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Sports Business

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New spinoff ESPNU to get tardy start but has ambitious game plan

This is so tiredly 20th-century: marketing TV sports and worrying whether anybody will actually watch it.

Burke Magnus, general manager of ESPNU, announced Wednesday that the ESPN spinoff devoted to college sports will make its debut March 4 in about 3 million households — out of nearly 110 million TV households in America.

It will rely largely on airing events that don't attract enough consumer demand to get on national TV. It already faces competition in that niche from College Sports TV, in about 7 million households, and Fox College Sports, in at least 3 million households.

And it's devoted to sports that, by definition, are non-existent during summer because school is out.

Some consumers might be glad to see ESPNU. Like ones wanting marching bands, whose halftime shows don't air on TV.

"We'll be there for the bands," Magnus says. "That's an opportunity that doesn't exist for anybody else." (Not quite, CSTV spokesman Eric Handler says: "We feature the bands all the time.")

So why will ESPNU arrive next week? Because, business-wise, it makes sense. Here's why:

•**Cheap ingredients.** TV rights fees, what networks pay for events, can be huge. But most college events, outside football and basketball, can be free.

CSTV chief executive Brian Bedol suggests just because colleges aren't paid for their relatively obscure sports doesn't mean they get a bad deal: "Before we came along, they were actually paying — in TV production costs or slotting allowances — just to get on TV."

ESPNU will rely on showing sports from conferences where ESPN owns all the TV rights but airs a small percentage of the league's games, which critics call "warehousing." The U.S. Justice Department recently investigated ESPN for warehousing. Not coincidentally, ESPNU's birth should make such concerns disappear.

Similarly, ESPNU will draw on unused elements in the rights it already holds to 21 NCAA championships. ESPNU, for example, likely will air wrestling quarterfinals and semifinals before the finals air on ESPN or ESPN2. About 150 of 300 events that ESPNU will air annually also will air on regionally syndicated TV via ESPN Regional Television, whose Charlotte headquarters will house ESPNU.

Summertime, Magnus concedes, will "be a challenge." ESPNU plans whole days devoted to reruns from schools or leagues. Reruns will help counterprogramming: It will replay the Rose Bowl during the start of CBS' NCAA men's basketball tournament.

ESPNU will re-air marquee games that aired on ESPN or ESPN2. Magnus says they'll be dubbed "time shifts" since re-air seems negative. ESPNU might cost under \$10 million to operate annually.

"It satisfies ESPN's strategic objectives," CSTV's Bedol sniffs. "They take stuff in the attic they aren't using and put it on."

•**Expanding universe.** ESPN can pressure cable operators to carry its spinoffs by packaging them with existing channels. Not that they're comparably priced: **Operators will pay about 10 cents per subscriber for ESPNU**, compared to about \$2.40 for ESPN.

And it's getting easier to get on TV. At least 25 million households now have digital cable and its hundreds of channels, says John Mansell, senior analyst with consultant Kagan Research, meaning that operators have more "shelf space" for new channels.

And TV brands have value beyond TV. Bedol says CSTV's online broadband business — including live audio or video coverage of 5,000 sports events annually — produces more than half the company's revenue. That appeals to cable TV operators who see big profits in selling broadband service to subscribers.

•**Hunger.** For years, it was thought that big-time sports couldn't count on endless increases in their ticket prices, media coverage, franchises values, TV rights fees and price hikes on the warm, flat beers that fans still line up for in stadiums and arenas.

So maybe, some day, people will spend chunks of their own lives watching, say, TV college volleyball. ESPNU "probably missed the boat by not coming out before CSTV," Mansell says, "but the public still has an insatiable appetite for sports programming."

That was sometimes recognized, along with the idea that channels hardly anybody watches could be valuable, back in the 20th century. In 1995, Bedol founded Classic Sports Network, which ESPN bought for \$185 million in 1997. What happened: Now known as ESPN Classic, it averages a whopping 0.1% of U.S. cable households — in prime time.

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