



Monopolization of the NFL Network

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What is the Network ?

- It's a TV Channel
 - Launched in 2003
 - Legitimized by NFL teams
 - Incubation Cost: \$100 M
- What does it play?
 - Prior to 2006: Semi-interesting NFL commentary
 - Fall 2006: Important Events
 - "Run up to the Playoffs" (Ex. Vikings vs. Packers)



Who's watching NFL Network?

- People who love:
 - football
 - entertainment
- In fact, NFL pays rival networks to run these ads!!



Big Cable

NFL

V/S Network

The Big Cable Networks

The Monopolists

(TW, Cablevision, etc.)

NFL Network

- Price Discrimination: tiered or “tie-in sales”
↔ Ex. HBO Package
 - Narrow Appeal Network
- Consumer’s Choice
 - 70¢ ridiculous!
 - Don’t want to pass the cost to consumers

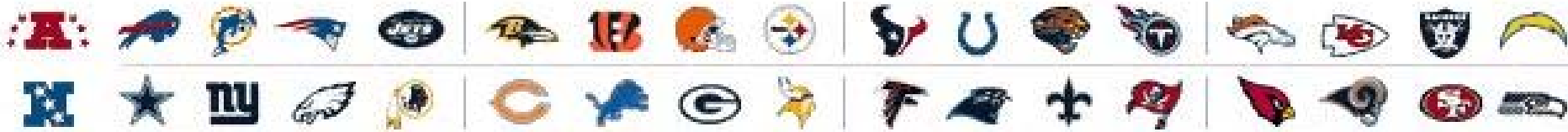
- Wants to be a part of cable’s standard offering → same category as ESPN
 - Wide-Appeal Network
- Consumer as a bait
 - \$10 ridiculous!
 - Consumers are being



Controversy – Part 1

- Time-Warner, Cablevision & Charter Comm exclude NFL Network
- “Texas Bowl” Episode:
 - NFL network exclusive rights to “Texas Bowl”
 - Wanted to telecast it free on its own network
 - Catch? Full-week free preview on analog & digital
 - Cable companies laugh! Cable gives in

After political intervention



Controversy – Part Deux

- “Packers vs. Vikings” Episode:
 - Finale Regular Season game b/w Arch Rivals
 - Game Restricted to Regional Cable & NFL Network
 - Blacked out outside of 75 mi radius
 - Excluded several parts of Minnesota
 - DirecTV (Satellite) used controversy as bait
 - Ploy to draw customers away from Cable



Is NFL a monopoly? Certainly!

- NFL is a legitimized monopoly
 - 32 teams collude for collective bargaining power
 - Exemption from Sherman Act
 - Barriers to Entry
 - In the 1960s: AFL
 - In the 1980's: USFL
 - Awarded \$3.67 in damages for its anti-trust lawsuit
 - Negotiate TV contracts for “NFL Films”
 - Sells license for its footage
 - NFL Network: NFL realized it could milk more money from exclusivity

What's the story behind-the-scenes? Fierce Competition: Cable vs. Satellite

- NFL Network + DirecTV = Tight Bond
- DirecTV's Sunday Ticket Monopoly:
 - Consumer: \$249 DirecTV:
\$700M/year
 - Exclusivity Contract
 - Market Extension of the NFL monopoly
 - Tying Restraint ⇔ Unavailable to public w/o bias?
 - Possibly!
- NFL Network Goal: Universal Access under their unique NFL brand