



### Original Article

In December, [Biz of Baseball](#) reported on the increasing number of media properties and platforms that are competing for MLB programming. The report discussed that amongst the competing groups are some of the MLB owners themselves, particularly those with interests in lucrative RSNs. These owners have been lobbying for control of the local digital media rights of their own clubs, rights which are controlled by MLBAM. RSNs see great potential in these rights to supplement game broadcasts with shoulder programming, VOD and interactive TV in addition to boosting broadband offerings.

Meanwhile, MLB and the other “stick and ball” leagues are in different stages of launching live streaming of in-market games. This issue has generated much consternation within the leagues as they attempt to balance the rapidly changing viewing habits of consumers in the “new media” age while simultaneously protecting very profitable partnerships with cable and broadcast TV. Live streaming of in-market games could also have substantial impact on revenue sharing and competitive balance in MLB. Perhaps most importantly, can professional sports prevent the growing number of peer to peer networks streaming pirated live video from making viewing of competitions “free” for fans?

Control of local digital rights has long been a contentious matter within MLB. In March 08, Red Sox Chairman Tom Werner told [SportsBusiness Daily](#) :

*“BAM and its success is a remarkable business story. I am sure you have all heard what certain people on Wall Street think of its value, and we are all for increasing its value. At the same time, when we acquired the rights to the Red Sox, we believed that we were acquiring the video and radio rights for games in our own territory. So there is some tension.”*

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Written by Pete Toms  
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*"As everybody knows, there is a stalemate right now ... in terms of in-market streaming," Werner said. "In-market streaming is good for the customer. But from our point of view, it has to be done in conjunction with our RSN and our affiliates, such as Comcast and Time Warner, in such a way that the product being offered to the consumer is complementary rather than competitive with the games that are on satellite and cable."*

[SBJ](#) reported in September:

*MLB Advanced Media, which manages the interactive rights for all 30 clubs and acts as a key source of revenue sharing for the industry, has for years successfully sold live streaming of games through its MLB.TV out-of-market package, a product that applies local-market blackouts like its TV counterpart, Extra Innings.*

*But a group of clubs, including the Boston Red Sox and Baltimore Orioles, have been pushing hard for changes to MLB policy to allow for in-market streaming as a means to supplement coverage on club-owned regional sports networks.*

[...]

*"This is all a very, very complicated matter," said one club official. "Who really has these [digital] rights and how do we best bring them to the marketplace? That's the big question. And though we're in sort of a holding pattern right now, it's no doubt the single biggest economic issue our industry is facing."*

[Maury Brown](#) wrote in September:

*"MLB Advanced Media, the highly successful, centralized digital wing of MLB, has done exceptionally well selling MLB.TV, the online counterpart to MLB Extra Innings, the MLB out of market package. But some clubs are looking to gain extra revenues at the local level without having to deal with revenue sharing."*

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After a [failed effort](#) last season to form a partnership between MLBAM and CSN Chicago (a Comcast RSN owned in part by the Cubs and White Sox), which would have resulted in live streaming of Cubs and White Sox games on the CSN Chicago website, MLBAM recently finalized a deal with Yankees owned RSN YES. The [BAM / YES](#) partnership does not allow for in-market live streaming of Yankees games but it does signal that BAM remains committed to working with club owned RSNs. From the SBJ report:

*The YES Network this week plans to relaunch its Web site, with the enhanced online presence influenced significantly by a new three-year agreement with MLB Advanced Media.*

*While there is no leaguewide agreement yet on live in-market streaming of games — an issue that has been actively debated within baseball for several years — YES's moves are emblematic of regional sports networks seeking to maximize their online profiles within the current framework.*

*The new-look yesnetwork.com will feature three video highlights per game, up from two in the prior accord with MLBAM; a new design that resembles MLB.com and the Yankees.com team site.*

[Lee H. Berke](#), president and CEO of LHB Sports, Entertainment & Media Inc, specializes “in helping sports organizations become content providers”. In a recent [SBJ editorial](#), Mr. Berke articulated his vision of the RSN as an integral part of more comprehensive regional media networks.

*MSG, NESN, FSN, YES — each of these regional sports networks is a milestone in the evolution of regional media. Fueled by the seemingly limitless viewing demands of hometown fans, these and other RSNs have expanded their scope of programming and increased in value*

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*to teams, media distributors and sponsors.*

AND

*Regional sports media networks are being developed to drive fan usage, sponsorship revenue and distributor fees across every conceivable media vehicle. Composed of three main dimensions — content, channels and connections — RSMNs provide structure to a range of team media platforms by pulling them together so that teams can increase integrated programming and sponsorship opportunities.*

*As the backbone for content, RSNs are a very important part of the RSMN structure. The presence of a 24/7 linear channel that can include games, shoulder programming and other events and activities from team venues remains critical to any major league team's media success.*

[Tom Van Riper](#) of Forbes recently discussed the state of affairs at MLBAM with President and CEO Bob Bowman. Mr. Bowman indicated that BAM will continue to pursue the same model proposed in the dormant CSN Chicago partnership, where only subscribers to the cable channel can access the in-market live streaming of games via geo-blocking technology.

*The next hurdle: offering live games in fans' home markets. With lucrative local cable deals driving so much team revenue, MLB has restricted web viewing to out-of-market games, targeting the displaced fan looking to see his favorite team from another city. But Bowman figures fans are just about at the point of expecting content on the web and television alike. The plan is to make in-market games available only to area cable subscribers. For example, only the Yankee fan subscribing to the YES Network would be able to see a game from his laptop on MLB.com while commuting or traveling. He hopes to unveil the service in some cities before the 2009 season ends.*

The future value of MLB's digital media and who controls those assets could significantly impact revenue disparities and competitive balance. How revenues from the seemingly imminent live in-market streaming of games is shared (or not) is an issue that MLB has yet to resolve.

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From the aforementioned Forbes report on BAM, Tom Van Riper foresees the migration of baseball viewers to the web as a future boost to small markets.

*The biggest potential beneficiaries of MLB's growing reliance on Web dollars: Baseball's small market clubs. Unlike local cable television, which creates revenue disparities as each club makes its own deal, all online revenue is shared equally. So far, the dollars aren't big enough to teams like Pittsburgh and Kansas City. But if continued growth brings it to 20% or more of total league revenue, which sports business experts think is possible, those small market clubs will be rejoicing.*

[Shawn Hoffman](#) reacted to the Forbes report, questioning if large market owners will revolt against the aggregating of digital media revenue via BAM.

*Imagine if all local television revenue was pooled together; this is what MLB is doing with local digital rights, which will inevitably be more lucrative than TV rights at some point in the future.....The question is, will this setup even be tenable once local digital rights become a huge source of revenue? This might end up being the next major source of class warfare in baseball...*

MLB has been the most active of the “big four” in streaming live games online. BAM’s out of market offering MLB.TV launched in 2002. The other “big four” leagues have been more cautious in making games available on the web. The NFL, the league most dependent on TV revenue (\$3 billion per season), last season made live games available over the web for the first time. NBC’s prime time slate of games was streamed live at NBCSports.com and NFL.com. The NFL had long been hesitant to make games available online, fearing it would cannibalize the broadcast TV audience and antagonize local affiliates and cable operators.

The NHL is the most aggressive of the “big four” on the web, not surprising given the relatively small value of their broadcast TV deals. The NHL believes that their fan base are avid consumers of new media and see it as key in the continued evolution of their league in to a media company. Notwithstanding, control of digital media has been a source of division between at least one club and the league itself. The league recently settled a two year long

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legal battle with MSG (owner of the New York Rangers) over control of the Rangers' web site. The dispute became so rancorous that the league threatened to suspend or terminate MSG's ownership of their hockey club. While the lawsuit has been settled outside the courts, the fundamental questions it raised are likely to be disputed again, if not in the NHL, in another league. [SBJ](#) reported on the resolution of the lawsuit:

*At the time of its filing and through much of its preliminary phases, the lawsuit had been eyed as a likely bellwether case in the future of league-owned and controlled digital media. More broadly, the dispute also appeared to act as an important litmus test on the centralization of many business functions in American sports leagues that the NHL argued leads to improved revenue, but which Dolan believes hurt his ability to market locally.*

The league that all others are monitoring as they adjust to the "new media" era, is the NBA. Unlike the other of the "big four" who manage their digital media "in house", the NBA relies on TV broadcast partner Turner Sports to manage the league's digital operations. Adam Silver, NBA Deputy Commissioner and COO, said upon [the announcement](#) of the expanded partnership in January:

*"We think the best way to optimize our suite of digital and television assets in the U.S. is with a media company that can provide us with the scale, expertise and resources to enhance and grow these properties."*

Along with outsourcing control of digital media at the league level, the NBA is the first of the "big four" to relinquish management of local digital media to the individual clubs. From [Forbes](#) :

*While most sports leagues are obsessed with controlling digital rights to their games, the NBA thinks it has a different answer, one that could radically change the way fans tune in to basketball and, in time, all other professional sports in America.*

*Beginning next season, the league, along with its media partner, Turner Sports, plans to put digital rights for live games into the hands of its 30 teams, according to Commissioner David*

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*Stern. That would make the NBA the first major sports league to largely de-centralize its Web operation.*

[SBJ](#) reported on the NBA's radical decision, noting that deals with MSOs and sat providers need to be negotiated before the in-market live streaming of games becomes a reality.

*The NBA is about to become the first professional sports league in America to allow regional sports networks to control local digital rights, a sign that the league believes that teams and their media partners are better suited to delivering digital content locally than the league office.*

[...]

*Executives with the regional sports networks believe they will have a hard time recouping that money, especially since cable and satellite operators are looking to take a significant cut of all live streaming revenue. The regional sports networks still have to negotiate with cable and satellite operators over how to roll out these services, because their contracts prohibit live game streaming.*

While the “big four” continue to formulate and implement the details of their digital media strategies, the subscription based model for live streaming of games will likely be the industry norm. However, just as the newspaper and music industries have floundered in their attempts to adapt their business models to the digital age, professional sports fears the “[piracy of live video streams using peer-to-peer technologies](#)”.

*Several major U.S. sports properties, including the NFL, NBA, NHL and NCAA, and major media outlets including Walt Disney Co., News Corp. and NBC Universal, have organized under the leadership of MLBAM to form The Sports Coalition, a group that is pressing government trade and intellectual property officials for more stringent trade policy with regard to piracy.*

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*“In 2008, online live game telecast piracy went up in spite of notable enforcement successes,” said Michael Mellis, MLBAM senior vice president and general counsel. MLBAM documented more than 5,000 incidents last season of live MLB games being pirated online, a sharp rise from the 3,200 seen during 2007.*

The enormous popularity of MMOD and the Beijing Olympics at NBCOlympics.com is evidence that sports fans will view competitions online in vast numbers. The increasing ubiquity of “smart” hand held computing devices is likely to intensify the demand for sports content online. Professional sports has flourished both in terms of mass consumption and generating revenues during the TV age. In the contemporary era of audience fragmentation, internet, video games and DVRs, professional sports has retained (if not increased) its value to cable and over the air broadcasters, being one of the last media properties generating mass audiences that advertisers will pay great sums to reach. Will the “stick and ball” leagues successfully adapt their business models to the digital age or will their current broadcast models become as irrelevant and antiquated as paying for music?

### **BUSINESS OF SPORTS NETWORK FEATURE ARTICLE:**

[Business of Sports Network – Focus on the 2009 MLB Season](#)

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