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Findings in Sport, Hospitality, Entertainment, and Event Management

Topical – Sport, Entertainment

Streaming for the Win: The Future of Live Sports Entertainment in Direct-to-Consumer Streaming

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Abstract

This topical essay discusses the growing presence of live sports entertainment on direct-to-consumer streaming services, and how future research could benefit consumers and companies. A brief overview of Amazon Prime streaming NFL Thursday Night Football games is introduced, along with a background of live sports and streaming services. A call to action for future research is provided with potential areas in which investigators can focus.

Keywords: Direct-to-Consumer Streaming, Live Sports Events, Entertainment, Consumer Behavior, Research

The Issue

The National Football League (NFL) aired Thursday Night Football (TNF) on September 22, 2022 like most other Thursday nights during a regular season. The game pitted the Kansas City Chiefs against the Los Angeles Chargers in a highly-anticipated matchup of two popular quarterbacks leading highly competitive teams. However, the TNF game between the Chiefs and the Chargers was different than most in a very important way. For viewers outside of the local markets, the game was streamed exclusively on Amazon Prime Video (Bumbaca, 2022)¹. Although not the first live sports entertainment to be featured on a streaming service, TNF on Amazon Prime Video is notable as it has grabbed attention in popular culture from academics and non-academics.

In another momentous shift, Amazon and Nielsen, the third-party entity that measures broadcast viewership, agreed to a formula allowing sponsors and the public to receive ratings figures (Hayes, 2022). To this end, the first TNF broadcast on Amazon Prime overperformed initial projections, and averaged a 6.4 rating and 13.03 million viewers-11.87 million of which came from Amazon alone (Palsen, 2022). In the first three weeks of the season, at the time of this writing, viewership on Amazon Prime has exhibited strong numbers, potentially signaling that more streaming services will enter the live sports entertainment market. This topical essay discusses the emergence of live sports entertainment on direct-to-consumer streaming services, and calls to action the need for research in the space to better inform managers, researchers, and interested parties about the influence of such content on consumer behavior.

Background and Need for Research

Direct-to-consumer video streaming entertainment has consistently grown in popularity, and has seemingly received a boost by new entrants in the marketplace and the COVID-19 pandemic. When Netflix transitioned from a postage movie service and launched its streaming service in 2007, it became the

original disruptor to the way audiences consumed entertainment and the way movie studios reached customers (Littleton & Roettgers, 2018). As a result, studios were negotiating with Netflix to distribute content via the service while also cooperating to launch a competing brand in Hulu (Lamare, 2018)².

The video streaming market has seen a large increase in the number of services and platforms available to consumers³. With this level of competition, it is not surprising to see that some services have folded or been combined while others have surpassed subscriber and performance expectations. Presently, due to a shift in performance metrics among investors, services have to focus on how they can retain consumers and drive revenue in the entertainment industry. One such way of accomplishing this goal is to start selling advertisements on the services, which many platforms have already or are planning to roll out in late 2022 or early 2023 (Alexander, 2022). Further, brand rivalry introduces the need for companies to engage with as many customers as possible as they seek to build loyalty among consumers. This occurs because loyal customers may not only consume their favorite service but choose to stay away from other services viewed as a threat to their preferred brand (Dalakas & Levin, 2005; Havard, 2014; Havard, et al., 2013). Partially for this reason, the competition among streaming services will further drive companies to find innovative ways to remain relevant in consumer's minds (Havard, 2021).

An area that companies have experimented in is including live sports entertainment on their streaming platforms. From Major League Baseball on AppleTV+, to the launch of ESPN+ by the Walt Disney Company, services are being used as laboratories to determine how successful including live sports entertainment can be for companies. The broadcast of TNF on Amazon Prime Video is a major step for companies and leagues in measuring the role of live sports entertainment in the streaming marketplace. For example, multiple leagues have started streaming exclusive content to consumers via their proprietary platforms, which may ultimately play

¹ Although the game, and future regular season TNF games, was streamed exclusively on Amazon Prime, fans in the local markets of teams involved in the game (Kansas City and Los Angeles in this instance) could also watch on a linear television network.

² Partially owned by various entertainment companies, the purpose of Hulu was to create an environment more friendly to studios and successfully compete with Netflix.

³ As of May 2020, an estimated 43 streaming services existed at the major or niche level (Adalian, 2020).

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a role in the way live sports entertainment is available on popular services.

The early success of TNF games points to questions for managers involved, including if the success can be replicated on other streaming services and other leagues. Further, gaining rights to broadcast live sports requires companies to spend large amounts of money, which also leads to questions regarding rising subscription prices for consumers. To this end, the competition among streaming services for subscriptions could lead to companies engaging in bidding wars for content (Havard et al., 2021), while also behaving in ways to not push away current consumers (Havard, 2020). These areas and more are ripe with questions and directions for future investigation by researchers.

Call To Action

The popularity of streaming platforms and the inclusion of live sports entertainment on such services points to numerous areas of potential inquiry for academics and researchers. First, it is important that researchers work to better understand consumer behavior regarding streaming platforms, and both quantitative and qualitative inquiry can assist in this endeavor. Further, research should focus on the cost benefit analysis of including live sports entertainment on platforms. Due to the cost of acquiring broadcast rights, services may choose to pass costs on to consumers. Future research would help determine how consumers perceive such moves and navigate the balance of increased content with increased cost for companies. This question and area of research is made all the more interesting and important given the current landscape of rising subscription prices among streaming services without the inclusion of live sports entertainment. For example, the issues facing services like Netflix and Disney+ waning subscriber numbers, a shift to profit rather than simply number of subscriptions, and reevaluation of costs associated with streaming add additional wrinkles to this area of inquiry⁴. Given the current focus on profit from streaming services, it should be of interest to examine consumer willingness to pay for live sports entertainment.

⁴ Performance of direct-to-consumer streaming is believed to be a major consideration in the Walt Disney Company bringing Robert Iger back as Chief Executive Officer (Barnes, 2022).

⁵ WWE signed a multi-year deal with the Walt Disney Company to provide WWE Network content on Disney+ in Southeast Asia (Coulson, 2022).

Another area in need of research deals with consumer behavior as it pertains to preferences and willingness to consume live sports entertainment via traditional television and streaming platforms. Within this, future researchers should also focus on what types of sports entertainment may fit within streaming and traditional broadcast roles. For example, a sport followed primarily by older audiences may be better situated on traditional television whereas a sport in which consumers are younger may perform better on streaming platforms. Included in this area of inquiry is the importance of quality in streaming live events and consumer reactions and expectations. For example, will consumers used to viewing live sporting events through traditional means accept the potential for a different quality product when doing so through streaming services? This issue of streaming quality further adds to the cost associated with featuring live sports entertainment, which may also lead to increased pricing for subscribers.

The early viewership of TNF indicates that NFL viewers are willing to consume via streaming, but it is yet to be seen if this holds true for the NFL moving forward. Future longitudinal study of the continued consumption of the NFL product can help address this area of inquiry. Further, if people continue to consume the NFL in this manner, it is unknown if this will hold true for other sports as well. One example of a video streaming service partnering with a sport-related property is Peacock's multi-year agreement with pro-wrestling World Wrestling Entertainment (WWE) in the United States⁵. The WWE's proprietary service was shut down as WWE content was to be offered on Peacock when the streaming service launched in 2021. Research should also focus on the comparison in consumption based on a live event being stand-alone versus one of several concurrent choices. For example, how would consumption and viewership change when a live NFL contest is being streamed at the same as other league games rather than in a separate time slot like TNF?

The inclusion of advertising in live sports entertainment and its role in streaming live sports is also an area that should be further studied to better understand its role in streaming and consumer preferences regarding ad-supported content⁶. For example, Amazon did not show advertisements for beer companies during their first TNF broadcast, and

⁶ A report from the free streaming service TUBI predicts that *subscription fatigue* will lead to an increase in consumer preference for ad-supported content (Winslow, 2022). How this may impact the inclusion of live sports entertainment is an area of potential study.

Disney has announced that alcohol and tobacco products will not be included in their advertisement-supported streaming strategy. However, alcohol and tobacco are large advertisers for live sports entertainment, so research on the balance between advertising money and platform strategy would be helpful for stakeholders. Additionally, the spectrum of how user data and privacy will be influenced by streaming ad-tier strategy is ripe for future research (Cho & Weprin, 2022). Investigations focused on the role gambling plays in live sports entertainment, and its inclusion on streaming platforms is a needed area of study. Currently, gambling as a consumption tool is in the early stages of use by traditional television, and future research could focus on if and how streaming can utilize it as a means to gain viewership versus the traditional television model.

While pricing strategies continue to be an area of research for video streaming services (Colbjørnsen et al., 2022), another needed area of research is in bundling. Bundling exists when multiple subscription services combine products or services for just one price at a discounted rate. An example of a bundle is Spotify, Hulu, and Showtime that was offered to college students for a discounted monthly rate. Further, several mobile phone services offered video or music streaming bundles as part of their subscription, such as the “Netflix on Us” offer for all T-Mobile users. HBO Max has been available as part of AT&T’s subscription phone plans. Indeed, Apple TV+, YouTubeTV, and Paramount+ have all been part of various post-paid plans from Verizon or T-Mobile. Bundling offers research questions as to whether subscription streaming services find new potential customers because of a bundle, or would loyal sport fans “switch” mobile phone plan providers if a desired streaming service or sport property were available as part of a phone plan bundle.

By all indications, including live sports entertainment is a strategy that seems to have caught attention among streaming companies. Investigations into the inclusion of live sports entertainment on streaming platforms is needed to help better understand its influence on consumers as we move toward an ever-growing streaming presence. This topical essay points out some areas of study that would help better understand consumer behavior, while also acknowledging that many other ideas and avenues exist. It is the hope that this essay will act as a call to action for researchers to investigate this important phenomenon and better understand how it will impact consumers, streaming platforms, and traditional broadcast in the future.

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