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## **FINAL CASE STUDY 4**

### **The Economics of Sports Broadcasting Rights**

#### **1. Five-Year Projection Model for PFL Viewership Across Platforms**

As part of Global Sports Network's (GSN) strategic evaluation of the Premier Football League (PFL) broadcasting rights, a five-year forecasting model (2024–2029) was constructed using historical viewership data and current market trends. The objective of this model is twofold: first, to estimate total future viewership, and second, to analyze how that audience is likely to be distributed across broadcast television, cable, streaming services, and mobile/social platforms.

For the viewership trends and platform transition, between 2020 and 2023, total PFL viewership grew at an average annual rate of 7.96%. This growth was driven almost entirely by streaming platforms, which expanded at a rate of 23.25% per year. In contrast, traditional broadcast television experienced a consistent decline of approximately 4.93% annually. These contrasting trends reflect a broader shift in media consumption behavior, particularly among younger demographics: during the same period, the proportion of viewers aged 18–34 increased from 26% to 35%.

Based on these dynamics, projections indicate that by 2029:

- Total PFL viewership will reach approximately 349 million viewers.
- Traditional broadcast television will account for just 88 million viewers, or approximately 25% of the total.
- Streaming viewership is projected to surpass 520 million viewers cumulatively, suggesting that many users will consume PFL content on multiple platforms (e.g., live games on smart TVs and highlights on mobile).

For the estimated platform distribution, drawing on both empirical data and the economic framework provided by Leeds, von Allmen, and Matheson (2022), the expected distribution of PFL viewership across platforms is summarized below:

| Platform                | Share in 2024 | Projected Share in 2029 |
|-------------------------|---------------|-------------------------|
| Broadcast Television    | 30%           | 20%                     |
| Cable Television        | 20%           | 5%                      |
| Streaming (OTT)         | 40%           | 60%                     |
| Mobile/Social Platforms | 10%           | 15%                     |

These estimates account for several market forces. Broadcast television, while still relevant for live events and older viewers, is becoming less economically viable due to declining youth engagement and high operational costs. Cable television is facing sharp decline amid cord-cutting trends. In contrast, streaming platforms offer superior adaptability, data-driven personalization, and global scalability. Finally, mobile and social platforms, while more difficult to monetize directly, are increasingly important for engaging younger.

From an economic standpoint, this projected fragmentation of viewership reflects a transition from a centralized media model to a multi-platform, two-sided market. In this context, media rights holders must balance the expectations of both viewers (who demand flexibility and accessibility) and advertisers (who demand measurable, targeted reach).

As Leeds et al. (2022) explain, the unique value of sports broadcasting rights stems not only from the volume of viewers but also from the ability to command attention across differentiated platforms in both horizontal and vertical market structures. Effective

monetization strategies must therefore incorporate multi-platform delivery and dynamic pricing models that reflect consumption patterns and engagement intensity. In conclusion, the five-year projection clearly indicates that streaming and mobile platforms will drive the next era of growth in sports media, while broadcast and cable should be regarded as legacy components of a transitional distribution model. Any competitive bid for the PFL's broadcasting rights must reflect this evolving landscape by aligning investment and strategy with audience behavior and platform economics.

## 2. Return on Investment Analysis for Different Pricing Scenarios (\$10B, \$12B, and \$14B).

To assess the economic viability of acquiring broadcasting rights for the Premier Football League (PFL), a five-year revenue projection was conducted, considering the anticipated distribution of viewership across platforms and the average revenue generated per viewer for each type of media.

In terms of economic assumptions, for the year 2029, the projected total audience is approximately 349 million viewers. Based on the estimated platform distribution and average revenue per viewer, the following assumptions were made:

- Broadcast (traditional TV): 20% of the audience, generating approximately \$25 per viewer/year
- Cable: 5% of the audience, \$25 per viewer/year
- Streaming: 60% of the audience, \$40 per viewer/year
- Mobile/social media: 15% of the audience, \$10 per viewer/year

Based on these assumptions, total annual revenues are estimated at approximately \$11.08 billion, resulting in \$55.40 billion over five years.

For the cost scenarios and profitability, we have three scenarios that we can simulate based on potential five-year rights acquisition costs:

| Rights Fee<br>(USD) | Estimated 5-Year<br>Revenue | Net Profit         | Return on Investment<br>(ROI) |
|---------------------|-----------------------------|--------------------|-------------------------------|
| \$10 billion        | \$55.40 billion             | \$45.40<br>billion | 454%                          |
| \$12 billion        | \$55.40 billion             | \$43.40<br>billion | 362%                          |
| \$14 billion        | \$55.40 billion             | \$41.40<br>billion | 296%                          |

Even at the highest price point of \$14 billion, the investment would remain profitable, with a ROI close to 3. However, beyond that threshold, profitability would decline significantly, limiting GSN's strategic flexibility in the event of an aggressive bidding war.

We can economically interpretate this analysis by saying that it highlights the extremely high economic value of PFL broadcasting rights, reinforced by the rapid growth of streaming and the superior monetization potential of digital platforms. It supports the observation made by Rodriguez in the case scenario: traditional broadcasters are struggling to justify rising costs amid audience fragmentation, while digital players are better positioned to generate higher ROI through subscription models and targeted advertising. This financial modeling provides a rational foundation for defining an economically justifiable bid ceiling, while also considering the uncertainty introduced by market evolution and competitive pressure.

### 3. Analysis of the Sports Broadcasting Market Through the Lens of Monopolistic Competition Theory.

The market for sports broadcasting rights, particularly those of the Premier Football League (PFL), can be effectively analyzed through the lens of monopolistic competition, a theoretical framework that offers valuable insights into the structure and dynamics of the sector.

According to monopolistic competition theory, markets are typically characterized by:

- Many competing firms,
- Differentiated products,
- Relatively free entry and exit,
- And limited price-setting power for individual firms.

The sports broadcasting market meets many of these conditions, though it also presents important specificities related to the nature of sports content.

Broadcast rights for major sporting competitions, such as the PFL, are highly differentiated goods marked by exclusivity. Unlike scripted content (e.g., films or series), a live football match is non-substitutable: viewers seek to consume a specific event in real time. This gives rights holders a temporary but significant market power.

This uniqueness allows broadcasters to charge premium advertising rates, enhance subscriber loyalty, and attract users to their platforms.

Although GSN operates in a competitive environment (alongside Amazon, ESPN, YouTube, etc.), holding the exclusive rights to the PFL places it in a monopolistic position over that specific content. This market power can be leveraged through:

- Offer segmentation (e.g., premium tiers, OTT subscriptions, mobile access),
- Differentiated value creation across platforms (TV vs. streaming vs. clips),
- And targeted advertising negotiations for high-impact time slots.

However, this power is time-bound (limited to the duration of the contract) and depends heavily on the platform's ability to convert viewership into revenue—whether through subscriptions or advertising.

While the market appears open to new entrants (particularly digital and social media platforms), the scarcity of premium content like the PFL creates a major strategic barrier.

Few products are effective at capturing and retaining a large, international fan base.

In addition, the investment required to broadcast such events at high quality (infrastructure, technology, international licensing) results in high fixed costs, reinforcing market concentration around a small number of powerful players.

As a contender for the PFL rights, GSN must recognize that:

- Market power is limited but real, granted by content exclusivity.
- Product differentiation, in terms of quality, user experience, and multi-platform accessibility, is essential for price justification and margin optimization.
- The entry of new digital-native competitors encourages a strategy built on commercial and technological flexibility.

#### 4. Economic Trade-Offs Between Traditional and Digital Distribution Platforms: A Two-Sided Market Analysis.

The modern sports broadcasting industry can be effectively analyzed through the lens of two-sided market theory, which explains how platforms operate by simultaneously interacting with two distinct groups of users, in this case, viewers and advertisers. This framework is particularly relevant when comparing traditional broadcast/cable platforms and digital platforms such as streaming services and mobile/social media applications.

##### A) Traditional Television Model (Broadcast/Cable)

Traditional broadcasters, including free-to-air and cable television, primarily rely on an advertising-based model. They attract large audiences by offering exclusive content, which they then monetize by selling advertising slots to companies.

Key characteristics of this model include:

- Apparent low cost to the viewer (except in the case of cable subscriptions),
- Revenue primarily driven by advertisers,
- Economic viability dependent on massive, stable, and measurable audiences,
- Heavy reliance on prime-time viewing slots and viewer loyalty.

In a two-sided market, these platforms must attract sufficient viewership to appeal to advertisers, while simultaneously offering advertisers valuable and broad ad inventory. However, with the increasing fragmentation of the audience and the decline of younger TV viewers, this model is becoming less sustainable.

## **B) Digital Platforms Model (Streaming and Mobile)**

Digital platforms such as over-the-top (OTT) streaming services, mobile applications, and social media follow a hybrid revenue model:

- Subscription-based access (e.g., Netflix, DAZN),
- Targeted advertising (e.g., YouTube, Facebook Watch),
- Or a combination of both (freemium or ad-free premium options).

In this structure, the platform operates as a two-sided intermediary, connecting:

1. Users, drawn by flexible, personalized, and on-demand content,
2. Advertisers, attracted by detailed user data, behavioral segmentation, and precise return-on-investment (ROI) metrics.

Key economic advantages include:

- Higher monetization per user (especially via paid streaming),

- Enhanced retention through algorithm-driven engagement,
- Ability to reach niche and international markets.

However, these platforms face high customer acquisition costs and must continuously innovate to retain user attention.

### C) Two-Sided Market Implications for the PFL

In the context of the PFL, the trade-offs between these models can be summarized as follows:

| Criterion               | Traditional TV            | Digital Platforms            |
|-------------------------|---------------------------|------------------------------|
| Primary revenue source  | Advertising               | Subscriptions + targeted ads |
| User cost               | Low to moderate           | Variable (free to premium)   |
| Geographic reach        | Domestic/national         | Global and segmented         |
| Performance measurement | Estimates (e.g., Nielsen) | Real-time user data          |
| User ROI potential      | Moderate                  | High, but with greater risk  |

### D) Strategic Implications for GSN

For GSN, this implies that:

- An exclusively television-based strategy is no longer viable from an economic standpoint,
- The company should adopt a balanced distribution model, leveraging mass audience reach through traditional channels and personalized monetization through digital platforms,

- Most importantly, the strategy should be built on a thorough understanding of network effects: the more users a platform attracts, the more valuable it becomes to advertisers, and vice versa.

## 5. Optimal Acquisition and Content Distribution Strategy for GSN

In the context of a rapidly evolving sports media landscape, GSN must develop a rights acquisition and content distribution strategy for the Premier Football League (PFL) that is both ambitious and realistic. The goal is twofold: to ensure immediate profitability while establishing a sustainable long-term strategic position in a market increasingly shaped by digital consumption and audience fragmentation.

Given the diversity in viewing habits projected for the next five years, it would be economically rational for GSN to pursue a hybrid acquisition model. Rather than aiming for total exclusivity, GSN should assemble a portfolio of rights tailored to the strengths of each distribution channel. Specifically, GSN could negotiate for :

- Exclusive rights to OTT streaming, which is the fastest-growing platform with the highest revenue per user.
- Shared rights for television, particularly for broadcasting a weekly marquee match in prime time to capture a broad and intergenerational audience.
- Non-exclusive rights for mobile and social media, allowing for high-frequency engagement through short-form content, highlights, and viral clips.

This structure would provide strategic flexibility while allowing for cost optimization across platforms with varying monetization potential.

Content should not be distributed uniformly, but rather targeted to each platform based on usage patterns and economic efficiency. Streaming would form the cornerstone of GSN's media ecosystem, providing access to full matches, replays, and enriched content

(alternate angles, live stats). Television, while expensive, would remain relevant for premium matches that attract broad audiences. Mobile and social platforms would serve as audience acquisition tools, offering fast, engaging content tailored to younger users and on-the-go consumption.

Such an approach would allow GSN to maximize the economic value of each audience segment by aligning content format and delivery with user preferences.

To implement this strategy, GSN must allocate its resources efficiently. A proposed budget distribution might be :

- 40% allocated to streaming rights, due to their high return on investment and future growth.
- 30% to traditional television, to maintain visibility in established national markets.
- 20% to mobile and social platforms, which offer strong engagement at relatively low production cost.
- 10% to technological innovation and user data analytics, to optimize targeting and improve overall experience.

This strategy would be supported by performance metrics (revenue per user, customer acquisition cost, retention rates) to enable agile strategic adjustments over time.

This approach aligns with the framework laid out by Leeds, von Allmen, and Matheson (2022), who emphasize that the value of sports broadcasting rights no longer derives solely from content scarcity, but from the ability to monetize and adapt that content across multiple channels. Therefore, the optimal strategy is not to “own everything,” but rather to own wisely.

To conclude, GSN must now commit to a strategy that is not only economically sound but also strategically distinctive. By combining a modular rights acquisition model, platform-specific distribution, and data-driven performance management, GSN can both maximize

short-term returns and build long-term competitive advantage in the global sports media market.

#### 6. Strategic Bidding Analysis Using Game Theory: What Strategy Should GSN Adopt?

In a competitive environment where the broadcasting rights to the Premier Football League (PFL) attract interest from several major media players, GSN cannot rely solely on a financial valuation of the product. Its bidding strategy must also incorporate a strategic assessment of rival behavior. This is where game theory provides valuable tools, offering a structured way to anticipate and respond to the actions of competing firms. The bidding process for the PFL can be modeled as a strategic game under incomplete information, where each participant must make an offer without full knowledge of the intentions of the others, while trying to predict them. Two auction formats are most relevant:

- A sealed-bid first-price auction, where each participant submits a confidential offer,
- Or an ascending (English) auction, where each new bid is public.

In both cases, GSN operates in an environment where the profitability of its bid depends not only on the intrinsic value of the rights, but also on how it anticipates and reacts to the strategies of competing firms.

Some competitors, such as Amazon, YouTube, or Apple, do not operate under the same economic constraints. Their interest in sports rights is often driven by strategic objectives: increasing market share, enriching their digital ecosystem, or gaining access to user data. As such, these players may be willing to bid beyond the rights' direct economic value, adopting a more aggressive, long-term view. In contrast, GSN must maintain financial discipline, focusing on profitability within measurable horizons.

In this context of asymmetrical motives, the recommended strategy for GSN combines calculated risk and strategic precision. It should include:

- A clearly defined maximum justifiable bid, based on expected return on investment (as established in Question 2),
- A targeted approach to specific segments of the rights (such as OTT or international packages) that may attract less competitive pressure,
- A proactive and credible initial offer, aimed at signaling GSN's seriousness without sparking an uncontrolled bidding war,
- And a set of fallback scenarios, such as partnership negotiations or co-acquisition strategies, should bidding escalate beyond acceptable levels.

This approach seeks to strike the right balance between strategic ambition and economic prudence, maximizing GSN's chances of securing a valuable asset without exceeding its profitability threshold.

By adopting a Nash equilibrium logic, GSN aims for a strategy where no player has an incentive to unilaterally change its decision, assuming others stick to theirs. Success depends on GSN's ability to accurately model and anticipate rival behavior while remaining flexible in execution.

At the same time, it is important to acknowledge the limits of pure rationality in such high-stakes contexts. Decisions are often influenced by reputation, signaling, or broader strategic considerations. GSN must therefore combine tactical agility with economic rigor, being ready to adjust to new information and dynamic developments in the auction.

In conclusion, GSN's bid for the PFL broadcasting rights should be guided by a strategy that is rational, proactive, and adaptable, rooted in the principles of game theory. By defining a clear budgetary ceiling, strategically targeting specific rights packages, and anticipating the behavior of major competitors, GSN can maximize its chances of success

without compromising financial sustainability. The winning formula lies in combining clear strategic insight with disciplined execution in a complex, fast-moving competitive environment.

## **7. Final Recommendation to GSN's Executive Team**

Based on the preceding economic, strategic, and forecasting analyses of the Premier Football League (PFL) broadcasting rights, we are now in a position to offer a clear, evidence-based recommendation aligned with GSN's financial goals and competitive positioning. This guidance reflects ROI projections, consumption trends, market structure, and strategic auction dynamics.

### **A) Maximum Economically Justifiable Bid**

Given projected five-year revenues (approximately \$55.4 billion), the break-even threshold is estimated at around \$14 billion. However, to maintain a strong return on investment (ROI), we recommend that GSN not exceed a \$12 billion bid, which would allow the company to:

- Secure a profit margin of over 3.6x the initial investment,
- Retain financial flexibility for content production, distribution, and innovation,
- Preserve strategic bandwidth in case of aggressive counterbids from tech rivals.

### **B) Preferred Rights Package Structure**

We recommend acquiring a hybrid and modular rights package, consisting of:

- Exclusive OTT streaming rights (full matches, enriched content, subscription model),
- Shared linear television rights, allowing one marquee match per week to be broadcast on traditional TV,

- Non-exclusive mobile and social media rights, enabling short-form distribution to boost reach and engagement.

This structure ensures accessibility, flexibility, and multi-channel audience coverage, while minimizing exposure to technological disruption or channel overdependence.

### C) Optimal Content Distribution Strategy

GSN should implement a differentiated content strategy tailored to platform-specific user behavior:

- Streaming (40% of investment): the central platform for full-match consumption and premium content.
- Linear television (30%): visibility and mass-market reach.
- Mobile and social media (20%): audience acquisition and brand engagement through short formats.
- Technology and analytics (10%): user behavior tracking, targeted advertising, and intelligent content recommendations.

This structure enables GSN to maximize revenue per user while expanding reach across younger and international audiences.

### D) Key Performance Metrics to Monitor

To evaluate the success of the PFL investment, GSN should track the following KPIs:

- Average revenue per user (ARPU) by platform,
- Subscription conversion rate vs. total viewership,
- User engagement (watch time, interaction),
- Retention rate by platform (OTT, TV, mobile),
- Digital market share over the first three years.

Continuous, data-driven management will allow GSN to optimize pricing, content allocation, and audience strategy in real time, adjusting to market dynamics and profitability indicators.

#### Overall Conclusion:

Securing the PFL broadcasting rights presents a major strategic opportunity for GSN, provided the company remains disciplined in execution. By pursuing a hybrid, digitally driven approach, GSN can balance ambition with sustainability, while innovating in content delivery and audience monetization.

This strategy will position GSN as a leader in the future of live sports streaming, capitalizing on the commercial and emotional power of elite football.