

MLB's Bid for Disney's Regional Sports Networks

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Amid the frozen free agent market this hot (cold) stove season is a potential transaction that, while not necessarily dictating the headlines, could have significant positive effects on how Major League Baseball (MLB) games are watched—while positioning MLB to better control its content in the marketplace.

Disney recently acquired various 21st Century Fox, Inc. entertainment assets which includes at least 21 Regional Sports Networks (RSN), 14 of which carry MLB games. Disney owns ESPN, a leader in sports broadcasting. As a condition of Disney's \$71.3 billion purchase of Fox assets, the Department of Justice is requiring Disney to sell the RSNs (hence, so Disney will not possess too much control over the sports broadcasting market). MLB, with support of various club owners, is pursuing the RSNs and is reportedly in the second phase of the bidding process.

Very simply, RSNs purchase licensing rights from individual MLB clubs and then broadcast games in the designated TV markets as determined by the regional networks. RSNs are broadcast via cable or satellite networks (i.e. DirecTV, Comcast) and control the markets in which the games are broadcast. By dictating what a TV market is for a respective team, it results in MLB (which had retained all streaming rights to games) being prohibited from streaming games in those designated markets. Yet, the emergence of streaming technology has increased the value of digital rights (and notably, how games are viewed), and in turn has put into question the future of cable networks—as noted by substantial “cord cutting.”

A successful bid would give MLB control of the evolving streaming media market, thus centralizing control over media rights of its very own product. Certainly, increasing its presence in the digital marketplace will serve to generate revenues (how they are split between clubs is another issue), but the very core of this success is viewership. While consumption of streamed or over-the-top content can be achieved through multiple devices, i.e. TV, tablets, smartphones, the ability of viewers to obtain that content is key.

All teams and all games should be available to all viewers, regardless of territory. No more “in market blackouts” - any and all games available at any time where there are streaming capabilities. With centralized control over these rights, multiple packages could be offered to tailor a specific consumer's viewing need, but such a consumer should not be prohibited from watching “in market” games. There would no longer be competing interests between the RSNs and MLB, and no longer the debate of whether to “cut the cord” nor not.