

## NEGOTIATING BROADCASTING RIGHTS IN BRAZIL AND THE STRENGTHENING OF LOCAL FOOTBALL CLUBS

In 2019 Flamengo won both the Brazilian League and Copa Libertadores da América (it was then defeated by Liverpool in a tough match worth the FIFA Club World Cup); only the legendary Santos of Pelé had accomplished this before.

This feat sheds light on the potential economic renaissance of football (soccer) clubs in Brazil and on the emergence of investments opportunities in the country's sports field. An essential step in making this a reality involves ensuring the optimum allocation of revenue from the sale of broadcasting rights. Also, local clubs need to be able to rely on being structured and run with greater professionalism, Flamengo being a clear exception in this regard (this is discussed in another article in this issue of the LS Brazil Outlook).

The Brazilian League ranks among the most difficult and competitive in the world. While in Spain, Italy and Germany around one third of the national league titles is owned by only one club, in Brazil this statistic falls by half. Even the battles against relegation are exciting; only three clubs of the 20 in the first division in Brazil have never been downgraded to the second tier. This brings fans to the arenas and motivates them to watch matches in multiple media and to play fantasy games. Which in turn attracts sponsors and other investors.

A hard topic relating to football in Brazil are the criteria for distributing revenue from the sale of broadcasting rights, a vital source of income for clubs. In order to ensure competitiveness among clubs, a model which is similar to the English Premier League is in place since 2019. Under this system, a relevant part of the revenues from the broadcast on Pay-TV and Free-TV is distributed equally among clubs, while the balance is split according to the number of matches broadcasted and to the club's final position in the league table.

However, according to a report published by Ernest & Young, the current model implies an impressive gap of 9.2 times between the club that receives less and the one that receives most. This disparity is caused, in part, by the fact that the pay-per-view service follows an independent rational that considers only the club that the subscribers inform as being their favorite.

Financial gaps among clubs have an obvious impact on performance, which in turn jeopardizes the attractiveness of the leagues. Ideally, the same criteria of Free-TV and Pay-TV should also apply to pay-per-view services. Smaller clubs depend on a more balanced distribution of broadcasting rights, as they struggle to generate additional revenue on sponsorship, licensing and ticket sales. With a fairer distribution model, clubs tend to gain bargaining power to maximize the sale of broadcasting rights by broadening the range of products (eg live broadcasting, live webcasting, delayed broadcasts or streaming or even only a package of highlights of the matches) to various media, such as Free-TV, Pay-TV and internet.

All over the world, part of the amount paid for advertising on traditional media vehicles has been shifting to advertising on digital media. In the near future, this may impact the value offered by such traditional players to acquire broadcasting rights for sporting events. Accordingly, collective bargaining would facilitate the entry of new agents, with new models of distribution of sports content in the Brazilian market. Brazilian clubs, as European clubs, could benefit greatly from the investments of digital media companies in the purchase of broadcasting rights.

In Brazil, this would require clubs uniting to jointly negotiate, as was done in the past, the sale of broadcasting rights, with packages tailored to each media's appetite. As occurs in England, Spain, Italy, and Germany, a negotiation of direct broadcasting rights through leagues would ultimately enhance the national championships.

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