

Before ESPN became a familiar name in living rooms, restaurants, barbershops, and airports, it was a question: What if people's interest in sports was much larger than the amount of television time sports received? That question is the beginning of our lesson. A company often starts when someone notices a difference between what people care about and what existing businesses provide. Sports fans already had loyalties, arguments, heroes, and an appetite for information. What they did not have was today's constant access to games, highlights, interviews, and analysis. ESPN helped build a business around that unmet appetite. To understand the company, we have to look beyond the screen. The game is what the viewer sees; behind it sits a system of financing, contracts, technology, relationships, creative labor, and decisions about whose attention is worth pursuing. Learning how that system works teaches us much more than television history. It teaches us how an idea becomes an institution—and why an institution must keep learning.

ESPN originally stood for Entertainment and Sports Programming Network. It began broadcasting from Bristol, Connecticut, on September 7, 1979. Each part of the name helps explain its purpose. *Programming* means the material a broadcaster schedules for its audience: games, news shows, interviews, and other productions. A *network*, in this setting, distributes programming to many places through connected television systems. ESPN could produce or assemble a program in one location and make it available to cable systems across the country. There is also a useful distinction between its ambition and its first operating reality: although ESPN became famous for around-the-clock sports, its own historical record dates the beginning of its nonstop, 24-hour daily schedule to September 1, 1980. The larger vision took time to become the daily operation. That is a valuable detail for anyone building something: a company's eventual identity can begin as a destination toward which its founders are working. ([ESPN Press Room](#))

Bill Rasmussen and his son Scott were central to that beginning. Following the loss of Bill's job in professional hockey communications in 1978, they developed an idea for a sports television operation that initially focused on Connecticut. Exploring satellite distribution opened the possibility of serving a national audience. A *satellite* is equipment placed in orbit that can receive and relay signals; in television distribution, it allowed programming to travel far beyond the reach of a local station. The entrepreneurial importance was enormous: a program aimed at a relatively small local audience could potentially reach interested viewers scattered across the country. The technology changed the size of the opportunity. Their story illustrates what business people call a *pivot*—a meaningful change in a company's approach based on something it learns. A pivot does not have to mean abandoning the original purpose. Sometimes it means discovering a better way to fulfill it. ([Part 1](#))

Consider why this mattered. Imagine a town with only 200 people interested in a particular sport. A television station serving that town might struggle to justify substantial coverage. Now imagine hundreds of communities with similar pockets of

interest. A national distributor can gather those scattered viewers into an audience large enough to matter commercially. This is aggregation, the act of bringing separate pieces together to create something more useful or valuable. ESPN could aggregate audiences, and it could aggregate programming: different competitions, different teams, different sports, all available through a recognizable destination. A small business can apply the same reasoning. A bookstore specializing in Black American history might have a limited customer base on one street but a substantial audience online. The question becomes, “Are there too few interested people, or are the interested people simply spread out?” Those are different problems, and they require different solutions.

ESPN’s early concept also helps us understand a *value proposition*, which is the specific reason someone should choose a product or service. For a fan, the proposition was access to more sports and sports information. For a cable operator—the company delivering television channels to paying households—it was distinctive programming that could make a cable subscription more attractive. For an advertiser, it was an opportunity to reach people gathered around a shared interest. Notice that ESPN had to satisfy several groups at once. The person watching was not necessarily the person writing the largest check directly to ESPN. This is why “Who is the customer?” can be a surprisingly complicated business question. A viewer wants an enjoyable experience. An advertiser wants an effective audience. A distributor wants programming worth carrying. A company can become popular with one group and still struggle if it cannot create enough value for the others.

However promising the concept, it needed money before it could produce dependable revenue. Capital means the financial resources invested in a business to establish it, operate it, or help it grow. A television operation needs equipment, production facilities, technical staff, programming, and distribution arrangements before its audience becomes large enough to support the enterprise. Getty Oil became ESPN’s crucial early financial backer; NCAA programming agreements and an early advertising commitment from Anheuser-Busch were also important building blocks. These partners supplied different things: funding, material to broadcast, and money from an advertiser willing to buy access to the prospective audience. The NCAA, or National Collegiate Athletic Association, is an organization involved in governing college athletics and conducting championships. ESPN’s founding story therefore involves several interdependent agreements, rather than a single moment when someone simply decided to turn on a camera. ([ESPN Press Room](#))

Financing introduces a distinction every aspiring owner should understand: having the idea and owning the company are separate matters. *Equity* means an ownership interest in a business. When an investor supplies money in exchange for equity, the founder gains resources but gives up some share of ownership and potentially some decision-making power. In a hypothetical example, if you own an entire production company and an investor receives 40% in exchange for financing its expansion, you now own 60% of a better-funded enterprise. Whether that is a good exchange depends on the terms, the alternatives, and what the money helps the company accomplish. The

percentage alone does not tell the whole story. A smaller ownership share in a sustainable company can be worth more than complete ownership of an operation that cannot pay its bills. But founders also need to understand voting rights, board authority, and contractual protections. Enthusiasm for getting funded should never replace understanding what funding changes.

The company's early survival was uncertain. In ESPN's oral history, employees and executives describe serious financial strain before its business model became stronger. A business model is the way a company creates value, delivers it, and earns enough money from it to continue operating. ESPN initially depended heavily on advertising, but a crucial development came when it began charging cable distributors to carry the channel. The company's historical account identifies 1983 as the turning point for this fee model. An *affiliate fee*, in this context, is a payment from a television distributor for the right to include a network in its service, commonly calculated using the number of subscribers receiving it. ESPN developed two major sources of revenue: advertisers paid for access to viewers, and distributors paid for access to ESPN's programming. ([ESPN Press Room](#))

Let us make that arrangement visible with a deliberately simplified example. Suppose a fictional sports network receives \$5 per month from a distributor for each of one million subscribing households that receive the channel. That produces \$5 million in monthly affiliate revenue, or \$60 million over twelve months, before advertising or other income. These are teaching numbers, not ESPN's actual contract terms. The crucial point is that the fee generally depends on households receiving the channel under the agreement, rather than each household watching a particular game. This creates recurring revenue, money expected to return periodically while the commercial relationship continues. Recurring revenue can make planning easier because the business has some visibility into future income. It still faces contract renewals, subscriber losses, collection risks, and expenses. Predictability helps a company; it does not remove the need to manage it.

This model was closely connected to the *bundle*, a collection of products sold together. A traditional television package might include sports, news, movies, children's programming, and home improvement channels for one household subscription price. Different members of the household value different pieces. Broad distribution allows channels to receive fees across a larger subscriber base, including households that rarely watch them. A sports fan might see tremendous value in that arrangement; a household uninterested in sports might feel it was paying for programming it did not want. Both perspectives matter. Bundling can make a collection of services more convenient and commercially powerful, but it can also conceal how much customers value each individual component. Once people have more opportunities to buy separately, a business learns whether customers love the whole package, particular parts, or simply the convenience of having everything together.

Advertising operates according to a different logic. Advertisers pay to place messages in front of an audience they hope to influence. *Reach* describes how many different people

encounter the message, while *frequency* describes how often they encounter it. A *target audience* is the group a campaign is trying to reach. An athletic footwear company and a retirement planning company may care about different audiences, even when both buy sports advertising. Large audiences can be valuable, but so can smaller audiences with particularly relevant interests. A local business sponsoring a neighborhood basketball tournament is using a related principle: it wants to become visible and familiar to people likely to become customers. Good advertising strategy asks more than, “How many people saw us?” It also asks, “Were they the right people, what did they understand, and did their behavior change?” Exposure is an opportunity to produce a result; it is not proof that the result occurred.

Live sports offer a particularly interesting form of attention because the outcome is uncertain and people often want to experience it together as it happens. A championship game can create urgency that an old episode of a familiar television show does not. This supports what broadcasters call *appointment viewing*: people arrange their time around a scheduled program. The business value comes partly from shared anticipation. A viewer wants to see the decisive play before someone else reveals it. Yet even here we should resist easy assumptions. Not every live event attracts a large audience, and not every large audience makes a broadcast profitable. The commercial question is whether the money earned and the broader value created justify the cost of securing and producing the event. An impressive crowd is one part of the answer.

The phrase media rights explains one of ESPN’s largest expenses. Media rights are contractual permissions to show or otherwise distribute particular sports content. ESPN generally does not own the leagues or teams whose games it televises. It pays for defined permissions, which may specify the games, countries, languages, platforms, highlights, and years covered. Owning the right to show a game on television does not automatically mean owning every possible right to distribute it everywhere. Think of a musician granting one company permission to use a song in an advertisement: the agreement does not necessarily transfer ownership of the song or permit unlimited use. Similarly, sports agreements divide valuable permissions into packages. A *rights holder* is the party entitled to grant particular permissions; a *licensee* is the party receiving them under an agreement. Learning to identify exactly what a contract permits is essential to understanding the media business.

Those rights create opportunity and exposure at the same time. Exclusivity, a contractual restriction limiting who else may offer the same content in a defined market or setting, can make a broadcaster especially attractive. If your customers can get an important event only through your service or distribution partners, you have something competitors cannot immediately duplicate. But exclusivity is usually temporary and expensive. When contracts come up for renewal, leagues can seek higher payments, and rival bidders can change the economics. This is *supplier power*: the ability of the party providing a necessary input to demand favorable terms. A restaurant depends on ingredients; a sports broadcaster depends heavily on compelling programming. The more difficult an input is to replace, the more power its supplier may possess. A strong

brand helps ESPN negotiate, but a league with highly desirable games has bargaining strength of its own.

We can now distinguish revenue from profit, one of the most important lessons in company building. Revenue is what the business earns from its sales and services before subtracting expenses. Profit is what remains after the relevant expenses are deducted. Imagine a fictional broadcaster that earns \$100 million in a year, spends \$55 million on rights, \$20 million producing programs, and another \$15 million on other operating expenses. It has \$10 million of operating profit in this simplified example. Its *operating margin* is 10% because operating profit is one-tenth of revenue. If rights costs rise by \$12 million while everything else stays the same, the operation moves into a \$2 million operating loss. Nothing about its popularity necessarily changed. The relationship between what it earns and what it spends changed. This is why a company can make headlines for attracting viewers while its financial performance disappoints.

ESPN's published financial results provide a real illustration. For Disney's fiscal quarter ended June 28, 2025, domestic ESPN operating income fell from approximately \$1.085 billion a year earlier to \$1.014 billion. Disney identified higher programming and production costs, including increases in NBA and college sports rights costs, among the pressures on results. It also reported lower affiliate revenue as fewer subscribers largely offset higher effective rates. *Operating income measures* profit from operations under the company's reporting approach; it should not be confused with the final net income available to owners after all applicable corporate expenses and other items. These historical figures show why careful readers examine several lines together. Higher advertising revenue, fewer subscribers, more expensive rights, and lower operating income can all occur during the same reporting period.
(investors.thewaltdisneycompany.com)

There is another distinction hidden behind those figures: profit and cash flow are different. Cash flow tracks money actually entering and leaving the business. Accounting profit follows rules about when revenue and expenses are recognized, which may differ from when payments occur. Suppose a broadcaster pays a substantial amount upfront for rights covering future seasons. The cash leaves before all the associated programming has aired and before all the related revenue arrives. This creates a financing challenge even if the overall agreement eventually proves profitable. A small construction company faces a comparable problem when it must pay workers and buy materials before a client settles the final invoice. Company builders therefore have to manage both the attractiveness of the business and the timing of its money. A promising contract cannot pay today's payroll unless the company has the cash available.

What made ESPN more than a collection of purchased games was its ability to create reasons to return between games. *SportsCenter*, which debuted on the network's first day, brought highlights, scores, and sports news together in a recognizable program. Its first broadcast featured George Grande and Lee Leonard. ([ESPN Press Room](#)) The strategic significance is worth considering: a fan interested in one team could encounter

other sports, athletes, and developing stories through the same program. Curation means selecting, organizing, and presenting information so that an audience can understand and use it. A score tells you the result. Good curation helps you understand why the result matters, what led to it, and what to watch next. In an environment with limited access to highlights, gathering them had considerable value. In an environment overflowing with clips, the value increasingly depends on judgment, explanation, speed, and trust.

This leads to habit formation as a business concept. A product becomes stronger when people incorporate it into a routine: checking scores at breakfast, watching a recap before bed, or listening to analysis during a commute. A habit reduces the number of times a business must persuade someone to begin the relationship again. But a routine must be earned through repeated usefulness. Consider a community newsletter. If it arrives unpredictably and contains little that readers need, attractive branding will not make it indispensable. If it reliably explains school decisions, local opportunities, and neighborhood events, readers begin to anticipate it. ESPN's broader lesson is that a company can build around recurring customer needs, rather than relying entirely on occasional excitement. People may come for a championship and return because the company continues helping them understand the sports they love.

Personality also became part of the value. Stuart Scott, who joined ESPN in 1993 during ESPN2's launch, developed into one of the company's signature voices. His language, enthusiasm, cultural references, and delivery helped expand the range of voices audiences heard in prominent sports broadcasting. His familiar expressions were attached to preparation and storytelling, not simply performance for its own sake; ESPN's remembrance specifically emphasized his pride in weaving facts into his work. (ESPN Press Room) For many Black viewers, his presence carried a recognition beyond the score: a respected broadcaster could sound culturally familiar without surrendering professional authority. The company-building lesson is that talent can reveal possibilities an organization's conventions have overlooked. Differentiation means giving people a meaningful reason to distinguish your offering from alternatives. Scott's work provides a way to understand differentiation through voice, knowledge, and connection. Authenticity becomes commercially and culturally valuable when it helps someone do excellent work in a way that others cannot simply copy.

The same lesson applies behind the camera. A broadcast requires producers who decide how the program will unfold, researchers who verify information, editors who assemble footage, engineers who keep systems functioning, and crews who capture sound and images. Operations means the coordinated work required to deliver the product consistently. Viewers may remember an anchor's words, but those words reach them through an organization. This is important for readers considering careers or businesses: the visible personality represents only part of the economic activity. Someone skilled in accounting, contract negotiation, design, software, scheduling, or technical production can contribute to sports media without becoming an on-air star. And an entrepreneur who loves presenting still needs systems for preparation, quality

control, payment, and continuity. A company becomes more durable when its excellence can be repeated by a team.

ESPN also expanded the kinds of sports storytelling it offered. The original *30 for 30* documentary project began in 2009 as part of the company's thirtieth-anniversary celebration, inviting filmmakers to explore sports stories from the preceding three decades. ([ESPN Press Room](#)) A documentary can investigate the social setting around an event, revisit competing memories, and give a person or community more room than a brief highlight permits. From a business perspective, this illustrates product diversification, the development of different offerings rather than dependence on one format. A live game, a daily news program, and a documentary meet different audience needs and have different useful lives. Yesterday's score loses urgency quickly. A well-made historical film may remain worth watching years later. However, lasting audience interest does not automatically mean unlimited commercial use: music, archival footage, and distribution permissions still matter. Creative value and contractual rights have to work together.

Expansion also occurred through corporate ownership. ABC acquired ESPN in 1984, and ESPN became part of Disney when Disney completed its acquisition of Capital Cities/ABC in 1996. An acquisition is the purchase of a company or a controlling interest in it. A *parent company* controls another company, which is called a *subsidiary*. ([ESPN MediaZone Latin America North](#)) Joining a larger organization can provide financing, distribution relationships, advertising resources, and access to additional outlets. Business discussions often call these potential advantages *synergies*, meaning benefits produced by businesses working together. But the word should always lead to a practical question: "Exactly what becomes better or less expensive?" Promoting a program across related services is a specific potential benefit. Merely placing two company names beside each other is not. Successful acquisitions require people to convert the proposed advantages into actual results.

Ownership has continued to evolve. As of September 2026, ESPN's ownership is 72% Disney, 18% Hearst, and 10% the NFL. Disney's filing records that on January 31, 2026, ESPN acquired NFL Network and certain other NFL media assets, including NFL Fantasy and the pay-TV distribution of NFL RedZone, in exchange for the NFL's 10% interest. That last detail is important: acquiring specified distribution rights is not the same as acquiring every right associated with RedZone. A noncontrolling interest, the description applied to the NFL's stake, means ownership without control of the overall business. This transaction also illustrates that an acquisition need not consist entirely of a cash payment; ownership can be exchanged for assets. ([sec.gov](#)) The strategic logic is understandable: related programming and distribution capabilities can strengthen an offering. But closer commercial relationships also create questions about dependence and influence.

Those questions matter because ESPN participates in both entertainment and journalism. Journalism involves gathering, verifying, and presenting information in the

public interest, including information that powerful subjects might prefer to keep quiet. A broadcaster that buys programming from a league may also need to investigate that league. When a league becomes an owner, the overlapping relationships become even more apparent. A *conflict of interest* exists when one responsibility or incentive could compromise another. Its existence does not prove that a particular report is false or that a journalist has acted improperly. It identifies a situation requiring safeguards. Editorial independence, clear disclosure, corrections, and reporting decisions protected from commercial retaliation are ways an organization can work to preserve credibility. For a company builder, this is a lesson about governance: the rules and structures that guide decisions, assign authority, and hold people accountable.

We should also learn to distinguish reporting from analysis and opinion. Reporting establishes what happened through evidence. Analysis explains possible causes and implications. Opinion offers a judgment, often shaped by personal priorities or preferences. A sports discussion can contain all three, but they deserve different treatment. “The team lost four consecutive games” is a factual statement that can be checked. “Its defensive system is contributing to those losses” is an analytical claim requiring support. “The coach should be fired” is a judgment. Lively debate can entertain and help audiences examine competing interpretations, but confidence and volume do not establish accuracy. For a media company, this creates a recurring business tension: provocative statements can attract attention quickly, while dependable reporting builds a different kind of value over time. A thoughtful audience asks what kind of content it is consuming. A thoughtful company makes those distinctions easier to see.

Perhaps the most consequential challenge to ESPN’s traditional model has been cord-cutting, the cancellation of conventional cable or satellite television subscriptions. As households leave those packages, networks can lose affiliate-paying subscribers even when many people still care about their programming. This is a form of disruption, a change in technology, consumer behavior, or business arrangements that weakens an established way of earning money. It helps to separate the underlying need from the delivery method. People may continue wanting sports while becoming less willing to purchase a large television package to get them. A business that interprets declining distribution as the disappearance of customer interest can misdiagnose its problem. Equally, a company that assumes affection for its brand will preserve an outdated purchasing arrangement can respond too slowly.

On August 21, 2025, ESPN launched its expanded direct-to-consumer service, making its linear networks available directly to fans through its streaming offering.

Direct-to-consumer, often shortened to DTC, means the company can sell a subscription to the viewer rather than relying exclusively on a separate television distributor. *Linear television* means programming delivered according to a channel’s schedule; *on-demand* viewing lets the audience select when to start available content. The launch included ESPN Unlimited, with access to the broader suite of ESPN networks and services, while ESPN Select carried the offering previously associated with ESPN+. ([ESPN Press Room](#)) The important lesson is larger than an app launch. ESPN was changing the commercial

route between itself and its audience. It could maintain distribution partnerships while also building a more direct subscription relationship.

A direct relationship offers opportunities, but it brings responsibilities that a distributor previously handled in whole or in part. The company must attract subscribers, process payments, help customers, maintain a reliable experience, and persuade people to remain. Customer acquisition cost is the amount spent to obtain a new customer, usually calculated by dividing relevant acquisition spending by the number acquired. Churn is the rate at which customers leave during a defined period. Retention describes the ability to keep them. These concepts explain why one spectacular event may produce a rush of sign-ups without establishing a durable business. If many viewers subscribe for a tournament and cancel immediately afterward, the company must examine what it spent to bring them in, what they contributed financially, and whether the relationship can be extended through additional value.

Here is another hypothetical example. Suppose a streaming company spends \$60 in marketing to acquire one subscriber, and that subscriber contributes \$10 per month after the particular service costs included in the calculation. It would take six months to recover the acquisition expense on that simplified basis. If the subscriber leaves after two months, the company has recovered only \$20. This is a lesson in unit economics, the revenue and costs associated with an individual customer, transaction, or other meaningful unit. The example does not account for all possible fixed costs, rights expenses, taxes, or financing costs, so it is not a complete profit calculation. Its purpose is to show why subscriber totals alone can mislead. Growth is more valuable when the customers being added help support a sustainable operation. Buying rapid growth at a cost the business cannot recover is a different achievement.

Streaming also forces a company to think about cannibalization, which occurs when a new offering takes some sales away from the company's existing offering. A direct subscription may attract someone who otherwise would have received ESPN through a television bundle. That does not automatically make the new product a mistake. If purchasing behavior is changing anyway, serving customers through a new route may protect a relationship that would otherwise disappear. The difficult task is managing the transition: pricing the new service, maintaining distribution relationships, investing in technology, and avoiding assumptions that new revenue is entirely additional. A bakery that introduces delivery faces a smaller version of the same question. Are deliveries reaching new customers, or mostly shifting existing customers into a more expensive service channel? Both can happen at once. Strategy requires measuring the difference.

ESPN's ventures also remind us that a famous brand does not guarantee success in an adjacent market. Its online sports betting agreement with PENN Entertainment ended early, effective December 1, 2025, and ESPN entered a new arrangement making DraftKings its official sportsbook and odds provider. ([ESPN Press Room U.S.](#)) The broader lesson concerns brand extension, the use of an established name in a related product category. Familiarity can help introduce a product, but customers still judge its

usefulness, reliability, price, and experience against alternatives. An audience that enjoys a company's broadcasts does not automatically choose every service carrying its name. Nor should a commercial betting relationship be mistaken for evidence that gambling is a dependable way for viewers to earn money. For the company, the case teaches the importance of testing assumptions and revising partnerships. For the audience, it teaches the importance of recognizing when information, entertainment, and promotion overlap.

What, then, can a person building a smaller company actually use from ESPN's experience? Start with the structure of the thinking. Identify a recurring need that people already have. Determine whether those people are concentrated locally or scattered across a larger market. Explain why your offering is useful to each party whose participation you require. Understand how the money reaches you and what you must spend to earn it. Develop a dependable experience, and give talented people room to make that experience distinctive. For example, someone building a business around local youth sports might begin with well-produced game coverage and carefully verified reporting, then discover demand for player interviews, community sponsorships, or coaching education. Each addition would require appropriate permissions, practical cost estimates, and evidence of demand. The lesson is to make expansion answer a real need rather than treating every possible activity as an opportunity worth pursuing.

Finally, ESPN asks us to hold ambition and judgment together. Its founders saw more possibility in sports television than existing schedules seemed to allow. Investors, employees, distributors, advertisers, leagues, and viewers helped turn that possibility into a lasting enterprise. Over time, the company's own success created new obligations: expensive rights commitments, complex partnerships, demanding audiences, and the need to adapt when the distribution system changed. Company building is the continuing work of making a useful promise and developing an organization capable of keeping it. For ESPN, that promise has involved access, information, excitement, and connection around sports. For another business, it may involve education, food, transportation, care, or financial services. Whatever the field, the questions remain concrete: What do people need from us? Why will they return? What must we do exceptionally well? How will we pay for that work? And when the world changes, are we willing to learn enough to serve them again?