

Original Article

The German Bundesliga TV Rights Selling Model - Historical Study

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Abstract

The tv rights income for each Bundesliga club for the 1999/00 season was approximately 6 million euro, while for the 2001-2003 period, a new tv rights deal almost doubled the league annual revenues from 212 to 383 million euro. The next deal, for the 2004-2009 period, valued 440 million euro per season, and the 2009-2013 period deal was slightly lower, at the level of 412 million euro per season. Bundesliga succeeded a spectacular increase in their tv rights income with the 2013-17 period deal, securing 628 million euro per season. The purpose of the study is to show how the German football authorities marketed the German football championship and applied selling and income distribution mechanisms, in order to increase the rights value and the clubs revenues in a spectacular way over the last 20 years. The study could be useful to any football league that wants to develop and sell their televised product.

1. Introduction

The loss of Germany in the 1962 World Cup against Yugoslavia was the occasion for the national league creation. In July 1962, under the control of the league, the German football first professional league was set up, in the English standards. The first league game was conducted on August 24 1963 and the first champion was Koln FC. In 1963 season, the league was consisted of 16 clubs, from 1965 until 1990 of 18, from 1991 till after the Germany reunion of 20 and from 1992 till today of 18 clubs. The league until 2001 was conducted under the auspices of the German Football Federation (DFB), something that changed after the creation of the German Football League, which is responsible for the

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organization of the country's professional football and for the new clubs licensing. Bundesliga 1, Germany's football first division, is organized by Deutsche Fußball Liga (DFL), which was created in 2001. DFL sells centrally the Bundesliga 1 and Bundesliga 2 TV rights. Before 2001, the tv rights were sold by the national football federation, Deutsche Fußballbund. In Bundesliga participate 18 clubs, which play between them in home and away games for 34 game weeks, in 306 games. The three last clubs relegate automatically and are replaced by the three first clubs of Bundesliga 2. The two first clubs of the first division participate automatically in the Champions League group stage, while the third club participate in the Champions League preliminary rounds. The fourth and fifth clubs participate in Europa League (Frick & Prinz, 2006).

2. Material and methods

The general business – financial environment of football in Germany is good. The majority of the clubs is in good financial position, the revenues have steadily increased, and the risks are under control. Bundesliga 1 the last years, is, together with Italian Serie A, French Division 1, Spanish La Liga and English Premier League the biggest European football championships. Specifically, Bundesliga 1 revenues are at high levels the last years, with small fluctuations, caused mainly by the promotion or relegation of its clubs. The league has gained in 2003-04 season, revenues of 1,058 billion euro, in 2004-05 season they went up to 1,236 billion euro, the following season declined to 1,195 billion euro, while in 2006-07 season they went up to 1,209 billion euro. German football succeeded in becoming a pole of attraction both for the fans and also for the financial factors. The revenues gained from merchandising, tickets sale, sponsorships and tv rights of the 2005-06 season clubs games were 1,195 billion euro, making Bundesliga 1 the third wealthiest league after Premier League (1,994 billion euro), Serie A (1,399 billion euro), while Primera Division (1,158 billion euro) and Ligue 1 (910 million euro) followed (TV Sports Markets, 2008). Bundesliga tv rights collective deal was approved by the European Commission in 2004. The deal, signed in December 2005, included both divisions tv rights. The deal had a three seasons duration (2006-09) and offered to the league an amount of 413 million euro per year, that was an 41% higher compared to the previous deal one. Out of the total amount, 220 million euro came from the subscription channel Arena (owned by Unity), which prevailed Premiere, that has paid 335 million euro for the 2004-06 period for the same rights. At the same time, the public television channel ARD paid 85 million euro to acquire 6 games highlights broadcasting rights and 2 games live broadcasting rights for one year. Finally, clubs signed deals with ZDF and DSF for 40 million euro. Out of the 413 million euro, 79% went to Bundesliga clubs and 21% to Bundesliga 2 clubs (Frick & Prinz, 2006).

In the 2010/11 season, Bundesliga total revenues were 1,9 billion euro, while the total revenue amounted to the 2.4 billion euro in the 2013/14 season. Out of that number, 640 million euro from advertising. Kit sponsorship is a crucial element for the Bundesliga teams, making them through sponsorships 140 million euro in the

2012/13 season. That season, the Bundesliga multi champions and most favorite and traditional German football power, Bayern Munich, made 25 million euro from Telekom, VfL Wolfsburg received 20 million euro from Volkswagen. The capitalization of major German clubs is steadily increasing with the one of Bayern Munich to be close to 1 billion euro in 2014, with the second club, Borussia Dortmund to have a value of 327 million euro. The league expenses increased as well, during this period, reaching a 2.4 billion euro in 2013/14, with 290 million euro spent on transfers and an extra 163 million euro spent on staff. (<https://www.statista.com/statistics/282611/revenue-german-bundesliga-soccer>).

In 1999, it was expected that the German courts would offend the Bundesliga rights collective deal, after the rejection by the national court Bundesgerichtshof of the European Championship German clubs home games collective sale, with the reasoning that the clubs had acted as a cartel. The German league and some clubs united against that move and the German competition authorities approved the collective selling. The Bundesliga tv rights collective selling was also approved by the European Commission in 2004, after a preliminary evaluation in July 2003. The model agreed by the commission, was described “basically as a broadcasting rights selling central system with some decentralization elements”. The deal allowed the collective selling, but put rules giving the clubs a bigger control in the mobile phone and internet broadcasting rights for the 2006-07 season. (Alexopoulos & Koutroumanidis, 2014).

The revenues for each club from the tv rights in 1999-2000 season was approximately 6 million euro, while the 2000-01 season deal almost doubled the league revenues from 212 million euro to 386 million euro. The clubs decided to create a revenues distribution system, that took into account, for more than 80% the clubs final position in the three last seasons league standing, while the rest percentage concerned the current season performance (WGZ-Bank, 2001, FC Euro AG, WGZ-Bank and Deloitte & Touche, 2001, WGZ-Bank, 2002, FC Euro AG & WGZ-Bank, 2002).

The Bundesliga 2001-03 period tv rights deal doubled the league annual revenues from 212 to 383 million euro. The next deal, for the 2004-2008 period, valued 440 million euro per season. The cable channel Premiere acquired the cable tv, pay per view and main highlights rights for the 2004-06 period for 355 million euro. They paid 175 million euro for the 2004-05 season and 180 million euro for the 2005-06 season. The rights included public broadcasting (bars, clubs, hotels, and other public places) rights. The deal included non exclusive rights for the German Cup “Ligapokal” games, from 2005 till 2007, for which Premiere offered 18 million euro more. The league received a competitive offer from the Israeli businessman Haim Saban, owner of ProSiebenSat.1. Saban offered to the league a two year deal of 210 million euro per season. Most games would be broadcasted on new cable tv platform and a smaller package would be broadcasted on the channel Sat.1. The offer was bound with an offer for the following two seasons, with a guaranteed value of 260 million euro – even if Saban accepted that the league would have to make an auction for those rights. The league rejected the offer,

evaluating it as too risky. Saban had no cable tv operation license and hadn't secured a part in Premiere, as he hoped. Nevertheless, the league managed to use his interest for the rights, in order to increase Premiere bid from 290 million euro for the two seasons to 373 million euro, including the secondary rights for the cup. In March 2005, Bundesliga clubs got 17,4 million euro more from 2004-05 season tv rights (except for the 175 million euro fee) after the successful negotiations with Premiere (TV Sports Markets, 2008). In 2006, Arena Sport Rechte and Marketing acquired the Bundesliga live television broadcasting rights, paying 220 million euro per year. Arena, owned by Unity Media, that was the mother company of three German cable tv companies (Ish, Iesy and Telecolumbus) broadcasted live all 306 season games on the new cable channel Arena Sports.

One live game was broadcasted on Friday night at 8.30pm, six live games simultaneously on Saturday at 3.30pm and two live games simultaneously on Sunday at 5pm. The subscribers paid 14,90 euro per month. Arena subleased the 2006-07 season rights to the commercial channel ProSiebenSat.1, in order to advertise its broadcasting. Sat.1 broadcasted six games simultaneously. The fact that the live tv broadcasting rights were given to Arena, which prevailed against the cable channel Premiere, shocked the German market. Premiere submitted an offer of more than 300 million euro per period, but with the condition to broadcast the main non subscription highlights program later, from 6.10pm to 10pm. The league continued the discussions with Premiere until last moment, but the company refused to alter its terms. From its side, the league didn't have the intention to accept changing the highlights time zone for more than some minutes. Something like that would hit the high fees created by the highlights and would also be a hit for the clubs sponsorships revenues, that are partly depended on their promotion in the highlights show, that are broadcasted early. They estimated that if the highlights moved to 10pm, the clubs would loose between 80 and 120 million euro per year from sponsorships (Frick & Prinz, 2006). For the 2004-06 period, ARD acquired the main, non subscription highlights rights for 69 million euro per season. The package included two live games each season, one on the first game day and the other on the first game day after the winter break. ARD broadcasted highlights on Saturday between 6.10pm and 7.45pm. The two year deal was a result of the renewal right exercise of the previous 2003-2004 season deal by ARD. That deal, valued 65 million euro, was signed between the league and Infront Buli, an Infront sporting agency subsidiary, which held the championship rights at that time. Infront chose not to renew the deal with the league, so the ARD deal extension, was agreed exclusively with the league. (Alexopoulos & Koutroumanidis, 2014).

In 2006, the public channel ARD acquired the non subscription highlights package, paying 85 million euro per year. The package included also two live games per season, on the first game day and on the first game day after the winter break. The submitted competitive offers by the commercial channels RTL and ProSiebenSat.1 were not a serious threat for ARD. ARD broadcasted the highlights main show, Sportschau, on Saturday afternoon 6.30pm, 20 minutes later than the

previous deal defined, The 90 minutes program included a Saturday afternoon broadcasted six games highlights. The public channel ZDF got the Saturday non subscription secondary highlights packages for the 2004-2006 period, paying 20 million euro per year. The two year deal was a result of the renewal right exercise of the 2003-2004 deal between ZDF, the league and Infront. ZDF broadcasted Friday and Saturday games highlights on Saturday at 10pm.in the 75 minutes show “Das Aktuelle Sportsstudio”, which covered a weekend large sporting spectrum (TV Sports Markets, 2007). The sports channel DSF acquired the secondary highlights rights and the Bundesliga 2 live broadcasting rights for the 2004-06 period, for approximately 14 million euro per season. DSF broadcasted highlights on Sunday at 7.15pm. The two year deal was a result of the renewal right exercise of the 2003-04 DSF deal valued 11 million euro, with the league and Infront. In 2006, the sporting channel DSF acquired the thirdly highlights rights and the Bundesliga 2 live broadcasting rights, paying 20 million euros per year. They broadcasted exclusive highlights of 2 Bundesliga 1 games, played on Sunday at 5pm and at 10 pm. According to the previous deal, they broadcasted highlights between 7.15pm and 8pm and the channel broadcasted 1 Bundesliga 2 game each week (34 per season) on Monday night. Arena acquired the public broadcasting rights, including bars, clubs hotels, cinemas, paying 8 million euro per year, prevailing against Premiere and Deutsche Telekom. Finally Sportfive got the international rights for the 2004-06 period, paying 12 million euro per year (TV Sports Markets, 2008).

The Bundesliga, tv rights deal for the 2006-09 period was signed in December 2005 and produced an income of 413 million euro per year, higher by 41% compared to 293 million euro of the previous deal last year one. The league also got 20 million euro per year from the international rights, which were sold to sports betting company BWIN. The amount was 67% higher than that of 12 million euro, paid by sporting agency Sportfive, based on the previous deal. The Bundesliga new deals rights package creation led to a conflict between the league, Arena and Deutsche Telekom. Opposite to the English Premier League, which chose to sell rights in neutral platform packages, open to any type of bidder, the German league chose to create live tv broadcasting rights packages and live internet broadcasting rights packages, giving the first to Arena and the second to Deutsche Telekom. Deutsche Telekom argued that live internet broadcasting rights allowed them to broadcast to cable and satellite households through an IPTV connection and they scheduled to do it in agreement with Premiere, offering access to Premiere subscribers. That move would seriously undermine the Arena deal. The league and Arena showed intense objections. The league hadn't realized that an IPTV connection could be made via cable and satellite connection and had sold basically the same rights package twice. The conflict was solved six months after the rights sale, when the league agreed to make a lowered price agreement with Deutsche Telekom for the mobile phone broadcasting rights and championship name sponsorship, so that the company abandon its project to cooperate with Premiere. Deutsche Telekom paid 10 million euro per year for the mobile

telephony rights and 40 million euro per year for the championship name sponsorship (Frick & Prinz, 2006).

The Bundesliga 2009-2013 period deal was slightly lower than the previous one, at the level of 412 million euro per season. Bundesliga succeeded a spectacular increase in their tv rights income with the 2013-17 period deal, securing 628 million euro per season. in a total of 2,51 billion euro. Bundesliga signed an amazing TV rights deal for the 2017-21 period for 4,64 billion euro for the sale of the domestic TV rights. This deal made Bundesliga the second wealthiest football league only behind English Premier League. The sale fee was 85% higher than the 2013-17 period total deal one, which was 2,51 billion euro and included both domestic and overseas rights. The current deal reaches a 5,5 billion euro total of the overseas rights are included. According to early estimates around €1.5 billion will be distributed among teams in the German top 2 divisions every year. The Bundesliga 18 clubs share a total of 1,4 billion euro per year. Out of this amount, 65% is divided equally and the rest 35% is divided according to last 5 years league positioning. The German football TV rights money distribution is simple and uses the aforementioned two parameters, instead of three, the other top league (Premier League, La Liga Serie A) use. The traditional top 6 teams generate between 100 and 120 million euro, and the lower level ones minimum 60 million euro. (<http://www.totalsportek.com>).

Few Traditionsvereine, known as “Team Marktwert” — Köln, Hertha, Eintracht, Hamburg, and Bremen — demanded more, based on their status as traditional powers in German football. The new distribution model is based on four criteria, that are the 5 year Performance Ranking (70%), the table region competition (23%), the sustainability (5%) and the academy Output (2%). (<http://bundesligafanatic.com>).

3. Results and Discussions

Bundesliga is one of the top European professional football leagues. Operating in the heart of the European business and financial market, as a part of a well organized, large, industrial and exporting economy, has the support of business giants that become sponsors and co-invest stadiums, generating that way big money to the clubs. Except for the massive exploitation of sponsorship and advertising opportunities, Bundesliga created a mechanism in order to create and sell the television rights of the clubs games. This mechanism is based in two pillars, one being the collective selling and the other a tv rights income distribution mechanism, that is considered to be somewhere in the middle between the English Premier League and the Serie A ones.

Specifically Bundesliga gives greater attention to the commercial value of the participating clubs than EPL does, and less than Serie A does on the other side. Furthermore, Bundesliga, like EPL and Serie A, started working a lot in exploiting the clubs international broadcasting rights, taking advantage of the massive interest from emerging countries – newly developed giants, such as China and India, as well as from developed, large economies like US.

4. Conclusions

The conclusions of the study could assist the higher management of any football league authority around the world, that aims to develop a concrete marketing plan in order to exploit the league assets, such as the tv rights, sponsorships, venue revenues, tickets sales, merchandising. Bundesliga, being the second wealthiest European professional football league in tv rights income terms, could show the way for the optimal exploitation of the aforementioned rights. Greek Superleague management could apply a model parallel to the Bundesliga one, concerning the mostly – equal parts – tv rights income distribution system, taking into consideration off course the clubs commercial value, appeal to the fans and positioning in the championship final standings. SL managers could also follow the Bundesliga scheme of splitting the tv rights into certain packages and offering them in auctions for bidding by interested companies. In some leagues, the Bundesliga international tv rights marketing and selling model could also be a guide, especially to those leagues, which due to their home country special characteristics (large population abroad like Turkey etc) have a realistic interest to do so.

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