

ESPN in 2015

Continued Dominance in Sports Television?

“If you’re a fan, what you’ll see in the next minutes, hours, and days to follow may convince you, you’ve gone to sports heaven.”

—Lee Leonard, September 7, 1979. The first on-air words at ESPN

John Skipper, president and CEO of ESPN since 2012, sat at his desk and intently reviewed comments by Bob Iger, Disney CEO, and his direct boss, during last night’s earnings call: “I’d like to address an issue that has been receiving a fair amount of interest and attention these days and that’s the rapidly changing media landscape especially as it relates to ESPN. We are realists about the business and about the impact technology has had on how product is distributed, marketed, and consumed. We are also quite mindful of potential trends among younger audiences, in particular many of whom consume television in very different ways than the generations before them . . . ESPN is the number one brand in sports media and one of the most valuable brands in all sports and among the most popular, respected and valuable brands in media, by consumers, advertisers, and distributors. This is supported by the fact that in the first calendar quarter of this year alone, 83% of all multichannel households turn to ESPN at some point.”¹

As Skipper looked up, his eyes focused on ESPN’s newest building at the sprawling 200-plus acre Bristol, Connecticut campus, DC-2. DC-2 was ESPN’s 18th building and featured the state of the art in television broadcasting, with 194,000 square feet, 114 television screens and monitors, 1,100 miles of copper wire, the ability to broadcast *SportsCenter* in 4K, 8K, 3-D, and even a floating “CableCam” that treated visitors to an NFL playing field experience.² He reflected on the vast size of ESPN’s current campus, remembering that ESPN originated from temporary trailers on a less than a single acre in 1979.³

Skipper’s mind raced forward, wondering if and how this new investment would pay off in a world with almost overwhelming technological risk to media companies. When sports news traveled instantaneously over Twitter and social media, and with the rise of free video streaming, Skipper wondered about ESPN’s relevance, competitive advantage, and revenue stream. Was ESPN ready for the next wave of disruption? How could ESPN maintain and grow its dominant position in sports programming?

The Beginning

The idea that gave birth to ESPN hatched over two days, May 30–31, 1978. Bill Rasmussen, an ex-collegiate baseball player and sports nut, had just been fired as the communications director for the New England (Hartford) Whalers hockey club. As Bill and his son Scott sat around the house the night of May 30, Bill discussed a vague set of ideas about using the new technology of cable TV to broadcast New England sports. The next day Bill and Scott watched

intently as two of their associates played videotapes of local hot air balloons and spoke about a local show broadcasting live sports. Suddenly, Rasmussen blurted out an idea: “What about live sports? Just Connecticut sports on cable. Could we do that?”⁴

The new dream proved exciting, but Rasmussen lacked three critical resources: access to the satellite technology to provide a cable feed, programming content to fill the airwaves, and money to make the whole project work. Cable TV was a nascent industry mostly limited to rural viewers, and RCA Corporation had launched a communications satellite three years earlier in hopes of selling transponder time to buyers hoping to reach the cable market. By mid-1978, RCA was desperate to find buyers. Rasmussen approached RCA about buying transponder time for five hours per night. The price? \$1,250 per night. Al Parinello, the RCA salesman, told Rasmussen that he could lease another transponder, one that would provide the buyer with 24/7 transmission capability for \$35,000 per month. Rasmussen’s network could broadcast all day and night for less than it could for five hours per day. The new network would be Rasmussen’s (and other fans’) dream: all sports, all the time.

Realizing that 24/7 programming would outstrip every event in Connecticut, Rasmussen worked his relationship with John Toner, the University of Connecticut’s athletic director. Toner put Rasmussen in touch with Walt Byers, the powerful head of the NCAA. Rasmussen’s proposal to the NCAA outlined the network’s, now named Entertainment and Sports Programming TV (ESP-TV), early strategy:

ESP-TV intends to complement rather than compete with current NCAA television contractual agreements. We propose to extend football’s national television coverage to more schools and to add many other sports, including every championship, to our nationwide network . . . [ESP-TV will] provide national exposure to more institutions and student athletes than ever before possible. . . . ESP-TV proposes to work very closely with the NCAA to develop schedules in all sports that will maximize our mutually stated goals.⁵

The NCAA held out, partially because Byers didn’t believe that Rasmussen’s network would see the light of day. Bill and Scott had convinced several local backers to throw in money, and they had maxed out their own personal credit cards to start the venture. J. B. Doherty, one of those investors, contacted Stuart Evey, vice president of Getty Oil’s diversified division. Evey, a huge sports fan and astute investor, saw the opportunity in cable and convinced Getty to invest \$10 million into the fledgling ESP-TV. On the day in February 1979 that Getty Oil invested, Rasmussen closed the deal with the NCAA. With the addition of a \$1.38 million advertising contract from Anheuser-Busch, brewers of Budweiser beer, the new network, rechristened as ESPN, was ready to launch.

Evey soon realized that making ESPN successful would require more than Bill Rasmussen’s vision and sales abilities. Evey recruited Chet Simmons, who had helped launch ABC’s *Wide World of Sports* and currently the head of NBC’s sports, to lead the new network. Simmons raided NBC for other talent, none more important than Scotty Connal, a thirty-year NBC veteran and excellent producer. Connal would use all of his skills to stretch ESPN’s meager resources to bring a champagne product to market on a beer budget. Connal taught his staff to make two cameras do the work of five. Connal exemplified the new hires, and the hiring policy, at ESPN. The first question for potential hires: “What section of the newspaper do you read first?” If the answer wasn’t the sports section, the interview often ended. If sports was first, the next questions dealt with the greatest successes and heartaches of the candidate’s favorite teams. If the new network delivered content to sports fanatics, that content would be produced, directed, and delivered by sports fanatics.

Rasmussen’s initial pitch to the NCAA became the bedrock of ESPN’s search for content. Shut out from the “big time” of sports—the NFL, the NCAA’s best football games, Major League Baseball, and the NBA—ESPN filled the airwaves with all types of NCAA sports, from expanded football coverage, including every bowl game not televised by the major networks, to volleyball to hockey to Division III events. The new network took other big risks, reaching out to under-served sports fans like NASCAR fans, contracting to broadcast NASCAR events in 1981.