

# Upwardly mobile soccer clubs

Russell Clarke comments on the potential of 3G mobile phones as soccer clubs seek to fully unbundle their intellectual property rights.

On the very day that Manchester United announced its latest set of record pre-tax profits, another significant event in the world of sports marketing was taking place 9,500 miles away in Tokyo, an event that will have a major impact on the financial results of all global sports clubs and federations.

NTT DoCoMo ended months of waiting by launching the world's first third-generation (3G) mobile phone service in Japan, allowing mobile surfing of the internet at speeds of up to ten times faster than the quickest handsets available in Europe.

Although the launch proved somewhat anticlimactic for what had been billed the dawn of a new communications era – DoCoMo had to demonstrate without its promised attractions, namely the relay of audiovisual clips and music downloads – the event marked the next step in the full dissemination of intellectual property rights for sports rights holders.

This “unbundling” of rights has begun to gather pace and promises to open up lucrative new revenue streams for rights holders to support their biggest cash cow – the sale of live broadcasting rights. Fifteen years ago, the chief delivery mechanism for sporting properties was terrestrial, free-to-air television. Governing bodies, federations or sports clubs generally held an auction among the terrestrial TV companies to sell the rights. When pay-TV companies began to appear, they presented rights holders with the dilemma of either selling to these high bidding companies with limited audiences or opting for smaller fees from terrestrial TV companies with larger audiences. Today, these intellectual property rights are being disseminated across a multitude of platforms and delivery mechanisms including internet (video and audio streaming, graphics, data, logos), terrestrial TV, satellite TV, ppv, archive/video-on-demand and mobile devices – including WAP and now, the much-heralded 3G.

For an international sporting property such as Man United, the mass global roll-out of these new delivery mechanisms offers the club its single-biggest financial potential in the mid-term. Although the club's financial results this time around were much buoyed by its new £30m shirt sponsorship agreement with Vodafone (who, incidentally are nicely placed to acquire future United mobile rights) and

increased gate receipts from its extended 67,000 ground capacity, the single biggest cash source for United and all major sports clubs over the past decade has been the sale of live TV rights. Following another successful year domestically and in the Champions' League, United announced TV income of over £30m for the past 12 months. This is several times the figure the club commanded five to ten years ago, but a fraction of its potential over the next five to ten years. Even should United, or the other major UK football clubs for that matter, stay faithful to the Premier League with another collective TV rights deal for live matches when the current one expires in 2004, the potential of unbundling the club's non-live rights could add another zero or two to the swelling broadcasting fees column on future financial reports.

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Even with the Premier League releasing the delayed rights to matches from the start of this season (in which English soccer clubs have been given the broadcasting rights to screen their home matches in full on their digital TV channels or web sites between 12 and 36 hours after the match has ended), which will drive subscriptions to the likes of MUTV plus the Liverpool and Arsenal broadband sites, it is the prospect of tapping into these clubs' global following through new delivery mechanisms that will be providing the most excitement.

Indeed, at the launch of United's range of financial services packages last week, the club's chief executive Peter Kenyon reiterated the club's intention to capture more media rights and to exploit these through the team's followers worldwide.

“Manchester United is a truly global brand,” said Kenyon, “differentiated from our competitors and other sports franchises by the size of our fanbase.” Kenyon went on to say that the majority of the club's 800,000 customers

were UK-based with an active list of 500,000. However, United estimates it has a 50m global fanbase, with 10m fans in the UK and a further 20m in Asia. The aim, said Kenyon, was to turn more of these fans into customers, something that the new mobile technologies will allow. With the penetration of mobile devices so high in Asia, this week's somewhat faltering launch of third generation phones is, at least, a step in the right direction. The technology is so different for sports rights holders like Manchester United because the type of content that it is capable of delivering – namely audio-visual (maybe a 10-second video clip of United's goals) – is the intellectual property of the club: therefore telecommunications companies and sports content providers need to acquire the rights.

Previously, with WAP and first-generation mobile devices, the information was text-based and therefore much more difficult for sports rights holders to copyright. The potential for global English soccer brands such as United, Liverpool and Arsenal lies in the mass penetration of these devices on a global scale and the credibility of 3G technology. However, with 3G roll-out in the embryonic stages, forecasts for its potential are mixed. Only last month, Hutchison 3G, the owner of 3G Premier League rights, rebuffed a warning by rival BT that the new technology may not improve upon current services.

Citing a draft copy of the de-merger document for mmO2, the new name for BT's mobile division, the *FT* newspaper reported that BT has warned investors that UMTS (universal mobile telecommunications service) – the 3G standard to be used across Europe – “may not prove superior to existing technologies.” The document explained: “The technology for the new UMTS service is not yet fully developed by the suppliers of the handsets and software.”

However, internet research company Jupiter MMXI predicts that the 2002 World Cup, coincidentally set to take place in Japan (and Korea), will boost the take-up of 3G technology and form a launch-pad for this type of football content delivery. Let's hope so. Michael Owen and the World Cup trophy are both small. They should both fit nicely together on a 3-inch screen. ■

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