

**Original Article****The English Premier League TV Rights Selling Model - Historical Study**Koutroumanides Christos<sup>1\*</sup>Alexopoulos Panagiotis<sup>2</sup>Laios Athanasios<sup>3</sup>John Douvis<sup>4</sup><sup>1,2,3</sup>Democritus University of Thrace, 4 Str Souliou, Kavala 65403, Greece<sup>4</sup>University of Peloponnese, Erythroy Stavroy 28 & Karyotaki, 22131, Tripolis, Greece

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**Keywords:** Premier League, TV rights, selling model**Abstract**

Football games broadcasting started in 1964, with the highlights broadcasting every Saturday night. In 1983 the first live broadcasting took place, and since PL establishment, the public BBC and secondly the private ITV held the tv rights for 2 million pound per year. In 1988, ITV acquired the rights for four years until 1992. The 2007-10 period tv rights were sold for 1,706 billion pounds and the 2010-13 period deal increased their value to 1,773 billion pounds. With the current 2016-19 deal of 3,018 billion pounds, EPL is getting the amazing 5,136 billion pounds fee, making EPL the world's second wealthiest sporting league – in tv rights annual income terms – only after the American National Football League. The purpose of the study is to show how the collective selling model of an attractive televised football product could generate high income to the clubs league.

**1. Introduction**

Premier League was created in 1992, as a follow up of English Football Championship First Division. It is a company and consists of 20 member clubs, which change each year through promotion and relegation. Each member club has a right to vote for organizational changes or contracts signing. The clubs choose the President, the Chief Executive and the Board to overlook the league affairs. The league is mainly autonomous, but partly is depended on the Football Association, which can veto for the election of the president, the decision making and rules adoption. The PL owns and sells collectively the tv rights of the championship. The PL initially had 22 members, but their number was reduced to 20, after the 1994-95

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season. The 20 clubs play home and away games, and season consists of 380 games in 38 game weeks. The 3 last clubs relegate to Championship, that is the second division. The first 2 clubs and the winner of the Championship play-off promote to PL. The PL champion and the second club participate automatically in Champions League group stage, while the third and fourth clubs participate in the Champions League preliminary rounds. The fifth and sixth club, along with the FA Cup winner, participate automatically in the Europa League. The Premier League, after the end of the season distributes prizes (Prize Money or Merit Award) to the clubs based on their position in the standings, among other criteria. That money comes from the PL tv deals (Buck & Terazono, 2005).

## **2. Material and methods**

In early 1990s, the first major European football league, the Premier League was set up, and was the first serious effort of the club owners to develop their product. The member clubs set up a common income pool to enhance the less powerful clubs, renovated their venues, increased the tickets prices in order to attract a new, mainly mid class audience, increased the security measures, removed the hooligans and exploited their television rights. Specifically, concerning television, Rupert Murdoch's British Sky Broadcasting (BskyB), acquired from public BBC the games tv rights and changed the game hours. Except for the Saturday afternoon, the games were held on Sunday and Monday, which affected in a positive way the ticket revenues (Gerrard, 2006). In 1994, while Manchester United became the first English football club to enter the stock exchange and had grown up extensively its merchandising, their president, Mr. Edwards stated that "A company in order to be serious and profitable, must have in mind that its tickets revenues in home games must not cover more than 14%-18% of its overall revenues!». The rest part concerns the tv rights, sponsorships, merchandising, venue revenues etc. In 2006, the European football market had total revenues of 12,6 billion euro, that is 1 billion increase comparing to the previous year. England, Italy, Germany and France represented the 53% of the overall turnover, out of which almost 25% belonged to England. For the 2003-2004 season, the total revenues were 11 billion, out of which 2 billion came from Premier League. The Premier League was the most profitable football league in the world, with total revenues more than 2 billion euro for the 2005-06 season, 40% more than Italian Serie A. In 2006-07 season, revenues got over 2,1 billion euro for the first time, while with the 2010 deal the revenues increased to 2,61 billion euro, an amount respective to NBA's one. All 92 professional clubs in the first 4 championships increased their turnover by 4% (2,7 billion) for the 2005-2006 season. The English professional football revenues come from tickets by 30%, from tv deals by 45%, sponsorship deals by 20% and merchandising by 5% (Gerrard, 2006).

The Premier League is a league with internal contrasts. In 2003-2004 season, the first club turnover was almost 255 million euro, while the last one had 55 million euro. The first four club turnover average for the 2005-06 season was 208,5 million euro, almost 3 times higher than the one of the other 16 clubs (72,5 million

euro). In 2006, the Premiership profits declined by 15% for the first time after 2000, down to 200 million euro, while there was an increase of the clubs stating a loss, from two clubs in 2005 (Chelsea, Fulham) to four in 2006 (Aston Villa, Charlton, Chelsea, Fulham). The profits were 290 million euro per year for the first time in 2007-08 season (an average of 14,5 million euro per club). The Premier League clubs number with profits for the 2005-06 season declined to 9 (from 14 in 2004-2005 season). Except for Chelsea, the other 19 clubs had big decline in their profits from 89,9 million euro to 15,9 million euro for the 2005-06 season. Chelsea lowered the loss from 203 million euro to 116 million euro (Gerrard, 2006).

Television has played a crucial role in Premier League. The tv rights deals income is crucial for the creation of totally successful league in England. The cable channel BSkyB, bought the Premier League tv rights for the period 1992-97 and changed dramatically the British broadcasting landscape. Premier League, unlike other European leagues such as Serie A and La Liga, sells its tv rights collectively, gaining that way significant amounts for the smaller clubs. Since 2004, for many Premier League clubs, the tv rights income is the primary revenues source. For Chelsea for example in the 2003-04 season, the 39% of all revenues (208,4 million euro) came from tv rights income, another 37% from tickets sales and 24% from merchandising. Manchester United, the club with the largest venue in England (76.000), had exactly the same percentage (36%) from the tv rights income and ticket sales (Gerrard, 2006).

The crucial role that football plays in sports broadcasting in England is shown by the fact that in 1999, 77 out of the 100 live sports broadcasting were football games, while the proportion in the subscription television was 96 out of 100 (TV Sports Market, 1999). The football games broadcasting started in 1964, with the highlights broadcasting every Saturday night. In 1983 the first live broadcasting took place, and since the PL establishment, the public BBC and secondly the private ITV held the tv rights for 2 million pound per year. In 1988, ITV acquired the rights for four years until 1992. From 1992, the FAPL and Sky signed eight consecutive tv rights deals, starting from the 1992-97 period, and then for the 1997-2001, 2001-04, 2004-07, 2007-10, 2010-13, 2013-2016, and 2016-19 periods. In the 1992 auction, BSkyB got the rights for 60 live games for 5 years, for 37 million pounds per year (McAuley, 2004). In 1996, the Office of Fair Trading brought the case to the Restrictive Practices Court and attacked to Premier League, arguing that it stopped the clubs from exploiting themselves their tv rights (OFT, 1999). The OFT general director, John Bridgeman, stated in the Restrictive Practices Court (RPC) that the PL clubs were acting as a cartel, with their decision to sell the tv rights for specific games (60 and later 110 from a total of 380) in just one channel and the rest games not to be available for television broadcasting (Organization of Economic Cooperation and Development, 1997). As a result, BSkyB restricted the subscription television market competition (Tonazzi, 2003). As he argued, he didn't have an objection for a collective sale, and he stated that two or more rights packages could be sold in different television organizations, and each one would have exclusivity during those games, with the condition that the

clubs would have the right to sell more games individually (Cave & Crandall, 2001). The RPC ruled that the collective selling is legal, emphasizing that the product for sale is the championship as a whole and not the individual games. A key in the court ruling was the Premier League position, that was accepted by the court, for the application and effectiveness of a revenues distribution system, that would guarantee the championship competitive balance. The BSkyB was forced to increase the televised games number. (Alexopoulos & Koutroumanidis, 2014)

In the 1997-2001 period tv rights deal with BSkyB, PL got 337% more income comparing to the previous deal one for the 1992-1997 period (MMC, 1999). The international rights were given to the joint venture of the sporting agencies Sportfive, Octagon CSI, and TW1 and the media group News Corporation for 178 million dollars for three years. In 2001, the PL sold again the rights to BSkyB for another 3 years for 1,2 billion pounds, and the deal concerned 198 live games, while ITV acquired the highlights broadcasting rights for 230,4 million euro. Off course, following the ITV Digital bankrupt and the tough financial positioning of many clubs, the fear that Sky wouldn't pay such a large amount for a non exclusive deal, was increasing. That fear started after the comments of the BSkyB major shares holder, Rupert Murdoch, who criticized publicly the amounts Sky was forced to pay based on the deal with FAPL. The Premier League gave the live tv rights from 2004-05 to 2006-07 seasons to British Sky Broadcasting (BSkyB) and the highlights broadcasting to BBC. Concerning the live broadcasting rights, BSkyB got the live broadcasting rights for 66 games per season, paying 1,11 billion pounds. The payments were 350 million pounds for the season 2001-02, 365 million pounds for the 2002-03 season and 385 million pounds for the 2003-04 season. The average amount per game was 5,6 million pounds. BSkyB was broadcasting all 66 games in the Sky Sports channels and had the first option to pick games, comparing to those chosen for pay per view. The games were broadcasted generally on Sunday at 4pm and on Monday at 8pm. BSkyB had also the right to broadcast a highlights program on Sunday morning. Concerning the highlights, ITV acquired the rights for 83 million pounds. BBC submitted an offer too, for 120 million pounds. The deal allowed ITV to broadcast extended highlights of three games and three minutes clips of other games in its main highlights program "The Premiership" (Alexopoulos & Koutroumanidis, 2014).

For the 2004-07 period, the league received 1,024 billion pounds for the national audiovisual right, with an average of 413 million pounds per year. The rights were split in eight packages, four of which concerned live tv rights. The other 4 packages concerned non subscription tv highlights rights, almost live broadcasting rights, internet clips and mobile clips. The fees declined by 19%, from 513 million pounds per year of the previous contract. BSkyB acquired the live broadcasting rights for 138 games per season with an average 2,473 million pounds per game. The payments were 323 million pounds for the 2004-05 season to 341 million pounds for the 2005-06 season, and finally to 360 million pounds for the 2006-07 season. The total fee declined by 8%, comparing to the previous deal valued 1,2 billion pounds. BSkyB broadcasted 88 games per season in Sky Sport

channels and 50 games per season on its pay per view service, Prem Plus. The Sky Sports games were broadcasted in five major timeslots. Specifically on Sunday at 4pm, on Sunday at 1.30pm, on Saturday noon, on Saturday at 5.15pm and on Monday night. Most of the pay per view games were broadcasted on Saturday at 12.45pm or at 5.15pm. The Prem Plus had 600.000 subscribers with another 500.000 to 600.000 that were buying individual games each period. BSkyB had to show each one of the 20 clubs at least three times per period, with no higher limit. BBC was showing highlights in the Match of the Day show, on Saturday 10.30pm, which was repeated on Sunday morning. They could broadcast up to 10 minutes from games that were televised live and up to 20 minutes from other games. They were broadcasting also highlights on Sunday and Monday night after 10.30pm. (TV Sports Markets, 2008). As far as the live broadcasting rights are concerned, at least one right package couldn't be bought by Sky. If the same games number were sold as a package, then in the next auction there would be 6 packages of 23 games per package, with each package to include hypothetically games with the same appeal to the fans. Despite the ban in exclusivity, Sky could submit an offer for five out of six packages, that represented approximately 85% of the available live games. The Commission tried to stop the Sky's intrusion in the live games to not more than 50% of the available games. With the end of the exclusivity, it was possible that the consumers would have to pay more, in a market that was more confused than the one stop-shop market once with Sky (Ofcom, 2005).

The Premier League came to an agreement in summer 2006, for the next 2007-2010 period contract, with BSkyB and Setanta and for the highlights with BBC. The European Commission forced the league to guarantee that no company would acquire all the live broadcasting rights, thus putting an end to the BSkyB monopoly. The league received 1,706 billion pounds for three years, with an average of 669 million pounds per year, that was 62% more than the previous contract income. The rights were split in 11 packages, 6 of which concerned live broadcasting, The other 5 packages concerned non subscription tv highlights rights (two), mobile clips and almost live internet broadcasting clips. The live broadcasting rights were sold in a neutral base platform, allowing the holders to broadcast games live to all means – television, internet and mobiles. BSkyB acquired the almost broadcasting rights valued 66 million pounds, a 22 million pounds per year. They could broadcast a whole game, that haven't been broadcasted live by BSkyB on Saturday after 8pm and after 10pm, 45 minutes highlights of other non live broadcasted games. Offers were submitted also by ITV, the cable platform Telewest and Manchester United. BSkyB submitted an offer as part of the interactive service, Football First. BSkyB and British Telecom (BT) acquired in common the rights for two packages of almost live broadcasting for 242 games (121 for each package), which weren't offered for live broadcasting. BBC got the highlights broadcasting rights for 105 million pounds, that was 35 million pounds per season. BBC prevailed ITV and Channel 4, nevertheless paid 43% lower fee than the previous deal. BBC broadcasted highlights in the Match of the Day show on Saturday at 10.30pm, that was replayed on Sunday morning. They

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also broadcasted highlights on Sunday and Monday night after 10.30pm. The deal defined that the main highlight program should start between 7pm and 10.30pm (Zetaria, 2005). PL handled itself the international rights sale, closing through agencies, direct deals with many channels in some geographical areas. The international rights revenues were 178 million dollars, an amount respective to the previous three years period deal. (Alexopoulos & Koutroumanidis, 2014).

The total revenues of Premier League from the sale of the 2007-2010 period deal increased by 35%, comparing to the respective revenues of the 2004-2007 period (Alexopoulos and Kriemadis, 2009).. Except for the national negotiation of the tv rights, the games international coverage had exceeded 195 countries and 450 million people were watching Premier League globally. The prize for that rights sale from the foreign channels amounted to 906,4 million euro (Dietl & Hasan, 2007). In the future, a further segmentation of the product could have been the best approach for the maximization of the tv revenues, and a tactic that could have been easily accepted by the Commission, with its efforts to force football out of the exclusive deals. PL split the live broadcasting rights in four packages, to satisfy the concerns of the European Commission, but there were no other serious offers. Specifically, BSkyB paid for the first package, that concerned 38 games of first choice per period, broadcasted by Sky Sports on Sunday at 4pm, 358 million pounds for three years, with an average of 3,14 million pounds per game. For the second package, consisting of 38 second choice games per period, broadcasted by Sky Sports on Sunday at 2pm or on Monday at 8 pm, paid 282 million pounds, with an average of 4,474 million pounds per game. For the third package, of 31 third choice games per period, broadcasted on Saturday at 1.15pm, some broadcasted by Sky Sports and others via pay per view, paid 230 million pounds, with an average of 2,473 million pounds per game. Finally for the fourth package, of 31 fourth choice games per period, broadcasted on Saturday at 5.15pm, some by Sky Sports and other via pay per view, paid 154 million pounds, with an average of 1,656 million pounds per game. The subscription television channel Setanta acquired the live broadcasting rights for 46 games per period (packages C and D, that were the less attractive), paying a total of 392 million pounds. The payments were 124,1 million pounds for the 2007-08 season, 130,7 million pounds for the 2008-09 season and 137,2 million pounds for the 2009-10 season. The deal had an average of 2,8 million pounds per game. Offers for live broadcasting rights were also submitted by the cable channel NTL, ESPN of Disney, while the non subscription channels Channel 4, Five, ITV and BBC submitted also offer for one of the six packages (package D). The Premier League gave to BSkyB three packages (B, E and F) within 24 hours from the initial offers. Afterwards they started a second round of offers for the rest packages. Setanta, which aimed packages C and D, made a strong offer for the best package A too. There was also a limit in the maximum number of appearances a club could have, that was four for Packages A, B, E and F and five for Packages C and D. BSkyB and Setanta paid in common 84,3 million pounds for the almost broadcasting rights, with an average of 28,1 million pounds per year. The companies could broadcast a whole non live

broadcasted game, on Saturday from 8.30 pm, and all other non live games could be broadcasted as a whole or in highlights, from 10pm during the following 50 hours, but not with less than 45 minutes per game. BSkyB and Setanta had to show each one of the 20 Premier League clubs at least 2 times. BBC broadcasted highlights in Match of the Day show, on Saturday 10.30pm, that was repeated on Sunday morning. They could broadcast up to 10 minutes per game that were broadcasted live and up to 20 minutes from the other games. They could also broadcast highlights on Sunday and Monday night after 10.30pm (Alexopoulos and Kriemadis, 2009). BBC got the highlights broadcasting rights for 171,6 million pounds with an average of 57,2 million pounds per season. The deal was higher by 63% than the previous one. The commercial channel Five offered more than 150 million pounds (TV Sports\Markets, 2008).

The Premier League 2010-2013 period television rights were sold for a 1,773 billion pounds, while in 2012, Sky and BT acquired the Premier League 2013-2016 period television rights for a 3,018 billion pounds. Out of the total fee, Sky paid 2,3 billion pounds, and BT paid 813 million pounds. In 2015, Sky and BT secured again the Premier League television rights for an amazing 5.136 billion pounds 2016-19 period deal, that was 71% bigger than the previous one. Out of the total fee, Sky contributed with 4.2 billion pounds for five of the seven TV packages, and BT paid 960 million pounds for the other two. Based on this contract, BT pays 320 million pounds annually, compared to 246 million pounds of the previous deal, that is an average 7,6 million pounds per game. Sky, from his side pays, 1.4 billion pounds annually, that is approximately 11 million pounds per game, for 126 live games, 10 more than the previous deal respective number. In other words, the two broadcasters will pay an average of 10 million per game (<http://www.bbc.com/news/business-31379128>). The latest 1,7 billion pounds annual fee deal, made EPL the world's second wealthiest sporting league – tv rights income wise – only after the American National Football League, that has an average of 3,24 billion pounds per year. EPL tv income is equal to NBA one and higher than Major League Baseball one, that is 1,02 billion pounds per year (<http://www.dailymail.co.uk/sport/football/article-4525808/Premier-League>).

The PL gets for its 2016-19 international broadcasting rights 3,2 billion pounds from foreign broadcasters. Furthermore, PL has secured an amazing deal for 2019-2022, generating an income 14 times as much as now. Sub-Saharan Africa, SuperSport, has doubled the 84 million pounds annual fee of 2016-19 period to 168 million pounds for 2019-2022. Also, in China, the digital firm PPTV will pay 180 millions annual fee from 2019-2022, from 13 million pounds that SSMG pays now. American titan NBC doubled their fee payments comparing to their previous contract, with now paying 128 million pounds per year for a six-year valued 1 billion dollars deal. It is indicative of this huge increase the fact, that now Premier League makes a total of 1,07 billion pounds per year from overseas deals, but from 2019, only China, USA and the Sub-Saharan Africa will contribute 476 million pounds per year. Finally approximately 60 national and territorial deals triple that amount (<http://www.dailymail.co.uk>).

### 3. Results and Discussions

The English Premier League realized early on the power of television and its possible impact in the clubs finances. EPL centralized the football product and started selling it collectively to the highest bidders. The product split in packages helped both the competition and the rights value increase. Sky, acquiring the majority of the right from 1992 till present, helped building a high valued product, contributing more than 40% to the clubs annual budgets. The designing of separate international rights packages enhanced the exploitation of the emerging Asian markets as well as US established digital as and tv media platforms need to broadcast EPL to their respective countries of interest. Any objections risen either by national competition authorities and European Union bodies were soon rejected or ameliorated, through regulations that even if banned exclusive selling, kept the collective selling model general framework alive and prosperous. Basic tool for the strengthening of the collective selling model is the rights income distribution system, based not only in performance and tv appearances but mainly in the equal parts distribution mentality. That way the league's competitive balance is strong and the televised product high interesting to fans, closing the circle with the generation of lucrative tv deals between the league and the media platforms

### 4. Conclusions

The aforementioned conclusions are very useful for the scheduling and implementation of a games tv rights selling model by the Greek Superleague. The SL as well as other football leagues all around the world have changed significantly over the years their tv rights selling model. Even if the tv rights in all those leagues represented and still represent a major part of the clubs overall revenues, it is widely agreed between the clubs staff, that there is still much way to travel till the optimal tv rights exploitation. A basic parameter is how this collective selling mechanism is constructed and how the income is distributed in the league members. Concerning the first, one can easily agree that most leagues lack the knowledge hot to split and market the rights product packages, especially the international ones. Concerning the latter, many leagues attribute a low significance to the equal parts mentality of the distribution system and use mainly clubs standings positioning and commercial value parameter in their rights income distribution system. All those parameters, as designed and implemented in the world's top football league, are thoroughly examined and could be a guide to follow for the rest football leagues.

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