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# Football broadcasting rights in Spain in the digital age: between pay television and streaming services

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**Abstract**

**[EN] Introduction:** This article analyses the Spanish market for traditional pay-TV and streaming platforms in relation to football broadcasting rights. The objective is to determine whether the current model of acquisition and exploitation of football broadcasting rights in Spain has reached the end of the cycle and to characterise this scenario in the coming years. **Methods:** The analysis focuses on the key elements involved in the possible scenarios, in the medium and long term, and their probability, taking into account social, political, economic and business conditions, as well as the situations in other countries. **Results:** The study confirms the end of a model that had prevailed, with variations, since the 1990s. **Discussion and conclusions:** Football contents will coexist in traditional pay-TV, which is still dominated by telecommunications companies, and in streaming services, through OTT platforms, which will gain more ground, shaping a new and complex media scenario.

**Keywords**

Football broadcasting rights; payment television; OTT platforms; streaming; Telefónica; Mediapro.

**Contents**



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## 1. Introduction

For almost 30 years the television broadcasts of major sporting events –fundamentally, football– have competed for the exclusivity of rights, whose price has constantly increased (García-Santamaría and Alcolea-Díaz, 2013). Undoubtedly, this competition has increased as a consequence of the emergence of large dissemination platforms and enormous technological developments (HD, 3D and 4K), as well as the exploitation of contents over the Internet and mobile devices.

As it is well known, telecommunications companies (telcos) have taken over traditional media companies in the Spanish pay-TV market. In this process of transformation in which telcos acquire the status of TV companies or, at least, TV players, they have obtained valuable portfolios of broadcasting rights for the major and biggest sports competitions, which are key to the success of their business (Medina, Herrero and Etayo, 2015: 266). These strategic sports contents and, more specifically, football contents, are a competitive variable of high importance in the pay-TV market (CNMC, 2018: 12) and constitute a fundamental factor to increase subscriptions (Ofcom, 2018a: 36). In fact, sports events are a key driver to TV subscription and their "exclusive" status closes the market to the competition. Likewise, they are characterised by their "premium" condition, given that users usually make a larger payment to enjoy them, either by subscribing to a channel or a set of channels that offer these contents.

It is equally important to make clear that the audiovisual content of the major football competitions no longer seems to be strategic for public channels, which concentrate on minority sports and the games of national teams; i.e., their broadcast is conceived as a public service (Solberg, 2007). In contrast, sports broadcasts keep on attracting more interest not only from pay platforms, but also for the most recent over-the-top (OTT) content providers. Native internet companies have increased competition in the audiovisual sector, and simplified the value chain, by enabling the direct distribution of services to consumers, and can threaten the survival of telcos as retailers of television content (European Audiovisual Observatory, 2018: 6). Moreover, these companies have started to produce and acquire content, including sports, given that their quality and volume will be critical for these providers in the future (Juniper Research, 2018: 2).

On the other hand, there is an increasing interest for football in commercial free-to-air television channels, which seeks economic profitability and brand strengthening, as it happened in the introduction of *La Sexta*, which used the 2006 FIFA World Cup and all subsequent football offer to consolidate its position in the market (Alcolea-Díaz and Blanco-Leal, 2007:112). Thus, over the past two decades, the strategic character of the audiovisual football content has led to an escalation in the bidding for its exploitation rights, which has attracted the intervention of regulatory and competition bodies and an enormous pressure on the price variable, whose increase has generated a kind of "bubble". This is a competition in which, on the side of the demand, the players have been changing over the years in our country.

However, Spain has implemented an exploitation model that, as we will demonstrate, makes the profitability of football rights by pay-TV impossible. Today, football is included in the convergent offers of two of the three major telcos with pay-TV companies –and even in all in some occasions–, in addition to other market operators, which offer the same content and turn it into the promotional product par excellence, which in turn increases the price.

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This model is clearly marked by the context in which it is exploited: first, by the dominant position of Mediapro, which has enjoyed the strong and decisive financial support from Qatar Media Corporation (an international group that owns Al Jazeera, a subsidiary of beIN Media) for the acquisition of rights; and, second, by the position of Telefónica, whose financial strength has allowed it to be, for many years, one of the main players in the acquisition of rights, through auctions and, even, through the buying of shares of other broadcasters with strong portfolios of rights. Another particularity of the Spanish market is the existence of a limitation on the exclusivity of Telefónica's content, conditioned by the National Commission on Markets and Competition (CNMC) following Telefónica's takeover of Canal+.

## 2. Objectives, hypotheses and methods

The study is guided by the hypothesis that the acquisition and exploitation model for football broadcasting rights is difficult to sustain for a telecommunications companies that have a low critical mass of subscribers and are incapable of making this expensive investment profitable, especially when everything seems to indicate that the consumption of football content in Spain –and in the big markets– will transition to a model in which streaming services (OTT platforms) will coexist with traditional pay-TV, which is currently dominated by telcos, which may see their supremacy in pay audiovisual media threatened, both by OTT platforms and by the tech giants Google, Amazon, Facebook and Apple (GAFA).

Thus, this work aims to determine, first, whether the model of acquisition and exploitation of rights, still in force in Spain, is in sharp decline, given that it has already been found that the participation of free-to-air TV channels and low-capitalised companies, like PRISA, is an "anomaly" and, second, to characterise its scenario in the coming years.

In terms of methods, our study is based on the in-depth analysis of the key elements that make up the possible scenarios of the exploitation of football broadcasting rights in Spain in the coming years, assessing their greater or lesser probability, by taking into account the social, political, economic and business conditions that surround this strategic content, and by considering the situations and trends in other countries. We have fundamentally limited the analysis to the rights over the *Campeonato Nacional de Liga de Primera División*, commonly known as *La Liga* or *La Liga Santander* (for sponsorship reasons with Santander), although we will make some references to other national leagues in the European environment, like the Premier League, Serie A and Bundesliga.

The study departs from the review of the abundant literature that has been published on the object of study in the United States and Europe –although not so much in Spain– and takes into account the outstanding role played by regulators from Spain and other countries, like the National Commission on Markets and Competition of Spain (CNMC) and the British Ofcom. Moreover, the analysis has also taken into account the financial statements of the groups involved in the exploitation of football broadcasting rights (Mediaset Spain, Atresmedia, Mediapro, Vodafone, Orange and Telefónica), and of those groups that previously –like in the case of PRISA and RTVE– faced this complicated scenario since distant times when there was no competition in the broadcasting of sporting events, which was clearly dominated by public television and regional channels (Bonaut-Iriarte, 2010; García-Santamaría and Alcolea-Díaz, 2013, Alcolea-Díaz and Blanco-Leal, 2007, Alcolea-Díaz, 2003).

## 3. Distribution of rights and establishment of main players

The relative tranquillity of the football rights market, represented by the dominance of TVE and the regional channels, ended with the emergence of private television channels: Antena 3, in 1989, and Telecinco and Canal+, in 1990. The radical transformation in that market landscape and its belligerent tone were caused, therefore, by the arrival of private television and, in parallel, by the technological transformation that enabled new forms of exploitation and the emergence of new screens and operators.

The first steps towards the model of individualised exploitation of football rights were given by Antena 3, in 1995, through its Audiovisual Media Manager, which offered first and second division clubs to buy their broadcasting rights for five seasons as of 1998. This movement was joined by Canal+, through Gestsport, which expanded the negotiation to seven seasons; and the regional channel TV3, which acquired the rights of FC Barcelona. This began a period of individual agreements with each of the clubs, in some cases with offers that tripled the regular income from this product (Alcolea-Díaz, 2003: 63). It was the beginning of the so-called "football war", a fight to sign individual contracts with most clubs, which was accompanied by tensions produced by the pressure of Antena 3 to break agreements for seasons 1996 to 1998 with Canal+. This configured the individualised model, which was an anomaly in the European Union which, with the exception of Italy, was walking at the time towards a centralised distribution model (García-Santamaría, 2011), which prevailed until 2015.

The constitution of Audiovisual Sport (AVS), at the end of 1996, came to consolidate this sales system. This company, owned by Gestsport and Audiovisual Football Media Manager, with 40%, respectively, and TV3, with the remaining 20%, was created for the joint management of the broadcasting rights of *La Liga* and *Copa del Rey*, individually signed from 1998 to 2003, distributing the matches between the television channels related to its partners, that is Canal+, Antena 3 and TV3. Given that, without an agreement, they could only broadcast the matches played by two clubs whose broadcasting rights were held by the same operator, the coordinated operation was the most rational alternative from the economic point of view. This movement took place in parallel and in clear dependence on the emergence, also at the end of 1996, of the two pay satellite television platforms in Spain: *Canal Satélite Digital* and *Vía Digital*.

It is at this moment when Telefónica takes a definitive step towards pay-TV, consolidating its presence in an audiovisual market that already had a gap in the production of television and film contents (Producciones Multimedia). Its incursion into this and other media companies from 1996 to 1999, was framed, in addition to the exploitation of commercial synergies, in many cases and given that the company was not fully privatised yet, in a clear political movement, such as the creation of *Vía Digital* and its entry in Antena 3.

Mediapro, the other great protagonist in the market of acquisition and resale of football rights, burst into the scene in 2006, reopening the wounds of a war that had ended three years ago with the merger of the pay-TV platform *Digital+* (Sogecable). The appearance of Mediapro in the television market circumscribed to the measures to boost DTT, under a socialist government, which gave way to the birth, also with a strong political interest (Alcolea-Díaz and García-Prieto, 2017: 122), of *Cuatro* (Sogecable) and *La Sexta* (Mediapro). In 2006, Mediapro, after purchasing the broadcasting rights of a large part of the football clubs, reached a joint exploitation agreement with AVS. Its breach unleashed the second football war for the matches that were broadcast in free-to-air and pay-TV channels, and reached, as Mediapro acquired the rights of more clubs, in an almost match-by-match negotiation

(Moragas, Kennett and Ginesta, 2011: 137). This litigation with Sogecable for the football broadcasting rights from 2007 to 2009, which in spite of later agreements between both companies, like the one reached in the 2009-2010 season, had to be resolved in court in 2015. However, Sogecable requested the reopening of the case in 2016 and, although it was rejected, the appeal has not been resolved yet.

In 2015, the government intervened on the commercialisation of the rights to exploit the audiovisual content of the major football competitions in Spain and awarded the organisers of the two major competitions (LNFP in the case of *La Liga*, and RFEF in the case of Copa del Rey) the centralised marketing of the audiovisual rights of the clubs (Royal Decree-Law 5/2015 of 30 April). Since then, and as Gay de Liébana (2016: 239) highlights, the joint sale of the television rights package would allow a profitable negotiation, both nationally and internationally.

The first attempt to auction under the new centralised model, spanning from 2015 to 2018, vanished with the recommendation of the National Commission on Markets and Competition to sell separately, although in a centralised manner, the 2015-2016 season to avoid benefitting Mediapro and Telefónica, which at that time held those rights, in comparison to other operators. Telefónica obtained the rights to exploit the pay *La Liga* contents that season through the *Movistar+* platform which, since mid-2015, combined Movistar TV (IPTV), the defunct Imagenio, Canal+, and the defunct Digital+.

Since then and to this day, there have been two new centralised auctions, in the 2016-2019 period, with the shared protagonist role of Mediapro and Telefónica, and the 2019-2022 period, with Telefónica as the main player, which revealed the persistence of the core group of players that was forged over the previous decades.

## 4. The brake on the "exclusivity" of football and its consequences in the market

In the race for contents, the concept of premium and its exclusive exploitation have been key. Combining premium and exclusive offers immediately results in a higher price and, given that it is produced from the dominant positions, in the establishment of entry barriers to competitors; which has undoubtedly led to the intervention of the competition bodies of many countries, which have conditioned the acquisition of rights, limiting their exclusivity and/or the periods of validity of contracts.

In Spain, exclusivity, both in the holding and the exploitation of *La Liga* matches in the national market, is limited by law (Royal Decree-Law 5/2015), which prevents the same person or entity from acquiring, directly or indirectly, exclusive rights to exploit contents corresponding to more than two lots in the auctions organised by the LNFP, both in the bidding process as at a later time, through acquisition or transfer, unless there were no bidders or equivalent offers.

The first auction of the broadcasting rights of all *La Liga* matches for the national market, fully applying the new regulations, occurred in 2015 for the 2016-2019 period. Telefónica and Mediapro maintained the leading positions they had already enjoyed in the market and became the big winners. The exceptionality of this situation arose, subsequently, from the conditions imposed months before by the National Commission on Markets and Competition to Telefónica for the purchase of DTS (Canal+), which forced it to open all of its premium channels to their competitors so that they could buy up to half of them to their choice, which constitutes a brake on content exclusivity.

Telefónica was awarded, in exclusive, for 750 million euros, the lot number 5, which included, among others, one La Liga match in first selection, which would be exploited through the *Movistar Partidazo* channel. Mediapro, won the first auction, for 1,900 million, with lot 6 which included the eight remaining *La Liga* matches, in pay and exclusive modalities, which were broadcast in the *beIN La Liga* channel. After a subsequent process of negotiations with the different operators, Mediapro awarded in early 2016 the *beIN La Liga* channel in exclusive to Movistar for the following three seasons.

However, the leading telcos quickly stated that their competitor was obligated to resell its exclusive rights, and the National Commission on Markets and Competition requested Mediapro and Telefónica to review the aforementioned agreement. Thus, Mediapro signed up a new contract with these two operators, which included *beIN La Liga*. And, just a few months later, the telcos also got channel Movistar+ Partidazo from Telefónica, which was marketed in more operators and incorporated at the end of 2017 to Mediapro's OTT platform, beIN Connect, in a possible strategic movement in response to the negotiations between Mediapro and Telefónica over other rights.

Therefore, the exclusivity rights over the premium contents of Telefónica is totally subjected to the conditions of purchase of DTS until 2020 and can be extended for three more years. Telefónica entered the tender of *La Liga* in 2015 because it was cheaper to purchase at least one part of the rights directly than to negotiate with Mediapro. In fact, in the second auction under the centralised model, and the last to date, partially closed in mid-2018, Telefónica strengthened its commitment to purchase the rights of *La Liga* in Spain and Andorra, acquiring lots 4 and 5 (for 2,940 million euros), which included all *La Liga* matches, except for free-to-air, for the 2019-2022 period. This way, Mediapro transferred its leadership in the domestic market, leaving it reduced to the summaries of all exclusive matches and broadcast in bars and public places (lots 2 and 7, for 480 million), although it was still present in the market of these rights in the international arena.

Likewise, Telefónica became stronger in the football offer when reselling, also in mid-2018, the rights to the Champions League from 2018 to 2021, to Mediapro for a total of 1.08 billion euros. The agreement included, in addition, the design of contents, and so the brand beIN Sports disappeared and Telefónica launched in the 2018-2019 season channel *Movistar Liga de Campeones*, which replaced *beIN Sports* and *Movistar Fútbol* and bundled together the Champions League and the Europa League as well as other international leagues.

On the other hand, on this occasion the rest of the telecommunications operators with television offer have followed a different strategy regarding the premium contents of Telefónica. In fact, one operator –the case of Vodafone– has even given up football in its pay-TV offer, because it believes that the current exploitation model is not profitable. Thus, as of the 2019-2020 season, Vodafone ceased to acquire these broadcasting rights whenever Telefónica does not have a more flexible marketing system, based on "minimum guaranteed returns". In fact, the British operator believes that football requires investments of more than 250 million euros per year despite that, in its opinion, it is not the most wanted content among customers.

In any case, it should be noted that, as it has been shown, to this day only Telefónica and Mediapro have opted for the exclusivity of these contents, despite the Competition will not allow it, neither in wholesale or retail.

**5. Emergence of new players in the market**

The movements made by the different players in this market can lead to new and complex scenarios. Specifically, it could lead to the direct exploitation of premium content in the national market by the owner of broadcasting rights (LNFP), although in concurrence with other operators and without any exclusivity rights.

The direct exploitation of broadcasts of premium, non-exclusive, audiovisual content by the leagues themselves is a system that has been operating for years in other sports. It is worth noting the case of the NBA and its *NBA League Pass*. The NBA games can be viewed through cable and satellite television on the ESPN and ABC channels, as well as on TNT, who share more than 160 games per season, completing the broadcasting offer and the set of games through the *NBA TV*, a 24-hour television channel, launched in 1999 and produced by the NBA itself.

However, the NBA League Pass streaming service, which was launched in the 2006-2007 season, as the NBA League Pass Broadband, was an extension to the Internet, webcast, of the NBA League Pass TV channel launched in 1994. However, after years of producing its audiovisual contents (through NBA Entertainment) and selling through satellite and cable television, the NBA launched its own streaming platform, with access to live games and multiple commentary services.

Since 2008, the NBA maintains with Turner, through NBA Digital, a collaboration agreement to jointly exploit the digital resources of the league (NBA TV, NBA.com, NBA Mobile, NBA League Pass and WNBA.com), and, despite this, there are no limitations for other groups and channels, such as ESPN, to broadcast NBA content on their platforms, such as ESPN.com and WatchESPN. The NBA became the first sports league to give operational control of its digital resources to an external production company.

In Spain, on several occasions the LNFP has expressed the possibility of eliminating all intermediaries to reach the final customer with its main content, which is the *La Liga*. Since 2016, *La Liga* is the owner of the *LaLiga4Sports* website, launched in collaboration with the National Sports Council of Spain (CSD), "to showcase the work of the 64 sports federations and the Spanish Paralympic Committee through digital content" (*La Vanguardia*, 21/03/2016). It is the investment of the LNFP in its preparation for future scenarios, starting to form a multisport offer that fits the profile of the Spanish sports consumer.

On the other hand, the LNFP has been testing other possibilities with streaming services for a while now. For example, through the *Facebook Live* app of *La Liga*, which in May 2016 made the first official broadcast of one of its matches, in this case the women's football league, which has been followed by other matches.

All the above shows that *La Liga* prepares the ground to exploit its most wanted rights in streaming. The LNFP considers that in 2030 the market will belong to the OTT, which has control over 80% of it (Matilla and Gil, 2018), in tune with the millennial public. The consumer of sports in Spain is multichannel but has a deeply-rooted preference for the use of social networks in relation to sport, and 49% of football fans admit consuming this sport through radio, which is much higher than the percentage in other countries in our environment (Recio, 2018). In any case, this is the future of audiovisual consumption, at least for the youngest audience (Santín and Álvarez-Monzoncillo, 2017). In 2017, according to the National Commission on Markets and Competition, the time spent by Spaniards in watching audiovisual content in the TV or other device began to become equal, although people aged 16 to 24 already watch more audiovisual content in the mobile phones than in the TV set.

At the moment, in Spain and in Europe, in general, the initial attempts of direct exploitation on the Internet by the football leagues or federations of their rights are reduced to niche sports (European Audiovisual Observatory, 2018: 6), but the future of the industry strongly points to this system of exploitation, which will be mixed in the absence of exclusivity. In this system, the leagues are the protagonists and it only needs to overcome some reluctance for its consumption and greater technological development, which clearly points out the great development of streaming services worldwide (Smith and Telang, 2016).

Mediapro is one of the best positioned groups in the buying of football broadcasting rights in Spain. Apart from the commercialisation, since 2015, it is responsible, by contract, of producing and transporting the signal of *La Liga* matches in Spain, emulating the model of other sports competitions where a single operator is responsible for managing the signal. In addition, since that year, it also acts as a commercial agent (commissioner) for the exploitation of the rights of *La Liga* at the international level, following the agreement to transfer to the LNFP all the broadcasting rights of the clubs.

On the other hand, in 2015 Mediapro formalised a joint venture with Al Jazeera for the purchase and commercialisation of football rights in Spain. The Al Jazeera Media Network (ALMN) had made its first attempt to enter in the market of Spanish football broadcasts in 2013. However, it was in late 2003 when Al Jazeera Sport was created, and renamed in 2014 as beIN Sports, and then incorporated into the beIN Media Group. The group's sports channels network has been expanded throughout a large number of geographical areas. In 2015, our country saw the launch of channel *beIN Sports* Spain, owned by the group and operated by Mediapro. This joint venture between companies, acquired football rights in that first centralised sale (2016-2019). But in reality, the relationship between both groups goes back to the origins of the launch of Al Jazeera Sport in Qatar and is present in the launch of beIN Sports in France. Likewise, Mediapro, through its company Imagina US, produces the beIN Sports channel in Miami, which is the headquarters of beIN Sports Americas.

Mediapro, therefore, plays in the wholesale market through the sale of content packaged on their channels beIN Sports (recently defunct) and beIN *La Liga*, and also has the OTT beIN Connect for its own retail marketing. Only in relation to football, it owns the rights for Spain of the Italian League, the French League, the German Cup and the Libertadores Cup, and the rights, until 2018 when it resells them to Telefónica, of the UEFA Champions League and the UEFA Europa League. It owns the rights of the Brazilian Football League for Europe and Asia. In addition, it is also present in other international markets with local rights, as in the case of the French Ligue 1 (2020-2024).

Moreover, the football offer on OTT TV in Spain, which relies in a subscription model that does not force the user to stay or to pay for other offers, i.e., as first screen, has been dominated by Mediapro's beIN Connect, which exploits its own rights and the rights of others through streaming technology,

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although it was not a market in which they could operate alone, exclusively, as pointed out in the 2018 ruling of the National Commission on Markets and Competition in relation to the offer of Opensport.

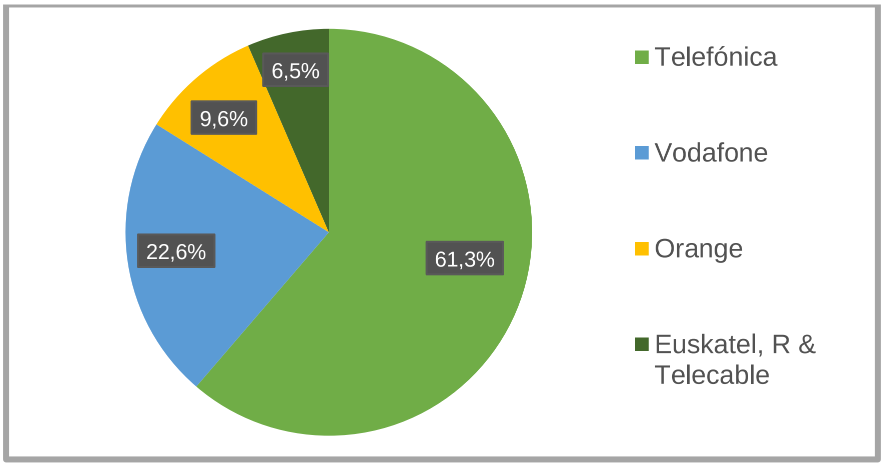
To date, the other major competitor, which not only maintains, but enhances its role as a contractor, is Telefónica. And despite doubts about its future as rights holder, in mid-2018 it was awarded rights for *La Liga* in the domestic market for the 2019-2022 period, as well as the Champions League and the Europa League, on resale by Mediapro, from 2018 to 2021.

This strategic decision can be key for the future of the operator. Faced with it, the operator had two options or business models: to become a little more than an online video store, boosting its own production and extending it to all the markets in which it operates; or, continue with the same formula, following the path traced by Canal+: pay-TV with premium sports and fiction content, regardless of the high costs derived from all these exclusivities.

Finally, Telefónica seems to have chosen to reinforce its position in the wholesale market of sports broadcasting with a direct sale model with no intermediaries. We do not know whether this model will produce greater value for the company, but analysts such as BNP Paribas support the validity of this strategy. Moreover, in the retailer market the strategy is to increase its mass of subscribers, by attracting new customers and customers from other payment operators, through price-based promotion strategies (football has been and is the promotional product par excellence), and through the reinforcement of the supply of content, but not just sports, which it has already secured.

It is precisely at this point when the future of telcos is clarified: how can they make their investment in football and other audiovisual content profitable? The answer is simple: by substantially increasing their mass of subscribers. The number of subscribers of pay-TV in Spain reached 6.4 million in 2017. Of this amount, Movistar had 3.8 million (61.3% of the market share), with an increase of 75,000 compared to the previous year. Its immediate competitor, Vodafone-One, which had 1.4 million (22.6%), lost more than 280,000 subscribers. And Orange TV, with slightly more than 0.6 million (9.6%), increased its number by almost 220,000. Other minor operators, Euskaltel, R and Telecable reached together 0.4 million subscribers (6.5%) (SGAE, 2018: 8).

**Figure 1. Distribution of the pay-TV market by traditional operators**




Source: Authors' own creation with data of SGAE (2018)

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Despite this upward trend, the critical mass of subscribers is small compared to other countries, such as the United Kingdom, which, in the first quarter of 2018, had 15.1 million subscribers of pay-TV (Ofcom, 2018b: 4); that is, 60% of households, compared to 34% in Spain. And although, in any case, an increase in the penetration of pay-TV is expected in the coming years, it is expected to reach 41% of households in 2021 (Deloitte, 2018: 4), which is certainly very far from the quotas that would enable the profitability of sports rights.

However, the growth experienced by OTTs cannot be underestimated. In a short period of three years, video streaming and VoD platforms have become consolidated, which increasingly threatens the offer of film and entertainment in Spain and other countries. Moreover, in the large European markets the revenues of these platforms were higher than those of television and in countries such as Great Britain already accounted for 70% of the market (García-Santamaría, 2018: 117). Thus, in 2017, three of ten households with Internet access paid for online audiovisual content. The pay online platform used the most to watch audiovisual content was Movistar's Yomvi (or Movistar+), which reached almost 2.2 million households, twice as much as the previous year. Netflix tripled its users, reaching 1.5 million homes, above others offers such as Vodafone TV online and Amazon Prime Video (CNMC, 2017).

**6. Economic estimates of broadcasting rights costs**

We cannot overlook the high costs of acquisition and exploitation of these rights. In the current model of wholesale commercialisation with the successful bidder of the rights, the operators make a fixed payment for the rental of the channels, calculated based on the number of subscribers of the platform. However, there are sources that indicate that, for the calculation of this formula agreed with the National Commission on Markets and Competition, "it is averaged 75% proportionally to the television clients of each operator and another 20% based on its broadband subscribers" (Muñoz, 2018) in the case of having this type of network. With this in mind, the total cost of broadcasting all the Champions League in the 2018-2019 season will amount to 915 million (630 million for *La Liga* plus 285 for the Champions) for Telefónica and 225 million (150 plus 75 million, respectively) for Orange. Vodafone, which broadcasts only eight matches of *La Liga* in First Division pays 170 million euros and is betting on a strategy in which it has lowered the weight of football, opting for fiction (in June 2018 it incorporated Telefónica's channels *Movistar Series* and *Movistar Estrenos*). The British operator's decision to opt out supposes that Telefónica must bear a higher price in its accounts for the rights acquired in 2015 for the 2016-2019 period for the match of *La Liga* in First Division in the first team.

Considered in general terms, the auction lot of 2015, which contained that match, was awarded to Telefónica for 750 million. If we change the cost of the whole lot on the *Movistar Partidazo* channel, and only take into account the payment for the rights, its price would reach 250 million per season, splitting in the 2018-2019 season between Movistar (200 million) and Orange (50 million), according to the aforementioned calculation between the operator's subscribers and broadband customers, and over simplifying the calculation, since the rental of the channel to other smaller telecommunications operators that also include it in their offers was not considered in the calculation. Another handicap for Telefónica in that season was to make a profit from the rights of the Champions League and Europa League in its power, having again with an operator less than the importance of Vodafone, with 22.6% of the pay-TV market in 2017. In the case of Mediapro, its rights over *La Liga* for the 2018-2019 season are exploited by the three main operators. From the season 2019-2020 onwards and for three

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years, Telefónica will have to face the positioning of telcos, and it has to do it by itself, as it has all the rights over *La Liga* and the Champions League and the Europa League (in this case, until 2021).

Therefore, Telefónica requires more operators to share the cost of football rights, but at this point it moves in a very constricted formula: it will only transfer its rights -contrary to what *Canal+* was forced to do in its last years- when an adequate profitability is guaranteed and, at the same time, when it does not open the door to an exploitation model that may work against its interests, despite the more than probable intervention of Competition when it comes to that.

One of the strategies to follow, in the 2018-2019 season and subsequent seasons, as we have pointed out before, to gain a greater mass of subscribers, both new and from the competition, are promotions, which include aggressive commercial strategies to try snatch customers from competitors. However, this strategy to get more customers of pay-TV is impossible to maintain over time, since the operators have estimated on multiple occasions that the football fee should be set between 50 and 60 euros per month, well above the 20 euros that their customers have been usually charged. In 2017, pay-TV increased its turnover in Spain, reaching 2,133 million euros, surpassing the revenues of free-to-air television (1.913 million). Movistar earned 1,687 million, which represents 79% of the revenue in pay-TV. However, the ARPU (average revenue per user) has to increase much more, especially if we take into account that football customers are considered premium based on their spending (CNMC, 2018).

## 7. Other players in the acquisition of rights

Finally, we have to take into account the entry of new audiovisual players in the market of football broadcast in Spain, although their most important presence will largely shift to a future scenario. So far, we have seen the attempts of Google to enjoy the necessary expertise to broadcast Indian Premier League cricket and in its presence in the Olympics broadcasts, which began in the Beijing Games (Fernández- Peña, 2016). And the same thing is happening with Facebook's interest in football. For its part, Amazon Prime Video Spain has collaborated with Mediapro and *La Liga* in the production of a six-episode documentary series (*Six Dreams*), and is also the OTT provider that is making a niche in sports content, compared to other tech giants like Netflix, which has excluded itself from this market, and where YouTube and Twitter are ok with other potential sports providers (Juniper Research, 2018).

The question is to what extent these companies will be present in the short and medium term in the acquisition and commercialisation of football broadcasting rights in Spain. In February 2018, the media announced that Amazon was committed to bid for *La Liga* for the 2019-2022 seasons, at least for small OTT broadcast packages, and that Facebook had also signalled its intent to enter the market on live sports.

In fact, the so-called "disruptive competition" is already a reality in Spain, a country traditionally unwilling to incorporate in sports both widely accepted business models as well as leading technological developments. Therefore, the LNFP could consider a lot in the medium term for its exploitation in streaming, with *La Liga* matches without exclusivity. It could be one of the formulas designed to give entry to technology companies as well as other companies such as Twitter, Amazon and YouTube, which are already present in this market.

However, so far, the first incursion into Spanish sports rights has been rather timid and has been in the hands of Facebook, which in August 2018 bought rights for all *La Liga* matches for the next three seasons, to offer them free of charge, through this social network, in eight Asian countries: India, Pakistan, Bangladesh, Afghanistan, Nepal, Sri Lanka, Bhutan and Maldives (Del-Castillo, 2018).

**8. Conclusions**

In light of the results obtained through the in-depth analysis of the key elements that make up the current panorama of pay-TV and football broadcasting rights in Spain, we can indicate that, at least in the short and medium term, they will continue to be one of the key contents in the offer of traditional platforms in their strategy to gain subscribers.

However, the current concession situation for a telecom operator, or a couple of them, is hardly sustainable over time. In any case, everything will depend on the capacity to commercialise the acquired rights, especially in the wholesale market, provided that the revenues are enough, and that this does not generate a competitive threat. All of this leads us to the retail market, where the commercialisation is torn between achieving more subscribers, playing with the price variable and, at the same time, not affecting the average revenue per subscriber.

The study confirms the end of the model of acquisition and exploitation of these rights and the end of a “privileged circuit” that had been maintained, albeit with variations, since the 1990s, and which successively alternated different players: TVE and the regional channels, Antena 3 and Telecinco, *La Sexta*, PRISA and Mediapro. However, at the moment, it is been evident the overwhelming dominance of telcos in the acquisition and exploitation of sports rights and the re-concentration of Mediapro, at least in the national market, in activities such as production. At the same time, we have witnessed the arrival of the pending challenge of “disruptive competition”, not only between telcos but also between the big Internet companies, like Facebook, which are taking clear positions in Spain for the future exploitation of these rights through their platforms, coexisting, at least for some time, with traditional pay-TV networks.

Telefónica has increased its brand presence in the audiovisual market of football by designing and developing the content of three channels: *Movistar Liga de Campeones*, *Movistar Partidazo* and, starting in 2019, the channel that offers the rest of pay-per-view *La Liga* matches. This operator will have to face the annual payment of 980 million euros during the 2019-2020 and 2021-2022 seasons for *La Liga* matches, which means a total payment of 2,940 million euros, plus 1,080 million euros for the rights over the Champions League from 2018 to 2021. Mediapro, in addition to reselling these latter rights, has not wanted to take much risk with *La Liga* matches and has to settle for the exploitation in bars and restaurants along the highlights, with a cost of 481 million for three years.

The conclusion is that Telefónica, although it has managed to eliminate an intermediary such as Mediapro in the domestic market, has increased its exposure to risk, at a time when the cord-cutting phenomenon, leads consumers in many countries to abandon the pay-TV packages in their different modalities and to replace them with OTT services. And if it increases its fees to subscribers to amortise at least the exploitation of these rights, it may face major cancellations from subscription fees. In any case, the problem is still how to experience a significant growth in the number of subscribers to *Movistar+* to deal with the exclusivity derived from the output deals and volume deals, signed with the major Hollywood companies to have films and series and, on the other hand, the greatest sporting events.

What does seem clear is that this model of wholesale and retail awarding of rights is no longer at the reach to large free-to-air television platforms, much less to public channels, but only large conglomerates with strong capitalisation. Although here it is important to remember that Telefónica's debt up to June 2018, was 43,593,000 million, which is more than its current market value.

So far, it also seems certain that in the television industry, in the medium term, the traditional media groups will coexist with Internet companies and OTT platforms. Hence, future scenarios are complex to elucidate and to establish valid projections. What is more likely is that only highly capitalised, debt-free companies will be the most qualified to take this path without too many surprises. We just have to remember the failure of Germany's Kirch Group, Canal+ France before its purchase by Vivendi and the collapse of the PRISA group for the debts incurred by its pay-TV platform. Likewise, a look at the international market highlights the possibilities, not yet implemented in our country, of streaming as a revenue model, beyond the subscription for a period of time, such as pay per matches, teams and many other possible formulas.

Thus, at the moment, the consumption of football contents in Spain will go through a model in which traditional pay-TV, which is still dominated by telcos, will coexist with streaming access, primarily through OTT platforms and providers, which will increasingly gain more ground, especially when they manage to solve all technical issues. In addition, in the case of streaming as first screen, the possibility of subscribing for a specific period of time, without permanence clauses, will soon coexist with other types of contracts, such as pay per teams. Likewise, the future pre-eminently requires customer loyalty in contrast to its mere attraction, placing engagement actions above the price variable, as well as finding new sources of income through related products, such as virtual reality matches.

On the other hand, also in the medium term and in the national market, premium rights will continue to be exploited mostly by operators not related to *La Liga*, through the awarding of rights by means of auction processes, which allow the successful bidder to proceed to their distribution, or to subsequently reach marketing agreements with third parties, or both possibilities at the same time. Now, let's not forget that digital disruption has also reached the football league, which can be inspired by successful experiences such as the NBA League Pass streaming service. In other words, *La Liga* already has the possibility of skipping all sorts of intermediaries operating in this market.

Likewise, we are catching a glimpse of regional and even international exploitation models that seek to achieve economies of scale and thus reduce exploitation processes. The still timid attempts of Vivendi to turn Canal+ into the greatest pay channel in Southern Europe and Comcast's recent victory in the bid for the contents of Sky Great Britain are examples of this strategy.

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- End of research: October 2018

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