

TV rights and two-sided markets: Premier League and Tippeligaen

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BECCLE seminar, Thursday January 5 2012

Topic of the day

- Background and motivation
 - Upstream monopoly and two-sided market
- TV rights and market segmentation
 - TV rights sold to each country
 - Example: Premier League sold in Europe
 - Market segmentation good for the viewers?
- TV rights and exclusivity
 - TV rights sold exclusively to a downstream firm
 - Example: Tippeligaen in Norway
 - Exclusivity bad for the viewers?

Background and motivation

- Upstream monopoly over the TV rights ...
 - One *Premier League* or *Tippeligaen*
 - [In reality a complicated question; clubs versus ‘owner’ of the league]
- ... in a two-sided market
 - Viewers (market 1) and advertisers (market 2)
- Observes restraints on the sales of the TV rights
 - *Premier League* discriminates between countries
 - (*Large part of*) *Tippeligaen* will be sold exclusively to one downstream firm

Twosidedness – does it matter?

- Important for the seller of TV rights to have both sides on board
 - If many viewers, larger revenues from advertisers
- Can be important for the society to ensure the interaction between the two sides
 - Advertising on TV an efficient channel for reaching consumers?
- Price effects of market power less clear
 - Low price to viewers optimal even for a monopoly, to increase the revenues from the ad side?
 - Large advertising market leads to lower viewer prices?

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Two-sided international markets

- In many of the two-sided markets both end-users and advertisers are on board
- Often we see that the two-sided market is targeted towards each country
- Example: TV programs
 - End-users and advertisers are matched in the national market
- What happens if national markets are integrated into one international market?
 - Kind and Sørgard: 'Market segmentation in two-sided markets: TV rights to Premium League', work in progress

A court case: Premier League

- Soccer on TV a two-sided market
 - Payment from advertisers and end-users
- Market segmented into national markets
 - Viewers purchase rights from a national distributor
- EU Court of Justice ruled that a person could purchase from another country
 - Karen Murphy in UK could lower the price from £ 7000 to £ 800 by shifting to Nova in Greece
 - Not migration, but trade between two countries
- What if the market is no longer segmented?
 - Any problems for the two-sidedness of the market?


A stylized model

- Two countries, 1 and 2, and one monopoly setting prices r and p (ads and end-users)
- Two-sided market
 - C : consumption by end-users at price p
 - A : advertising by advertisers at price r
- Advertising is tailored to each country
- Country 1 the 'rich' country
 - Higher end-user prices in country 1
- Profits if complete segmentation:

$$\sum_{i=1}^2 \Pi = p_i C_i(p_i, A_i) + r_i A_i(r_i, C_i) - \phi(A_i, C_i)$$

Stylized model cont.

- First order conditions:

$$\frac{\partial \Pi}{\partial r_i} = \left[A_i + r_i \frac{\partial A_i}{\partial r_i} - \frac{d\phi_i}{dr_i} \right] + p_i \frac{\partial C_i}{\partial A_i} \frac{\partial A_i}{\partial r_i} = 0 \quad \frac{\partial \Pi}{\partial p_i} = \left[C_i + p_i \frac{\partial C_i}{\partial p_i} - \frac{d\phi_i}{dp_i} \right] + r_i \frac{\partial A_i}{\partial C_i} \frac{\partial C_i}{\partial p_i} = 0$$


Two-sidedness in each country

- Advertising volume and prices tailored to characteristics in each country
 - Low end-user prices to expand the ad market
- What if an exogenous shift of some end-users from country 1 to country 2?
 - Some price sensitive end-users shift to low price country?
 - They have no value for advertisers in country 2?

Imperfect market segmentation

- Change in country 2 (low prices initially)

$$\frac{\partial \Pi}{\partial p_2} = \left[C_2 + p_2 \frac{\partial C_2}{\partial p_2} - \frac{d\phi_2}{dp_2} \right] + r_i \frac{\partial A_2}{\partial C_2} \frac{\partial C_2}{\partial p_2} = 0$$

Indirect negative effect on A_2 ?

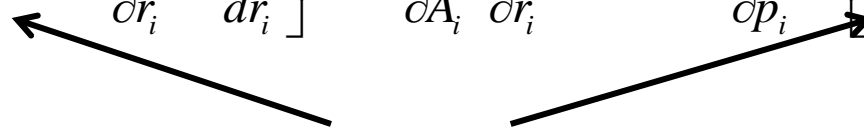
Direct positive effect on C_2

- Only a direct effect in the end-user market
 - An identical consumer that shifts will lead to higher prices, because low price initially to expand the ad market?
- End-users and advertisers worse off in country 2?
 - Higher end-user prices since a low price initially to local end-users
 - Indirect negative effect on ad volume, since higher prices leads to less consumption in country 2?

Imperfect market segmentation

- Change in country 1 (high prices initially)

$$\frac{\partial \Pi}{\partial r_i} = \left[A_i + r_i \frac{\partial A_i}{\partial r_i} - \frac{d\phi_i}{dr_i} \right] + p_i \frac{\partial C_i}{\partial A_i} \frac{\partial A_i}{\partial r_i} = 0 \quad \frac{\partial \Pi}{\partial p_i} = \left[C_i + p_i \frac{\partial C_i}{\partial p_i} - \frac{d\phi_i}{dp_i} \right] + r_i \frac{\partial A_i}{\partial C_i} \frac{\partial C_i}{\partial p_i} = 0$$



 Negative shift in demand

- Negative shift in both demand for consumption and advertising
- Not clear-cut indirect effect on prices
 - Higher end-user prices, since more loyal end-users?
 - Advertising prices drop, or ... ?
- Both advertisers and end-users worse off?

Some implications

- Market segmentation can be socially desirable if it improves targeted advertising
- Market integration and trade can be detrimental to the two-sidedness of the market
 - Less scope for ad tailored to each country
 - Can indirectly lead to higher end-user prices
- Must pay attention to the functioning of two-sided markets
 - If technology allows for ad targeting even if market integration, the problem is less serious

Premier League

- The analysis suggests that the Court of Justice decision, allowing for trade, can lower welfare
 - End-users and advertisers hurt in the poor country as a result of higher end-user prices
 - Not clear-cut effect in rich country
- However, there might be an alternative scenario that is more realistic?
 - Turnover of £ 2 bn in UK 2010-13, while £ 0,35 bn in other European countries
- Selling exclusively to UK, and no service to other European countries

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 - **Exclusivity bad for the viewers?**

TV rights for soccer in Norway

- Downstream organization (distribution) differs over time
 - Sold exclusively to TV2/Telenor 2005-09
 - Sold to several distributors 2009-13
 - 6 of 8 matches sold exclusively to Canal+ 2013-16
- Any reason to believe that the 2009 solution is better for society than the previous (and next) solution?
- An upstream firm controls all the rights
 - Fotball Media AS (owned by NFF and Norsk Toppfotball)
- Any reason to expect a change in 2009?
 - Upstream monopoly still in charge
 - Since two-sided market, low prices for viewers in any case?

From monopoly to monopoly

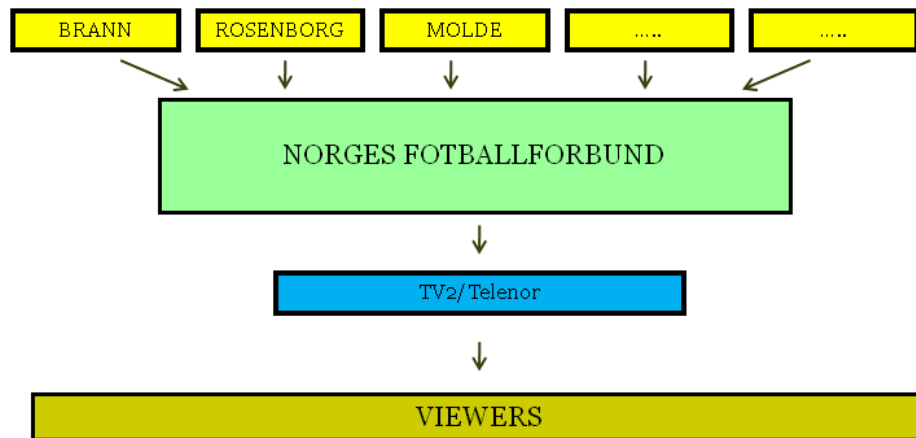
2005

2009

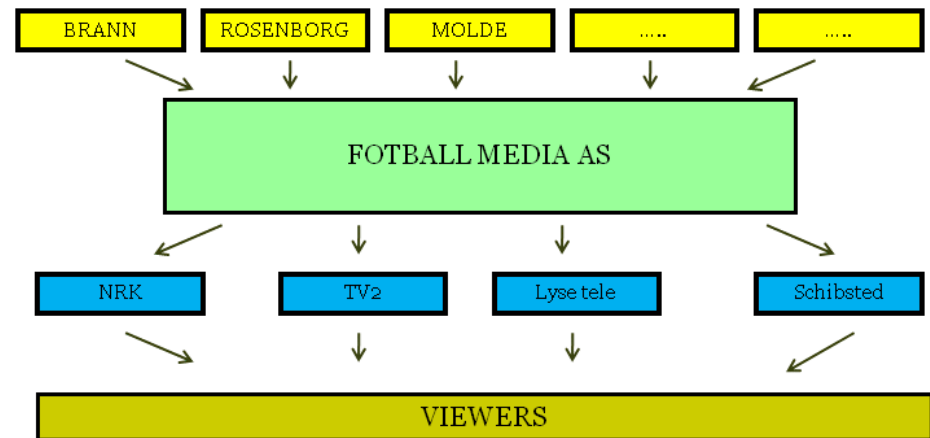


- In other markets, we would regard this upstream market structure as a problem
- Economists will argue that a monopoly is a monopoly
 - The monopoly firm can directly and indirectly influence behaviour by downstream firms
 - Can capture monopoly profits only once
- Even less of a problem since two-sided market?

2005



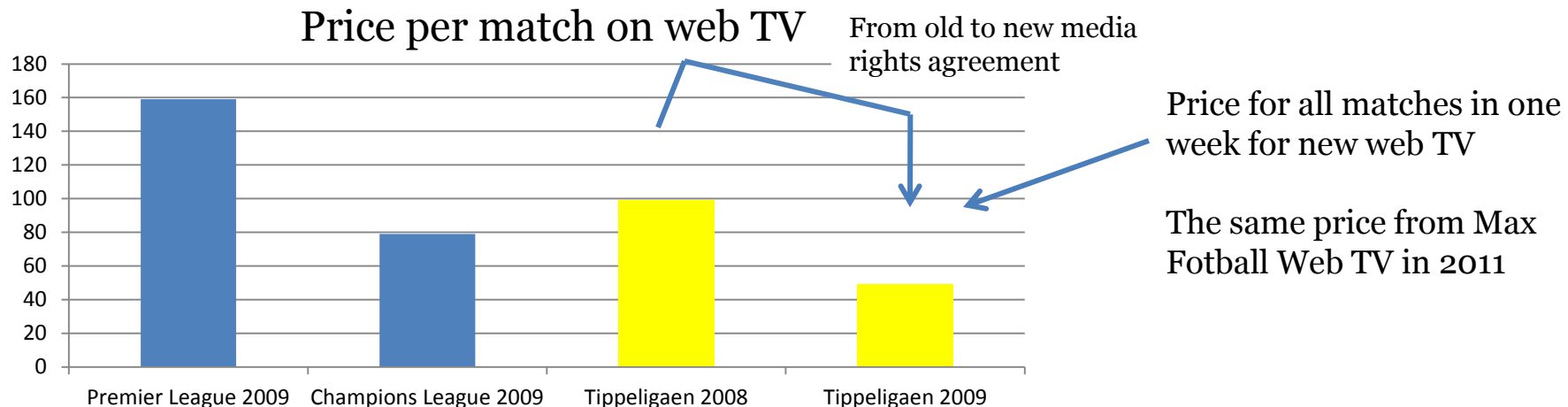
2009



- TV rights sold exclusively in 2005 to TV2/Telenor
- In 2009 no exclusivity, and media rights
 - Same matches on web, IP-TV and on TV
 - Matches allocated to various distributors
- Upstream firm not able to control downstream firms?
 - Or it allows it because it benefits from non-exclusivity?
 - Or because exclusivity would violate competition law?

Downstream competition did matter?

- Lower de facto end-user prices on matches not on free to air in 2009 and 2010 than in 2008
 - Prices on new web TV lower than on web TV in 2008
 - Prices on TV not much changed, but more bundling?
- From 2011 only TV2 Sumo and Max on web TV
 - Lower prices, from for example VG.no, no longer available
 - But low prices from Max Fotball web TV



Max overtar Tippeligaen på nett til 2013

Har også sikret seg en fredagskamp på TV.



SIGVE KVAMME
skv@dagbladet.no
SPORT.NO

13.01.2011, kl. 17:22



TIPS OSS 2400

(Dagbladet): I desember ble det kjent at 100 % Fotball og VG Nett [mister nettrechtighetene til Tippeligaen](#), etter at forhandlingene med Fotball Media brøt sammen.

Nå har den TVNorge-eide mannekanalen Max overtatt retten til å vise levende bilder på nett for de neste tre årene. [Dermed har de rettigheter både for TV og nett.](#)

Også TV 2 Sumo kommer til å levere kamper på nett.

- Når vi nå bygger opp en redaksjon og et miljø som skal jobbe med fotball på TV, er det naturlig å trekke på den kompetansen og investeringen også for webproduktet. Derfor ble det naturlig å gjøre begge deler, sier administrerende TVNorge-direktør Harald Strømme til Dagbladet.

annonse

537 NYHETER
PÅ INNSIDEN

▶ FINN UT MER OM VOLVO V70

VOLVO

The advertisement features a dark Volvo V70 station wagon parked on a road at night. The text is in large, bold, white letters. A Volvo logo is in the top right corner.

Sport

mest lest siste 24 timer



En ny sport for TV

Og en fornyet Petter Northug.



- Dette er ufint

Bjørger og Johaug protesterer etter at tysk tv filmet dem skifte.



- Bakfull Rooney skuffet Ferguson på trening

Måtte stille på ekstratrøkt.



Se skattelistene

Konkurransetilsynet in its annual report 2009

Annual Report 2009

About the Authority

Social impact

Impact on users

Organisation and resource use

Social impact

Illegal conduct

Mergers and acquisitions

Other competition cases

Deterrent effects

Effects of competition policy

Patient transport

Gilde - Prior

The taxi market

The Football Agreement

Selected industries

Annual Report 2009 > ... > The Football Agreement

The Football Agreement



■ Spreading media rights for football will benefit consumers in terms of availability, price and quality.

The distribution of football rights among several providers has helped to create a broader product selection and lower prices – for the benefit of consumers.

During the winter of 2007/2008 the Competition Authority entered into negotiations with the Norwegian Football Association (NFF) about the forthcoming sale of rights to Norwegian Premier League football for the period 2009-2012. In 2005 the Competition Authority considered the statutory basis for conducting collective and exclusive sales of media rights to Telenor and TV 2 for the period 2006-2008, although no decision was taken. On the other hand the Competition Authority was concerned that the continuation of exclusive sales in the next contractual period would result in negative competitive consequences to the detriment of consumers. In order to secure the most effective competition over rights, the Authority contacted the NFF both in writing and verbally and provided guidance on a number of specific points about the formulation of the competitive basis for the forthcoming sales process.

The Competition Authority was keen to ensure that if the rights were to continue being sold collectively by the NFF, then arrangements should be

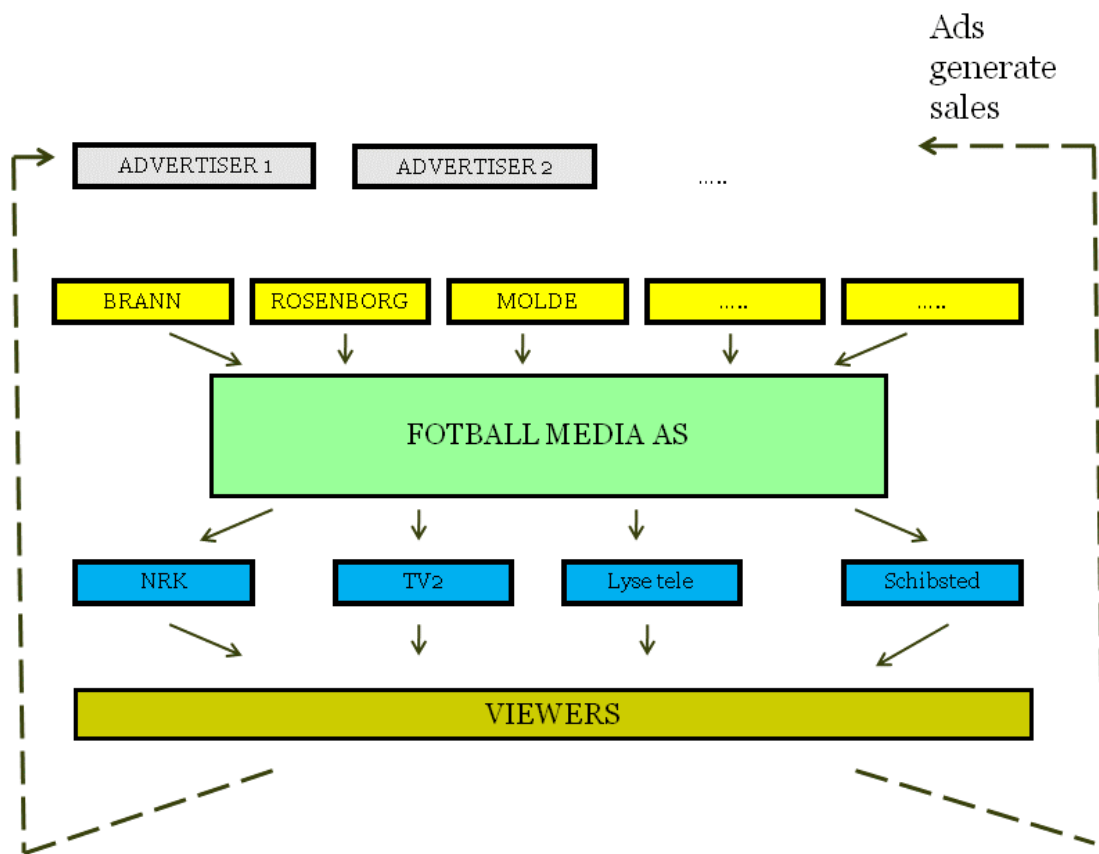
- 2009 agreement led to:
 - More products being offered
 - Lower prices
 - Higher quality on the web platform

Comparing 2009-11 with 2008

- The viewers better off?
 - More on free to air
 - Lower end-user prices and/or better product on web and TV
- The upstream firms (NFF + clubs) also better off?
 - High revenues from sales also in this agreement?
 - Higher advertising revenues on matches due to better distribution?
 - But lower audience on the match?
- The downstream firms (distributors) worse off?
 - Tougher end-user competition, and a high price for TV rights
 - But other factors can partly reverse this effect?
 - More viewers leads to more advertising revenues
 - TV rights used as a loss leader to attract more traffic?

Good for the two-sidedness?

- More competitive end-user prices, as we prefer also in other markets
- The profit split between upstream and downstream firms not important for the size of the total pie
- This is a two-sided market
 - Advertising for goods
 - Entertainment as such
- Better distribution implies that ads reach more viewers
 - More viewers of banners on stadiums
 - More viewers of ads on web
- More efficient solutions in both markets?



2009 agreement: Long run problems?

- *Tougher competition can imply that nobody are responsible for long run development of the product Tippeligaen?*
 - But NFF an overall perspective and role, and will still take care of the branding of this product
- *Tougher competition can lead to less money left for development of this product?*
 - But the battle for market shares is expected to spur innovation, since that would steal business from rivals
 - Innovation leads to profits, not the opposite
- *Some paid a high price this time, a too high price?*
 - Can imply that the NFF's revenues will be lower in the future
 - But this would not change anything concerning the benefits from having non-exclusivity in a two-sided market

SLIDES FROM SEMINAR IN OCT. 2009: Monopoly and competition is possible

- It makes sense to trigger downstream competition, even with an upstream monopoly
- This is beneficial for society
 - Lower end-user prices, as in other markets
 - Non-exclusivity beneficial in such a two-sided market
- Hard to see any long run problems from this organization
- If NFF next time wants to reverse this market structure, it should not be allowed to do that
 - Violation of competition law if exclusivity?

June 2011: New agreement 2013-16

- Canal+ given the exclusive rights to 6 of 8 matches in Tippeligaen
 - Exclusive rights to TV, web, IP TV and mobile
 - No up front competition for the rights
- It is claimed that they paid a very high price for the exclusive rights to those matches
 - No surprise, since those matches are exclusive
 - No longer any chance that competing firms can offer same match to the viewers
- Two remaining matches will be auctioned out

Aftenposten.no 22.06.2011

- - Indicates that competition will prevail
 - Rights transferred to a new downstream firm
 - No lung run exclusivity for the rights

Alt du trenger å vite om norsk og internasjonal fotball:
* KAMPENE * TABELLER * SPILLERBØRS * TOPPSCORERE * PROFILENE *

- Tyder på at konkurransen fungerer

Konkurransetilsynet er positive til at fotballrettighetene har skiftet hender.

Publisert: 22.06.2011 kl. 13:48 , endret: 10.10.2011 kl. 07:38
Av: [Knut Skeie Solberg](#)

– Det at disse attraktive fotballrettighetene nå skifter hender, tyder på at konkurransen fungerer. Konkurransetilsynet har vært opptatt av å unngå en tilstand der én aktør har langvarig eksklusivitet på alle rettighetene, slik at andre aktører stenges ute. Ut fra det som er kommet frem i media om denne nye avtalen, ser vi ingen umiddelbar grunn til bekymring i så måte, uttaler konkurransedirektør Christine Meyer til Aftenbladet.no.

Kan Canal + gjøre det bedre enn TV 2?

- Ja
 Nei
 Vet ikke

Stem!

- Quiz: [Fotballekspert? Ta dagens 12'er](#)

- *Hva tenker dere om måten rettighetene ble solgt på?*

- Vi er først og fremst opptatt av at det skal være konkurranse om disse rettighetene, og det at de nå skifter hender er nettopp en indikasjon på det, sier Meyer.

PS. I forkant av salget av rettighetene fra 2009-2012 var konkurransetilsynet i dialog med fotballforbundet. [I et utdrag fra tilsynets årsrapporten i 2009, kan du her lese hvordan de tenkte da.](#)



POSITIV: Direktør i konkurransetilsynet, Christine Meyer. FOTO: TOR HØVIK

A competitive outcome?

- Competition for exclusive rights, but still exclusive rights
 - Canal+ has bought a monopoly position for 6 of 8 matches
 - No surprise that they pay a lot, and transfer of rights will not make a difference for the viewers
- A shift every fourth year not enough to ensure a competitive outcome
 - The one in charge of the rights can each year behave as a monopoly player

A mistake by NFF?

- NFF's main concern the price for the TV rights?
 - Their own direct gain
- Neglected the twosidedness?
 - Sponsors for the clubs
 - Norsk Tipping
 - Concerned about too few matches on free to air

Alt du trenger å vite om norsk og internasjonal fotball:

* KAMPENE * TABELLER * SPILLERBØRS * TOPPSCORERE * PROFILENE *

Brann-sponsorene er skeptiske til den nye TV-avtalen



STOR SPONSOR: En av Branns mest markante sponsorer på Rune Skarsfjords rygg. Kim Ojo til høyre.

FOTO: DIGITALSPINN

Branns sponsorer frykter mindre eksponering når fotballen flyttes fra TV 2 til Canal+. - Vi kan ikke betale like mye til Brann neste gang, sier Chess-sjef.

ANNONSE

finn

Alle på en adresse

Søk flybilletter

Søk hotell

Pakkereiser

Restplasser

RELATERTE ARTIKLER

Some concluding remarks

- Twosidedness of importance for the consequences of TV rights sales
 - An argument in favour of market segmentation between countries
 - An argument that can be in favour of non-exclusivity in each country
- Problematic outcome in both cases we have discussed?
 - Karen Murphy should not have won?
 - Konkurransetilsynet's 2009/10 view is still the right one?