

SWOT Analysis on The NBA And Its Globalization Possibilities

Yu Ning Kao

Shanghai Highschool International Division SHSID Shanghai, China

161849060@masu.edu.cn

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Abstract: This paper focuses on a building a SWOT analysis model for the current NBA and, from there, reaching a conclusion with the help of previous articles on related topics and extended research. Discovering and discussing the previous actions the NBA has taken in infiltrating the Chinese market, in particular, and future possibilities.

1. Introduction

The NBA is the perhaps the most prestigious and well-known sports association in the world. But it wasn't always like that, after its creation on August 3rd, 1949 with the merger of National Basketball League and Basketball Association of America the NBA was long plagued by low attendances, declining television ratings and limited support. It wasn't until 1984 under the leadership of NBA commissioner David Stern who made the NBA more than a basketball league. Pushing broadcast rights, lavish events such as the All-Star Game, and stressing the economic importance to the NBA, David Stern successfully transformed the NBA to an international entertainment company. As the NBA continued to develop the league changed, many rules and traditions were added as star players appeared and retired. The current NBA now consist 30 teams divided into two conferences, each season the 30 teams compete in their respective conference for the top 8 place in each. Then at the end of the season the top 8 teams from each conference play in a tournament where at the very end, the remaining team from each conference play first to 4 wins in the final championships. There is other event out of the regular season such as their summer leagues or all-star weekends however the regular season remains to be the most popular and the highest valued.

Aside from the huge economic and social impact the NBA brings in its domination of the industry what truly differs it from other sports association is its deep entanglement into the American culture making such an association practically irreplaceable. However, while this commonly thought as one of the NBA's greatest strengths it can be also thought of as the root one of the NBA's weaknesses. The NBA has unquestionably long been the dominant basketball association in the US; however, the NBA never really took a complete move into any foreign market. They've already established a public figure and name in countries such as and especially China. This paper will be set out to explore the strength and weaknesses of the NBA using the S.W.O.T method and analysis the success and unsuccessful points of the NBA's development into the Chinese market, of an immense sum of 1.3 billion potential customers, through the lens of previous papers on said topic.

A paper titled "The development of NBA in China: a globalization perspective" by Liangjun Zhou, Jerred Junqi Wang, Xiaoying Chen, Chundong Lei, James J. Zhang, and Xiao Meng set out to investigate the "Development of National Basketball Association in the Chinese market" [2]. The researchers categorized the past development in to the Chinese market from 1979 till today in to 4 stages- "initial", "rapid development", "golden years", and "steady development". The "initial stage" is thought to be started with the game between the Washington Bullet and the BA YI Rockets. This stage continued along as David Stern took the seat as the NBA commissioner and began his efforts to promote globalization as the NBA, for the first time ever, broadcasted their game on the government-controlled China Central Television. The "Initial stage is thought to end with the first ever overseas headquarters being founded in Hong Kong allowing the NBA to officially make its mark in Asia.

As the 1990s came around the corner the “rapid development stage” tagged along. I believe such a name is given to the period by the authors because of the NBA’s rapid attempts, and successes, to advance into the CCTV. By 1996 the CCTV began to broadcast the NBA’s event and games regularly as the popularity of the sport continued to rise in China. Yet it wasn’t until 1998, where the NBA really stood its ground as a franchise in the Chinese market, that the NBA started to ask for copyright fees for the live broadcasting. Visits from NBA super stars such as Kobe Bryant also really boosted the popularity of the NBA in China.

2. Method

2.1 S.W.O.T. Analysis

The S.W.O.T. analysis is an analysis method first invented by Albert Humphrey at the Stanford Research Institute in hopes of finding a way to conduct long term planning that was executable and reasonable [1]. Albert and his team created the SWOT model as a result of their research and it has been popular ever since.

A SWOT analysis is basically a way of analysis that breaks the organization, or whatever subject of analysis, to its very core tackling it from 4 perspectives- strength, weakness, opportunities, and threats. In doing so the analyzer can critically examine their current circumstance and find out which obstacles must be overcome or minimized.

What truly differs the SWOT model with other models of analysis is its ability to analyze from multiple perspectives but somehow also kept its simplicity at the same time. The model allows depicts both the positive and negative of the internal and external sides of the analyzed subject respectively in just 4 major views. The strength part shows the internally positive parts while the opportunities show the external positivities. And the weakness aspect reveals the internal weaknesses and the threats shows the external weaknesses.

3. Results and discussion

3.1 Strengths

(1) Dominance Over Resources

One of the biggest reasons the NBA is so widely celebrated is because of the high-quality rookie inflow they get each year. Due to its popularity and high economic value the NBA is “the tier league” for any basketball players. Therefore, the NBA is able to get its hands on players such as Zion Williamson, Jalen Green, and LaMelo Ball who’ve already long been the center of attention during their high school and college years. This inflow of top-notch players not only grants the league’s popularity but it also keeps up the competitiveness of the game itself. As gen-z players such as LeBron James or Dwight Howard who’d been dominating the league for years already starts to take their first steps toward retirement these flows of new blood guarantee someone to step up and take their place.

(2) A Long Legacy

Another great strength of the NBA is their 72-year legacy from 1949 to today. Time with the help of basketball legends like Michael Jordan or Abdul-Jabbar has made the NBA more than a game, a competition. They have intertwined the NBA in a way where it’s deeply rooted in to American culture, making it very hard for the association to fail or lose popularity all the sudden since its elements can be seen in numerous places around the country and out.

(3) Marketing Abilities and Benefits to the Cities

Although the NBA is a basketball association, but at its very core it is still a for profit organization and in fact, they make a lot of money. Taking a look at statistics of the NBA’s most profitable event in year, the NBA all-star weekend, it could be seen that the NBA is able to earn up to 94million dollars solely based off of the tickets, however this number isn’t even close to the total amount of revenue generated by the event. Whereas a majority of revenue the event is able to make is based off the city.

Before Los Angeles hosted the 2011 All-Star Game, economic experts predicted that the weekend would bring in \$85 million for the City of Los Angeles. However, when the game really did come around, they were able to earn more than \$100 million more than the usual GDP of the city from the all-star game. Even more, if you add on the economic impact the event brought afterwards the total accounts for more than \$400 million. The direct income of all Stars comes from tourists and residents' spending, including accommodation, transportation, food, entertainment, and shopping, with tourism accounting for about 70 percent of the total revenue. During the 2011 All-Star Game, the NBA signed more than 20,000 room agreements with hotels in Los Angeles to accommodate staff, guests, and business partners. Los Angeles business, represented by large hotels, sees all-stars not just for immediate gain, but for the long term. All-star is a media event. Take the 2017 New Orleans All-Star, for example, 345 international media came to New Orleans to participate in all-star coverage. The game was broadcast to 215 countries and regions in 49 languages, which indirectly promoted the city and brought potential business opportunities. These perks of holding the game are what really boosts the NBA's name and generate revenue for the league. As the holding rights for the game has to be bought at prices as high as tenth of millions [10].

3.2 Weaknesses

(1) Missing strength in expanding campaign

Although the NBA is a very powerful and influential association it is still imperfect. There are still various weaknesses in their marketing strategy and overall formation upon which they can improve on. The most obvious one would be the various open markets they missed out side of the US. The NBA currently has only one of their thirty teams, Toronto Raptors based outside of the us. In doing so, the NBA misses a lot of untapped opportunities in foreign countries in Asia, Australia, or Europe. The NBA has already developed in the US long enough for them to start making a play on foreign markets. With their popularity already widespread around the globe, such a proposal wouldn't be one that'd be too difficult to carry out.

(2) Ticket Price

One of the greatest weaknesses of the NBA is their ticket pricing. An average seasonal NBA game ticket is priced around \$400-500 for most teams, a 200% increase over the past decade [4]. While it is possible for you to get a ticket at less than \$100, however, it can guarantee that you'd be getting exactly what you paid for, an awful seating. The four to five hundred dollars pricing for a ticket just for an average seasonal game lies beyond the expenses for most people. And if what most people are able to afford is a shitty experience, it is easy to start losing your fan base. As retired NBA player John Salley complained "We used to be playing in front of auto-workers. Now we play in front of auto executives." Although the higher ticket price brings in a higher revenue for the NBA teams, that revenue is gained at a cost of a much lower in-person attendance from their fans.

(3) Brand Loyalty Inside the NBA

Even though the NBA has a huge fan base in the US, the way the league is formatted makes it really easy to lose their fans. In the NBA today team loyalty is largely overlooked where the players constantly move from team to team. LeBron James is now already on his fourth team; James Harden is now on his third team and so are many other popular players. As these stars bounce around, the fan loyalty for each individual team is disrupted resulting less views and less attendance at games. In comparison with the TV viewership in 2012 the viewership today is lower by 45% [8]. The fans are no longer able to think of players from less popular teams such as the Orlando Magic or the Sacramento Kings. This issue has been increasing more and more in recent years as players switch teams more often. All in all, the way the player constantly switched teams really take a heavy blow to the NBA fan base.

3.3 Opportunities

(1) Ability to Enter the Global Market

The greatest opportunity for the NBA to grasp at the moment is their opportunity to enter the global market. As previously mentioned, there are a lot of untapped opportunities in foreign countries for the NBA. Their smartest move at the moment would be to start expanding in to the Asia and Europe markets as these two are the top two areas outside of the US the NBA a currently has a large fan base on. The NBA has already long been broadcasting their games to China dating all the way back to the 1980's with the games receiving an average viewership of 558,100 and even higher during Yao-Ming's career. The CBA in China could also potentially be a partner for the NBA to grow its popularity and influence in China. In fact, European and Chinese expansion of the NBA has already long been a possibility to the league since 2015 [5]. The league even went to the length of scouting out possible stadiums in China such as the Mercedes Benz Stadium in Shanghai which was proposed to be the first stadium to be step up if the expansion ever happen [3].

However, expansion might take some time, another way for the NBA to grasp these untapped foreign markets would be to draft more Chinese and European players. With the previous success of Yao Ming and Luka Doncic along with the promising foreign stars in high school and the G-league such as Fanbo Zeng. Including/Giving more foreign players a chance at the NBA to attract more audiences outside of the US doesn't seem as that much of a reach for the NBA.

3.4 Threats

(1) Fight over General Sport Resources

Although the NBA is the most dominant league in the fields of basketball, it doesn't necessary mean that it is the most dominant in all sport leagues. The NFL, National Football League, the MLB, Major League Baseball, and the NHL, National Hockey League, are all furious competitors with the NBA in the US. Although the NBA remains to be the real money machine among the four the NFL exceeds the NBA in popularity and success in general. These four leagues are all big names which stands in an equilibrium enough to not be able to topple each other. However, they are still able to take jabs, stealing each other's players, fans, and potential revenue. Although being different sports, fundamentally, they still function upon the same bases.

(2) Economic Crisis

Another threat the NBA faces is potential economic crisis or fluctuating currency value. The NBA lies in the entertainment industry, and entertainment is only called for when people have the ability to pay for these extra expenses. If the US goes in to an economic crisis or a long enough recession, the cost of maintaining the league on no revenue could lose the NBA billions of dollars if not a total shut down. An example to this could be seen in the NBA all-star viewership decrease in the 2008 financial crisis and the recent pandemic. A viewership of 5.94 and 6.334 million according to sportsmediawatch.com make up the two lowest views for the event since the 1980's [6]. From statistics like these we can see nothing hits the NBA harder than an economic recession. And if the NBA ever were to die off, it'd be because of a total economic recession.

4. Conclusion

The period from 2002 to 2010 was marked as the "Golden years" by Zhou's group as the drafting of Yao Ming brought an abrupt explosion of attention towards the NBA in China and carried along massive amount of wealth. Seeing the market potential in China, the NBA further the use of Yao Ming as a bridge between the two nations. Out of all, the two preseason games held in Shanghai showed great promise in the Chinese market as the ticket sold out months before the event and the great passion from the Chinese investor towards these two games.

The "steady development" stage started as Yao Ming took his retirement on July 2011. However soon in 2012 the appearance of the American of Taiwanese descentance Jeremy Lin with the wave of Linsanity he brought along long reignited the flames in the hearts of previous Yao Ming fans with his Asian identity. His appearance furthered the relation of the NBA and China. In recent years, the

popularity of the NBA continued to rise as more and more of the Chinese media and public turned their sight towards this basketball powerhouse. The NBA initiated collaboration with internet giants Sina and Tencent of China securing their grounds in China even further [9]. Through the lens of “The development of NBA in China: a globalization perspective” there was many factors I believed that the NBA excel in on its development into the Chinese market. Starting with the initial stage where the NBA first started broadcasting on CCTV. David Stern is a genius, more than on this, as he asked for collaboration and broadcast rights without charge. This not only guaranteed them a chance to step into the Chinese market but also made sure of its success. Although not raking profit off the first few years of broadcasting might’ve seem liked a dumb idea upon first glance it minimized the potential lost the NBA might’ve faced. Since if they were to take on profit from the very start, they would have to invest in to the Chinese market from the very start to make sure they’re worth what their taking. And under the assumption if the Chinese market doesn’t accept them all of their investment would be for nothing and could cause for huge economic and market lose for the NBA. David Stern played the cards in to a win-win situation.

Another thing the NBA did well was Yao Ming. Yao Ming to the NBA is more than a bridge that connect the two nations, Yao Ming act as the buoy showing the NBA that the market in China is ready for their further advances. The NBA was also able to gain huge profits from the popularity of Yao Ming and demonstrated the possibility of a Chinese player in the NBA making the NBA dream more than a dream amongst Americans.

While the NBA had its successes in the stages, they made their share of mistakes. The largest of all is that the NBA should’ve kept advancing in the “steady development” stage. The market was more than ready for rash moves from the NBA in conquering the Chinese market from the signs seen in the previous stages. The NBA focused overly on the media side, probably much because of technological development, and gave up a lot of potential literal actions that could’ve been made. Although many believe that the NBA would be unable to advance their league in China as multiple higher ups of the Chinese Basketball Association believe that setting up a league is “American thinking” and simply won’t work in China [7]. However, I believe this is largely because the NBA have been purely focusing and reaching their audience thru broadcasting and small scaled events. If the NBA were to carry a more dominant thinking in conquering the Chinese market and given time to look in to the Chinese culture/legal system the idea of an NBA league here in China wouldn’t be out of the topic

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