



What are the socio-economic impacts of the NBA?

Vedanth Sharma

Student

Step by Step School

Abstract

The National Basketball Association (NBA) is recognised as the national governing body for basketball in the United States by the FIBA (International Basketball Federation) and is among the top four professional sports leagues globally in terms of income. As with any sporting association or tournament, even the NBA has a large influence on many stakeholders - from both an economic and social perspective. This research paper focuses on using analytical and evaluative skills to assess the socio-economic impacts of the NBA on stakeholders including the individual league teams, players, other association employees and the community. With regard to the economic impact, this paper discusses the several outflows and inflows of the association, whereas, from a social perspective, the paper discusses the manner in which the NBA gives back to its community.

Introduction

Have you ever dreamed of becoming a professional basketball player and playing in the NBA? The National Basketball Association, or NBA, is a professional basketball league, popular all over the world, especially in Canada and the US (NBA, 2019). The history of the NBA is complex. In 1946, BAA (now known as NBA) was discovered in New York. In 1949, there was a merger of the National Basketball League (NBL), founded in 1937 and the Basketball Association of America (BAA) after a three-year rivalry among them. This merger led to a historical feat i.e., the formation of the NBA (Shoals, 2019). Now, each NBA season is conducted with a total of 30 teams including modern superstars such as Stephen Curry, LeBron James and Kevin Durant. 2022/23 is the 77th NBA season since it was formed.

The success of the NBA today was greatly facilitated by decisions made post the founding of the association. For example, in the 1980s, the NBA was tormented by money-losing franchises due to some negative factors such as low attendance in matches, declining television ratings and limited national appeal. David Stern, an NBA commissioner lifted the NBA franchise and introduced different marketing techniques showcasing the 1980 legends like Magic Johnson, Larry Bird, Michael Jordan and Kareem Abdul Jabbar (Zillgitt, 2013). These techniques consisted of limits on

player salaries, broadcasting NBA matches live on cable televisions and betterment of All-Star Games.

All things considered, the NBA, just like most other sporting championships, also has a great socio-economic impact on a variety of stakeholders involved - including the likes of the teams, the players, the other association employees etc. On the economic front, the association has several inflows and outflows whilst, on the social front, the association has many initiatives to give back to the community and beyond. On the basis of the aforementioned, this research answers the question “*What are the socio-economic impacts of the NBA?*”

This paper presents arguments regarding the impact and significance of the NBA on both society and the economy.

What is the NBA?

The first-ever NBA match was played between Toronto Huskies and New York Knicks at Maple Leaf Gardens in Toronto, Canada. This historic feat took place on November 1st, 1946, wherein the New York Knicks won 68-66 as Ossie Schectman scored the first basket in the history of the sport (Britannica, 2022).

The NBA is recognised as the national governing body for basketball in the United States by the FIBA (International Basketball Federation). NBA Entertainment and NBA TV studios are managed out of offices in Secaucus, New Jersey, while the league's many overseas offices and individual franchise offices are managed out of the league's headquarters in Midtown Manhattan. After the National Football League (NFL) and Major League Baseball (MLB) in North America, the NBA is among the top four professional sports leagues globally in terms of income. The most NBA championships are won by the Boston Celtics and Los Angeles Lakers as both are tied at 17 titles.

Since 1967, a new rule has been made of 82 games played per NBA season. This means each team will play 41 home matches and 41 away matches. In totality, all 30 teams will play 1230 matches altogether in one single season. These 30 teams are divided into two conferences: The Eastern Conference consisting of the Atlantic Division, Central Division and Southeast Division and the Western Conference consisting of the Southwest Division, Northwest Division and Pacific Division. Regarding the playoffs, the top 8 teams of the Eastern Conference will compete with the top 8 teams of the Western Conference. A best-of-seven series will be played in the knockout stages between each team.

Every year around September, after an NBA season is over, players along with their coaching staff train for the next season. During this time, the coaching staff scout for young prospects with potential and analyse their strengths and weaknesses before finalizing the squad for the next season. The eligible age to play in NBA is the age of 19 if you are accepted in an NBA draft or else US citizens with an experience of a minimum of 4 years and international players starting from the age of 22 and above are legally allowed to play the NBA (Britannica, 2018). Each team has the right to assign players with less than two years of experience. After this process, exhibition matches are held for the practice of each team. These exhibition matches are usually held in non- NBA cities and the new season finally begins in mid-October (Mathewson, 2019)

Every season, an NBA All-Star game is held in February, when all the season matches are stopped. Fans from all over the world get a chance to vote for their top players from each conference who are named captains. Fans also determine the rest of the All-Star starters. Coaches are also given a chance to decide on the remaining 14 All-Stars. After these players are finalized, the top vote- getters in each conference choose their own team from the All-Star starters. The top vote-getter in the league gets to decide his first pick and so on. The best player from the infamous All-Star match is awarded the Game MVP award. During the All-Star break, there is a Rookie Challenge also held where young prospects of the United States play a 5-on-5 match with the young talents of the rest of the world. The Skills Challenge also took place during this period of time where the contestants do an obstacle course

which consists of key basketball skills including passing, shooting, running etc. Additionally, the Three-point contest and the Dunk Contest also happen wherein the dunking abilities and shooting skills of NBA players are tested. The player with the most three-pointers converted wins the Three-point contest. The player with the most skilful and stylish dunk will be crowned the champion of the Dunk Contest

The economics of the NBA

The NBA has made an attempt to spread its fame worldwide. Internationally, it is viewed in 215 countries and territories and in 47 different languages providing a more connected, comprehensive and immersive experience of the game. This has made basketball one of the most popular sports in the world, increasing the viewership and revenue of the teams. This revenue earned by the NBA and its subsidiary is known as Basketball Related Income (BRI). It has been reported that every team in the league is worth more than \$1.3 billion, generating a high amount of revenue from their respective location (Parekh, 2021). Teams generate their revenues by selling tickets, selling merchandise, and providing streaming rights to local radio stations. Teams can also earn additional revenue by placing advertisements around the arena. The star players also make money off the court and are sometimes paid bonus contracts which are motivating for them (Parekh, 2021).

Over the past year, TV viewership has decreased due to many streaming platforms. Besides, live sports have still been the trend, enjoyed by all ages worldwide. The NBA has tried to increase their viewership and fame through these streaming platforms by telecasting the daily matches live. Additionally, they have formed deals with many famous live-streaming companies such as ESPN and are earning billions every year. Ticket sales have massively contributed to the revenue of the NBA. This is an important way through which teams make money. Ticket prices have been raised over the past year to around \$500. With an average attendance of approximately 20000 people (Nath, 2020), the NBA makes \$1.2 per NBA game through ticket sales (Bulls, 2020). Furthermore, attendance increases during a derby match - for instance, a match between the Los Angeles Lakers and Boston Celtics - representing even more of an inflow.

Moreover, the NBA has made agreements and is sponsored by various famous brands such as Adidas and Nike. Jerseys of every team have the logo of their sponsorship. The basketball shoes used for playing are also bought from the brands that are sponsoring the team. In order to promote the companies, sponsors are located on screens all around the basketball arena. Approximately \$860 million in revenue is received from the sponsors. Additionally, international growth is another factor that affects the revenue of the NBA. The NBA looks into the international market to promote merchandise sales and broadcasts, thus increasing revenue. On the whole, the NBA has had a rapid increase in popularity as well as revenue, making the organization very valuable worldwide.

On the other hand, the NBA spends their money in various ways. Each NBA team spends between \$3.3 million and \$3.5 million for charter aviation during the season. Teams may put League costs between \$3 million and \$5 million. Every season each player receives around \$101 million as their salary, which keeps on increasing gradually every year. Business operating costs include executive salaries, rent, insurance and debt. Non-staff people including the NBA players are paid for costs such as facilities, hotels, aviation, food and beverages. Luxury taxes are received by each team which are divided among the players. Gradually, the rate of these luxury taxes is increasing every year. Apart from this, the costs are also distributed to the staff of the team including salaries of coaches, basketball operations staff, medical staff etc. (Wertheim, 2018).

Regardless of the individual revenue made by teams, it is worth noting that The NBA makes sure that each team contributes an equal amount of revenue which is distributed equally amongst all 30 teams, ensuring that each team has enough resources and money to be able to control and operate their team. This can benefit the weak teams as they can now make profits with the money they have received from the revenue pool.

The social impact of the NBA

Other than the economic impact the NBA has on several different stakeholders, the association also has an array of social impacts. These social impacts are greatly facilitated by the sheer popularity of the NBA, the distribution of its product, the great extent of online engagement and the ability of players to use their platforms to speak up for what they believe in (Kawashiri, 2020).

At the base level, being engaged in basketball as a game has several benefits for individuals. These benefits can be both physical and mental including the development of fundamental movement skills, improvements in balance and coordination, development of self-confidence and lowered stress levels (Cronkleton, 2020). By being present on such a large scale, it can be said that the NBA has a great influence on people all over the world, particularly with regard to getting involved in the game of basketball. When individuals start to benefit from the game, a wider impact may also be felt within society as a result of a healthier and happier community. Furthermore, the sense of community and teamwork is fostered even more when people engage in the sport together.

However, to ensure that they are making the most of their platform, the NBA started an initiative known as NBA Cares in 2015. NBA cares is a global social responsibility programme that “leads the league’s involvement in addressing important social issues by working with internationally recognized youth-serving organizations that support education, youth and family development, and health-related causes”. As per the official website, NBA cares focuses on designing and executing programs and events that “support communities around the world by inspiring play and teaching basketball’s values to more than 15 million youth, providing an additional 3 million hours of hands-on service to others, and leaving a lasting legacy in communities by building 1,000 more safe places to live, learn or play by 2025”. Moreover, the NBA Cares Employee Volunteer Program is put in place to encourage employees of the association to get involved and give back to their local communities in whatever ways possible. Monthly league-wide community initiatives are organized, and these give opportunities to all employees to volunteer. Even the NBA Cares Mentor Program is established with the aim of providing NBA employees with the opportunity to create meaningful mentoring relationships through monthly educational and recreational activities with local students in partnership with a local New York City middle school (The NBA, 2017).

All the initiatives taken by the NBA and NBA Cares are greatly reflective of the mission and values of the NBA which are based around leading with integrity aka doing the right thing in all areas of sports, culture and society, creating community by acknowledging that basketball is for all and that diversity should be celebrated and innovating with intention (The NBA, 2016).

The future of the NBA

Even though the NBA's revenue has been rising every year, the rating and views of the last few months of the season have declined (Parekh, 2021). Like most of the world, even the NBA was greatly impacted by COVID-19. However, there were many strategic steps the association took in order to minimize the impacts on the games and other stakeholders.

One example of how the NBA controlled their environment and coped with the crisis was by introducing the NBA Bubble, an enclosed basketball arena where the remaining 8 games and playoffs of the 2019/20 season were

held. This was made for social distancing and to secure the players from the deadly virus. For maintaining social distance, there were 22 total teams, and each team was not allowed to have more than 37 members. Additionally, there were no supporters and fans allowed in the stadium due to the lockdown, therefore, broadcasting the matches live on television. A few famous teams such as Golden State Warriors and Chicago Bulls opted out of the tournament due to their personal reason of not risking their players as Covid was spreading. The NBA Bubble was held in Disneyland, Orlando, near the Walt Disney resort (Haislop, 2020).

Furthermore, another big development was the introduction of NBA Top Shot - a type of NFT and trading platform. It was formed through the partnership between the NBA, the NBA Players Association, and Dapper Labs and introduced in 2020, a few months after the Covid pandemic had struck the world. Top Shot is like trading card games for e.g., Top trumps, but it is played virtually. It includes designs of special highlights and moments from the NBA. Players can buy, sell, trade, and collect different NFTs and cards. These cards also include moments which depend on the levels of rarity - common, fandom, rare and legendary. Common NFT Moments are regular cards which are easy to pack and are found in large quantities - more than 95% of the NFT Moments collection are these common cards (Thomas and Exmundo, 2021). They are sold worldwide and in huge numbers. Even though they are cheap as compared to the other rarities, due to their availability and amount, a lot of financial gains can be made. Fandom comes next in the rarity of Top Shot cards. These are a bit tough to pack but not extremely difficult. These moments include some special events which were important in the NBA. Next in the level of rarity are rare NFT moments. They are only 2% of all the NFT Moments collection, making them extremely tough to pack and very expensive to buy. These usually showcase the iconic and memorable plays in NBA history. Topping the level of rarity are the legendary NFT Moments which are very rare and difficult to obtain, making them only 0.11 % out of the entire collection of Top Shots. These include iconic and legendary players and their greatest moments and skills. It has been two years since launch and the future of Top Shot is looking great despite it dipping a bit in value. It reached its peak in 2020 and early 2021 during lockdown but is still continuing to shine due to the increase in interest in NFTs worldwide (Thomas and Exmundo, 2021).

Conclusion

The NBA is a large organization and one which has increased its global dominance in the last few years, making it greatly influential. Whilst the association has a deep-rooted history, its success can be mainly pointed towards the organisational changes which were facilitated during the 1980s by the likes of David Stern. Today, this success has translated into the association having a great number of socio-economic impacts on several stakeholders.

In terms of the economics of the association, it is clear that there are both several inflows and outflows of money. The association makes its revenue through a variety of channels including broadcasting rights, merchandise and sponsorships. By leveraging the growth of online broadcasting platforms and taking action to make strong deals, the NBA has been able to further strengthen its position both nationally and internationally. On the other hand, the association also incurs a lot of costs associated with salaries, operational expenditures etc. Overall, the manner in which the revenue earned by the association is distributed amongst the teams is incredibly beneficial as it ensures that the weaker teams have a sufficient amount of capital to cover their costs whilst also being able to better their game for the coming seasons. From the perspective of the social impact of the association, it is evident that it invests greatly in giving back to society. NBA Cares started in 2015, for instance, focuses on making basketball more accessible and supporting the community in any way possible - all in line with the overarching values of the NBA.

Overall, the socio-economic impacts of the NBA are varied but majorly beneficial in favour of the stakeholders. The future of the NBA is most definitely going to be interesting and one to look out for within the current socio-economic climate.

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