



# Research on the NBA Business Strategies

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**Abstract.** The NBA is the National Basketball League of the United States. The four major professional sports organizations in the United States baseball league, football league, ice hockey league and basketball league. The NBA is the third richest among them, with an annual revenue of more than \$4 billion. Although the NBA is not the most watched league in North America, it is one of the most global and influential professional sports organizations in the world. The NBA often appears as a successful case in the marketing courses of various business schools. These courses describe how the NBA uses the brand effect of big-name stars to promote the league, how to use modern media to promote the league, and how to use the international strategy to go global. The research topic of this paper is NBA business decisions. Obviously, successful business decision-making and institutional innovation are the basic foundation of the NBA's success. Repeated institutional innovations and promulgation of decision-making have enabled the NBA to obtain huge commercial profits and rich returns. The most famous of these decisions are: "Alliance Star-making Program" and "Global TV broadcast of NBA events", etc. These decisions have helped the NBA gain a high reputation and use it as a marketing tool.

**Keywords:** NBA, Strategy, Trade, Management, Business

## 1 Introduction

After nearly 60 years of development, NBA has become one of the most influential sports organizations in the world. It not only leads the world in basketball technology, but also creates amazing commercial benefits. Because the alliance pays attention to interests, for interests, the alliance will make various changes to maximize interests. Facing the needs of the audience in different periods, the alliance also keeps pace with the times. In terms of commercial value, the league's commercial contracts and player income have been rising, and have increased significantly in recent years. Last quarter's total revenue was close to 3 billion [1]. NBA cannot achieve such great success without its advanced business philosophy and profound marketing skills. MVP award, clothing brand, brand advertising and other ways are the reasons for its success. From the perspective of the influence of commercial sports, the attendance and audience rating have basically increased steadily, and the number of fans around the world is increasing. It should be said that there is no way to decline.

And NBA is a league that is good at "making stars", which is also the secret of their long-term prosperity. Although influential players like Jordan have retired for a long time, the NBA still attracts the attention of fans with its emerging excellent players. The mature player selection system makes NBA the most competitive professional basketball league. It can be said that as long as basketball does not decline, NBA fans will not forget. Throughout the NBA, we see a modern business machine with mature operation. Its products are as popular as processes in the market. The theme of this article is the business decision of NBA League. This paper studies how to collect a large amount of business knowledge about NBA League by accessing data on the Internet. After full understanding, the author concludes that the reason why NBA can become the largest Basketball League in the world is inseparable from orderly management and some institutional innovation.

## 2 Analysis

The article looks for several famous NBA League business decisions and systems on the Internet. First of all, the innovation of business system is a very convincing example. The former NBA president Stern did a lot of institutional work to ensure the benign operation of the NBA [2]. For example, Agent System (including free agent transfer), player Union and club negotiation system, the introduction of a wage cap, an anti-drug convention, etc. Today, NBA has become a fully institutionalized organization, so it can be established forever. In the 1980s, the league's image was extremely poor, the quality of the game was poor, the players' income was extremely low, and drugs eroded the foundation of the NBA a little bit. So, as soon as he took office, Stern first launched the anti drug campaign in the alliance. He appointed Byrd, magician Johnson and Isaiah Thomas (these superstars at that time) as representatives to issue the anti drug declaration. He invited the team to shoot anti drug propaganda films and personally participated in the formulation of anti drug regulations. Besides, the NBA has also made great achievements in brand endorsements, especially the top NBA stars have brought great profits to the NBA. For example, the first place in the contract amount is James, the endorsing brand is Nike, the contract amount is \$500 million; the second place is Curry, the endorsing brand is Under Armour, the contract amount is about \$300 million; the third place is Durant, the endorsing brand is Nike, the contract amount is \$300 million; the fourth place is Hadden, the endorsing brand is Adidas, the contract amount is \$200 million [3].

Among them, the most famous system created by Stern is the NBA draft system. In order to make the strength level of NBA teams not too different, so as to increase the brilliance and intensity of the game, NBA will hold the annual "draft conference" in late June after the annual finals. Generally, students from universities in the United States participate in the draft, and they are all the best players in the NCAA National College Basketball League. Of course, in recent years, high school students and international players have increased. The NBA scores and ranks them according to their comprehensive strength, and then each team is selected in order from weak to strong according to the winning rate in the regular season of the year. These systems not

only maintain the vitality and long-term development foundation of NBA, but also enrich its culture. Another famous plan is the star making plan. Stern, the former NBA president, understands the market's importance of superstar popularity.

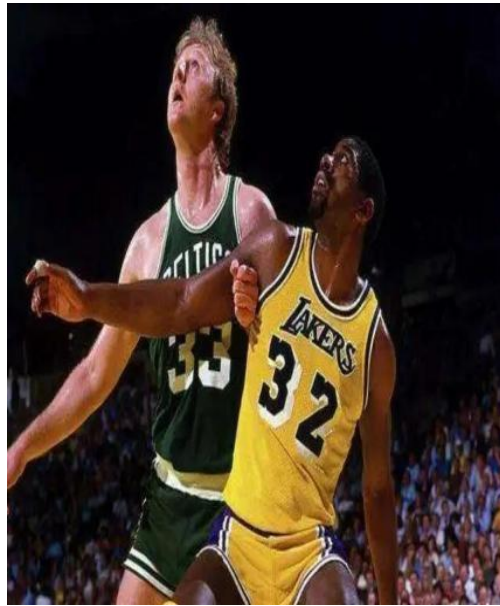


Fig. 1. Black and white double evils: Byrd and Johnson

The West introduced the two superstars, "Magic" Johnson and "Big Bird" Byrd, to the market in the 1990s as two Alliance legends—black and white [3]. Countless fans like this NBA star. In the 1990s, "magic" and "big bird" retired one after another. With the efforts of stern, the ugly image of NBA has been overturned. So, soon, stern took the second step on this basis, he sacrificed the star making plan. In the 1980s, stern created many topics around the duel between bird bird bird and Magic Johnson. The challenge of this pair of lifelong enemies, and the protracted confrontation between the Lakers and Celtics, to a large extent, expanded the influence of NBA in the United States. In the late 1980s, with the aging of the twins, Michael Jordan was promoted to the front stage. In the 1990s, thanks to Jordan's extraordinary basketball skills and the six Championships of the Chicago Bulls, the NBA brand was completely introduced to the world. Since the birth of Michael Jordan made up for this vacancy, stern has used Jordan as his main player to travel around the world in the NBA. This unexpected strategy, Jordan's charming smile, classic tongue movement and mysterious technology have conquered fans all over the world, even basketball players from other countries, making the NBA a truly international league. The success of the NBA can not be separated from the MVP award policy. Bird bird has won three MVP trophies and two fmvp trophies. The most amazing thing is that he is the only person in history who has won three consecutive MVPs. He won all the MVP trophies in the regular season in 1985-1987. Magic Johnson is the only rookie who

has won the fmvp trophy in the first year of his career. He has won three MVP trophies and three fmvp trophies in total, with extremely high gold content. While Michael Jordan, the first basketball player, has won the MVP trophy for a total of five times, Jordan's most amazing feat is the myth that he has entered the finals for six times and won the fmvp trophy for six times. It is the MVP award system that makes the NBA gain greater exposure and competition among players, bringing it rich profits.



**Fig. 2.** Yao Ming

In 1989, David Stern also made another great decision. At the age of 47, he went to the ocean for the first time and came to China, a country that was still very strange to him at that time. Later, people are very clear about the story. Stern waited for hours in the CCTV hall, and finally got the opportunity to communicate with the relevant person in charge. Then, with several free videos, he opened the door to China, the largest overseas market for NBA.

On February 14th, 2004, in Los Angeles, stern and Yao Ming attended the first NBA China press conference jointly organized by NBA, Shanghai Municipal Sports Bureau and NBA sponsors. On October 14th and 17th of the same year, the two China Games were held in Beijing and Shanghai as scheduled. Taking this opportunity, the cooperation between NBA and China entered another stage of rapid development. This close and all-round cooperation suddenly stagnated after the "Morey incident" last summer. In addition, during the 30 years when stern took charge of the NBA, he also continued to expand the territory of the league. During this period, Canada had two NBA teams, the Raptors and the Grizzlies (later, the Vancouver Grizzlies moved to Memphis).

By 2004, Charlotte Bobcats had joined the NBA family, and the scale of the League had reached 30 teams, which has been maintained until now. In 1992, Stern led the negotiation and reached an agreement with FIBA, deciding to send a dream team composed of NBA stars to the Olympic Games. By this, basketball (at least) has become the most influential project at the Olympic level, surpassing football. In 1997, driven by Stern, WNBA League was established, and female basketball players finally had a platform to display their talents. Four years later, Stern planned to establish the NBA affiliated League NBDL, which made the NBA system stronger and more complete, created employment opportunities for more marginal players, helped NBA teams establish a more sufficient talent pool, and prevented some excellent players from losing overseas to a great extent. In 30 years, under Stern's leadership, the entire NBA has undergone earth shaking changes. NBA has become one of the most influential commercial sports leagues in the world. The salary cap of NBA teams has exceeded 100 million US dollars last year, the annual contract salary of NBA top salary players has reached more than 50 million US dollars, and NBA broadcast contracts are sold at billions of high prices. To do this, we should also thank Stern for his excellent talents and the solid foundation he has laid for this league. After Jordan retired, Stern began to look for a new agent. O'Neal, Kobe Bryant, Iverson, Knight, McGrady and Yao Ming are all new NBA candidates. Like Yao Ming, LeBron James and Shaquille O'Neal, NBA superstars are crucial to a team. Since Yao Ming joined the Rockets in the 2002-03 season, the value of the Rockets has soared from 255 million to 422 million in 2005[4].

For the shrinking NBA market, Yao Ming is undoubtedly a fresh wind. Although the degree of strength is unknown, a little "fresh" alone is enough to become a sign for a period of time. On July 24 local time, the first batch of star cards signed by Yao Ming appeared on the market, and its sales momentum is likely to dominate the Rockets fan supplies store. After Yao Ming was selected as the No. 1 player, his star card has sold well on the Internet, with a set asking price of \$150[5].

The price of this star card with Yao Ming's signature will definitely exceed that figure. At the same time, Reebok, a famous sports brand in that year, also targeted Yao Ming as a "cash cow". They will soon put Yao Ming's shirt on the market as soon as his shirt number is determined on August 15. According to Reebok's marketing director, Yao Ming's number has been basically determined to be No. 11, and they have also decided to print the Pinyin of Yao Ming's name on the back of the shirt. The addition of O'Neal and James has also brought similar growth to their respective teams. Since the founding of NBA in 2003, the value of "little emperor" has increased from 258 million dollars to 356 million dollars[6]. O'Neal also increased the Heat's value from \$236 million to \$362 million. The influence of superstars is not only reflected in the attendance of home fans, but also drives the sales team of other related products. Therefore, in order to maximize the popularity and commercial interests of NBA, NBA began to package the image of superstars to let more people know them. To sum up, it is these strategies that make NBA successful. An excellent League and enterprise must have stable and efficient policies and the leadership of a wise leader to succeed. The success of NBA is by no means accidental, and every correct decision has a decisive effect.



**Fig. 3.** LeBron James

### **3 Conclusion**

The success of NBA League cannot be separated from the innovation of its orderly operation mechanism and policy system. In the development of NBA professional league, the market is always the premise. According to the market law and market demand, the league has constantly innovated management means and methods, constantly explored the market, and created a unique development mode of professional basketball market. The league management system provides a good internal environment for the efficient operation of NBA. Finally, the government's policy support and legal protection provide an external environment for the rapid development of NBA. The NBA professional league has gradually established and improved the industry rules and regulations and management system in the process of development, providing a good operating mechanism for the healthy development of the league. Existing data does not provide a good explanation for the views expressed in this article and the conclusions of the article, and more information and strategies for NBA business decisions should be collected. In the future, research methods can be improved to make them more efficient and enriching.

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For example, I specially entered the official NBA website to inquire about the famous events of James and Yao Ming in that year and the commercial benefits they brought to the NBA. I also used other websites to inquire about the deeds of some NBA stars earlier and the policies implemented by the NBA

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