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ESPN Navigates a New World Order: Part 2

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The Competitive Landscape

The sports media ecosystem was intensely competitive. Every stakeholder fought to reach, engage, and monetize as many fans as possible and constantly expand their piece of the pie. This culture of growth and forward progress was one of the many reasons sports had expanded into a multimillion billion-dollar industry.

And yet, the disruption of streaming and subsequent demise of cable was also a stark reminder of how interdependent these stakeholders were. When cable television grew, media companies had more money to spend on acquiring the live rights for sports leagues. This in turn drove up the costs of live rights, as leagues could initiate bidding wars. As sports leagues received markedly more for rights fees, they were able to pass on a portion of that revenue to their teams and team owners, who were then able to pass on a portion of that revenue to the athletes. In turn, the athletes – and some of their agents – became multimillionaires. Meanwhile, team valuations skyrocketed because of the lucrative media rights deals that seemed to be immune from broader macroeconomic conditions. The linear television business – broadcast, cable, and satellite – propped up the sports industry for decades.

By 2024, this ecosystem faced an uncertain reality, due to the demise of its safety net, linear television, and specifically cable and satellite. Its existing stakeholders – incumbent media companies, cable/satellite operators, and sports leagues – were under significant pressure to reinvent themselves. New stakeholders, specifically big technology companies, increased their participation in the ecosystem, but often in different ways – and with different motivations – from the incumbents. Meanwhile, fans experienced an explosion in available sports and entertainment content across myriad platforms, but still only had limited time and finite budget to spend. Furthermore, there had been a

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recent exit of key team owners, Mark Cuban and Marc Lasry specifically, who stated concerns about the future media rights marketplace for their sales of the Dallas Mavericks and Milwaukee Bucks, respectively.[1]

To better understand the environment ESPN was competing in circa 2024, this part of the case analyzes each of the key stakeholders in the sports media ecosystem, particularly through the lens of live sports rights. The stakeholders include: incumbent media companies, disruptor technology companies, cable/satellite operators, sports properties, and fans.

Incumbent Media Companies

Incumbent media companies found themselves in a similar situation as Disney and ESPN. They were trying to extract as much value out of their linear television businesses while also positioning themselves for the inevitable streaming environment. Striking this balance was not easy. Some started to simulcast premium content from their linear cable networks on their streaming platforms to drive streaming subscriptions. For example, during the 2023-24 season, Warner Bros. Discovery began simulcasting NBA games that aired on its cable network TNT on its streaming platform Max. Comcast took a different tack and decided to shutter its NBCSN cable sports network altogether in 2021 and navigated fans to its streaming service Peacock.[2] Meanwhile, although Disney simulcasted some premium games (e.g. MLB games) on ESPN+, it also added broadcast into the mix. During the 2023 NFL season, 15 Monday Night Football games were simulcast on ABC, as were two playoff games.[3] In effect, incumbents were making an argument, intentionally or not, to customers to cancel cable. Why did they need it anyway?

While incumbent media companies struggled with the transition to streaming, a much-discussed solution was further consolidation among them. The launch of the Disney, Fox, Warner Bros. Discovery Venu Sports streaming platform was perhaps a harbinger of what was to come. Given the headwinds incumbents faced, it was possible additional consolidation will happen. Below is further context of the key incumbents in the U.S.

- Warner Bros. Discovery – Warner Bros. and Discovery merged in 2022, combining their assets, including Warner Bros.' cable sports assets TNT, TBS, and TruTV, under the Max streaming service. (Discovery's assets include cable networks HGTV and the Food Network.) Like Disney, Warner Bros. Discovery had been under significant shareholder pressure to drive profitability in streaming.

- Paramount/Skydance – Owner of assets such as CBS Sports, the Paramount+ streaming service, cable television networks MTV, Comedy Central, and BET, and the Paramount movie studio. In July 2024, Shari Redstone, heir and chair of family holding company National Amusements and Paramount, agreed to sell National Amusements to Skydance Media, owned

by David Ellison, son of Oracle founder Larry Ellison.[4] Skydance then merged with Paramount, with David Ellison becoming chairman and CEO.

- Comcast/NBCUniversal – This incumbent had the healthiest balance sheet of all incumbent media companies due to their assets in broadband (Comcast) and content (NBCUniversal). Their streaming service Peacock successfully streamed the first ever NFL Wild Card playoff game in 2024, attracting 23 million viewers, a number that also included local broadcast TV audiences in Kansas City and Miami (home DMAs of two teams).[5]

- Fox – Broadcast network and cable presence with FS1 and FS2. Fox also owned and operated Tubi, an ad-supported video on demand service (AVOD), that offered consumers FAST channels, otherwise known as Free Ad-Supported Television. Fox had limited investment in sports streaming prior to the launch of Venu Sports.

Except for Warner Bros. Discovery, all of the incumbents owned and operated linear broadcast networks: Disney (ABC), Paramount (CBS), Comcast (NBC), and Fox (Fox). Even in 2024, broadcast television remained an important distribution channel with the greatest reach, albeit supported primarily by advertising revenue, whereas ESPN had two material revenue streams. Like cable television, however, the economics of broadcast faced similar challenges of rising programming costs (sports rights), diminished retransmission fees as cable homes declined, and advertising revenue under pressure.

Technology Companies

Big tech had become a player in live sports rights, but for different reasons from incumbent media companies. Whereas incumbent media companies focused primarily on ratings, ad dollars, and/or affiliate fees, tech companies that expanded into media often looked to exploit sports to sell products, services, and/or devices. Linear media metrics were still of importance to tech companies that stream live sports. Advertising was a growing source of revenue for some streaming services, for example. But the linear metrics were at a lower level of priority, and these entities likely would not entertain sports rights were it not underpinning other business objectives.

Media was not the core business of the entities listed below, and live sports were often used in service of their core business. BT Sport (subsequently rebranded TNT Sports) in Europe was an illustrative example of non-linear objectives informing sports rights decisions. As a primarily broadband and phone provider, it acquired the rights to the English Premier League and packaged them with its broandband offering, giving away access to the matches for free as an incentive to grow subscribers and reduce churn.

Big tech was approaching sports in a variety of ways. Consider the below.

- Amazon – Amazon made the greatest investment to date in live rights by 2024, exemplified by the exclusive NFL Thursday Night Football package at $1bn per year. Importantly, NBC Sports produced the NFL games for Amazon, suggesting that Amazon was in the live sports rights business to support objectives that were different from those of incumbent media companies. The first-of-its-kind Black Friday NFL game offered a glimpse of the future of sports streaming on Amazon. Exclusive deals dropped during commercials, which viewers could access with the snap of a QR code to then buy the product easily via Amazon's platform. Amazon also won the rights for 11 years to a third package of NBA games starting in 2025-26.[6]

- YouTube – Alphabet-owned YouTube launched YouTubeTV, a virtual MVPD (multichannel video programming distributor), a cable/satellite substitute that offers consumers a bundle of channels, and acquired the residential rights to NFL Sunday Ticket, the NFL's out-of-market package for all games. Notably, YouTubeTV had not renewed deals with several regional sports networks, citing cost concerns. YouTubeTV had steadily grown into a viable alternative to traditional MVPDs, reaching 8 million subscribers in 2024.[7] Meanwhile, the flagship YouTube platform was a dominant force in all of entertainment in terms of time spent and a major source of sports highlights.

- Apple – One of the world's largest companies was increasingly diversifying its hardware business with a growing services business. Apple experimented with live sports rights to help drive both. An illustrative example was the global streaming rights pact it signed with MLS, which made Apple TV+ the home of the vast majority of MLS matches.

- Netflix – The streaming behemoth was thriving with "sportainment" content, such as *Drive to Survive* and *Full Swing*, which went behind the scenes to tell stories about the athletes who compete. Even its acquisition of the rights to the professional wrestling league World Wrestling Entertainment (WWE), which is decidedly scripted live content, aligned with this strategy. WWE was sticky, reliable programming and fit the Netflix model well. For much of the streaming wars, Netflix was resistant to acquiring live sports content. As Netflix co-CEO Ted Sarandos said, "We're not anti-sports, we're just pro-profit."[8] Then, in 2024, Netflix announced that it would stream two exclusive NFL games on Christmas that same year, the first of a three-year deal.[9]

- TikTok – The Chinese-owned social media platform was an increasingly popular source of game highlights, game around the game conversation, and behind-the-scenes athlete content. There was no indication that it will be a player in live rights.

- Meta – The owner of Facebook, Instagram, WhatsApp, Messenger, and Oculus experimented with live sporting events (e.g. MLB games on Facebook), but it did not appear to be a serious

player in the live sports rights market. Instagram was an increasingly popular source of game highlights, game around the game conversation, and behind-the-scenes athlete content.

- X – X was like TikTok and Meta in its approach to live rights. Prior to the sale to Elon Musk, Twitter experimented with live sporting events, but under Musk's ownership did not appear to be in the market for live sports rights. Like other social media platforms, it was a popular source of game highlights, game around the game conversation, and behind-the-scenes content.

Sports Properties

By selling the live rights to their games, sports properties (leagues, conferences, governing bodies) provided the intellectual property that fueled the sports media ecosystem. For sports properties, it was all about the power of live. Compared to other forms of entertainment, sports were the most effective at attracting larger audiences that watch the content live, without time shifting. In a marketplace with overwhelming competition, the convening ability of live sports programming had no real equal and thus continued to drive its value.

Sports properties also offered at least a couple additional value propositions. Some delivered tonnage, also known as a lot of games. Think Major League Baseball, with a total of 2,430 games in a regular season. For networks with time to fill in the summer, MLB delivered the content that did just that. Another type of value proposition from sports properties revolved around exclusivity. Formula 1 was a good example, as it had only 24 grands prix per year. Each race was an event in and of itself, enabling a network partner to develop shoulder programming and marketing to help cut through the clutter.

When sports properties sold their live rights, they sought to maximize reach, revenue, and relevance. They wanted to reach the largest audience, get the biggest check, and drive the most fan engagement from their media partnership. The most valuable properties (e.g. NFL) could usually check the box on all three. But increasingly properties made trade-offs when deciding on their media partners. The partner that could pay the most may not have had the greatest reach, for example. Take the case of Major League Soccer (MLS). Market factors led them to AppleTV+ for more revenue than they could capture in the linear marketplace but many fewer subscribers, reducing reach. As per above, this impacted the audience it attracted, the value sponsors ascribed to the league, and team valuations. Balancing reach versus revenue was a constant challenge for properties, especially in a more fragmented landscape that also included streaming.

Another important variable: Many leagues had their own direct-to-consumer apps and networks. They considered how much content to reserve, exclusively, for their apps/networks, if any. This trend started in the cable/satellite world when leagues like the NFL, NBA, and MLB all launched their own networks, which helped create some leverage in the marketplace. They could always choose to distribute some of their games via their network. In the streaming era, leagues embraced their direct-to-consumer

offerings, especially for out of market games. For example, NBA League Pass, the NBA's product, consistently demonstrated its viability in the NBA's portfolio of media properties.

Because of the power of live sports programming and the competition among buyers in the league rights marketplace, the cost of sports rights had continued to rise. According to S&P Global, in the U.S. alone, $25.57 billion was spent on rights fees during 2023. That number was estimated to rise to over $30 billion by 2025.[10] The NBA, for example, agreed to 11-year deals with Disney/ESPN and Comcast/NBCUniversal, in addition to Amazon. The combination of all three packages totaled $77 billion in rights fees for the NBA, a more than 2.5x increase in annual fees over their previous deal.[11]

But for other sports properties, there were signs that rights could be peaking. The English Premier League, the most competitive football property in the world, signed a new deal in the UK with Sky Sports that netted it a 4% increase in the rights fees, but also resulted in up to 100 more matches being included in the package to achieve a moderate increase in rights fees.[12] Sky's fee per game went from $12M in the previous deal to $5M in the new deal. La Liga and the Bundesliga also saw an erosion in rights fees with their latest deals.[13]

Critically, the growth in sports media rights underpinned the sky-high valuations of sports teams and leagues in the modern era (**Figure 1**). But the question as to whether rights would continue to grow and power the rest of the industry remained open and complex.

Figure 1 Team Valuations

	2005		**Current**	
	Avg. value ($m)	Avg. revenue multiple	Avg. value ($m)	Avg. revenue multiple
NBA	$302	3.0x	$3,855	10.9x
MLB	329	2.3x	2,318	6.4x
NHL	163	2.1x	1,327	6.4x
NFL	819	4.3x	5,108	8.8x

Source: Forbes, JP Morgan[14]

Cable and Satellite Operators

Cable and satellite operators, also known as Multichannel Video Programming Distributors (MVPDs), were in the crosshairs of technological disruption in media. On the one hand, the secular decline of cable was cutting right at the heart of these companies. On the other hand, and perhaps to their credit, most cable companies aggressively invested in broadband Internet to maintain control over the pipes that deliver content into consumers' homes. As it turned out, the business of broadband was not only a hedge against the decline of their video business but also became a growth business for these companies. In fact, some operators looked to get out of video or had done so already. Cable One, for

example, made the decision to focus only on broadband and exited the video business.[15] It was a sign of the times.

Some operators, perhaps reluctantly, were staying in the video business for the time being but reimagined what the future might be, inclusive of streaming. As an example, Charter Communications, which operated Spectrum, one of the largest cable providers in the country, was in a highly scrutinized negotiation with Disney over a new carriage/affiliate agreement in 2023. For decades, Disney had leverage in these negotiations; it owned the most valuable channels, and if they took them away from an operator, there was a real possibility that operator would lose customers to a competitor who had Disney's channels. Given the realities of the cable business, the negotiations in 2023 were different.

Charter ended up not going as far as Cable One, but articulated its doubts on the video business in a widely circulated deck on the future of multichannel video.[16] This informed the distribution deal it did with Disney, which included the right to distribute Disney's streaming platforms (Disney+ on a popular Spectrum's package and ESPN+ on Spectrum's more sports-centric tier – both without an additional charge to customers).[17] Charter argued successfully that Disney had been taking some of its best content from its linear channels and putting it on to its streaming services. They argued that it is only fair that their customers still have access to that content, and should not have to pay twice. As part of the deal, Charter also stopped carrying several Disney and ESPN linear networks such as Freeform. The Disney-Charter deal was perhaps a harbinger of future distribution agreements for networks and cable/satellite operators.

Another sign of the changing distribution landscape was DirecTV's decision to offer customers a "No Locals" package. This would remove the local broadcast stations from the channel lineup and save customers of the package $12 a month.[18] Customers could choose to opt out for the summer months and then come back for NFL season or forgo local stations altogether. In turn, the retransmission fees that incumbent media companies receive for distribution of their broadcast stations through cable and satellite operators could go down materially, putting even more pressure on revenue from linear broadcast assets and, by extension, sports rights fees.

Fans

The final, and arguably most important, stakeholder in the competitive landscape were the fans themselves. If there was one word that summed up the impact of streaming on the fan experience, it might be choice, which had both benefits and costs to all in the ecosystem. Streaming led to an unbundling of media networks and content, and as a result, it unleashed a new era of consumer choice in sports and entertainment in at least three ways: choice in how to access content, choice in what content to watch, and choice in what networks or services to use.

First, consider choice in access. At the highest level, streaming via broadband internet became a third way that fans accessed video content. The other two were cable/satellite and over-the-air (OTA)

broadcast using an antenna, the dominant way to access television prior to cable/satellite. Although streaming penetration continued to grow, households in the U.S. still used the other two sources in varying degrees. According to Nielsen estimates in November of 2023, 59.7% of households accessed content via cable/satellite or a vMVPD, 12.4% via OTA with no vMVPD, and 27.9% streaming via broadband internet only with no vMVPD.[19] Importantly, households often accessed content in multiple ways (e.g. subscribe to both cable/satellite and a streaming service or use an OTA antenna and a streaming service). At the household level, deciding between these three or some combination of them was one important choice for fans.

Among the times when this decision most frequently took place was during a household move. Historically, American consumers reevaluated their media, entertainment, and internet choices during this time of transition. After significant activity in the housing market from the summer of 2020 to the spring of 2022, the number of houses sold slowed down considerably by 2024.[20] Based on precedent, it was reasonable to predict that traditional pay TV might fall even more preceiptously once the housing eventually rebounded.

Fans not only had the choice of how to access content, but they also had orders of magnitude more content available, particularly across streaming. As media and technology companies invested in the streaming business, they brought more content to those services to attract and retain customers. In turn, the growth of video titles increased exponentially. Nielsen offered some insight into this trend. The number of distinct video titles to choose from across all of media and entertainment – broadcast, cable, and streaming – rose to 2.7 million in 2023, up from 1.9 million in 2021.[21] Although the writer's and actors' strike of 2023 and push toward profitability in streaming curtailed some growth in available titles, the seemingly never-ending supply of content in the streaming era was likely here to stay. And yet, there were still only 24 hours in a day.

In an environment of seemingly infinite options, the "paradox of choice" arguably became more pronounced.[22] Having more options made it harder to choose. For example, in June 2023, viewers spent 10 minutes 30 seconds deciding what to watch, up from 7 minutes 24 seconds in March 2019.[23] The streaming era was in many ways an entertainment paradise – consumers got what they want when they wanted it, but only if they could find it. In the era of the cable bundle, consumers came up with a channel repertoire to deal with the paradox of choice. They found their channels and stuck to them. In 2013, the average household had 189.1 channels available to them, yet only watched 17.5.[24] In the streaming world, fans began to develop their own heuristics to simplify viewing, which inevitably would include some sports programming and services over others.

Finally, the move to streaming also led to the creation of new streaming products and services for fans to choose from. YouTube, Netflix, Amazon Prime, Disney+ and Hulu were the biggest players, while Peacock, Apple TV+, Max, Paramount+, and YouTubeTV, to name a few, also vied for market share. And specific to the sports world, there were sports-focused services like FuboTV and DAZN as well

as the various league direct-to-consumer offerings such as NBA League Pass, NFL Sunday Ticket, and MLB.tv and regional sports network direct-to-consumer offerings (e.g. NESN+). In a sea of options, there was a limit to how many services people will subscribe to, although that number could be a moving target. According to a study by Leichtman Research Associates, U.S. households had a mean number of 4.1 subscription video on demand/direct-to-consumer services in 2023, up from 2.9 in 2020.[25]

The explosion of choice – in how, what, and where to watch video content – also had implications for fans in at least a couple of ways – cost and discoverability. From a cost perspective, consider the choices that fans needed to make (**Figure 2**).

Figure 2 Cost of Media and Entertainment

Internet

Service	Average cost per month
Broadband internet	$70

Cable

Service	Average cost per month
Basic cable TV	$74
Premium cable TV	$147

Streaming

Service	Basic with ads, per month	Premium/ad-free, per month
Netflix	$7	$15.50, $23
Hulu	$8	$18
Disney Plus	$8	$14
Max	$10	$16, $20
ESPN Plus	$11	
Peacock	$8	$14

Note: Hulu, Disney Plus, and ESPN Plus were also sold in bundles. Hulu and Disney Plus were $10 and $20 with and without ads, respectively. All three were $15 and $25, with or without ads, respectively.

Live TV Streaming (vMVPDs)

Service	Basic TV package, per month
Philo	$25
Sling TV	$40
YouTubeTV	$73
Hulu Plus Live TV	$77
Fubo TV	$80
DirecTV Stream (with RSNs)	$109

Source: CNET analysis; average internet and cable package prices determined by averaging prices from major internet and cable providers in six major cities, Grantville, KS, Atlanta, GA, Houston, TX, Staten Island, NY, Kalamazoo, MI, San Francisco, CA.[26]

At the base level, regardless of the packages, most fans would pay on average $70 a month for broadband internet. Then the decision was whether fans would pay for a bundle of channels – either through a traditional pay TV package via cable or through a live TV streaming provider. Up until recently, much of premium live sports was accessible only through these channels, which was why sports was often thought to be propping up the bundle. Fans could also decide to forgo channel bundles altogether and go with a monthly menu of streaming services only.

The challenge for sports fans was that, depending on where games are offered, the costs could add up considerably. Consider a fan of the Premier League, University of Florida, NFL, and Miami Heat (their local NBA team). Here were the options (**Figure 3**).

Figure 3 Sports Fan Example: Media Services

Sport	Broadcast	Cable	Streaming
Premier League	NBC	USA Network	Peacock
University of Florida	ABC	ESPN networks	ESPN+
NFL	CBS, NBC, ABC, Fox	ESPN	Amazon, Peacock
Miami Heat	ABC	ESPN Bally's Sports	Amazon/Bally's

Source: Casewriters.

What could this fan do? To access content on both broadcast and cable networks, the fan would likely need a bundle of channels. The first consideration could be YouTube TV, but that service did not carry local Heat games (no distribution deal with Diamond Sports Group/Bally's Sports). Maybe this fan would have to go with a traditional pay TV package to get everything they needed. That package, with premium local sports, was priced at $147. But this fan also wanted to watch the Premier League, which was available through NBC, USA Network and Peacock, which was priced at $8/month with ads and $14/month without ads. That would also give this fan access to an NFL playoff game on Peacock, so that was an advantage. But if they wanted to watch Thursday Night Football on Amazon Prime, that would be another $15 (which comes with other benefits such as free shipping on products). Meanwhile, ESPN showed some University of Florida content on its linear cable networks as well as ABC, but not all, so if this fan really wanted to stay connected to their alma mater, they would also need ESPN+ at $11 a month. The final tally, including Internet, could look something like the below (**Figure 4)**.

Figure 4 Sports Fan Example: Cost of Media Services

Service	Cost, per month
Internet	$70
Premium Cable	$147
Peacock	$8
Amazon Prime	$15
ESPN Plus	$11
Total	**$251**

Source: Casewriters.

Of course, this was not the only configuration to make this sports media diet work. Perhaps this fan lived in an area where antennas could be used to reliably broadcast ABC, NBC, CBS, and Fox into the home. The fan could then toggle between antenna and various streaming platforms to watch their favorite leagues and teams. It would not be as seamless of a user experience as scrolling the guide in a cable or satellite environment, but it would get fans the content they wanted. All the options in this era of media required more effort and, in some cases, more money on the part of fans to actually be a fan. Moreover, fans in streaming could subscribe to watch a specific game or season and then unsubscribe, whereas in the cable bundle era the value was different and the technology did not make it easy or efficient. Therefore, cable/satellite companies did not see this type of churn.

Some fans also pirated the content. The Internet was no stranger to piracy. The introduction of Napster crippled the music industry for years. Only recently had the industry figured out how to offer products and services that people were willing to pay for instead of steal (although piracy in music certainly still existed). In the world of sports, the extent to which live games and matches were streamed illegally was difficult to pin down. As one indicator, Oddspedia did a survey of 3,200 NFL fans to understand the share of fans who illegally streamed their favorite team's games, by team. Cincinnati Bengals fans, at 51.6%, led the way, followed by Packers, Bills, and Ravens fans, all at a 47% share or more.[27] Certainly, NFL programming was the most popular in the United States and therefore in very high demand. It was also arguably the most accessible, available free over the air via an antenna, as well as through the cable bundle, and through streaming services. If the piracy was happening with the NFL, it was happening with other leagues, the extent of which was unknown.

Many avid fans went to great lengths – either legally or illegally – to watch their favorite teams and leagues. But not every fan was this avid. As one indicator, the Pew Research Center conducted a survey of almost 12,000 Americans in August of 2023 about their sports fandom. They found that only 7% of U.S. adults said (1) they "follow sports extremely or very closely" and (2) they "talk about sports at least every day". The population who did these two things was what Pew defined as "superfans".[28] Of course, there were many other conceptions and definitions of sports fans. But in the streaming era, with more choice in how, what, and where fans consumed entertainment and sports content, it was fair to consider the potential impact of fan avidity on the future of the ecosystem. The Pew survey also found

that 62% of Americans said "they follow professional or college sports not too or not closely at all". [29] What, if anything, would it take to get these potential viewers to seek out, pay for, and watch a game? Were avid fans large, influential, and willing to pay enough to keep the ecosystem healthy?

Regardless of a fan's avidity, the marketplace of live sports services and platforms had changed considerably in the streaming era. With more choice had also come more fragmentation, with important implications on the costs of being a sports fan and the ease of finding the games fans cared about watching.

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The sports media ecosystem was comprised of interdependent and in some cases competitive players – the incumbent media companies, disruptor tech companies, sports properties, cable and satellite operators, and the fans themselves. How this ecosystem would change and evolve in the streaming era was uncertain, and a question at the center of it all was the future and fate of ESPN.

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