

Bargaining for Exclusive Rights in Two-Sided Markets: The Case of the NFL and Broadcast Channels

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Abstract

The National Football League (NFL) represents its 32 member teams when bargaining with broadcasters over NFL broadcasting rights. Current broadcasting contracts restrict access to NFL Sunday games based upon a viewer's location. I develop an *endogenous disagreement payoffs* extension to the standard bargaining model to describe the interaction between the NFL and broadcasters when allocating broadcasting rights. The disagreement payoff is found by calculating profits under the counterfactual when the broadcaster does not win. This is done by estimating viewer and advertiser benefits in a full two-sided equilibrium model of advertiser-consumer interaction mediated by channel ad choices and then changing broadcast programs. I estimate advertiser willingness-to-pay to reach a viewer at \$0.04. I conduct simulations for when NFL bargaining is decentralized to the division level. The estimates suggest that while the price of contracts increases, broadcaster profits increase due to the flexibility in bundling games.

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