Commentary: Disney Outmatched in Maximizing Sports Assets

*By **DAVID CARTER***

To the casual observer, Walt Disney Co.'**s** approach to sports must appear schizophrenic. After all, Disney continues to hoard sports broadcasting rights while it simultaneously seeks to shed the two professional sports franchises it owns, baseball'**s** Angels and the National Hockey League'**s** Mighty Ducks.

Gobbling up broadcast rights may build shareholder value for Disney, while a failure in franchise ownership erodes it. Dominating the sports broadcasting universe extends the reach of Disney'**s** global brand while owning perennially poor performing teams, both financially and in terms of winning percentage, diminishes it.

At its core, the gap between televising sports and owning teams boils down to the fundamentals of broadcast economics and core managerial competencies.

National sports telecasts have begun migrating from broadcast to cable TV. On the national level, where leagues sell broadcast rights to networks, cable has emerged as the preferred outlet because it affords those purchasing the rights the ability to recover their costs from both advertising and fees generated by incremental subscribers.

For Disney, which owns ESPN and ESPN2, these developments provide a competitive advantage not available to, among others, NBC, which lacks a sports cable network. With the ability to allocate the costs of acquiring broadcast rights over multiple networks, as well as extend cross-promotional opportunities across multiple platforms, Disney has the bandwidth to fully leverage its sports properties.

Signaling its ability to take full advantage of televised sports, Disney'**s** recent acquisition of the National Basketball Association'**s** broadcast rights made it the first network to ever hold broadcast rights to every major sports league. Disney'**s** stranglehold extends even further since it televises major events, including college football'**s** Bowl Championship Series, soccer'**s** World Cup, golf'**s** British Open and the Indianapolis 500.

Conversely, team ownership affords Disney none of these synergies. Because Disney sold its cable rights to both the Angels and the Ducks to arch rival Fox, Disney is unable to fully maximize the teams' marketability.

Adding to Disney'**s** franchise ownership woes is that neither of its teams has driven tourist traffic to Disneyland. And Disneyland has not enjoyed much success directing out-of-towners to their sporting events either.

Compounding this lack of tourism traffic, local sports fans have cooled to Disney'**s** ownership and management style. Sports fans want to attend sporting events and not, as many Southern Californians see it, Disney infomercials. Corporate legend has it that Disney referred to uniforms as "costumes" and players as "cast members," an approach that quickly alienated traditional sports fans.

If anything can be learned from Disney'**s** presence in sports entertainment, it'**s** that forming strategic alliances with sports leagues and properties appears to be a more prudent approach to sports marketing for entertainment conglomerates than establishing a fully integrated, internal, sports business model.

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