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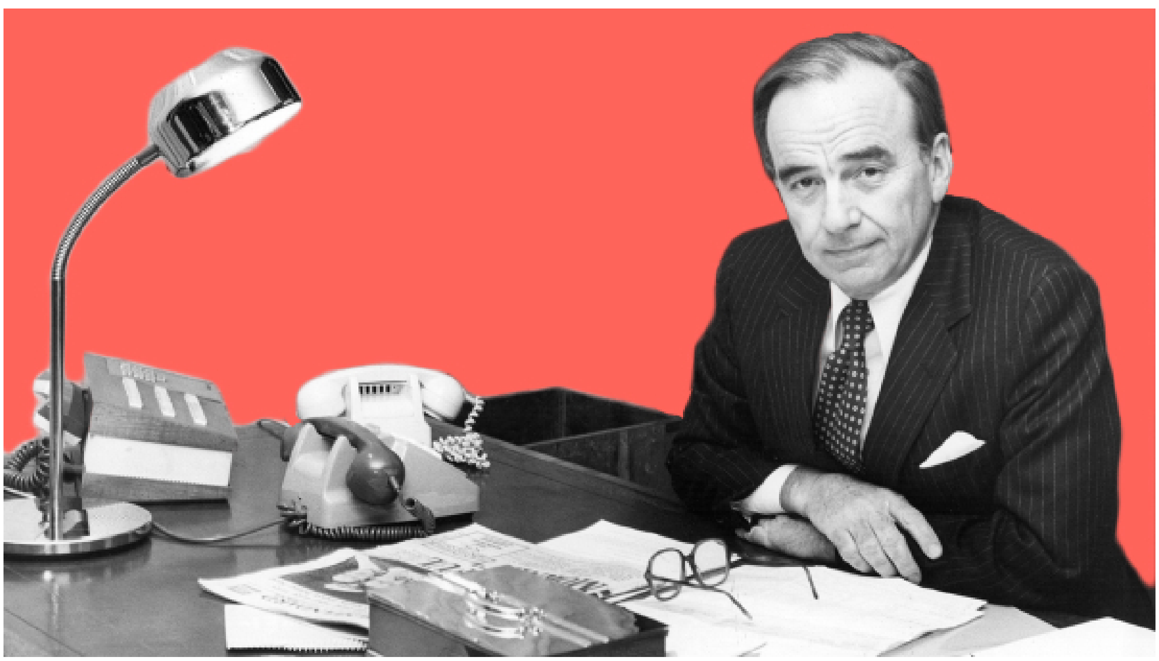

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Barely a quarter century ago, in December 1993, a remarkable negotiation tectonically rocked the world of American football, with aftershocks that directly shaped today's media landscape.

This was the business deal that won Fox prime rights to broadcast National Football League (NFL) games. It vaulted the fledgling Fox network, then far behind the Big Three — CBS, NBC, and ABC — to the hugely influential role it now plays in media and entertainment. In the words of a jubilant Rupert

Murdoch, immediately after winning the NFL deal: "Like no other sport will do, the NFL will make us into a real network. In the future there will be 400 or 500 channels on cable, and ratings will be fragmented. But football on Sunday will have the same ratings, regardless of the number of channels. Football will not fragment." (Indeed, a major New York Times investigative series suggests just how accurate Murdoch was in this prediction.)

I have studied, advised, and worked with many of the world's best negotiators. Yet I had never examined any of Murdoch's negotiations in detail — until I read an excellent recent article about the NFL rights deal on The Ringer: "The Great NFL Heist: How Fox Paid for and Changed Football Forever," by Bryan Curtis. (I rely heavily to this lengthy piece for the negotiation story below and for many of the quotes below from central figures in the negotiation. Moreover, the author graciously added some key points in an email exchange.)

CBS had carried these games since 1956, sported a legendary team in the broadcast booth, and enjoyed an excellent relationship with the NFL. To Murdoch and his largely Australian team, displacing this popular U.S. incumbent posed a daunting challenge. A further barrier: In 1993 many TV markets didn't even carry Fox, which broadcast mainly on the weaker UHF bands (versus the Big Three, which primarily used VHF).

The simplistic explanation for Murdoch's unlikely success is that Fox just wrote a bigger check than CBS when the rights came up for renewal. But Murdoch's high bid was only part of a much fuller strategy that holds powerful lessons for negotiators, especially underdogs, in businesses well beyond sports and media.

The 1993 media (and football) landscape

When our story begins, the three main TV networks each had a package of NFL games: CBS had the NFC (the National Football Conference), NBC had the AFC (the American Football Conference), and ABC had Monday Night Football. Two relatively minor networks, Turner and ESPN, shared the Sunday night games, which back then were less valuable. For the past 38 years, CBS had hosted the highly-prized NFC division, generally regarded as the most valuable asset in TV sports. When the rights came up for renewal, NFL rules permitted Fox to place a single bid on CBS's and NBC's Sunday afternoon packages.

To start, Fox benefited from adhering to two standard pieces of negotiation advice that are often ignored:

1) Develop absolute clarity on your interests and strategic objectives.

2) Carefully assess your competitors and counterparts — their interests, objectives, styles, and other characteristics.

Let's look at the players involved and their main interests.

First, there was CBS CEO **Larry Tisch**, who was more focused on cost factors and ad revenue than on the value of branding and the power of unique content like the NFL. The 1990–1991 recession had only heightened Tisch's concerns about losing money on sports programming — even more, in Murdoch's view, than ABC and NBC. Tisch had routinely heard from the NFL that "other networks" might try to displace CBS, but as the longtime holder of the rights, he had not taken these threats seriously.

Second, **Paul Tagliabue**, who in his fifth year as NFL commissioner had begun to shift away from the approach of his longtime predecessor as new contracts became due. Based on the huge jump in the value of Sunday night football games when the Turner network was added to the bidding mix, Tagliabue decided to boost competition by courting more meaningful competitors for the rights (but they were still less than the premium Sunday afternoon package). He made a critical observation about bidding: "If you have three packages and three bidders, you're not going to do very well. It's like musical chairs. You always have to have one more person looking for seats than you have seats. When you brought new players to the table, it was a different set of negotiation."

Third, **Jerry Jones** and **Pat Bowlen** were each new owners, of the Dallas Cowboys and the Denver Broncos, respectively. They had leveraged themselves to buy into the NFL and were determined to maximize the financial return from selling broadcast rights. Compared with old-line owners, who often had personal as well as economic motives for acquiring teams, Jones and Bowlen had a stronger financial focus and less sentimental attachment to or relationship with the TV networks. They had already butted heads with Art Modell, longtime owner of the Cleveland Browns, successfully quashing Modell's proposal that some rights money be refunded to the networks, given the recession. When Jones and Bowlen made it onto the league's TV rights committee, it represented a shift in power from old to new owners.

Fourth, **Rupert Murdoch**, the Australian media mogul who, after largely dominating his home market, had made bold moves abroad. By 1990, *before* the NFL episode or his purchase of the Wall Street Journal, his holding company, News Corp, had acquired Britain's News of the World, the Sun, and the Times; had formed European media conglomerate BSkyB; and in the U.S. had acquired HarperCollins and 20th Century Fox.

Murdoch had tried to buy NFL TV rights twice before, in 1987 and 1990, but he believed the league had not taken his bid seriously — and mainly had used his interest to prod the major networks to increase their bids. For the 1993 round, however, Murdoch called Jerry Jones, who recalled recently: "[Rupert] said, 'Jerry, I think I was a stalking horse last time. I'm not going to do that and be just a stalking horse.'" Jones continued: "I said, 'Mr. Murdoch, I wasn't a part of that negotiation. But I am [in] this one.'"

Had the Big Three networks, especially CBS, assessed their new potential challenger more closely, they might have better understood Murdoch's strategic drive to obtain NFL rights. In Bryan Curtis's words: "Unlike CBS, Fox wasn't much worried about losing money on football. As Murdoch would later boast, he regarded the price of NFL rights as the price of buying a network — and whatever he paid the NFL would be cheaper than buying CBS or NBC outright." Fox VP George Krieger added: "When he does a deal, Rupert's thinking about, 'What's this going to look like 10 years out, 20 years out? Will this help me build a network?' The other guys are trying to manage financials for the next quarterly financial report."

Plus, Murdoch didn't think of the NFL as a unitary entity. He recognized the internal shift that Bowlen and Jones represented and altered his approach to appeal to these newly influential players. This element of Murdoch's approach is valuable enough to highlight as a more general lesson.

3) Don't think of the other side as monolithic, as if you will be negotiating with "CBS" or "the NFL." Rather, probe the interests of distinct individuals and factions within these entities and watch for shifts in internal dynamics. Reassess these factors when new players become involved and/or circumstances change.

Murdoch's analysis of the different factions and changing internal dynamics of the NFL provided the basis for his approach to the negotiations. As Dick Ebersol, former president of NBC Sports, observed, "The key to those negotiations more than anything else was Pat Bowlen and Jerry Jones. There never would have been a Fox network if the two of them hadn't stood up and repudiated Modell."

4) Use your assessment of new players to understand their distinct interests, valuations, and likely strategies.

Tisch's short-term financial focus offered strong hints about his approach to a bid. In its expiring NFL rights contract, CBS had paid $265 million for the premier league package (the NFC). With the recession, however, CBS calculated that break-even, given ad revenue going forward, could justify a bid of only $250 million. Pleading poverty, Tisch mandated that his team present that number, a $15 million cut, to the NFL.

Murdoch and his team judged that, among the Big Three networks, Tisch was the most focused on cutting costs...and hence the most susceptible to an aggressive Fox bid. Meanwhile, the NFL commissioner and new owners were focused on extracting increased revenue from the networks. Together, these factors created a real opening for Fox— with the NFL and against the other networks.

CBS missed a vital *defensive* interest in these negotiations. Beyond generating ad revenue, it should have focused on blocking Fox from getting the valuable rights as the cornerstone to becoming a formidable competitor, and not just in sports. In its preoccupation with near-term financials, which suggested bidding only modestly, CBS apparently did not see this risk, or minimized it.

5) As the incumbent, don't underestimate your potential competitors, especially if they are hungry, smart, and rich — and may see your industry in entirely new ways.

Be sure you understand their real motivations, and aren't merely projecting your objectives onto them (in this case, for CBS, an ad revenue–driven orientation). With respect to CBS's Sunday afternoon package, Tagliabue observed that, unlike CBS, Fox "had recognized that this could be a network-maker, not only in terms of the Fox brand, but the VHF affiliates that would switch to Fox."

6) From your evaluation of the players, their interests, and strategies, assess the main barriers that stand between you and your target deal.

Murdoch and Fox assessed at least three serious barriers to realizing their objectives:

- First, the NFL had good relationships with the traditional broadcast networks, including CBS, the 38-year incumbent, which had a legendary on-air team, including John Madden.
- Next, Murdoch and David Hill, head of Sky Sports and Murdoch's creative head for the Fox NFL project, were both from Australia. How could they possibly understand *American* football?
- And last, even if Murdoch made the high bid, the NFL would have serious qualms about switching to Fox, which was seen as "small, rickety network," suffered from major gaps in its geographic coverage, and had no American football experience. Condemning prime NFL games to the equivalent of broadcasting Siberia could risk the long-term value of the franchise.

7) In tandem with your financial bidding strategy, customize your approach to surmount each of the barriers you have identified.

How Fox tailored its approach to these three barriers is one of the most revealing parts of the story. First, the company made it personal. Fox executives went to Dallas to dispel the league's hesitations about partnering with a new and technically inferior network. Knowing that the Big Three had endlessly complained to the NFL about overpaying and losing money on their football coverage, Fox came in with a wholly different attitude, promising to make the NFL the jewel in its crown. Preston Paddon, the Fox Broadcasting president of network distribution, underscored this point: "Essentially, everyone else was telling the league the baby was ugly, and we don't think we should pay what we've been paying. We were telling them you've got the most beautiful baby we've ever seen. No one wants to hear the baby was ugly."

Fox also offered compelling new ideas that added value. Murdoch turned to David Hill of the UK's Sky Sports channel to put together a tape to show the NFL what Fox could do. Hill "wrote this thing up: 'This is how we do soccer in England, and this is how we'll do American football.'" Jerry Jones reacted positively: "The committee members were shown a tape of a Sky Sports telecast of a First Division soccer game in England. The quality of the production compared favorably with that of any NFL game on U.S. television."

Fox VP George Krieger elaborated: "[David] Hill just killed it. He said, 'At the other networks, the A and B games have seven cameras and the rest have five. We'll have a minimum of seven cameras at every game, and the big games will have 12 cameras. We'll have more angles, more for the viewers.'

He talked about audio. ‘The excitement in the NFL is its sound.’ And ‘Why is the league only marketed six months a year? All our Fox stations were going to promote the NFL 12 months a year.’” Fox’s year-round NFL-related programming would include a children’s show and international opportunities. According to Jones: “I was just mesmerized by their imaginative thinking. They were changing the presentation of the game.”

The Fox team creatively addressed its spotty coverage, which had deeply worried the NFL. Padden explained, “There were about 60 cities in the United States where there was no fourth TV station to become our affiliate.” If football went the Fox for the next four years, the NFL owners worried that if the most valuable NFL package would not be available in at least 60 cities and only on a weak network in many others, viewership, ad dollars, and the brand would suffer.

But Murdoch had a plan. He told Padden to come to the meeting with the NFL TV committee. Padden explained: “Mr. Murdoch did not tell me what he was going to say. We stand up in front of the TV committee, and he says, ‘Within 60 days, Preston will get a secondary affiliation with some TV station in every one of these 60 markets.’ I just about wet my pants.” To these major network affiliates, the fear of losing the NFL and the lure of getting it back via a secondary affiliation with Fox would be powerful indeed. Fox’s commitment to secondary affiliation and greater VHF versus UHF broadcasting served to greatly assure the NFL executives and owners.

And Fox certainly got the money right. Despite the other appealing elements of his approach, Murdoch concluded that Fox would also need to offer a shockingly large amount of money, a “knockout bid,” such that CBS would not exercise its match rights. Padden explained the conventional thinking about how much to bid: “The finance people and the salespeople at the network got together and said, ‘OK, how much can we pay for these rights?’ They did an analysis of what kind of advertising they could sell and came up with the maximum break-even number. Then Mr. Murdoch came bounding into the room and said, ‘What do we have to bid?’ We told him. He said, “That’s not enough. The NFL doesn’t really want their games on our network. They’re just using us to bid up CBS. I’ve got to bid CBS away from the table.”

Fox EVP Chase Carey elaborated: “You had to have a number that — I don’t have a better word for it — made them choke.” Murdoch identified that killer number: Fox would bid $1.6 billion for the NFC rights over four years. In his account, Bryan Curtis put that amount — $400 million per year from Fox, as compared with CBS’s roughly $300 million per year bid — in perspective: “In 1993, it was an astonishing figure.”

Would a higher bid alone have been sufficient for Fox to prevail? Both sides say no. “There is no question,” said Murdoch, “that if CBS had been $20 million lower than us, the NFL would have taken CBS.” And Jones similarly declared, “CBS has given the league 38 years and a great tradition, and we preferred the incumbent. We handicapped Fox; they had to be significantly better. But they were. The type of commitment they gave us, we felt, was above and beyond dollars.”

8) If you are the incumbent and have the chance to preempt a formidable challenger, act fast.

CBS Sports president Neal Pilson had privately cornered Paul Tagliabue the week before the deadline and pressed the commissioner for information: "I had asked Paul to step outside the studio for a minute. "Paul, what's the number? What do we need to do here? What is the number we really got to get to to make this work?" He said, "$295 million...I think if we had closed at $295 million early in the week, that would have been over. That was kind of the tragedy of the whole thing. We had that number all week. All we had to do was say yes."

That $295 million would have been for the prime NFC Sunday package, not the less-valuable AFC one. Jay Rosenstein, CBS Sports vice president of programming, pointed out the painful irony of this choice: "...four years later, when CBS had new management — Tisch was gone — they paid $500 million for the weaker package."

Fox's marketing VP Tracy Dolgin summed up the real stakes: "If [Murdoch] didn't make that bet on the NFL...I'm sure of one thing...Fox News, FX, Nat Geo — the cable empire wouldn't have been there. I'm not sure that this *whole* empire wouldn't have been there....All of that is traced back to this bet-the-farm, multibillion-dollar Hail Mary to get NFL rights. Because NFL rights were the only thing that was going to get him new stations....Look, he just sold [Fox's movie and TV studios, the FX cable networks, and other properties except Fox News and Fox TV to Walt Disney] for $70 billion. I guess it was the best $400 million he ever spent."

Two Simple Truths About Negotiating

While I've offered these lessons in the context of Rupert Murdoch, Fox, CBS, and the NFL, two abiding truths resonate with the experiences of other formidable negotiators with whom I've worked, studied, and/or written about.

First, this story reinforces the potentially fatal costs of failing to deeply probe the interests of the other parties — and of not seriously taking these interests into account in your approach. Further, without identifying the true barriers to a deal and customizing your approach to overcome them, your odds of success are low. This warning especially applies when one side overconfidently dismisses the competition and emphasizes tactics and the short term while the other side is a strategic negotiator, carefully reading his or her counterparts, focusing on new players and changed circumstances, and playing the long game.

And finally, an abiding second truth: While Murdoch's success depended on his impressive negotiating strategy and tactics, his approach succeeded only given his deep, almost unique understanding and conviction about the long-term *value* of professional football in building up Fox as a network. Virtuoso tactics in service of a flawed understanding of the value at stake cannot succeed

Some negotiators "zoom out" to the strategic and the long term as a guide to their approach — but may be less adept at face-to-face dealings. Others may "zoom in" to the people on the other side with remarkable interpersonal skills — but may lack a big-picture focus. The story of Murdoch's pivotal NFL deal highlights how top-flight negotiators iterate between both perspectives, zooming out to the strategy and zooming into their counterparts. In my teaching and advisory work, I've seen this approach consistently make major differences in negotiations.

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