


5-2-2017

ESPN and the NFL

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Recommended Citation

Crepeau, Richard C., "ESPN and the NFL" (2017). *On Sport and Society*. 810.
<https://stars.library.ucf.edu/onsportandsociety/810>

SPORT AND SOCIETY FOR H-ARETE
ESPN and the NFL

MAY 2, 2017

For several decades the revenue streams in sport have been overflowing their banks. Rights fees have skyrocketed, new sources of revenue seem at times to fall from the sky like manna from the electronic heavens, and just when you think the ceiling has been reached something new appears. It seems that it will never end, but of course at some point it must. Perhaps.

The history of revenue multiplication began when television discovered the NFL. Then the NFL discovered television and seized it by the throat. Pete Rozelle had a certain genius for holding the networks hostage and making them pay huge ransoms to the league for the right to be taken hostage again at a later date.

It began with network competition for the rights to NFL games with a focus on the Super Bowl. The competition and potential for increased revenue streams began to grow with the coming of cable television. ESPN lusted for the NFL and finally got a small piece of the action on Sunday night, shared with Turner Network Television. ABC's purchase of ESPN armed the cable leader with more money with which to buy rights. ESPN grew in multiple directions on cable and became the major player in the online world as well.

This of course was just the preliminaries. When the FOX network was invented and concluded that the NFL was essential for its own legitimacy, and as a vehicle to promote its programming, rights fees went into orbit. FOX was willing to outspend everyone on the planet to get onto the NFL high speed train. It did both, and the NFL was the big revenue winner. Multiple

networks competing for limited programming was something Pete Rozelle had only dreamed about.

From here the growth of satellite special services with the NFL Sunday Ticket, the arrival of the digital age and streaming, and smart phone technology, all added to the explosion. In turn, all of this availability of "content" produced a corresponding increase in the popularity of the NFL, to the point that something as inane and banal as the NFL draft was turned into a revenue producer. This has now been exceeded by hours and hours of pre-draft and post-draft analysis, and a new bottom was achieved as the announcement of the schedule for the following season became a televised event, months before any actual games. There is no bottom in this pit.

In the last few days the messages in the tea leaves of Sportsworld may be changing. Two developments are of particular interest. These are not earthshaking occurrences, only minor rumblings from the periphery, the significance of which, as of now, is not clear.

Last season each of the NFL television networks reported a decline in ratings. Before anyone gets too excited, it should be remembered that this may be a one year blip rather than a long term trend. As was the case in the early 1980s, ratings have dipped briefly in the past, only to come back stronger than ever. On the other hand if this is the beginning of a slide over multiple seasons, the networks will be looking to recast their contracts and commitments to the NFL.

At present this may not be an issue as new streaming deals are being made with considerable frequency, and franchise movement is creating major new revenue for the NFL owners. More troubling for the NFL is that these gains may be offset by the legal settlements over concussions and other lawsuits that could cost the league much more than anticipated. And of course there is

the Roger Goodell factor that seems to have grown as a negative public relations force.

The other early warning sign for the NFL came when ESPN, whose fortunes are tied up in the NFL, announced a major downsizing in staff and on-air personalities. Reports indicate that about 100 people were let go, and this is but the latest in layoffs that began about 18 months ago when 300 staff were dismissed. The network's NFL coverage will be affected by the downsizing and that could ultimately impact the popularity of the league.

What is happening to ESPN and other cable outlets, as well as the networks, seems to be an exodus of viewers who are switching to digital devices and streaming as their main source of news, sports, and entertainment. One of the ramifications of this trend is a loss of an estimated 10M subscribers over the last few years for ESPN. At the same time ESPN is locked into long term high cost rights agreements with the NFL, NBA, and the college football playoff system running for the next eight to ten years. This has been accompanied by a drop in advertising sales.

Disney's Cable Division reported an 11% drop in operating income in the first quarter of this year compared to 2016. According to Disney officials, ESPN accounts for the losses. None of this is good news for ESPN nor for the NFL. The "World Wide Leader in Sports" is a major consumer of NFL content, but also a major promoter of the league.

One other note on ESPN. If you watch their major programming you will find an overload on NFL news and promotion which drops only slightly in the off-season. What started as an innovative vehicle in sports reporting, ESPN has been transformed into a promotional device for the National Football League and various Disney products.

With the NBA and NHL playoffs on, with the baseball season beginning to hit stride, there have been many days in which you could watch SportCenter and go to ESPN.com and find all of its lead content concerned with the NFL. At times it was necessary to wade through endless discussions of NFL team needs and mock drafts, before you could find anything on the major sports action of the day.

ESPN has lost its way and the NFL is trying to restructure itself. In either case there will be a struggle ahead. My guess is that both will survive and certainly the NFL will continue to prosper, but both will need to adapt themselves to the new electronic paradigm.

On Sport and Society this is Dick Crepeau reminding you that you don't have to be a good sport to be a bad loser.

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