

SBJ First Look Podcast

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Bill King: Be sure to join us at the World Congress of Sports on April 3rd and 4th in Dana Point, California, where we'll have a speaker lineup that'll include NHL Commissioner Gary Bettman. We'll be talking about the league's push into legalized betting, the relationship with MGM, the Seattle expansion, the CBA opt-out clause, and much, much more. Go to WorldCongressofSports.com to learn more and sign up.

Bill King: Game broadcasts customized to appeal to different segments of fans, the chase for the next generation of ticket buyers, and the unpredictable, rapidly-evolving introduction of sports betting in the U.S. We covered that and more last week when we had Burt Magnus of ESPN, Amy Brooks of the NBA, Scott Butera of MGM Resorts, and Zach Leonsis of Monumental Sports stop by the newsroom of Sports Business Journal for the kickoff of the NBA All-Star Weekend. We'll bring you highlights from that conversation, moderated by Executive Editor Abe Madkour. We'll close as we always do by looking ahead at what we're watching, only this time, we'll let you hear from the panel.

Bill King: With a special NBA All-Star edition of First Look, I'm Bill King.

Bill King: What do you do when the NBA All-Star Game comes to the doorstep of your newsroom? You open the door. That's what we did last week when we brought Burke Magnus, Amy Brooks, Scott Butera, and Zach Leonsis in for an hour-long discussion on a range of issues. We thought you might like to listen in on some of it. To set you up, let's introduce the panelists.

Bill King: Burke Magnus is EVP of Programming and Scheduling at ESPN; Amy Brooks runs the NBA's heralded Team Business Operation, better known as TEAMBO; Scott Butera is president of Interactive for MGM Resorts International, overseeing sports betting for the casino resort company; and Zach Leonsis is Senior Vice President of Strategic Initiatives for Monumental Sports and Entertainment, owner of the Washington Capitals and Wizards. He's also the son of owner Ted Leonsis and likely part of the next generation of ownership in the NBA and NHL.

Bill King: That's the panel. As we set up each of these clips, I'll let you know who's talking, and I'll try to give you a little context to the conversation. First, here's Burke Magnus. Abe asked each of the panelists about innovations within their world that they're excited about, and Burke brought up personalization, which was also something Amy and Zach wanted to talk about. This clip starts with Burke.

Burke Magnus: Yeah. We're in the business, primarily, of aggregating audience and then monetizing that audience. Some of the things that I focus on are really more clear and present, which is some of the things that Amy was talking about, in terms of personalization and in terms of alternatives or choices for viewers. We aren't precious about how we get people to come; we just want them to come. I think people are now demanding customized experiences, personalized experiences, differentiated experiences, and we're trying to lean into that as much as we can because, to us, that's sort of a now thing. A lot of that can be done now.

Burke Magnus: While at the same time, we want to offer a high-quality, traditional broadcast for the "lean back" crowd. I think there's a lot, sometimes in the wave of innovation, people forget you can innovate around the traditional broadcast as well. The commissioner actually is very focused on this, and I think rightly so because the essential presentation of basketball on television has been very similar for 50 years. Innovation can come, not just in terms of visuals and pictures but sound. These are the things that we think about because I think it's essential that, rather than just going headlong into what are the different things we can give to people, it's how you innovate and improve on the core package.

Abe Madkour: Let's jump off that. My boy, [SBJ Media Writer] John Ourand here, hardcore wizards fan. If you're personalizing the experience for him, explain.

Burke Magnus: Well, it could be particular player. It could be a particular graphic set. Maybe he's a stats nerd and he really wants to know. A great company called Second Spectrum is doing wonderful work around this, but, depending on what his inclination, what keeps him most engaged with the content might be able to be sent to him in an intensive way. It could be something frivolous. It could be just he wants to listen to the game without announcers. He wants to listen to it with ... he wants to have his friends talk about the game and not listen to any sound. It could be any number of things, but the day has come where almost anything John could imagine is really not that far out of the realm of possibility, in terms of being able to deliver it to him in that way.

Amy Brooks: Just to build on that, Burke's exactly right. I think wanting tangible examples is what the Clipper's are doing with their CourtVision product, in partnership with Fox Sports out there. Back to John, if he wants to watch in player mode, if he wants to watch in coach mode and in player mode, they have such things as, anywhere a player is on the court, it shows their predicted shot percentage from that spot. In coach mode, it's using artificial intelligence and augmented reality to track plays on the court. It might show when there's a mismatch. Then they have this fun mascot mode where there's crazy different graphics that pop up throughout the game.

Amy Brooks: That just brings it to life. The potential, again, of it's a traditional broadcast and how can you enhance that, depending on what a fan wants?

Zach Leonsis: I would just say that, forever, a television production has been a one-way conversation. It really hasn't been a two-way conversation, and I think that, through certain platforms, Twitch was referenced, we are starting to feel like maybe it's more of a two-way conversation. At Monumental Sports Network, our streaming platform, we work with a company called Kiswe Mobile. The platform allows us to provide an interface within our mobile applications where users can pick whatever camera angle they'd like and, if we wanted to, we could do multiple audio feeds for that, too. We use those for Mystics games and for our G-League games, our arena football league games.

Zach Leonsis: On the arena football league side, we were the first league to do livestream helmet cameras, and we also utilize a robocamera, which hung underneath our center-hung display so we could actually deliver to fans a sort of Madden-style view of what the game looked like. In many ways, we thought that'd be preferential for younger viewers who are used to playing Madden vertically, as opposed to horizontally. Just playing with all those different things, but the opportunities that we've used to have that multi-camera experience, engagement, time on site, viewing percentages, and we multiply by at least three or four times for us.

Bill King: Not long ago, our media writer, John Ourand, had a story on a pilot program that Monumental is testing during its Wizards broadcasts: an alternate feed designed specifically for sports bettors. John asked Zach about how that's going.

Zach Leonsis: We've done four so far, and right now, we wanted to do a little bit of a pilot and it's fun to do something first. I think that we've tried to maintain an attitude of entrepreneurship and also wanting to experiment and this is no different. It started off by working with NBC and saying, "Well, we have this Plus channel. We have the main channel. If you go up one ... if we don't have a conflict with games, the Plus channel just sits dormant. You just see the NBC Sports Washington spinner. We could use that for something, and why not try something because we know sports betting is on the horizon?" What we've seen is that the cumulative rating points actually go up when we utilize both. As we've gone through our four different trials so far, the experience has improved every single time.

Zach Leonsis: The actual production experience looks really, really great. Damon Phillips, the General Manager of NBC Sports Washington, and his team really deserve a lot of credit. We're receiving thousands of respondents to every game. It's free to play. It's really just the contest right now. Ultimately, I think this will develop into something that has its own on-air talent, its own audio feed, its own look and feel, and it's certainly something that, one day, I think we could imagine tying to a gaming partners platform or a daily fantasy platform, based on what the league rules look like this year and into the future. I think those will evolve over time.

Zach Leonsis: I do think that we will see this rolled out across all 82 Wizards games at some point and all 82 Capitals games. We talk about time and attention and when you have skin in the game making everything really, really important, that's gotta drive viewership and that's gotta drive ratings. That's really helpful for the team brand. That's really helpful for the NBA. It's a great fan experience. If we can have that raise the tide for all boats, it's really a no-brainer for us.

Burke Magnus: This whole area is a really active conversation in Bristol, as you might imagine. I think there's a couple truths about sports wagering, sports betting is that it's going to create more engaged sports fans. What we're trying to do is figure out how that manifests itself across our content broadly. The ability to do it in and around games is heavily rights-dependent, as you would imagine. It helps to be an owner, as opposed to a licensee. I would agree with Zach that I think that's, again, in the spirit of alternate productions or optionality for viewers or interactive, whatever name you wanna put on it, it's an obvious filter that I think will be pretty compelling content as it matures.

Scott Butera: I can give you a quick example. We provided some predictive modeling for the Tiger-Phil match, which we hosted at Shadow Creek. Really, it was pretty rudimentary because we were just getting started and we had to make sure we didn't violate any Wire Act issues. It all had to be contained within Nevada. We had pre-match betting on who would win and then betting hole by hole and then the percentages of who would win the match, which changed throughout the match. During that same period of time, the last four weeks, we got about 250 downloads on our Play MGM app. During the Tiger-Phil match, we had over 3,500. I was at the match; people were very engaged. There's no question it drives people to want to watch and be more active in sports viewing.

Bill King: With innovation still the topic, the conversation turned to what might come next for fans in the arena. Here's Amy on what might come next for NBA teams in that regard.

Amy Brooks: I'll start. I spent a lot of time on this. Zach mentioned it. Most important is the in-arena fan experience and making that experience as great as it can be. We have a lot of potential to innovate around that. When you think about technology, when you think about the video board, when you think about shared social spaces, which are certainly a trend, especially among our younger fans, but the real innovation will come in, what we like to call, the next-generation season ticket, where a fan globally can feel like a season-ticket holder for the Charlotte Hornets, for the Washington Wizards, and they have a product that enables them to watch and engage.

Amy Brooks: It may be a membership package where they're sent gear so often. There may be a local bar or restaurant that is the local home for those fans. Guess what? It might be piped in on the video board in an arena so those fans can see Charlotte Hornets or Washington Wizards fans globally. The technology has to catch up to where we can offer that, but there's so much potential and that preserves the

in-arena experience as exciting and enhances it, but it allows so many of it ... we have so many fans who will never ... we always say only 1% of our fans will ever come to a game. We have to have the opportunity to deliver them something special.

Abe Madkour: In 2025, the venue is about 16,000 cap again, I mean, do you see that venue experience remaining the same?

Amy Brooks: The venue experience has to innovate. It has to innovate. Capacity aside, it's what can you offer to someone that's unique and different than them sitting at home watching.

Bill King: We weren't going to have Burke Magnus in the room and not talk about sports rights. That opened up an even broader conversation about what those packages might look like in the future, about the Fox RSN sale that so many are watching so closely, and about where the OTT players, like Amazon, might fit in.

Burke Magnus: I see two things. I see what can be done in their current configuration, which is the kinds of things you're describing in terms of an existing product where you can package and price in different ways that might be of interest to fans. I think it stands to reason that we should definitely run down those paths and see what fans respond to. I think the bigger question is what are those products or are there those products in the next generation of rights agreements? I would argue that, maybe, it's just not even done that way anymore. To all the things that we're talking about now, the idea of regional, national, television-only ... whatever the case may be, I think there's a decent chance, in my opinion, that ...

Burke Magnus: Listen, a game is a game. It's a piece of inventory for the league. There's so many different ways they could package and distribute those that I don't know that it's necessarily a construct that continues into the future.

Abe Madkour: Question, anybody? We're talking here about, maybe, the next generation of rights deals. For all of you, I mean, John, everybody on our staff reports about when will Amazon, when will Apple, when will Google, when will they be the next big player at the rights table? When do you think ... do you see that? How do you see this next round of even meetings and negotiation. Not just in the NBA, but Zach, to your point, you got the AAFL. There's a lot of sports that need to be distributed. Content needs to be distributed. Are these guys serious players in your mind for sports rights?

Zach Leonsis: No. The biggest deal in sports right now is the RSN family sale. I think that that's a storyline that a lot of people are watching, and I think that the ultimate buyer or buyers of those RSNs will be an indication as to some of these different groups' thoughts on where those traditional media assets are going. I think everyone is curious when Amazon will participate. They may be a bidder. It's rumored. I think it's in the next five years but not the next three. I think that's probably a silly answer to provide, but we've garnered some decent

relationships with a lot of these companies and it just seems like they're all still experimenting. They're all still figuring out how they're going to participate, and one of these days, they will make a big splash. I thought ESPN+ taking all the MLS rights, that was a huge opportunity for ESPN and really pretty amazing.

Abe Madkour: Do you see NBA games on ESPN+, Burke?

Burke Magnus: It depends what your definition of that is. If you mean an exclusive game ... there's nothing in the current construct that would permit that, so it's all pie in the sky, but NBA content we're already doing on ESPN+, including original series with Kobe and with Kevin Durant and with LeBron. We can't get enough NBA content, to be quite frank with you. That's because the league has a couple things going for it. Demographics are outstanding, in terms of age and ethnicity and everything. It's such a fabulous cross-section of our country. It's young, it's diverse, it's ascendant. They have a deep reservoir of stars that are very likable, very engaging, and very compelling personalities. The competition is as good as it's ever been. We love it.

Abe Madkour: You don't think there's a chasm between the haves and the have nots?

Burke Magnus: Listen, it's sports. I mean, it's the competitive overlay of every league. I think you could make that claim from time to time. But no. Where we see opportunities ... because the games are the games and there's a finite number of them, whether we're distributing, NBA TV, Turner, others, but we look at it as how can we surround our game inventory and keep the NBA top of mind with fans, from a storytelling perspective and a broader content than just what's happening on the court, which is obviously excellent. There's no substitute for that.

Burke Magnus: We love it and we want to do more of it. We have a long-term deal in place. Like Amy said, I think the thing that gets unnoticed sometimes with the NBA is the scope of what their activities are, beyond just NBA games: WNBA, G League, the 2K League, the Junior NBA. Basketball is a truly global sport that is only getting more popular on a worldwide basis. We're kind of all in. We're all in on the NBA, obviously, but we're also all-in on college basketball, youth basketball. We just love the sport because we feel like it's got a long runway of popularity.

Bill King: As you can hear there, in traditional television especially, we're clearly in a period of disruption. A question posed from the audience asked each of them where else they see disruption coming in their world.

Zach Leonsis: The biggest disruptor, for us is likely the same for a lot of people up here, it's cord-cutting and cord-shaving and it's lead to a lot of our strategy in launching our own DTC network and investing in esports, these new live event categories that are really touching base with audiences that might not be interested in traditional sports and may never have a cable subscription. That's something

that everyone is still trying to figure out, and ESPN is being a leader in the space with their ESPN+ product.

Scott Butera: For me, it's just dealing with state legislators, getting approval state-by-state, not only getting approval but getting an approval model that makes sense. Unfortunately, with a lot of these lawmakers, you're dealing with what was an illegal business, so there's no knowledge base there. Maybe there shouldn't be. It's a lot of training, a lot of work, and a lot of politics to getting to the right answer. That's difficult.

Abe Madkour: Amy?

Amy Brooks: I would also, like Zach, say the changing media landscape. One thing that gives us optimism in that, I think all of us, is that 88 of the top 100 live shows in the last year were all sports, so that is live, premium sports is still a precious commodity. As things change, you have some confidence there. We just have to change along with what's going on, from a consumer's perspective.

Abe Madkour: Burke?

Burke Magnus: I'll harken back to something Zach said at the beginning, which is really the issue. I get the question a lot about your competitors. You guys ask me, on a daily basis I think, about Amazon and Facebook and Apple. What I really worry about is the finite nature of people's time. Our biggest competitor is the battle for time. Business models come and go. We're on every level of media distribution, from broadcast network and ABC to fully distributed cable networks, the industry-leading digital platforms, now direct to consumer, and wherever else it goes, we're gonna be there on behalf of sports. But there's only 24/7, and the competition ...

Burke Magnus: I have teenagers, so if you really wanna see how things are different than when many of us were growing up as sports fans, just hang out with teenagers for a couple days. It's unbelievable. That's what I worry about is how do we stay relevant and how do we stay compelling and how do we get the biggest chunk of people's time in an ever more complicated world.

Bill King: There's been a lot of talk about what sports betting is going to look like now that states are free to legalize it. Zach Leonsis and Scott Butera not only have given a lot of thought to that, they're now living it. D.C. raced to be an early adopter of sports betting, authorizing it within the District last year. That was good news for both Monumental and MGM. But the regulatory model that the district has chosen appears to be fraught with problems, chief among them being a convoluted system that's not particularly friendly to the consumer. Here's what they had to say about that.

Zach Leonsis: I think that we're still quite happy that D.C. was a first mover across the U.S. As part of the legislation, there are four designated entertainment zones, and one

of them is Capital One Arena. We do imagine, one day, potentially having a brick and mortar sports book at our building, and whatever partner we decide to work with, they will be able to operate their mobile app throughout the premises. You're right. You're alluding to the D.C. Lottery's monopoly on mobile rights outside of that. I think that time will tell how those pricing models and how consumer behavior plays out on those various platforms. We have the expectation that Maryland will come online in 2020. Virginia's been anyone's guess.

Zach Leonsis: At some point, you really raise a good point, though. You would think that the rules would start to normalize across everything because we are tri-state area, the same way New York might be considered with New Jersey and Connecticut and obviously Manhattan. It's a challenge, but it's not an insurmountable one. We still think it's a really meaningful opportunity for us to push forward with.

Scott Butera: I think the whole thing in D.C. was unfortunate. We worked very hard to try to get a different outcome. If you look at what sports betting is like from an operator, we make in revenue four to five cents in every dollar that's bet, and from that, we have all our expenses and we take risks. Just look at the Super Bowl. I think some operators lost two, three. One lost four million dollars. The state of Rhode Island, which decided it wanted to be a partner in its sports betting operations, lost two million dollars for the privilege of doing so. I think you've gotta really understand what the economics are to make it work.

Scott Butera: Now, I look at New Jersey, which has an open model, full mobile. You can download. You can do everything right from your phone. They did, I think, 398 million in January, and that doesn't include another 35 million from the Super Bowl. I look at those two models, and I say, "Gosh. How do you not see that?" Hopefully things will change. I think this is an evolution like any nascent business. You go through some starts and stops, but I think there is a huge opportunity in D.C. I think if you could have a full experience with people like Monumental and others, it would be a real winner for the district.

Scott Butera: Hopefully they'll figure that out. That's part of the frustration I mentioned earlier of dealing with states is now I have to approve it, but they have to try and get it right.

Zach Leonsis: The price of licenses really matters, too. In Pennsylvania, it's a 10 million dollar license. In the District of Columbia, it's in the hundreds of thousands. That, I think, makes a big difference, and I think that, at a location like Capital One Arena, you could be seeing several hundred million dollars worth of handle being processed through our one building.

Bill King: If you're a regular First Look listener, you know that, before we wrap up, we typically bring in Abe to talk about what he's watching in the week ahead. Keeping with that format, here's Abe.

Abe Madkour: What is a story in sports business in the next 12 to 16 months that we should all be keeping an eye on real closely that's got your interest? Zach, I'll start with you.

Zach Leonsis: We talked about sports betting. We talked about the RSN sale. How about DAZN? I'm really interested in watching DAZN and seeing how that rolls out. They're spending a lot of money on rights. John Skipper's back. The more I learn about DAZN, the more I'm intrigued. I'm really interested to see how they grow their subscriber base.

Abe Madkour: Scott, what are you keeping an eye on?

Scott Butera: It's funny you mentioned DAZN. I'll give you credit for pronouncing it right because I know I can't. I think, actually, one of the sports that you may see resurgence in is boxing. Boxing, fighting, professional boxing. The events that we've seen in Vegas, they're starting to break those kind of numbers. They've always been significant from a sports betting standpoint, and for the first time, it's being done, I think, in a professional way and set up more like leagues with proper training and teams and those kind of things. I think that might be something that might come back.

Abe Madkour: Amy?

Amy Brooks: One thing we haven't talked much about today is youth sports. I see tremendous potential for innovation when it comes to youth basketball. We reach 52 million kids globally today with the Junior NBA, and one of the things that we're excited about is linking that from a technology perspective as well and how can we have a network of kids and parents and coaches and get them to play better, become better people, all of those things that, I think when you're merging different technologies along with people who want to play and grow in youth sports. As a parent of two girls, seven and nine, I see the potential there. I'm excited about that, especially with a global product like basketball.

Abe Madkour: Good point. Burke, what are you paying attention to?

Burke Magnus: I'm gonna use the outer edge of the 18-month window, which is to say is there a ... because we all know that the rights landscape's gonna turn over entirely within the next five or six years. Is there something unanticipated that breaks ahead of schedule? I honestly am not hinting to anything, but that's what I tend to pay attention with. I feel like customarily, things run on schedule. We've seen a couple of things recently. Fox's MLB deal, etc. Is there another thing that I would term as a material circumstance that breaks early?

Bill King: That'll do it for this week. For Abe Madkour and our producer Anna Mason, I'm Bill King and this has been First Look.