

FINANCIAL POST

WHY DAZN CEO THINKS IT'S PRIME TIME FOR STREAMING LIVE SPORTS ONLINE

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After a bit of an own goal last year, the streaming service is still determined to become the Netflix of sports

Fear of missing out on a single touchdown, goal or basket has anchored many sports-obsessed consumers to their television packages in an era where many others are ditching cable to watch content over the internet.

Sports fans can be particularly intolerant of buffering video or choppy sound, especially when social media spoils results in real time. But the need for a TV subscription to watch the big game is becoming less pronounced as Internet players and traditional broadcasters alike bet on online sports content to entice the remaining streaming holdouts.

One such shift in Canada's sports broadcasting landscape came late last summer with the launch of DAZN, the billionaire-backed U.K.-based sports streaming service pronounced "da zone" that holds exclusive rights to the National Football League's Sunday Ticket games in this country for five years.

DAZN initially lured viewers as the sole provider of certain games, but technical difficulties led to angry consumers, public expressions of disappointment from the NFL and, ultimately, deals with some TV providers to offer games the old-fashioned way.

DAZN is now negotiating with all TV providers to offer Sunday Ticket again next season, though it's keeping the highlight-reel channel NFL RedZone exclusively online. Despite the partial retreat, chief executive James Rushton doesn't think DAZN's entry into the Canadian market was too soon. Rather, he's confident it's prime time for online viewing of live sports.

"I think we were pretty much bang on," he said. "We just didn't execute as well as we could have."

Streaming live events is relatively complex compared to playing video on demand — even Netflix Inc., the online streaming juggernaut, has left live sports to traditional broadcasters — yet the industry is moving in the same direction as DAZN despite the challenges.

Tech giants such as Amazon.com Inc. and Facebook Inc. have bought the exclusive online rights to several soccer, football and baseball games. Broadcasters like BCE Inc. and Rogers Communications Inc., which have invested heavily in sports media content to keep customers buying television subscriptions, are making it easier to watch live sports online.

In just the first few days of June, Bell Media Inc. launched a standalone digital subscription to TSN for \$25 per month just in time for the 2018 FIFA World Cup in Russia; Rogers announced a new partnership to stream portions of hockey games on Twitter Inc.; and the Apple TV app launched a sports tab in Canada so consumers can readily access sports on CBC, Bell, Rogers and DAZN (only CBC doesn't require some sort of paid subscription).

It's no secret that consumers, especially younger ones, increasingly favour cheaper, contract-free viewing over the Internet.

In 2016, 23 per cent of Canadians aged 18 to 34 said they watched TV exclusively online, up from 16 per cent two years prior, according to Media Technology Monitor. About 64 per cent of people in this age group subscribe to Netflix.

Overall, researchers estimate Canada is home to six million Netflix subscribers, while the number of TV subscribers has dipped an average of one per cent per year for the past five years.

For all of DAZN's problems during its first NFL season — Rushton said he'd give its performance a C+ — the company's outlook for Canada is positive. The key will be minimizing technical glitches and adding more content, he said, pointing to recent deals for European soccer and boxing matches.

"We obviously have to continue to get better. We have to convince the fans we're doing our best to do that," he said, though he still acknowledged streaming won't be "100-per-cent perfect 100 per cent of the time."

Rushton splits subscribers into two camps: those who want online streaming and like the monthly \$20 contract-free price, and serious football fans who needed DAZN to access Sunday Ticket. He would not reveal how many subscribers DAZN has in Canada, but Convergence Research Group Ltd. estimates the number is in the low six figures.

DAZN, which also operates in Japan, Germany, Austria and Switzerland, started licensing Sunday Ticket to TV providers about halfway through the season after a rocky start where the NFL apologized to fans for "inadequate service." Rushton said there was no pressure from the NFL to license the content back to broadcasters — "They sold us the rights, they didn't have to do so" — and that it was his decision.

"If you truly are a fan-first service, then why wouldn't you look to work with broadcast distribution units in a way that's sensible," he said, adding DAZN continues to have a constructive, solid relationship with the league. "Ultimately, the NFL, and rightly so, has very high standards of all its broadcast partners."

NFL spokeswoman Darlene Capiro said in an email the NFL is "working with DAZN and Canadian BDUs (broadcast distribution units) to ensure that there will be a TV offering for Sunday Ticket and details will be forthcoming though we are in the midst of discussions."

Getting games in front of as many viewers as possible is critical for the NFL. Its TV ratings dropped about 10 per cent during the regular season last year, the second year of declines.

Some blamed structural changes in the TV market, others blamed attention shifting to news in the Donald Trump era. Regardless, the league has signed live streaming deals with Facebook, Amazon and Twitter to "follow our fans," NFL's digital media president Mary Ann Turcke said in Toronto in February.

“We’ve got to go where they are and reverse engineer the monetization model underneath it,” she said.

For some fans being ushered into online streaming, they’d rather be in the TV ecosystem. Vancouver fan Sean Meade even started a Twitter account named @DAZNSucks to try to convince DAZN to put Sunday Ticket back on cable.

“I loved having that ability to change channels on the fly, change games on the fly,” Meade said.

DAZN’s delays might be acceptable to casual fans, but he said it was frustrating for diehards, many of whom play fantasy football.

“I’m fine with DAZN operating and doing whatever they do, but don’t force me to pay for it,” he said. “It’s a lot cheaper, but cheaper doesn’t always mean better.”

Meade, who discussed his frustrations with apologetic NFL executives, said he’d shutter his critical Twitter account if fans get the option of Sunday Ticket on cable (his TV provider, Telus Corp., was not one of the providers that offered it last year).

Sports fans may not want to watch with delays, but Convergence Research founder Brahm Eiley believes the technology will catch up. In the meantime, DAZN has made interesting deals for the Canadian market that include NBA content, Major League Soccer games and boxing matches.

“No one cannot take these guys seriously at the end of the day,” Eiley said, adding he estimates DAZN has spent between \$5 billion and \$10 billion on content around the world. (DAZN, a division of Perform Group, which is majority owned by Len Blavatnik’s Access Industries Inc., is a private company and does not reveal its spending habits.)

The bigger challenge for online sports streaming, Eiley said, is getting enough content given the complexity of sports rights that outline when different teams can be broadcast in different markets. For example, in Canada, Rogers has the NHL and MLB rights sewn up, Bell owns NFL television rights and Maple Leaf Sports & Entertainment Ltd., which is jointly owned by Rogers and Bell, owns rights to NBA games.

“At present, things look protected ... but over the next few years, somebody’s going to try to pull it away,” Eiley said.

Whether that’s a deep-pocketed startup such as DAZN or an online giant like Amazon or Google LLC, live sports over the internet will still be a tough model to pull off, he said.

Despite the challenges, be they technical or competition for content, Ruston said DAZN has no plans to give up its attempt to become the Netflix of sports.

“I’m really confident that we’re going to actually kick ass from the second half of the year going forward.”