

A Lazy Sunday in A Brave New World

Written by {ga=paulcousineau}
Saturday, December 10 2011 10:41 PM -



The Winter Meetings have come and gone and while all it may have done is re-affirm our greatest fears about the role that local TV revenue is going to play in the coming decade to further separate big-market, mid-market, and small market teams, the Indians' brass returned from the North Coast with essentially the same roster that they had when they arrived in the Lone Star State. While calling it "full of sound and fury, signifying nothing" for the Tribe may be a little overdramatic, the Indians' trip to Dallas mainly netted them some airline miles, some hotel points, and (hopefully) some groundwork on some moves to come. Because moves for the Tribe at the Winter Meetings were only hinted at, with Antonetti's unfortunate comment that a trade proposal that would never be guessed only prompted speculation in all corners when the Indians left Dallas without consummating a deal, either on the FA market or via trade.

That's not to say that this "unbelievable" trade proposal isn't something that could still crystallize, but the Indians figured to be quiet at the Winter Meetings and...well, they were. So, the inactivity in Dallas should come as no surprise. Of course, that didn't prevent all of Cleveland (OK...a small portion of Clevelanders) from watching with bated breath this whole "El Hombre" saga play out as the idea that Pujols-to-Marlins would have meant that mean that Gaby Sanchez could have been made available, something that's been alluded to in this space for a couple of months, with "could this get Gaby" scenarios popping up everywhere.

Alas, as Pujols went to Orange County (prompting the immediate "GET TRUMBO" or "TRADE FOR MORALES" cries...with both options underwhelming me, but I'll get to that), the Indians found themselves likely to be less than enthused about Pujols coming over to the AL and (much more importantly) likely terrified at how the Angels were able to sign Pujols AND CJ Wilson and how the activity of the Halos is only the most recent indication that the landscape of MLB is changing. And those changes are not likely to benefit the Cleveland Indians or the vast majority of the league.

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Before we get to that Angels' issues, let me point out an article that has stuck with me for the last couple of months as it was contained in [an SI piece from the magazine, touting the Rangers' presence in the World Series](#) . The whole piece was written with the idea that the Rangers weren't the Yankees or the Red Sox and had made all of the right moves to put themselves in the position to be playing for their first World Series Championship. While none of that is untrue (the Rangers were adept at acquiring talent and mining some hidden gems), there was a passage that stood out and it's one that I've been unable to forget, with the events of the past week bringing them racing back to the forefront.

The paragraphs of interest have to do with the Rangers' new TV deal:
But the Rangers' biggest off-season signing was a monster \$1.6 billion TV contract with Fox Sports Southwest that, starting in 2015, will bring them more than \$80 million in annual revenue. It's the kind of deal that helped turn the Yankees and the Red Sox into economic superpowers; both franchises have been enriched over the last decade by extremely lucrative local television income. The Rangers will not be a middle-class team for much longer: Their TV money will put them in a position where no free agent is out of their price range—including Albert Pujols and Prince Fielder, who will be the biggest fish on the market this winter.



That was from 2 months ago and, while it was the Angels (and not the Rangers) who netted Pujols with TV money, here is the money quote on the TV deal – “It’s the kind of deal that helped turn the Yankees and Red Sox into superpowers; both franchises have been enriched over the last decade by extremely lucrative local TV income” – with the article going on to point out that the Rangers play in the 5th largest media market in MLB. Again, that deal will bring the Rangers “more than EIGHTY MILLION DOLLARS in annual revenue” just for the rights to broadcast Rangers’ games on Fox Sports Southwest.

Now, we’ve all seen that the Angels announced (after the signings of Pujols and Wilson) that they have [a deal in place that NEARLY DOUBLES what the Rangers got last off-season](#) . It will pay them \$150 million annually for the next 20 years and we saw late last week what that new TV deal in Anaheim allows the Angels to add – namely the top hitter and top starting pitcher on the FA market – with much of the risk associated with it. Lest you forget, the Angels play in the 2nd largest market and, though they share that market with the Dodgers, Fox Sports

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West will pay them \$3 Billion over the next 20 years for the rights to broadcast their games.

If the Rangers' deal sent shivers down your spine as a fan of the Indians, the Angels deal should have sent you into full-blown shock as this Brave New World of local TV money figures to initiate a seismic shift in MLB teams, in terms of revenue, ability to take risks, and the FA market as a whole. Maybe you're thinking that the Angels are a "hot ticket" with the Dodgers in disarray and that local interest is at an all-time high, justifying this amount of money. Well...no, as they got this deal despite, as Bill Shaikin passes along (in [the piece that is linked again](#) , because you should read it), having "the second-lowest local television ratings among major league teams last year, according to Sports Business Journal."

Seriously...

And that fact on the Angels' ratings last year pull into sharp focus what the TV companies are doing here as it doesn't matter necessarily how many TV's are tuned into a channel, but how many TV customers (people who pay their cable/satellite bills) have that channel that they pay for on their cable bill. To put that another way, it doesn't matter how many people are watching the Indians or the Angels or the Rangers, it matters how many people are paying a portion of their TV bill for the chance to watch Tribe games. Because that number is lower in Cleveland than it is in LA or Dallas or...well, this could go on for a while, the rights to broadcast those games are going to be higher because the revenue that the cable company brings in is higher based on the amount of TV sets (or cable/satellite customers) in that local market.

Ultimately, live sporting events are really the last thing that anyone watches live anymore (remember the Flash Mob dancing guy in the train station commercial from Tribe games or Jimmy Fallon embarrassing himself during the MLB playoffs...name a time when you said "not this commercial again" other than during live sporting events) and so, yes these cable operators are going to pay a premium to air these games, particularly with MLB's rules on local broadcasts.

Where do you think they'll be willing to spend the most money?

Perhaps where the largest number of TV viewers exists?

Notice where these deals are getting done right now?

LA, Dallas...you know, the largest TV markets.

Go read that LA Times piece again (or if you haven't yet as [this is the last chance](#)) and realize that the final line from that article is that "the bidding between Fox and Time Warner Cable for the Dodgers' television rights is about to start, and the over-under is \$4 billion" and that it is all based on the cable/satellite subscribers in a particular market.

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