

BASEBALL UNDER GLASS

Cubs brass must be wary of growing TV-rights bubble

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Tom Ricketts and Crane Kenney are *saying* all the right things about a potential Cubs TV Network that would sign on in 2020.

"Maybe aside from changing (baseball) leadership, this is the biggest decision we'll have," Cubs chairman Tom Ricketts said in the Jan. 25 *Chicago Tribune*. "So we have to get it right."

As the man said, *doing* the right thing will be the challenge, and it becomes a bit more daunting by the day.

The Cubs have sold the pot at the end of the rainbow, in 2020, to both their baseball management and fans. As projected, when present video deals with ancestral outlet WGN-TV and Comcast SportsNet Chicago concurrently expire in 2019, running their own network is supposed to generate megabucks revenue that could only be dreamed about a decade ago. There'd be plenty of greenbacks for Kris Bryant's monster contract that will keep him out of free agency. The Cubs would be a prosperous, self-sustaining revenue monster, in position annually to win one World Series after another.

Yet the electronic conveyance by which you are reading this article – the internet – has thrown some doubts and caution flags the Cubs' way. A combination of recent events and Chicago baseball history must give Ricketts and business operations chief Crane Kenney pause as they try to accurately gauge the near-future.

They've likely heard the warnings of the twin canaries in the coal mine. Putting a damper on the pennies from heaven angle of a gargantuan TV payoff is the \$8.35 billion Time Warner Cable fiasco in Los Angeles. Overpaying for the Dodgers' TV rights, Time Warner found it could not pass along the cost of the deal to the majority of cable subscribers in the LA market. Local cable systems simply would not raise their rates again to accom-



Cubs chairman Tom Ricketts acknowledges his franchise has to get its upcoming TV deal right amid huge changes in broadcasting.
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modate Time Warner. The ghost of Walter O'Malley, who originally conceived baseball via subscription TV, is spinning at 78 rpm at the botchery of the deal with the bulk of the nation's No. 2 video market unable to get Dodgers telecasts.

Right on the heels of the LA controversy was the related news ESPN had lost 7 million subscribers over the past two years. Ratings for the sports video icon were down 10 percent in 2015 alone. The World Wide leader mandated more than 300 layoffs, including Chicago writers Jon Greenberg and Scott Powers, who in their post-ESPN incarnation are starting their own sports site. ESPN's challenges are certainly leading indicators of the industry that since the first billion-dollar network baseball TV contract in 1990 has fueled the salary spiral in baseball. The word "bubble" is now being tossed about freely in regards to sports TV rights fees by the likes of Al Yellon in BleedCubbieBlue.com and other cautionary authors.

Internet is jobs destroyer

Simply put, the internet is fracturing and splintering so many traditional industries such as media and retail, dramatically lowering prices to the consumer, if not outright offering the product for free. The failing companies and jobs lost by this territory-grab are not being replaced by a commensurate number of new jobs. Far dwarfing sports broadcasting, it is a ticking, megaton-strength bomb that could vaporize chunks of the job market going forward.

For the Cubs' purposes, they must be thinking of a hybrid cable/on-line carriage for games. The generation the Cubs carefully cultivate to enjoy beer and babes under the sun at Wrigley Field does not stay home to watch lots of traditional TV on giant screens. Millennials are scrapping their cable contracts or not subscribing in the first place, watching what they want, when they want on the hand-held phones or tablets that practically hypnotize them daily. That has spawned a 21st century term called "cord cutting." Slicing the connection to monthly cable contracts was a major reason for ESPN's viewership decline, among others.



Cubs business operations chief Crane Kenney realizes cable cord-cutting is an increasingly serious issue for conventional broadcasting. Photo credit: Al Yellon.

Part of his made little sense to me. The historical trend has been to enlarge video screens from the cozy 10-inch black and white displays of the late 1940s to 19 inches for still-monochrome sets a decade later to 25-inch rectangular color consoles in 1965, and so on until the proliferation of theater-sized home flat screens. Now the young bunch views video, albeit in color, on inches-wide, inches-long screens on the latest iPhone.

So I asked Millennial daughter Laura, taught how to type on computers in first grade at ParkView School in Morton Grove, why her age cohorts are settling for less in size than the first TV set owners after World War II.

"Instant gratification," was her succinct reply.

The same party-hearty type who'd pay \$50 for a bleacher seat at Wrigley may not shell out \$25 or \$30 a month to subscribe to a Cubs network. Such stand-alone prices for one sports channel do not fly in the present market, and certainly won't in the future.

"All these deals you read about, whether it's St. Louis or Seattle with big equity pieces, they're running the risk of cord cutting or cord shaving no different than we are at Comcast SportsNet," Kenney said. "I sit on the board. We worry about it every quarter."

How much more cord-cutting will have taken place by 2020?

Sox TV stumbles give warning

Ricketts and Kenney also need to further educate themselves in Chicago baseball history, having not grown up in the market. Institutional memory is a weakness in the Cubs organization, but it better be beefed up in advance of a team-run TV network. Making the wrong decisions about video exposure put the White Sox in the disadvantageous position they are in comparison to the Cubs in the Chicago market.

The Sox already played second fiddle to the Cubs after the damage done by the 1919 Black Sox scandal and consistently contending North Side teams starting in the late 1920s. By the time WGN-TV signed on in 1948, both teams had fallen into the doldrums as the Tribune Co.-owned station televised home games of each.

However, the Comiskey family management made the first fateful decision, carried on by Bill Veeck during his 2 1/2-year ownership tenure starting in 1959. All Comiskey Park night games were blacked out to protect the gate. That meant the Cubs had an exposure advantage. In the former 154-game schedule, the Cubs aired all 77 of their daytime-only home games. The Sox televised 54 games. The same proportion were aired when



Vince Lloyd with Ron Santo (left) and Ernie Banks (right) in the early 1960s. Lloyd recalled how the Cubs drew higher ratings than the Sox on WGN-TV at the time despite fielding bad teams. The Cubs televised considerably more games than the Sox, contributing to the ratings numbers.

the schedule was boosted to 162 games in 1961-62. The late play-by-play great Vince Lloyd, who covered both teams on WGN, recalled Cubs still drew higher ratings with far worse teams than the Sox. Cubs telecasts simply were more numerous and accessible, a trend that only was amplified as the years progressed.

Desiring a TV outlet to call his own, Veeck ownership successor Arthur Allyn, Jr. opted to leave WGN when the city's third UHF station, WFLD-TV, now Fox-32, signed on in 1966. Allyn steamed full speed-ahead despite the fact the Chicago market had less than 50 percent UHF penetration by the time the first WFLD game aired in 1968. The Sox gained a short-term \$1 million financial boost that helped them through rough sea-

sons at the dawn of the Seventies. But the franchise was hurt long-term in market profile.

Compounding the WFLD/WGN mistake was the Eddie Einhorn-inspired move to subscription-TV SportsVision in 1982. The switch continued to hobble the Sox in exposure while most Cubs games – this time with defector Harry Caray at the mic – continued to air free on WGN, given a boost outside the market by its new superstation status. The nearly \$21-a-month cost to receive the Sox and several other teams came at a time when much of the Chicago market had yet to be wired for cable. Consumers were not yet used to paying for TV. The timing was further aggravated by the inflation-busting deep recession of 1982 that pushed unemployment to nearly 11 percent, even higher than in 2009. Eventually, SportsVision morphed into the basic-cable SportsChannel, the first of three regional sports network incarnations for Chicago, timed with the rise of cable systems throughout the area.

So the minefield is tricky for Cubs brass. There's no real map to usher them through to safety and long-term prosperity in their future video deal. They almost have to improvise their strategy as they go along.

The flashing caution light warns all comers to not count the expected hundreds of millions of bucks in TV revenue long before the contracts are ever signed. A burst bubble requires takes years of often-frustrating recovery, as the general populace has discovered to its dismay over the last eight years.