

Original Article

The French Ligue 1 TV Rights Selling Model - Historical Study

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Abstract

In 1996, the Lega Calcio deal with RAI expired and the league signed deal with four media groups for 11 television packages, generating 100 million euro for the clubs. In mid 2000s the tv rights income reaches a 873 million euro for the 2005-06 season, with the Serie A tv rights annual income to gradually increase from a 844 million euro for the 2009-10 season to an amazing approximate 1,4 billion euro for the 2018-21 season. All these years Lega Calcio experimented a lot in the designing and application of a tv rights selling mechanism and its accompanied tv rights income distribution model. The study could be used by several professional football leagues, with the Greek Superleague being one of them, in order its higher management to evaluate the actions LFP undertook all these years and how these actions affected could be followed.

1. Introduction

The professional football in France was established in 1932, with the foundation by the national football federation (Fédération Française de Football) of the professional football league, the Ligue de Football Professionnel (LFP). LFP manages professional football, organizes the Ligue 1 (first division) and Ligue 2 (second division) of the French football and is responsible for the organization of the French Cup, the Coupe de la Ligue. Initially, the league consisted of two groups of ten clubs, whose winners played in the final for the champion. The LFP system, as we know it today, was set up in the 1933-1934 season, when the league was split in two divisions, Division 1, consisting of 14 clubs and Division 2, consisting of 15 clubs. Ligue 1 (known as the Première division or Division 1 until 2003) is the

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French football top division and is considered to be one of the best managed European leagues. Today, in Ligue 1 there are 20 clubs and 380 games are conducted each season, three clubs relegate automatically from Ligue 1 and three are promoted from Ligue 2 with a system in force since 1995. The Ligue 1 first two clubs participate automatically in Champions League group stage, while the third club participates in Champions League preliminary rounds. The fourth club participates in Europa League, along with the Coupe de France and Coupe de la Ligue winners. The fifth and sixth clubs participate in Europa League, depending on their performance in the two national cups (Gouguet & Primault, 2006).

2. Material and methods

The strength of France in European football is doubtless. The combination of its income with the ones of the other four top-tier European leagues (Premier League, Bundesliga, Serie A, Primera Division) represent 53% of the European football total income. The five countries rest divisions income represent the 15% of the total football turnover. The UEFA others countries first divisions represent the 14%, while those countries lower championships represent the 3% of the European football total turnover (another 15% comes from other sources). For the 1999-2005 period, the LFP financial strength was stable. Specifically, in the 2003-2004 season, the revenues were 655 million euro and the league debts were 102 million euro. That situation stopped in the 2005-2006 season, after the signing of one of the most profitable deals in football history with the television station Canal Plus, increasing LFP 1 revenues by 600 million euro. Despite the fact that the revenues increased to 910 million euro, with a considerable increase of 31% (214 million euro), LFP remained in the fifth position after Spanish La Liga, which generated an income of 1,2 billion euro. LFP president stated that the 2005-2006 season was the first after five years that there was no loss. On the contrary, the French professional clubs had profits of 32,7 million euro. Out of this amount, 27,7 million euro concerned Ligue 1 and the rest concerned Ligue 2.

An indicative fact of how important role the tv rights play in the financial welfare of the French clubs, was that tv rights represented 45% of Paris Saint Germain revenues, 52% of Monaco ones, 64% of the Lille ones, 55% of the Auxerre ones etc. There were many television channels bidding for the games broadcasts, especially those of the first category, offering large amounts to the league. Specifically, 57% of the 2005-06 season Ligue 1 revenues came from tv rights, reaching 524 million euro. The rights were held for many years by the television channel Canal Plus. Canal Plus secured the rights for the 2004-07 period first division game rights, paying annually 600 million euro. The deal renewed for the 2007-08 season for 590 million euro this time (Sport Business, 5 June 2009). The mobile phone company Orange, acquired the mobile phone broadcasting rights for the 2006-07 and 2007-08 seasons for 58 million euro. The deal was the second highest in the games highlights mobile phone broadcasting, according to the TVSM Review magazine. Moreover, the French football audience seemed to have its attention to the second division as well, since that category earned from the games

tv rights considerable amounts. Ligue 2 revenues for 2006 were 81 million euro, representing 49% of its total revenues (Gouguet & Primault, 2006).

In France, the tv rights exploitation is one of the clubs revenues basic sources. For the tv rights exploitation model there were conflicting opinions. According to Wladimir (2007), French football was characterized by a loose financial management and clubs budget constraints, due to the league weak management. As a result, the more a club can attract tv income, the more possible it is to reach to the financial “red zone”. On the other hand, it was argued that the French organizations better regulation and specifically the organization in three pillars, solidarity (income distribution), education (all clubs) and financial control, could save French football from the European professional football overall financial and business crisis (Gouguet & Primault, 2006).

Until the 2006-07 season, all clubs were committed in the tv rights collective selling, based on the “2002 Charter” (regulation 2002), which was a compromising deal between big and small clubs, signed by all 38 clubs of the first two divisions (now there are 20 clubs in each championship). The two divisions rights were sold separately. The law for football was amended in 2003, in order to allow all sporting federations to transfer part or the whole of the games tv rights they held to the clubs. It also supported the right of the sporting federations to negotiate collectively the rights and distribute the income among the clubs. The federation and the LFP allowed their clubs to have the tv and other media rights part ownership, on the condition that the rights were still under collective negotiation by the federation. The federation passed formally the rights ownership in July 2004. The Minister of Sports, Jean François Lamour stated that the government would change again the law, to allow the individual sale, during his service, that was concluded in June 2007 (Alexopoulos & Koutroumanidis, 2014).

In 2001, Canal Plus and the competitive subscription channel TPS acquired the live broadcasting rights, for the 2001-04 period, with an one year extention. The three top games were broadcasted in subscription tv, two in the premium channel of Canal Plus (first and third choice games), and one in the Television par Satellite platform (second choice). The rest seven games were broadcasted on the Canal Plus pay per view platform, Canal Satellite and on TPS. Canal Plus paid 289 million euro per season and TPS approximately 40 million euro annually. For the extra year, Canal Plus paid 305 million euro and TPS 70 million euro. In 2004, the 2004-07 period deal was rejected by the competition committee. That happened after the TPS objection, which made the offer that was rejected. The objection concerned the way the exclusive rights were given to Canal Plus for 480 million euro per season. The competition committee approved the objection and the court supported it. The referee afterwards suggested to extent the current contract for another year and the next deal to start one year later than the 2005-06 season, so that the federation is given more time to prepare a legally acceptable auction (TV Sports Markets, 2007).

The federation had split the live broadcasting rights in three packages, and for each one of them TPS had submitted the higher offer. But Canal Plus offered a

bonus payment of 290 million euro for the first package on the condition that they would be given the other two packages as well. Thus, they offered a total 480 million euro per season for the exclusive rights, the subscription tv rights and the pay per view rights, compared to the TPS offer of a total 411 million euro per season. Specifically, the first package (first and second games live broadcasting on subscription tv) offer was 260 million euro per season by TPS and 150 million euro by Canal Plus. For the second package (third game live broadcasting, plus a highlights show) TPS made an offer of 38 million per season and Canal Plus 20 million euro. Finally, for the third package (the rest 7 games per week on pay per view), TPS offered 113 million euro and Canal Plus 20 million euro per season. For the 2001-04 period, TF1 acquired the highlights broadcasting rights for 13,1 million euro per season. TF1 broadcasted highlights of all Ligue 1 games on the Telefoot show. TF1 competed the commercial channel M6, which argued that wasn't faced fairly by the league. M6 offered initially more money than TF1, but after the expiration of the deadline the league gave TF1 more time to balance the M6 offer, something they did. The 2001-04 period international broadcasting rights were bought by Sportfive for 7,6 million euro per season. (Alexopoulos & Koutroumanidis, 2014).

The 2005-08 period Ligue 1 live broadcasting deal, the 2004-07 period highlights broadcasting deal and the 2006-2008 period mobile phone broadcasting deal, generated to the federation 647 million euro, that was an increase of approximately 12% compared to the 2005-06 season one, due to a much increased mobile phone broadcasting deal with Orange and a gradual increase in the yearly payments made by Canal Plus for the live broadcasting rights. Compared to the 2004-05 season, that was the live broadcasting rights previous contract last season, the championship rights fees were increased by 61%. Ligue 1 sold the live broadcasting rights in three packages, and specifically the first choice games, the second and third choice games and the pay per view games, all of which were bought by Canal Plus (Wladimir, 2007). For the 2005-08 period, Canal Plus acquired the exclusive live broadcasting rights plus a highlights broadcasting package on Saturday at 10.15pm, with a three year deal, valued 1,8 billion euro, with an average of 600 million euro per season. They paid 550 million euro for the 2005-06 season, 600 million euro for the 2006-07 season and 650 million euro for the 2007-08 season. The competitive subscription channel Television par Satellite offered 327 million euro per season. The exclusive deal was prevented by the French law, because Canal Plus made the higher offer for each one of the separate rights packages. The three top games of each game week were broadcasted on the premium channel of Canal Plus. TF1 broadcasted highlights of all Ligue 1 games on its Sunday morning Telefoot show, while Canal Plus broadcasted highlights on Saturday at 10.15pm. In 2004-07 period, TF1 acquired the non subscription tv rights, paying 18 million euro per season. (TV Sports Markets, 2008). The sporting agency IMG made a deal with Ligue 1 to sell the international rights for the 2004-08 period. IMG secured to the league approximately 8 million dollars (6,5 million euro) per season for four seasons (Gouguet & Primault, 2006).

The tv rights revenues initially were increased to 550 million euro per year in 2006, and then they showed a slow increase and stability, from 653 million euro in 2007, to 668 million euro per year for the 2008-2011 period, and then they were slightly decreased to 607 million euro per year for the following 2012-2015 period. The 2016-20 period tv rights deal generated for Ligue 1, 726 million euro per season. (<https://www.statista.com/statistics/370615/ligue-1-broadcasting-rights/>).

The Ligue 1 2016-2020 period rights were sold for a record sum of 726.5 million euros per season to Canal+ and beIN SPORTS. This amount is 20% higher than the 607 million euro per year, based on the previous deal. The LFP president, Frédéric Thiriez stated that "This sum approaches what we expected," said. "I wanted a league on the podium of the three best European nations, and I think we have done it, ahead of Germany and at the same level as Spain." Thiriez added: "The market has spoken. The price was fixed by those acquiring the rights in a fair, competitive environment. With this 20 percent increase, France is on the European podium, at the place it deserves. We're happy to have kept our two principal partners. Our clubs and our broadcasters are going to have the visibility they need. They will continue to tell the story of the Ligue 1 and Ligue 2 championships for the next six seasons." According to the deal, Canal+ broadcasts the top three games every weekend, while BeIN SPORTS broadcasts the remaining seven, and the multiplex of all ten league games in Weeks 19, 37 and 38 of the season. Ligue 2 most games are broadcasted by BeIN SPORTS, making LFP 22 million euros richer. (<http://www.ligue1.com/ligue1/article/record-sum-paid-for-ligue-1-tv-rights.htm>).

3. Results and Discussions

The LFP is one of the 5 top tier European professional football leagues based on their generated income. LFP following a tv rights collective selling mechanism managed to boost geometrically its tv income and overall revenues. Even though LFP doesn't have football titans like Manchester United, Milan, Inter, Juventus, Bayern Munich, Barcelona, Real Madrid, clubs that dominated the European football since its beginning, monopolize the fans interest globally and attract enormous amounts from tv rights, sponsorships, merchandising and tickets sales, LFP created a competition wise balanced championship that attracts the interest of major media groups, sponsors and investors. Key role in this transition phase from a rather lower level championship to one of the world's wealthiest football leagues, played the designing and application of a modern and efficient tv rights collective selling mechanism, combined with a tv rights income distribution system that enhances the competition balance of the championship and thus the fans interest, something resulting in high tv rights auctions bids by media giants.

4. Conclusions

LFP, along with all other major European football leagues apply a collective selling mechanism, combined with a tv rights income distribution system that takes into consideration both club individual performance on (championship final standings club's positioning) and off field (club's commercial value and fans

appeal), as well as the need to enhance the championship competition balance, by sharing equally to all participating clubs a part of the total tv revenues. The Greek Superleague, making its own steps in 2005, as a transformation of the earlier Greek professional football league, EPAA, has heavily invested all these years in creating and selling a televised product, and in a certain level SL succeeded in its effort, since during the 13 last years tv income steadily represent more than 60% of the SL clubs overall revenues. Nevertheless, not only out of field reasons (violence, corruption in football, venues poor conditions) contributed in an ongoing decline of the tv income since the beginning of the Greek financial crisis. SL could make use of the LFP example, so that to market and sell its televised product in a more efficient way, as well as distribute the tv income more equally among the participating clubs, so that to enhance the currently lacking competition balance of the championship.

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