but which digital platforms were expected to render obsolete. Matt McKiernan, director of StreamAMG,

### Use of pay-TV and streaming services to watch live sport, by generation, October 2016

Base: 940 internet users aged 16+ who have watched live sport at home/someone’s home/outside of home on personal devices in the last 12 months

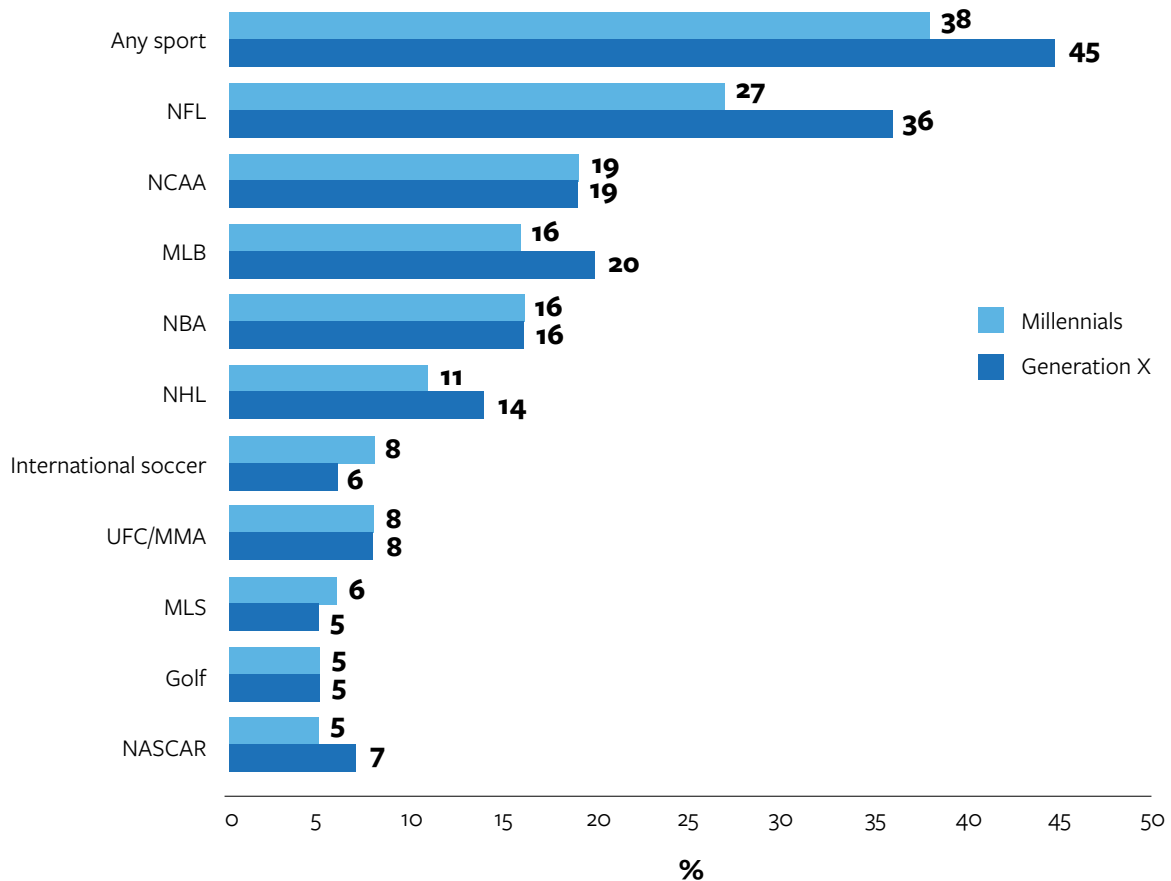


Source: Mintel



### Committed fans\*, by sport and generation, June 2017

\* Fans who identify as average, committed or avid (excludes non-fans, casual and very casual)



Source: McKinsey&Company

which provides online video platforms to 16 of the 20 Premier League football clubs, says that these teams' lack of live video rights has had a positive impact on the broadening of their viewing base: "We see a good spread age-wise now because the football fanbase is very broad and the older generation are used to audio commentary, which is the only live coverage a [Premier League] club website will typically have available."

The point about the demographic breadth of football's fanbase is an important one that applies across sport more widely and which means the industry's digital development focus will quickly

expand beyond the default technology targets of Millennials. Reaching people born into this generation between 1980 and 1999 has become a priority for sports properties as a view has taken hold that recent declines in live television ratings have been driven in large part by Millennials deserting traditional platforms in favour of other types of video consumption on mobile devices and social media. In this context much recent interest in OTT services can be seen as an effort to fish where the fish are.

A study published by McKinsey's Global Sports and Gaming Practice in October 2017 underlines the

importance of Millennials' streaming habits to the growth of OTT sports services, but also highlights the potential of older demographics – particularly the sports-friendly segment of Generation X (born 1965-79) – to make the same jump. Analysis of research in the US showed that Millennials and members of Generation X have broadly similar levels of sporting interest, particularly around soccer, college sports, MMA and the NBA, and of digital media consumption too, with both groups spending 2.7 hours a day on mobile devices.

The big difference between the two was in terms of the forms that digital media consumption takes, with Millennials reporting using streaming websites and apps at twice the rate observed within Generation X (and even more so for illegal streams). The gap, however, is closing and is likely to continue to do so as streamed sport moves ever further into the media mainstream.

## 2.2 Capturing the audience

The profile of OTT services has gained in recent years from the parallel rise of interest in data as a driver of marketing strategy, in sport as elsewhere. This has led rights-holders to take a more evidence-based approach to their own commercial planning and in supporting the pitches they make to potential sponsors, and has heightened awareness of all technologies that can offer new insight into the behaviours of fans. As a result, the ability of digital OTT platforms to mine a rich and deepening seam of viewer data is making them increasingly attractive to more and more properties. "If you can go back to the rights-holder and say 75,000 people watched and here are their names and addresses, that is more valuable than a blanket figure that says 250,000 people watched but you don't know who they are," says Lagardère's David White.

What makes that level of data capture possible is the nature of the technology underpinning OTT

platforms. NeuLion executive vice-president and co-founder Chris Wagner explains: "It's first-party data when you deliver DTC. It's not like satellite and cable – it's not one-to-many. The internet allows delivery one-to-one so you can create a conversation with the viewer, which creates a large volume of watch data we can aggregate with billing and consumer data. All that significant information allows the rights-holder to run a dashboard that can tell them who is their best viewer and show where they can find similar. You just don't get that with linear TV."

Typical OTT service metrics include:

- Content viewed
- Watch duration
- Device used
- Network
- Location
- Purchases made
- Trial conversions
- Churn rate

Open-access content can capture many of these data points, but it is subscriber information (whether paying or free) that opens up the more granular levels of detail that can be most valuable. StreamAMG's Matt McKiernan observes: "What we generally see is most clubs will lock everything behind a registration wall so any unique session will tell you more about that user."

## 2.3 Making the numbers add up

The knowledge that rights-holders and OTT providers are able to gain from the data they harvest through their DTC platforms is now being put to work in two important ways: in improving the media experience for the consumer, to retain their interest and extend the time they spend with the brand; and in using that strengthened engagement to generate more revenue, both from the individual customer and from commercial partners for whom these new levels of knowledge and access can add

value to their own campaigns.

On the first measure, Two Circles' Craig Niven says: "Once rights-holders have the right measuring tools and analysis platforms in place, they can use the data to evolve and improve their content because they know what drives value and can therefore focus on making more of it."


"To take an example from outside sport, it is very interesting to look at The Grand Tour and understand the way it has evolved over two series; there's no doubt this has been guided by Amazon's understanding of what the customers are watching within each episode, and this has enabled Amazon to give them more of what they want."

As well as informing the longer-term elements of content development strategy, data is also beginning to drive more immediate processes of content signposting and discovery, with technologies such as AI and machine learning becoming more and more able to personalise automatically a widening range of elements of the viewing experience, from homepages and menus to elements of the video stream itself, such as overlaid statistics and even the advertisements served up on screen. UFC.TV, for example, allows fans of the mixed martial arts property to 'create' their own channels and collections by filtering a selection of preferences that allows the platform to re-order its stock of highlights in an interest-relevant, linear-style format that is understood to deliver a significant uplift in viewing time.

Sportradar's Rainer Geier says of the process behind this type of personalisation: "The user gets new features and really relevant content based on their behaviour but the intelligence behind the knowledge of the user means I can create that content automatically. It is not people sitting behind a screen editing the game, it is done instantly."

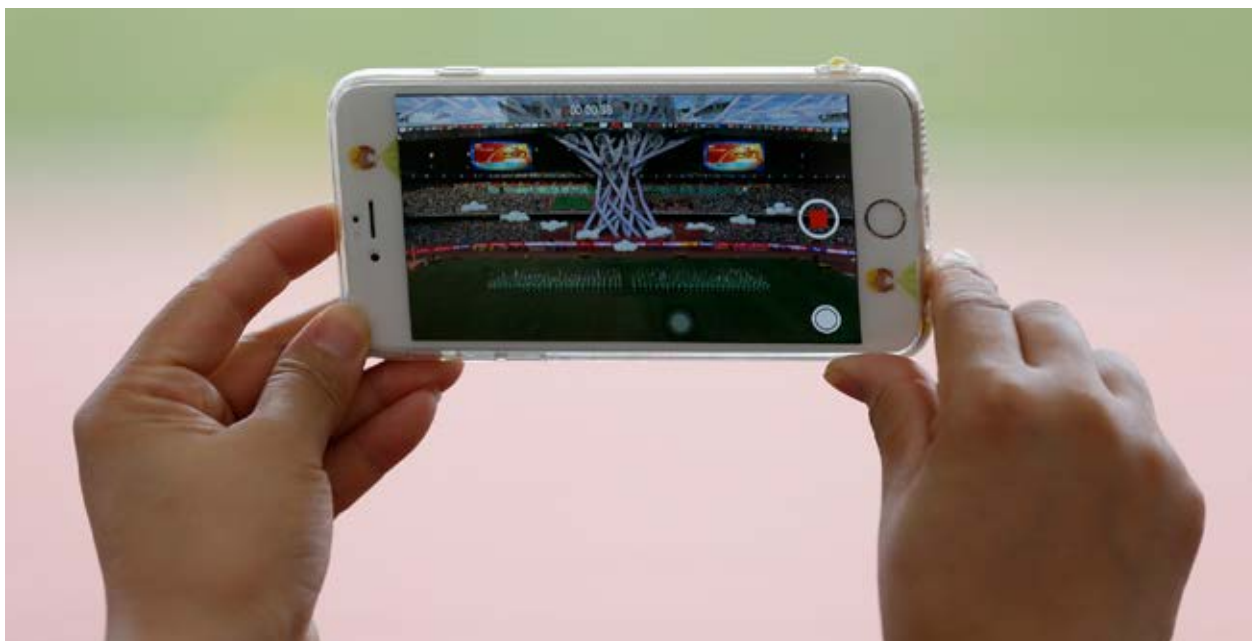
The next step on this road, Geier anticipates, is for contextual advertising, based not just on viewer preferences but also responding to the live action itself. He says: "There will also be new products for sponsors and the advertising industry. The advert appears in relation to the content so Ronaldo scores a goal and his shirt is advertised or there is a foul and the ad is for a painkiller. These are all new techniques, all based on video and data and only possible with OTT."

Influencing purchasing habits and intent is not just for advertisers and sponsors but is also an important part of rights-holders' OTT considerations. Bruin Sports Capital executive vice-president and principal David Abrutyn observes: "Data has never been more valuable and when you have a direct one-to-one relationship with a consumer and understand how frequently they are watching or engaging with your programming, that enables you to move them along the spectrum to buying a licensed product or attending a live event."

"When you have that direct relationship with the consumer, it enables you to monetise in other ways beyond that basic subscription." 

## CLINGING TO THE CORD | BARRIERS TO OTT GROWTH

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The sports industry's road to an OTT future is well-signposted but still in many ways a two-speed highway, with supply-side technology accelerating ahead of the confidence of rights-holders and consumers, who are proceeding at a more cautious pace. As Matt McKiernan, director of online video platform provider StreamAMG, points out: "Streaming has been happening for 12 years at least and is at the 2.0 stage in technology terms, but it's only now that it is becoming more accessible and reaching the point that rights-holders can begin to monetise almost overnight."

Alongside growing audience numbers across the OTT market as a whole, the succession of new sports rights-holder DTC services that continue to launch suggests demand is beginning to close the gap, but there remain a number of question marks against key elements of the business model and user experience that present potential barriers to further rapid growth. The most fundamental sources of consumer and rights-holder scepticism persist around the capability of

delivery technologies and the cost of providing and accessing services. The threat of piracy is also a potential deterrent for sports properties (albeit less so for fans), while forthcoming changes in online regulation could also have a negative impact on commercial potential.

### 3.1 Connectivity still a weak link

Connectivity has always been both the lifeblood of the online economy and the source of its greatest frustration. Today's slow turn of the wheel of buffering is to Millennials what the beeps, growls and whistles of the dial-up modem were to Generation X in the late 1990s, albeit with one crucial difference. Broadcasting live sport online has opened vast new possibilities for the digital media industry but has massively raised the stakes too: the value of the currency of access means the cost of service failure is now potentially fatal for the relationship between viewer and service provider.

Consumers and rights-holders remain wary of OTT technologies because the difficulties of

delivering live feeds to millions of individuals simultaneously are easy to understand, plus there are plenty of high-profile examples of services that have failed to do so. These problems have arisen not just as a result of simple volume of traffic but also through issues such as the need for authentication that subscription services often require causing bottlenecks before viewers can even begin watching the feed as the numbers accessing the servers jump from the thousands to the millions in a matter of a few minutes ahead of kick-off. Some examples from the final quarter of 2017 of the continuing occurrence of these types of issue include:

- Eurosport being summoned to a meeting with Germany's national football association after service outages affected streaming of two Friday night Bundesliga matches.
- The start of DAZN's live-streamed NFL coverage in Canada being plagued by complaints over connection failures, constant buffering, lack of HD video and audio dropping out.
- NFL Game Pass Europe refunding subscribers 20 per cent of their annual fee after a series of technical problems limited services following the roll-out of a new version of the app.

Rainer Geier, managing director of Sportradar OTT, says the industry recognises it is still some way from winning the consumer's full trust and believes that only time will bridge that gap as providers are able to demonstrate the resilience of their infrastructure. He says: "For top events, if the user is not able to watch instantly it is a problem and not good for the home sector. You see the issues of Eurosport player in Germany; that was a problem with concurrent users. That will be solved in two to three years but currently it is an issue. If you go to chats and blogs, this is really the main barrier for most people."

Guaranteeing reliability is complicated by the



Joel Seymour-Hyde  
@Joel\_SH

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The performance of my Sky Go app for #MUNLIV thus far is probably one good indicator of why the Big 4 felt it was 3 years too early to really go for it with Premier League rights. #bandwith

12:54 PM - 10 Mar 2018

number of processes involved in OTT delivery, making the system only as strong as its weakest link and with 'last-mile' elements such as broadband, mobile and WiFi networks outside the service provider's control. Geier says: "The most important element for OTT from the technical point of view is a stable and state-of-the-art back-end and media management system which also includes a media player solution that should be customised to individual devices. Then there is also a payment technology system which has to be aligned and the whole content delivery system, by which we mean that the delivery of media content is possible to many concurrent users.

"The secret behind it is the interaction behind all those elements and, for us, the hardest one has been the concurrent user situation. We started our OTT business in 2007 and between 2009 and '15 we had exclusive rights to LaLiga in the German-speaking market. With El Clásico, which was not on linear TV channels, we gained a lot of experience in managing those numbers because we had two million parallel users at the same time. So from our point of view, we have handled two million parallel users and it works, but you have other solutions where two or three hundred thousand users does not. We can handle 1-2 million no problem because we had this for El Clásico. That is the benchmark but that is just in Germany and Austria. With top-tier rights on a European or global level there is

another challenge again. Everybody will try to tell you it is no problem but you need proof of concept and experience. Perhaps three million works but we haven't proved it. We know the figures in play and from our point of view two million is the benchmark."

These problems will be solved but not without further hiccups along the way, and it may take some time for providers to move the dial on consumer confidence. According to a study by IP video solutions provider Phenix based on consumer research carried out by YouGov in October 2017,

72 per cent of sports viewers expect latency issues while watching a live game online, 64 per cent expect buffering, 32 per cent expect poor picture quality and 30 per cent expect to experience loss of service at some point during the broadcast.

### 3.2 Caution around cost

While the millions being poured into original programming by the likes of Netflix and Amazon are making exclusive content an increasingly important driver of their subscriber numbers, for many of the market's pay TV defectors, cutting the cord

## OTT service subscription prices, 2018

PLAYER	TERRITORIES	PRICE
Playstation Vue	USA	\$49.99 per month + \$10.00 per month for Sports Pack
Hulu	USA	\$39.99 per month
DirecTV Now	USA	\$35.00 per month
YouTube TV	USA	\$35.00 per month
Amazon Prime	USA	\$99.00 per year
CBS All Access	USA	\$5.99 per month
Tennis Channel	USA	\$59.99 per year
ESPN +	USA	\$4.99 per month
NowTV	UK	£33.99 per month (sport)
DAZN	Germany, Canada, Japan	€9.99/\$20.00/\$15.00 per month
Viaplay sports package	Scandinavia	€29.99-40.00 per month
beIN Sports Connect	France	€15.00 per month
Amazon Prime	UK	£7.99 per month
O2 TV Sport	Czech Republic and Slovakia	€2.75 per day
Eurosport Player	Europe	£29.99 per year
MindiGO	Hungary	€5.00 per month
SportsFix	Malaysia	\$2.50-3.00 per month
RugbyPass	Asia	\$7.99 per week/\$19.99 per month/\$159.99 per year
iflix	Asia	\$2.50 a month

Source: SportBusiness Intelligence

is still primarily a means of cutting their monthly expenditure on in-home entertainment. According to research firm cg42, the average US cord-cutter spends \$15 a month on streaming services, while the average cable subscription costs \$92 a month.

So far so good, but the more rights-holders go OTT, the more subscriptions sports fans could find themselves needing to keep up with the action. And the cost soon adds up.

The impact of price sensitivity is already being seen in the market as viewers use the short-term nature of OTT subscriptions and the seasonality of sport to limit the expense of consuming live action. A study produced by US IoT market research agency and consultancy Parks Associates in 2015 found that the sport season being over was the third most common reason cited by streaming TV subscribers for cancelling a service, at 20 per cent of those exiting. The only bigger issues were both related to cost.

The potential negative implications of service proliferation are something the industry recognises, with Bruin Sports Capital executive vice-president and principal David Abrutyn observing: “Budget for media consumption is a real barrier. Everyone is offering a subscription, and it is not just sport – there is Spotify and other subscriptions and then you have classic cable or linear TV subscriptions too. There is a normal limit on budget for media consumption and in the future this will be an issue for OTT, or at least will slow the shift towards it.”

As fragmentation causes sports fans’ costs to add up over the longer term, the situation could ironically lead to a need to recreate the system that OTT has specifically challenged – that of a middleman standing between rights-holder and consumer to provide more cost effective (and straightforward) access to a full suite of sports content. The difference between the past and future, though, may be the nature of that

intermediary service, moving from the one-size-fits-all approach of cable and satellite bundles to a far more bespoke arrangement that allows subscribers to pick and choose around their own specific interests – an ‘iTunes of sport’ where users can manage and scale their consumption on a sport, team or event-by-event basis. David White, president of media at Lagardère Sports and Entertainment, believes OTT proliferation poses a potential problem primarily of “consumers not knowing where to find services” but he is adamant that the solution is not a simple shift in the current bundled model from legacy platforms to digital ones. “If you want to watch Chelsea play, you will pay what you need to pay, but what people are not going to do is pay over the odds to watch Chelsea play by having also to buy another 50 pieces of content they don’t want to watch.

“I believe that in time all TV will be delivered over the internet and I believe that the current bundled services will have no option but to start an à la carte service instead.”

Cost is also an issue on the rights-holder side of the fence. Going DTC can potentially increase properties’ revenues, both directly through subscription, sponsorship and advertising revenue, and indirectly through the increased access to customer data that control of digital properties allows, but it is not without significant cost and risk.

Angus Kirkland, secretary general of the European Hockey Federation, says the governing body can only fund the infrastructure to support live coverage at around a quarter of the tournaments it sanctions each year, explaining: “There is not a problem of us wanting to do more, it is more about how do we manage to do it. We spoke to six or seven different companies and all had the same story: we want to do it but have you got a lot of money? There are quite a lot of big organisations [that can invest heavily in OTT] but



actually there are more smaller federations who have content and want to do things better but don't have the budget."

He explains: "The biggest challenge is always the technology in venues and the internet connections from them. We are not going to the same place week in, week out, so that is always challenging. Can the checklist be understood in different environments? What is your expectation of what is required, what is their expectation and can you bring them together? That's the big challenge. It sounds simple because people are used to throwing things up on YouTube but to provide a quality product takes a lot of work."

That difficulty is recognised by StreamAMG's Matt McKiernan, who agrees: "The biggest challenge is the production of live streams because it's a big cost putting in cameras, commentators and overlays. We are asking federations to go from being media organisations to broadcasters overnight. If you have an existing broadcaster with a world feed, that is a big help. You can build a market on the back of that and if that proves big enough you can go it alone. Traditionally there was a big hesitancy to do this because of the jump: it's an unknown market, you don't know if you will reap any value and you might damage the TV rights business and risk piracy."

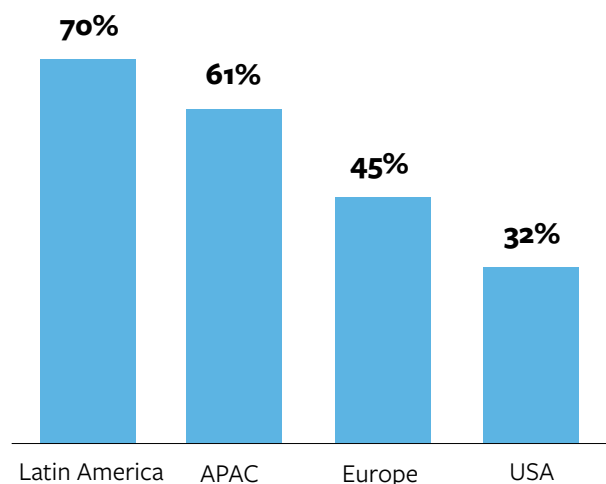
### 3.3 Surrounded by pirates?

As long as there has been digital media, there has been piracy, whether through file-sharing, P2P networks, torrent sites or illegal streams: copyright infringement is a major concern for all content producers. Lagardère's David White says of the situation: "Piracy has been a long-term problem for traditional media platforms but it is more of a problem for new media."

Illegal viewing is a majority experience in many parts of the world, with research commissioned

### Experience of viewing pirated video content, February 2017

Base: 25,738 adults aged 18+



Source: Irdeto

by digital platform security provider Irdeto in 2017 finding that up to 70 per cent of adults in Latin America had watched some form of pirate material online.

The Irdeto survey found that illegal streaming of sport was less common generally than watching pirated films and TV shows, but further research by the company around viewing of the Floyd Mayweather v Conor McGregor boxing match in August 2017 – the first major event of its kind to be available to stream legitimately online – highlighted the extent and spread of the issue among sports fans specifically. Irdeto identified 239 illegal streams of the fight, only 67 of which were through established pirate content sites. Some 165 were available through social media platforms including Facebook and YouTube or streaming platforms and apps such as Periscope and Twitch, with six illegal plug-ins also available for Kodi media player devices. The scale of some of the streaming operations was such that the company counted 42 advertisements



for illegal streams of the bout on e-commerce sites including Amazon, eBay and Alibaba, while, in total, an estimated 2.9 million people watched the event in this way.

A BBC survey of UK football fans published in July 2017 highlighted similar willingness to watch illegal match streams, whether as a means of accessing games not broadcast on television or as a means of avoiding paying to view. Some 47 per cent of all fans said they had streamed a live Premier League match through an unofficial provider at least once in the past, while 65 per cent of those aged 18-34 did so at least once a month. The most common reasons for watching in this way were because the respondent was present when a friend or family member accessed a stream (29 per cent), the quality was good (25 per cent) and sports TV packages do not offer value for money (24 per cent).

The main steps being taken by rights-holders and their official media partners to combat illegal sports streaming fall into two primary categories: the technical and the legal.

“Content protection and being able to protect against piracy for both live and on-demand content is a challenge but technology is solving that one,” says NeuLion executive vice-president and co-founder Chris Wagner, although he also recognises that even the latest measures can only enable faster action to be taken ‘after the fact’ rather than actually prevent content theft taking place in the first place.

He says: “We have sophisticated services that work around the Sky Sports box office product, for example, so when a consumer is asked to buy a digital ticket online, depending on the browser, we have a DRM service implemented that protects this stream regardless of the device and or the delivery network. If someone films and rebroadcast the stream it carries a watermark. We know who that is

and can turn it off.”

Technological advance is therefore improving rights-holders’ reactions in their constant game of whack-a-mole with the streaming pirates but it is a strengthening range of legal weapons that is arguably doing more to cut the problem off at source. The most significant of these look like being the UK High Court injunctions granted to the Premier League and Uefa in July and December 2017 respectively that require all internet service providers to comply with instructions from the two associations to block servers hosting illegal streams, rather than the previous arrangements under which shutdowns took place on an individual stream or website basis. Pirates can still move to another server but evasion is now much more complicated and slower to achieve. The Premier League described the injunction as “a game changer” and blocked more than 5,000 server IP addresses while a temporary precursor to the current order was in place during the final two months of the 2016/17 season.

There is one other potential, longer-term solution that rights-holders and media platforms are also being advised to explore, however; one that is focused on addressing consumer demand rather than pirates’ supply. The argument here is tied up with the theory that consumers will be best served by future media rights distributions that allow them to micro-manage their consumption and subscription costs. That implies an increase in the quantity of live action available, which in turn requires an intuitive and comprehensive means of discovering and accessing it – the ‘iTunes of sport’ proposition once more. If rights-holders can give fans the access they want, says David White, the likelihood is they will prefer to stay with names they know and trust. “The most significant problem for OTT,” he says, “is getting the message out there. The challenge is educating fans and consumers

[where to source legitimate content], because, in the absence of fans being able to find it, they resort to piracy.”

### 3.4 Regulation changing the rules of the game

The potential to offer the all-areas access needed to effectively neutralise illegal streaming services is hampered not just by the geographic nature of existing media-rights agreements and the desire of rights-holders themselves to protect event attendance but also by variations in regulatory systems between territories. “Depending on where you are in the world, regulations can be an issue,” says Bruin’s David Abrutyn. “In the US, net neutrality comes into play and begs the question of how easy and accessible things will be in the future. By no means is this a simple process to seamlessly distribute certain types of content.”

Net neutrality – the principal under which ISPs are required to make all websites and apps available to all sources of internet traffic on an identical basis – was repealed in the USA in December 2017. This means ISPs could control the number and nature of websites consumers are able to access according to how much they pay, and could charge high-bandwidth businesses such as streaming services for access to a ‘fast lane’ of content delivery. None of this is considered imminent, but smaller enterprises – such as the OTT operations of minority sports properties and federations – would be at greater risk of marginalisation should new commercial ISP models take effect.

The other emerging potential threat to the business model of rights-holder OTT is around data protection, where concerns have been raised in



the marketing industry in general that forthcoming changes to European regulations will make the demographic and behavioural information in which these services are particularly rich more difficult to harvest and utilise for commercial advantage.

The General Data Protection Regulation (GDPR) comes into force in May 2018 and imposes a far wider range of requirements on all organisations (regardless of where they are based) that process the personal data of EU citizens, backed up by fines for breaches that can reach upwards of €20m in the most serious cases. However, the conclusion of many specialists in the field is that while data processing will become more expensive as a result of the new requirements, the greater transparency and emphasis on accuracy promoted by GDPR should improve the quality of data operators will be able to source and analyse, leading to more robust insights that can generate stronger commercial results. ○

## FASTER, HIGHER, STRONGER | THE FUTURE OF OTT

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The future of OTT sport is clearly not without its challenges, but digital delivery will continue to move inevitably towards the centre of the media landscape as consumers switch ever more seamlessly between devices, rights-holders seek the control and data the DTC distribution model can offer, and legacy broadcasters seek to escape the fixed costs of their cable and satellite infrastructure.

The big question facing the industry is therefore not whether OTT will continue to grow, but how it will do so – and what impact that growth will have on consumer behaviour, rights-holders' content strategies and the interest of the global giants of the digital economy.

Says Craig Niven, Lead Consultant at Two Circles: "I almost feel the question is not: what is the future of OTT? It should be: what is the future of sports content now that OTT is here?"

### 4.1 New chapters in content strategy

The continuing expansion and uptake of OTT services is likely to create new opportunities for rights-holders and their media partners to evolve their content strategies in both live event coverage and in the non-live output they make available either on demand or in a linear channel format.

Consumers are interested in a wide range of in-game enhancements enabled by the flexibility of digital platforms: a 2017 study by IP video solutions provider Phenix based on YouGov research found significant levels of sports viewer interest in access to player statistics and information (36 per cent), streaming multiple games simultaneously on different devices (36 per cent), watching in virtual reality (30 per cent) and getting updates from the sidelines/locker room (22 per cent).

These choices all highlight a desire for insight



– to access new, additional information or obtain an alternative perspective – but they also all have an inbuilt capacity for the personalisation that most observers expect to be the default mode of OTT sports services of the future, not just in response to customer expectation but also as a means of differentiating themselves from more rigid linear platforms. As Chris Wagner, executive vice-president and co-founder of NeuLion explains: “Most OTT services are subscription-based, not like networks, so you have to not only find viewers but get them to pay and return.”

Personalisation, he adds, is key to building the ongoing relationship required here, and can be seen as a three-phase process from a technology perspective: “Step one is to create high-quality video delivered direct to consumer in HD and 4K. Step two is to leverage watch data out of the delivery of that video so you can identify what fans like to watch, what devices they prefer, how long they are engaged for online. Step three is then to

use that data to personalise the service to be more effective in programming and more effective in offers.

“The NBA, for example, does all three steps already so they now have a fantastic video experience on any device. For smartphones, for example, they have a camera that sits courtside and produces very tight shots, straight onto the court, for a feed built specifically for a mobile audience. Then they have graphic overlays for stats which you can swipe in and out in real time, and when the ball changes possession you see changing stats for the other team”.

However, once the final whistle has blown, every pivotal play been analysed and all key participants interrogated, the new platforms need more content to provide the glue of retention. Matt McKiernan, director of online video platform provider StreamAMG, says of that requirement: “If you have first-team live rights, media and press conference that is the big driver, but it fills only a small part of the week, so there is a huge amount of video-on-demand product needed to get the views up.”

Archive footage and highlights are expected to remain the go-to options here, with audience data underlining the enduring popularity of this type of content. In 2017, some 70 of the 100 most-watched sports videos on YouTube had ‘great’, ‘greatest’ or ‘best’ in the title, while watchtime of highlights videos on the platform grew 80 per cent year on year. That latter story is reflected also in the incredible rise of the Instagram account, House of Highlights, started by Omar Raja in 2014 and which he has run as an employee of the Bleacher Report since 2016, by which time he had attracted approaching a million followers to his mix of contemporary, archive, off-beat and distinctively-captioned clips from all levels of professional and amateur sports. Today, the account has 8.4 million followers and, according to data from CrowdTangle,

averaged more than three quarters of a billion video views a month in the final quarter of 2017.

Other approaches are available though. The forthcoming OTT sports offering from broadcaster CBS is expected to take a more conventional slant based on “24/7 news, highlights and analysis”, while others are using the available space of on-demand libraries as a home for more long-form story-telling or behind-the-scenes content. Netflix and Amazon Prime have partnered with Juventus and Manchester City respectively on documentary series, while the IOC’s Olympic Channel is investing in feature-length output under the Five Rings Films banner, beginning with The Nagano Tapes, which narrates the underdog story of the gold medal-winning Czech Republic’s men’s ice hockey team of 1998.

## 4.2 Changing fan behaviours

Fan behaviours and preferences have been an important influence on the development of OTT services to date, while the development of OTT services has simultaneously been an important influence on the evolution of fan behaviours and preferences too. These two factors will continue to drive the pace and direction of the market as new platforms and technologies create opportunities for new modes of viewing and consumer responses to these determine the ones that gain the traction required to attract further investment.

In the immediate term at least, multi-tasking – in terms of both activity and device usage – looks to be among the most significant of these, with research suggesting that all broadcast platforms need to be supporting viewers’ ability to do more than just follow the action on the screen in front of them. The 2017 edition of Deloitte’s Digital Democracy Survey, for example, found that 99 per cent of Millennials and members of Generation X in the US multi-task while watching TV, carrying out

four additional activities simultaneously on average. Consumer research also conducted in the US by the Interactive Advertising Bureau pegs multi-tasking on a second device at a slightly lower level – 81 per cent among linear TV viewers and 72 per cent for those watching digital video – but still supports the conclusion that some periods of game-time are less compelling than others.

This pattern tallies with the views of Dan Singer, a partner at McKinsey and leader of the company’s Global Sports and Gaming Practice, whose study of sports television viewing habits has led him to conclude that the increasing amount of content available to fans across multiple screens means fans are not watching less sport overall, but “are watching fewer games and quitting them faster”, with match-ups that have little riding on them or in which the score has become lop-sided most vulnerable to churn.

The suggestion, therefore, is that sports fans are becoming more discerning, picking and choosing not just the games they watch but even the passages of play to which they give their full attention.

On a macro level, says Lagardère’s David White, that has implications for the way OTT services price their product. “I think we will see some rights-holders offering different pieces of content at different price points to different customers,” he predicts. “For instance, Chelsea might command a higher fee per match than Southampton and it may be that if I want to watch all the Chelsea matches, not just Chelsea versus Manchester United, then I will get a discount along the way. Varying price points and adapting pricing strategies around the different elements of the menu will be the interesting outcome of an à la carte approach.”

But within the live product itself, the restlessness of viewers with other digital places to be challenges rights-holders and broadcasters to accommodate



their multi-tasking requirements while incentivising them to keep at least one eye on the ball. For linear TV, that focus is likely to remain on developing the capabilities of second screens as companion devices that can add context and additional value to the bigger television picture. For OTT services, there is greater potential to embed additional functionality within the live content itself.

The NFL has specifically targeted this type of approach in its willingness to sell live rights to its Thursday night games to digital platforms, with the aim, reported by Bloomberg, of having a technology company “offer an interactive stream with social-media commentary and statistics that [can] entice kids raised on video games and Snapchat.”

Singer also suggests that OTT services be designed to dovetail with these new consumption habits, primarily through convenient access that allows fans to drop out but – crucially – drop back in again (through quick navigation between games, one-click access from social media and search, plus rapid sign-on and payment systems), and through improved sharing capabilities, particularly of highlights and fan opinion, but also through fun, quick-play contests to keep fans and friends engaged.

The behavioural shifts the market is seeking to harness are occurring gradually rather than overnight, meaning the balance between OTT and linear TV will change only slowly too, as ‘legacy’ broadcasters remain a central part of the domestic media environment for all demographics from Millennials up.

Bruin Sports Capital’s David Abrutyn observes: “Where the tipping point at which OTT surpasses linear television will be is hard to say. All the metrics suggest there will be a slow and gradual migration to a much more comfortable consumer experience [with OTT] as technology improves year over year over year and the number of people who are

cord-cutters and cord-nevers entering the market increases.”

But he adds: “Does that make people less reliant on linear? Watching on an iPhone is not the same experience as on a 70-inch screen with surround sound in your living room. That is something a lot of people will still enjoy so the two will co-exist and you can win on both sides. In the next five years we will see significantly more people consuming digitally but, just like with the linear TV experience, it centres around what is the consumer experience and is that meeting the needs of the audience? Video quality; consumer choice; different viewing angles; data – the things we can provide that make for a compelling product. That bar will get raised higher and higher every year because of the calibre of the people and organisations working every day to create the best experience for consumers.”

### 4.3 FANGs in or out?

The 800lb gorillas in the room of OTT sport are the FANGs of the tech economy – the global digital giants of Facebook, Amazon, Netflix and Google, who have the reach and resources to shape the future of the market around whatever model they choose. So far, though, they are yet to make a decisive move. Netflix prefers to invest its billions in original films and TV programming and has told shareholders that acquiring live sports rights “is not a strategy that we think is smart for us”, while the others have so far only dipped a toe in the water by comparison with the splash they could make if they decided to go all in.

Amazon has been a participant in the NFL’s Thursday night streaming experiment, will replace Sky as the broadcaster of ATP Tour tennis events in the UK from 2019, and partnered with the UFC to sell its first pay-per-view event in February 2018. It is also reaching out to younger audiences through its subsidiary Twitch, which has expanded beyond

its esports base to stream live basketball from the NBA's D-League and host a new multi-sports channel from international broadcaster Eleven Sports. Google's YouTube TV, launched in April 2017, has signed a series of deals with MLS teams, while Facebook has made perhaps the strongest statements of intent with its (failed) \$600 million bid for rights to cricket's Indian Premier League on the subcontinent, its subsequent hiring of Eurosport chief executive Peter Hutton and signing of a deal valued at \$30-35m for exclusive live rights to 25 MLB games during the 2018 season.

All of the FANGs have the power to blow the incumbents out of the water in the same way that Sky swamped its terrestrial rivals in the bidding for the Premier League's first set of rights back in 1992 – "£6bn to them is not the same as £6bn to Sky," observes StreamAMG's McKiernan – but just because they can spend doesn't necessarily mean that they will. Speaking to the media in October 2017, Facebook's head of global sports partnerships, Dan Reed, underscored the fact that the company made no rights payments on the vast majority of the 3,500 live sports events it streamed during the first six months of the year, describing the primary currency of its sports partnerships as being an exchange of content that will drive time spent on the platform for Facebook in return for "free consulting" that helps the rights-holder generate commercial benefit from its presence there.

All FANG involvement to date can be seen as an effort to test a variety of sports, content formats, distribution structures and business models – a manoeuvring for position that highlights the fact that there is as yet no clear view on how return on investment would differ for the big beasts of technology from those of television. Amazon at least has a non-media business into which it can leverage new sports subscribers in the same way that pay-TV providers used live rights to sell more

valuable triple-play communications bundles of television, phone line and broadband connection, but market researcher Juniper estimates it would still need to double its current UK subscriber base to make money as even a junior partner among Premier League football's domestic broadcasters. Facebook's advertising revenues can potentially benefit from more people spending more time on the platform, but Reed himself admitted it is still too early for the company to be able to say definitively what its monetisation strategy for sport will be.

If the revenue side of the proposition is still uncertain, the costs of getting into the live rights game are easier to add up, but offer significant pause for thought even to companies with pockets as deep as those of the FANGs, due to the technical and logistical complexities of becoming a broadcast production company that taking on top-tier rights would involve. Add to that the fact that the global nature of the technology giants' preferred business models is difficult to create in the piecemeal world of sports media rights, as well as the technical issues discussed earlier in this report, and the difficulties they face in planning a roadmap into live sport become easier to understand, particularly in terms of how they differentiate themselves from the broadcasters they are touted to supplant. On that last point, Craig Niven says: "For rights-holders, there are essentially two approaches to OTT. The first is where you own the content on your own platforms, and the second is where your content is distributed through a media partner's platform. If that media partner is going to be a Facebook, an Amazon or a YouTube, the content distribution business model isn't all that different to a traditional broadcaster: they just consolidate content and sell it as a package."

Many top-tier properties are already salivating at the thought of the impact the competition of these major technology players could have on the

value of media rights that have become vital to the commercial wellbeing of their current holders, but there are a range of views on how that scenario will play out. SportRadar OTT's Rainer Geier is "100 per cent sure they will come in," and that in the near future, "there will be a big bang and they will acquire top-tier rights on a global basis", while Matt McKiernan predicts: "Within five or six years from now we will see one big federation do a deal with Facebook or Amazon. Everyone else will look at it and if it's successful they will all jump on the bandwagon and do a single deal worldwide."

At the other end of the spectrum, though, David White believes the FANGs could in fact double down on Facebook's current 'partnership' approach and take the view that the audiences to which they can offer direct access are worth more to sports properties than those properties' live rights are to them. Under that scenario, he says, "we might see a model where the tech giants don't buy rights but rather they deliver rights and take a fee for that delivery".

The common, fundamental issues that all rights-

holders considering a future in OTT will continue to face are of whether they retain or sell and, if they choose the latter, what sort of partnership will best marry their ambitions of revenue and reach. NeuLion's Chris Wagner says of that challenge: "When you own the sport, the league has to monetise its events. The question they will all have to ask is, can they do so exclusively through a third party, can they monetise DTC or is it a mix of the two?"

"The EFL I would imagine had an opportunity to look at Facebook or Amazon [before launching its own proprietary OTT platform] but they think they know their fans better than anyone else and can build a valuable business through that. The NBA think the same way but they find what works for them is to have a distribution strategy that combines DTC with exclusive and non-exclusive deals in certain markets and takes in third parties that could be tech companies or broadcasters or a store like Amazon. Ultimately, the balance is driven by the economics." 