

# 13 | Exporting sports entertainment: the NBA in China

We have a product that is flat out global.<sup>1</sup>  
— NBA Commissioner David Stern.

The National Basketball Association (NBA) recently concluded its 63rd final in a dramatic seven game series between the Boston Celtics and the Los Angeles Lakers. Broadcast in 215 countries, the NBA is arguably the most international sports franchise in the United States. Formed through a merger between the Basketball Association of America and the National Basketball League, the NBA has transformed basketball from its humble beginning as a YMCA sport into a multibillion dollar game.

## The NBA today

Currently the National Basketball Association (NBA) consists of thirty teams. Excluding the Toronto Raptors, all teams are based within the continental United States. Despite the American concentration, the NBA is actually more diverse than first appearances may suggest. Twenty-nine of the teams have at least one international player and the 2009–2010 season matched the previously set record for most international players (83 were listed at the start of play). International players have been critical agents in their teams' successes. Pau Gasol, a Spanish NBA player, proved vital during the Lakers' recent championship, "turning the game around," in coach Phil Jackson's words.<sup>2</sup> International players have also occupied a central role in the NBA's marketing strategy abroad.

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## Going global

With four major sports franchises, the United States market is saturated. In the early 2000s the NBA turned its attention abroad in the search for new revenue sources. NBA commissioner David Stern considered various intercontinental expansion plans. One such plan called for the creation of a new European division consisting of five teams based in major metropolitan centers: London, Barcelona, Paris, Rome and Cologne. Although preliminary discussions took place, eventually the plans for a European division were abandoned due to several issues. At the time of the proposed expansion, only Cologne had the facilities necessary to host an NBA team. Furthermore, players and teams voiced resistance to both the excessive travel requirements and foreign taxation laws.

## The 1992 Dream Team

Non-U.S. basketball players have competed in the U.S. since the 1980s. However, international awareness of the NBA only exploded when the United States won gold at the 1992 Olympics. That year, for the first time, professional basketball players were allowed to compete in the Games, which in 1992 were hosted by Barcelona. The U.S. team featured some of the greatest athletes in NBA history, including basketball legends Michael Jordan, Charles Barkley, Larry Bird and Magic Johnson. The team was quickly nicknamed *the Dream Team*, and it truly was: of the twelve players all but two were invited to the NBA's 50th Anniversary All-Time Team.

This star-studded roster created a sensation in Europe. Newspapers reported that many of the opposing teams "sought Dream Teamers' autographs and pictures" and treated the players like "rock-stars."<sup>3</sup> As to on-court performance, the results proved that the Dream Team's fame was not unwarranted: the U.S. side claimed the gold medal with an average win margin of 43.8 points per game.<sup>4</sup>

The NBA capitalized on the international acclaim by expanding the franchise to Canada and upping international distribution of merchandize. By 1995, the NBA's international retail sales were \$350 million, up from \$10 million in 1988.<sup>5</sup>

## Basketball in China

Basketball is not a new export to China. A mere four years after the game was invented by Canadian James Naismith, recreational games were being played in Shanghai. Brought by YMCA missionaries, basketball fared better than Christianity under the Communist takeover. While non-Chinese missionaries were expelled from the country, Communist leader Mao encouraged the continuation of the sport. Basketball was seen as a unifying force and participants adhered to the slogan "Friendship first and competition second."

Professional basketball in China is now run by the Chinese Basketball Association (CBA). Created in 1956, the organization formed the CBA league in 1995. It currently boasts seventeen teams, scattered throughout the country's regional centers. Historically, players have been brought up in a state-run farm system, which they enter at an early age (Chinese star Yao Ming entered sports school at age nine).

The CBA has also struggled to create a marketable franchise; many teams have faced bankruptcy recently. In order to improve financial stability, the CBA introduced a salary



China's NBA stars: Yao Ming and Kobe Bryant.

cap. Supporters of the cap hope that it will force teams to become more fiscally responsible and allow local players to develop. That notwithstanding, the “opening” of China has been accompanied by a surge in imported basketball talent. These international players have created controversy as they tend to dominate the court and hinder the development of Chinese players. For example, in the most recent season seventeen of the top twenty scorers were non-Chinese.

## NBA China

While the CBA league may be floundering, the NBA has achieved unrivaled success in its Chinese venture. The NBA is so popular that that NBA.com launched a Chinese version of its site in 2008. By May 2010, NBA.com/China had received more than 4.4 billion hits.<sup>6</sup> Also in 2008 the NBA opened in China the first two NBA stores outside of the U.S.; and created a new entity called “NBA China” to oversee its China interests and “design, market, program, and operate up to 12 multi-purpose, NBA-style sports and entertainment arenas in major cities throughout greater China.”<sup>16</sup>

## The Yao Ming effect

Chinese star Yao Ming’s move to the U.S. has contributed to the NBA’s success in China considerably. A 7 ft 6 inch center, Yao began playing for the Houston Rockets in 2002. Since then he has become a crucial marketing agent for the NBA. In the U.S., the Houston Rockets’ games have an average viewing audience of 1 million. In China, Rockets’ games “regularly attract up to 30 million, making the Houston Rockets China’s favorite team—and the world’s most watched.”<sup>7</sup> Yao’s potential marketing appeal has attracted multiple sponsors. His contracts with companies like Visa, Apple, and Coke have earned him endorsement packages worth over \$150 million.<sup>8</sup> McDonalds believes Yao “is a tremendous global asset” and has doubled its China outlets since signing Yao as spokesman. Yao’s impact has not been limited to his home country. During his first season, the Rockets estimated that 12% of group tickets were purchased by Asian Americans. In previous years Asian Americans were responsible for a mere 1% of sales.<sup>9</sup>

## Other promotional efforts

As important as Yao Ming has been for the NBA in China, he is certainly not the only factor. Many of the NBA exhibition games (“friendlies”) take place in China. Ticket prices range from \$50 to \$800, hugely expensive prices considering that China’s per capita income is roughly one quarter of the U.S.’s. Yao Ming’s popularity notwithstanding, Kobe Bryant is the top seller of sports jersey’s in China. “That’s only because all the kids already have Yao Ming’s jersey,” jokes David Stern.<sup>16</sup> Perhaps that’s the case. Or perhaps the combined efforts of the NBA and of sponsors such as Coke and Nike truly have achieved the goal of making the NBA a “national” league also in China. “If you read the newspapers in China, each day’s discussion is about LeBron James going to the Heat, Amare Stoudmire to the Knicks, will Carmelo [Anthony] leave the Nuggets or won’t he?,” adds Stern. And he then predicts that “in five years the retail sales of merchandize in China will be the equal of the retail sales in the United States.”

## Global sports beyond China and beyond basketball

Can the Yao Ming effect be replicated in other countries? To a lesser degree, Argentinean Manu Ginobili did so in Argentina. When Manu won the 2005 Championship, the Argentine media hailed him as “The King,” a title typically reserved for soccer players.<sup>10</sup> In Buenos Aires, Game 7 of the 2005 finals earned an average rating of 15.1, with a high of 24.7 (approximately 800,000 households).<sup>11</sup> These ratings are particularly encouraging in light of the NBA’s television situation in Argentina twenty years before, when David Stern practically gave away the NBA’s Argentine TV rights for \$2,000.<sup>12</sup> The 2005 playoffs were also significant due to a 41 percent increase in online orders shipped outside the United States, which NBA officials attributed mostly to Ginobili’s fans.

However, there have been cases in which the “Yao Ming effect” seems to have failed. Using international players as NBA promoters has proved more difficult in developed countries. Dirk Nowitski, the NBA’s Most Valuable Player in 2007, has a relatively small fan base in his home country. As one German reporter put it, “It’s just not that important here in Germany if Dirk is in the Finals.” Perhaps had Dirk won the Finals the response would have been different.<sup>13</sup>

Basketball is not the only sports franchise attempting to go global. In recent years, Bernie Ecclestone created several new locations in the Formula One annual grand prix series: Singapore, Bahrain, Malaysia, South Korea; the results have been mixed. American Football has tried to penetrate the European market, not very successfully up to date. For many soccer leagues (or “football” leagues, outside the U.S.), India and China still represent largely untapped markets. Golf and rugby union hope that their inclusion in the 2016 Rio Olympics will create an effect similar to that of the 1992 Barcelona Olympics on basketball.

## Yao Ming retires

The retirement of Yao Ming, China’s leading player, provides an additional piece of evidence regarding the causes for the NBA’s success in Chian. In fact, notwithstanding Yao’s early retirement in 2011 (due to chronic injuries), the NBA has never been more flourishing in its Chinese market. The anticipated “drop-off in popularity” never occurred, with TV ratings

“stronger than [in 2011],” due to a “more sophisticated and diverse fan base now.”<sup>16</sup> Since the initial interest in basketball has been cemented by Yao’s legacy, China no longer needs an individual player to point to for garnering interest. Fans “no longer cheer for any one player” and have a greater appreciation for the sport in general.

This is numerically proven in several areas. Since Yao’s departure, the NBA has continued to experience significant growth. In 2012, the “NBA’s Chinese website experienced 3.3 billion page views,” and in 2013 that number increased by 34 percent to “4.5 billion page views.”<sup>14</sup> Websites are just one area of digital growth. Video streaming has also rocketed, and in the 2012–13 season “total video streams for the NBA increased by 169 percent” from the last season, climbing from “1.2 billion to 3.2 billion.”<sup>16</sup> Clearly, China’s interest in basketball, while initially bolstered by Yao’s inspiring image, continues to carry on his legacy in the wake of his retirement.

Yao, in turn, remains deeply involved in basketball, pledging to “continue to push sports development forward” in China.<sup>15</sup> He has more than kept to his word. Since retirement, Yao has collaborated with NBA China to “continue to build upon the incredible influence” left by his legacy. Together, NBA China and Yao are initiating “several development programs” to cultivate the future players of China and foster greater nationalization of basketball.<sup>16</sup>

## Jeremy Lin

Another explanation for China’s continued devotion to basketball could be the Houston Rocket’s acquisition of Taiwanese-American player Jeremy Lin in the 2013 season. Lin’s heritage, combined with the success of his first two career seasons, “has helped fuel post-season NBA interest in China and Taiwan.”<sup>17</sup>

In his first and second season, Lin’s teams (previously the Knicks, currently the Rockets) made the playoffs with his assistance. This significantly boosted Chinese coverage of the NBA playoffs: not only is every game shown live, with “six games being shown nationally per week on CCTV5 during the first and second rounds,” but China has gone even further: they created a “two-hour weekly NBA show” specifically to “enhance” the playoff experience for Chinese fans.<sup>16</sup>

However, Lin’s greatest assistance to the Chinese market may come in the form of merchandise. The NBA attributes the rapid gains made in merchandising areas in Taiwan and China to Lin’s Taiwanese background (Lin’s parents are Taiwanese). Taiwan citizens now “feel a connection to him, leading them to purchase a greater amount of NBA merchandise.”<sup>16</sup> It must be a strong connection indeed, if sales have anything to say about it: In the last five years, particularly the two since Lin has joined the league, the NBA “has seen a triple-digit increase in its Chinese merchandise revenues.”<sup>16</sup>

## Conclusion

A 2010 *Financial Times* piece on globalization in sports listed some key points to a successful sports export strategy:

- Team sports are preferable — there are more individuals to promote, and a greater sense of tribal identification for fans.
- Low-maintenance sports help, particularly if participation is key.

- Sports with complex rules will struggle to win acceptance.
- Any sport whose matches take longer than three hours might as well not bother. Cricket learnt this and invented Twenty20.
- Test a new market with friendlies or exhibitions but expect to get demands for the real thing.
- Television coverage is everything.

Does this explain why, for example, the NBA has succeed in China whereas American Football has largely failed in Europe?

### Endnotes

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