

## A CASE STUDY ON GLOBAL BUSINESS OF SPORTS LEAGUE

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### ARTICLE INFO

### ABSTRACT

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Huge investments have been carried out in sports teams and professional sports leagues all over the world. There are different sports that are popular in different parts of the world. In the United States, its American Football, in Europe and UK it is Football (soccer); in the Indian sub-continent and Australia it is Cricket that attracts the largest crowd. Research analyses this business of investments in sports leagues around the world. The paper looks at the potential interest in investing in clubs and team franchises of sports league. The aim of this paper was to find out the attractiveness and risks, economically and financially, involved in the Global business of sports leagues and the Involvement of business in the field of sports and critically analyzing different business models used in the field of sports leagues for conducting business globally. Research utilized the primary data through questionnaires, case studies and secondary data through government agencies like census bureau, information compiled for sale by commercial vendors, data published by universities, government, equity research, reports, trade association newsletter, etc. The research concluded sports have always been a unique game of business for players and investing organizations. However the research recommended the franchise business model used for the business is appropriate model for conducting business in the field of sports leagues.

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**KEYWORDS:**

sports; business; leagues; popular.

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## **INTRODUCTION**

According to Schaaf (2004), the sports industry in 2001 was worth about \$194 billion leaving behind the electronics and food industry and one of the significant factors was considered to be commercialization. In the last three decades sport has shown a considerable amount of improvement and has moved on from just being played and managed by group of amateurs to a giant money making industry run by professionals. Moreover, sports has now become more business driven and market oriented with consumers. Experiences management teams are hired to build goals and targets using new and improved strategies to exploit the growing sport industry. The transformation of sports into professionalism has given rise to new era of strategies which are used to exploit the consumer and maximize profit. Modern sport has become an industry where players are paid higher than film and entertainment personalities and use of company logos for commercialization. The modern sport society has been equipped with technology, government, management, media and different perceptions on gender in sport all carving the way to professionalization in modern sport. Sport was played locally but there was no organized commercial industry (Slack, 2005).

The ownership of sports franchises has transformed tremendously. Eighty years ago, owners of the baseball teams often had reputation of being “penny-ante” player’s just one step to the right side of the law (Fetter, 2003). Today, some of the largest companies and wealthiest individuals also own franchises. The traditional competitive structure is absent in professional sports leagues and amateur organizations. Firstly, the competition is limited and secondly every organization restricts free and open competition. In such professional competitions the leagues limit the number of competitors by providing exclusives franchises in various markets. Sports leagues manage which teams may participate, where they can compete, the number of players on a team and the sharing of the revenues.

## **1) AIMS AND OBJECTIVES**

The research aims to explore the attractiveness and risks, economically and financially, involved in the Global business of sports leagues and this study attempts to achieve the following objectives:

- Involvement of business in the field of sports
- Critically analyzing different business models used in the field of sports leagues for conducting business globally
- Calculating the economic implications of having multiple leagues
- Exploring the attractiveness and risks involved in business and carrying out recommendations appropriately.

## **REVIEW OF LITERATURE**

The history of sports is undoubtedly richer than any other form of human activity. Sport has widely developed across the world as an occasion, ceremony, a physical pursuit, a leisure activity and now developing as a business (Chadwick, 2009). The sport industry offers a huge potential for revenue generation on a global scale for all parties involved. Television and media exposure, audience at live matches and sale of branded merchandise across international markets has confirmed that sports, teams and moreover players have worldwide appeal and incremental consumer base. Realization of this global appeal for sports, companies have been keen to capitalize on this and have been paying millions of dollars to be associated with these league teams and players in order to reach target audiences. In association with this successful teams or athletes or being recognized as sponsors of popular sports leads to organizations gaining positive brand equity with league teams or players involved in such relationships also benefiting from this brand image. Moreover, this can prove very lucrative for potential sponsors and can also open different paths for players to exploit especially for financial gain. There has always been argument as to why sport has become a lucrative management literature. Whannel (1992) suggests that *“like other forms of entertainment, sport offers a utopia, a world where everything is simple,*

*dramatic and exciting, and euphoria is always a possibility. Sport entertains, but can also frustrate, annoy and depress. But it is this very uncertainty that gives its unpredictable joys their characteristic intensity”* (Mason, 1999:405). Certainly it is this uncertainty and unpredictability which makes this sport an exciting opportunity for businesses around the world to take advantage of. What if these two drivers of sports are takeoff and then perceived. Definitely there have been an increasing number of reports addressing corrupt behavior by players at all levels of sport and those related with it, both on and off the field of play, in the need of financial success. It is easily understandable that players and officials undertake this type of path in the need of wealth which is not easily possible through conventional ways. But what impact this type of activities will have on the companies that have invested massive amount of dollars in sport.

In general there are two organizational forms for professional sports leagues joint ventures and single entities. Flynn and Gilbert (2001) state under joint ventures, teams are owned by business entities and come together to form a league. Whereas a single entity leagues is where teams are owned by single entity which is the league itself. Noll (2003) confirms the fact that there are two possible forms of organizational forms for leagues. He explains with regards to joint ventures *“Member teams are independently owned and managed, and collectively create the league as a joint venture for coordinating their league activities”* (Noll, 2003). However with regards to single entities *“in these leagues, teams are not independent organizations, but are operating divisions of the league”* (Noll, 2003). In the United States Major League Baseball (MLB), National Basketball Association (NBA), the National Hockey League (NHL) and the National Football League (NFL) are all managed under the joint venture organizational form. Flynn and Gilbert (2001) explain that member clubs in these leagues divide income from national media rights, licences to league name logos and other properties. The clubs also produce income through merchandising, gate receipts sponsors and trading players. The only exception is

the major league soccer (MLS) in the American professional sports industry as it is organized as a single entity ownership. The player contracts in MLB, NBA, NHL, and NFL are held by the franchises whereas in MLS they are owned by the league itself. Flynn and Gilbert (2001) also explain that the trend is moving towards establishing single entity leagues because of the several cases of antitrust controversies in NHL, NBA, and NFL. They also give examples of the Women’s National Basketball Association (WNBA), American Basketball League and the Women’s professional Soccer league to prove this trend. Noll (2003) explains that the most significant differences between the business models are the issues of resource allocation and league membership.

#### **RESEARCH METHODOLOGY AND METHODS**

The author has chosen this topic due the strong interest in sports especially cricket. Moreover the major interest in carrying out this topic is because the money involved in the recently launched Indian Premier league. In addition, spectator interest in sports has increased leading to large investments in the business of sports. Both these factors have accelerated the author’s desire to undertake this topic for research. In relation with this initial interest, several questions were formulated for research, which were then reduced to more precise one following the literature review. Two research questionnaires were designed in order to carry out the aims and objectives of the research study. First Questionnaire was distributed through Google forms and e-mail in an organization called Celtic Manor Resort, the organizations for hosting the Ryder cup golf tournament located in United.

Kingdom, in order to achieve some of the objectives of the study and second questionnaire was distributed through e-mail to different participants in India in order to determine the other objectives of study. Depending on the questionnaires and secondary sources, a case study was also carried out on economic implication of Indian premier league, Indian cricket league and English premier League in

order to determine the performance of the sports leagues. The critical analysis of carrying out research approaches and strategies have been discussed in the following topics.

**EPISTEMOLOGICAL AND ONTOLOGICAL STANCE**

Jankowicz (2000, p110) suggests that epistemology is related to do with the researchers personal theory of knowing that is researcher considers as information according to his knowledge and disregards what he does not have any idea, whereas hill and McGowan (1999, p9) explains it as the nature of the relationship between the researcher and subject(s) of the research. Hussey and Hussey (1997, p47) provides a framework consisting of accepted set of theories, methods and ways of defining data, classifying two main research philosophies namely: positivist and Phenomenological, however they are further classified as quantitative, objectivist, scientific, experimentalist and traditionalist under positivist whereas qualitative, subjectivist, humanist and interpretivist under the phenomenological category. The researcher explains that one of the most significant points about this classification is not that they provide absolute choice but rather that they fill up the two ends of a continuum (Morgan and Smircich, 1980). This researcher explains that this research study is best located towards the phenomenological paradigm.

**Research approach/ theory**

Moreover researchers using the inductive approach are more intended to carry out work with qualitative data and implement variety of methods to accumulate data in order to prove different views of phenomena. In this research study, the researcher would like adopt the modest approach which is the inductive approach. The major reason for this approach is that this research study is not testing any hypothesis, but it might build one, another reason, according to Easterby-Smith (2002) is that it is expedient that inductive approach suits this study, and this

is in correspondence with the three dimensional framework of scientific paradigms designed by Perry (1998). The difference between the two approaches can be shown in relation with the scientific paradigms, where the deductive approach acting as the positive paradigm and the inductive approach acting as the phenomenological paradigm (Easterby Smith, 1991).

<b>Deductive emphasizes</b>	<b>Inductive emphasizes</b>
Scientific principles	Determining the meaning of human attached to events
Shifting from theory to data	An in-depth understanding of the research context
Need to explain casual relationships between variables	Collection of qualitative data
Application of controls to ensure validity of data	More flexible structure to permit changes of research emphasis
Operationalization of concepts to ensure clarity of definition	Realization that the researcher is part of the research process
Highly structured approach	Less concern with the need to generalize
Researcher independence of what is being researched	
Necessity to select samples of sufficient size in order to generalize	

(Saunders et al. 2003, p83)

**1. Research strategy**

- Primary data.

There are two distinct methods of collecting primary data – passive and active.

<b>Research method</b>	<b>Pros</b>	<b>Cons</b>

<b>Qualitative tools:</b>		
Personal Focus groups	The researcher is able to manage huge sample of data	The researcher might face difficulties if the results are poor
<b>Quantitative tools:</b>		
Telephonic interviews	The researcher is able to manage exact data for the required information	The participants might sometimes face difficulties in understanding questions in a survey
• Personal interviews		
• Mail interviews		
• E-mail interviews		

(Source: Davis, 1999)(Vig, 2008)

• **Secondary data**

External data research includes information collected by government agencies like census bureau, information compiled for sale by commercial vendors, data published by universities, government, equity research, reports, trade association newsletter, etc.

Table-1

Research method	Pros	Cons
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<b>Online Tools:</b>	The researcher can manage to save considerable amount of time since data is already available	The data collected may not have been obtained for the same purpose as that of researchers collecting data
<ul style="list-style-type: none"> <li>• Internet Government websites</li> <li>• University websites</li> <li>Newspaper/Magazine websites etc</li> </ul>		
<b>Manual tools:</b>	The cost of data collection is cheaper than primary data	Accuracy of data obtained sometimes cannot be verified since researcher is not aware of the process of data collection
<ul style="list-style-type: none"> <li>Internal sources: sales reports, customer databases, press releases etc</li> <li>External sources: census bureau, Research reports, universities, government etc</li> </ul>		

(Source: Davis, 1999) (Vig, 2008)

**2) SECONDARY SOURCES**

The researcher used a lot of secondary resources for data collection such as websites, newspapers and magazine articles, published interviews from Indian Premier League (IPL), Indian Cricket League (ICL) and English Premier League (EPL) officials, published comments from cricket experts. The researcher also collected research reports on the Indian cricket market from several companies such Top broking, equity and Media research. The researcher followed interviews given by the chairman of the IPL to financial times and Cricinfo websites.

**3) TRIANGULATION**

The researcher explains the most basic information of triangulation as the union of methodologies in the study of the same phenomenon, (Denzin, 1989) and also the process of triangulation includes validating data from several perspectives to develop the in-depth understanding a particular theme and to provide verification (Atkinson and Delamont, 2005).

In this research study, the researcher implies that methodological triangulation technique will be best suitable technique for this study.

**4) POPULATION AND SAMPLE**

In order to accomplish the objective, a highly graded purposive sampling questionnaire was adopted because it should to pierce across some key levels of the organisation like management and non-management roles at all levels, so that it can be assured that every part of the population gets better representation (Pervez and Kjell, 2005). The survey was sent to 110 carefully selected participants who follow different sports leagues around the world. The survey was conducted on internet and the E-mail was sent out to the participants to answer the questionnaire

**5) PILOT STUDY**

Researcher distributed 15 questionnaires to some university students, who were available and ready to devote their time, however, when it was received back, there were some minor issues, in the choice of questions that had to be rectified, and similarly pilot study also gave researcher an overall idea of the average time needed to complete the survey.

**Validity and Reliability of Data**

The author has carried out mixed method research techniques and triangulation of data to increase the validity and reliability of the result. (Saunders et al, 2003)

**6) DATA ANALYSIS**

The result of analysis is classified under two categories depending on the questionnaires given in India and United Kingdom. Below is the summary:

- 1) *Which sports league do you follow? (Questionnaire 1 and 2)*

**UNITED KINGDOM RESPONSE SUMMARY**

	<b>Response percent</b>	<b>Response count</b>
English premier league	72%	35

Indian premier league	10%	6
National basket ball Association	4%	2
National Baseball League	4%	3
Other	10%	12

**INDIAN RESPONSE SUMMARY**

	<b>Response percent</b>	<b>Response count</b>
English premier league	10%	10
Indian premier league	80%	60
National basket ball Association	4%	2
Indian Cricket League	4%	3
Other	2%	5

- 2) *Which business model would you like to prefer while investing in sports leagues? (Questionnaire 1)*

	<b>Response percent</b>	<b>Response count</b>
Franchise model	17%	9
Single entity model	9%	4
Can't say	63%	32
Other	11%	5

- 3) *Do you think it's beneficial to invest in sports leagues? (Questionnaire 1)*

	<b>Response percent</b>	<b>Response count</b>
Yes	67%	32
No	23%	18
Can't say	10%	5



**4) Do you purchase sports leagues merchandised products?**

*(Questionnaire 1)*

	<b>Response percent</b>	<b>Response count</b>
Yes	53%	26
No	47%	20

Can't say	20%	5
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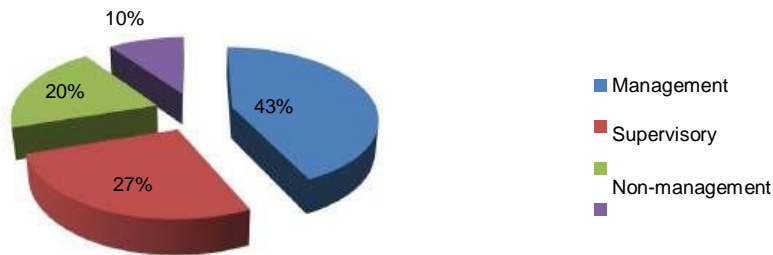
***QUANTITATIVE RESPONSES***

For this research study, questionnaire 1 was distributed among 50 employees of the organization and 46 were properly filled giving a response of 90%. According to responses received from the questionnaire it was fairly clear that maximum number of people watched sports leagues and were totally aware of the business involved in the field of sports leagues. The different number of responses to different questions was totally based on the knowledge of the participants which can be described from the pie chart below

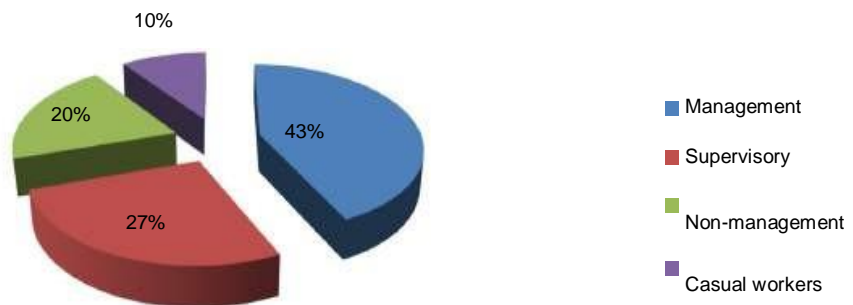
**5) Would you recommend other business to invest in sports? (Questionnaire1)**

	<b>Response percent</b>	<b>Response count</b>
Yes	47%	32
No	33%	18

**Response Percent**



**Response Percent**



The above pie chart clearly depicts that 43% of the employees correctly filling the questionnaire were from the management level, i.e. they had better knowledge of the business involved in the field of sports and type of business model that can be used, whereas 27% of the employees were aware of the sports leagues being played and merchandise products available and if its beneficial in investing in sports leagues and rest of the employees were less knowledgeable about the relationship between business and sports leagues

### CASE STUDY

This section will in detail explain the sports market scenario in India and United Kingdom, thereby providing us the analysis of data obtained through primary and secondary resources. This case study will also provide us the performance of sports leagues and helping us to support the critical analysis made in the literature review section. The case study is based on the comparison between the Indian premier league, Indian cricket league and English premier league.

#### INDIAN PREMIER LEAGUE – BACKGROUND

The booming success of the twenty20 format, the Indian national team winning the inaugural twenty20 world cup compelled the board of control for cricket in India (BCCI) to launch the Indian premier league in October 2007 in order to achieve marketing benefits of twenty20 cricket and become the largest cricket market in the world. Another reason for

The IPL launch was to counter-attack the threat from ICL which was started by Zee Telefilms. The BCCI sold the television rights of the IPL for whopping \$1016 million (Alchemy, 2008). There had been speculations in the past to introduce private leagues in India but they all went in vain due to the fact that they were efforts of a single entity models based organization. The IPL launch was unique since it provided astounding external participation into its management. The concept was to have business tycoons, celebrities and various organizations to bid for city franchises which would fight against each other in the twenty20 format (BCCI, 2007). The idea of IPL was based on the franchise model of sports management and it followed the same

footprints of National Football League (NFL) in USA. The IPL is a twenty20 cricket tournament launched by BCCI and certified by ICC. In January 2008, BCCI auctioned the eight city franchises for a total of \$723.5 million. The franchise will possess the rights for the city based teams which would expire after a period of 10 years. According to terms and conditions all the franchises are bound to play the full league season, there are low risk of marketing related with elimination of the tournament. One of the main reasons that have contributed to IPL success is the participation of the top international players (Mitra, 2008). In order to assure that they have competitive teams, all the franchises invested large amount of money to adopt the best talent possibly available around the world. The franchises spent around \$3.6 million and \$6.6 million on players. The IPL has been a success with the spectators because of the following reasons

- **Night matches-** in order to achieve the highest number of spectators for all the games, the IPL matches were scheduled to be played at night; this will give chance to the working public to watch the game. The evening time is the peak viewership time in India.
- **Short duration and entertainment:** the time duration of the matches and the entertainment (music, cheerleaders, etc) attracts a large number of audience bases since even non-cricket fans are magnetized to the league.
- **Appearance:** In order to set a high quality image to the spectators, the BCCI has introduce leading domestic and international cricketers to play in the IPL

The high spectatorship numbers multiplied by the excitement created by the IPL proves that the launching of IPL was an astonishing success.

#### 7) INDIAN CRICKET LEAGUE- BACKGROUND

The ICL's mission statement "*is to create a pool of high quality ideal cricketers with killer instinct needed to be champions. This group of players should be able to perform under the pressures of international cricket and make India a champion side*" (Indian Cricket League, 2008). Due to unsatisfactory efforts by BCCI to develop cricket at domestic level, Zee Television decided to introduce ICL. **Some of the basic reasons for launching were**



1) Highly attractive benefits to be generated by marketing a new and extraordinary format of cricket to the Indian market

2) Boggled down by its several failed attempts for television rights, zee wanted to build its own cricket ““*The roots of the ICL lie in the same issue as those of Kerry Packer's World Series Cricket: discontent over TV rights*”” (Cricinfo - ICL FAQ, 2008)

The introduction Indian cricket league can be compared to channel Nine’s launch of the World Series in Australia in the 1970’s. The Indian cricket league is a private cricket league organised and operated by zee telefilms. The ICL also attracted some international players like Brian Lara, Shane bond etc. for the league which primarily consisted of 6 teams. Currently the ICL consist of 8 teams taking part for reward money of \$1 million. As the ICL is managed and operated by a private body the BCCI (manages all cricketing activities in India) has not officially certified the league and termed it as unofficial league. Since the BCCI is in charge for all cricketing activities taking place in India, the BCCI is also responsible for the selection of the players representing the Indian National team. Therefore the BCCI possesses the powers to suspend cricketers taking part in the ICL from playing international cricket. Since India is considered to be the largest market for cricket globally, the BCCI is the most powerful and influential cricket entity in world cricket. Using its contacts and influential powers the BCCI has also be able to get support of the other international cricket boards (Australia, South Africa, Pakistan, Sri Lanka and Bangladesh) in restricting their players from International cricket if they participate for the ICL. The BCCI has also forbidden the ICL from renting state owned stadiums to conduct their league matches. Following these prohibited trade rules, the ICL has moved the BCCI to court, where the case is still pending. On the other hand, the ICL have always allowed the BCCI that it is free to carry out selection of players that participate in the ICL. Moreover, The ICL has some sympathy from some areas of the Indian Government where the railway minister giving freedom to ICL to conduct matches in any of the stadiums operated by the Indian Railways. The railway minister also stated that the BCCI and

ICL should stop their cold war and should compete in the cricket field and not in court. Both the parties should jointly carry out matches to promote cricket in the country (PTI, 2007).

## 8) ENGLISH PREMIER LEAGUE- BACKGROUND

It is considered to be the world's most viewed league and the most lucrative - attracting the top quality players from all over the world. However it makes it very difficult to believe that the first ball kicked in the Premier League was as long and old as 15th August 1992. (Premier league, 2009)

The English Premier League – now officially called (for sponsorship reasons) as the Barclays Premier League (BPL) is considered to be the topmost professional football league in England. Launched on 20 February 1992 when clubs in the football league’s First Division decided to separate out from the traditional Football League so that they can grasp the benefits of the lucrative capability of the ever-growing market – because of globalization and television broadcasting rights, the league is currently played between 20 club sides. The League conducts a process of promotion and relegation in collaboration with the English Football Association (FA). Normally seasons are scheduled from August to May where 38 games are played between each team. The Barclays Premier League has since then turned out to be the world’s most watched sporting league (Dennis, 2002) and the most lucrative with overall club revenues generated of around £1.4billion. It is also valuable to note that the league has now transformed into a corporation under its own right with 20 clubs named as shareholders. (Madichie, 2008)

Since the launch of the 1992/1993 football season, an overall of 40 teams have played in the League but, however only four of these 40 have in reality won the title – Manchester United, Blackburn Rovers, Arsenal and Chelsea –Manchester United are crowned as current champions having won the title for the tenth time (the most of any other team) in the currently concluded football season. Manchester United is located at the Old Trafford Ground in Manchester, Blackburn Rovers is located at Ewood Park, Arsenal has recently moved to its new home at the Emirates Stadium in

north London and Chelsea is located at Stamford Bridge in southwest London. (Madichie, 2008)

## 9) MARKET STRUCTURE

The following section will look at competitive structure of the sports leagues

- i. **Indian Premier League:** is based on the joint venture or franchise ownership style.

The League operated and managed by the Board of Control for Cricket in India (BCCI), conducted auctioning of the teams and sold rights to 8 franchises for a 10 year period contract. The 8 teams will compete with each other in the round robin format to claim the championship reward for the season. The IPL has set a limit on the number of teams that can take part in the league. For the first three years not more than 8 teams will be given permission to participate in the league after which the IPL can release the restriction and auction more teams to be participated in the league.

- ii. **The Indian Cricket League:** is based on the single entity ownership style. The League is owned and managed by one organisation - Zee Telefilms, a media company. As mentioned above, the league comprises of 8 teams competing in the round robin format to determine the champion. Since the league is a single entity league all the decisions regarding the league's number of teams, entry and exit of teams from the league will be carried out by the same organisation

- iii. **The English premier league-** The Premier League is the highest category of English club football. It is considered to be as not-for-profit body from which all revenues that are generated are again redistributed to its shareholders or in confirmed payments, depending with sometimes the 20 Clubs in the League acting as the Shareholders. Each Club perceives the League to work as its trade association as well as its competition organizer and regulator. The competition consists of 380 games in a season, followed by in excess of 325,000 stadium fans over each match weekend.

Large number of clubs has focussed on ownership (one or a few individual or institutions owning a large percentage of shares in a company) type of business model in English

Premier League or concentrated control (more complicated ownership structure, or one or small group of shareholders giving effective control as a result of cross-shareholdings or due to the disunited nature of the shareholder base). However, from the year 2000, more than half of the 20 clubs listed on the LSE, AIM or OFEX have due to effects of financial crisis or takeover have de-listed and gone private (Football governance Research Centre, 2005) (Kindler, 2009)

## 10) MONEY GENERATED/ INVESTED

**1. Indian Premier League -** The BCCI has been nominal and its investments have been minimal in the launch the IPL which can be seen from the article titled 'Jiminy Cricket - India's cricket board makes a cool billion dollars for doing not much' (Economist, 2008). Since the IPL only possess the rights and powers to sets the rules and operate the league, requirement of substantial investments became negligible. These requirements were transferred to franchise owners who were responsible for marketing the league, paying player wages, investing in stadiums and infrastructure. As mentioned by Lalit Modi, IPL Chairman & Commissioner, "To date we (the Indian Premier League) have made \$1.75 billion" (Modi, Indian Premier League rakes in millions from franchise sale, 2008). Research report also suggests that the IPL is already a \$2 billion property (Alchemy, 2008). Arnab Mitra of IIFL companies also stated that between organisers, broadcasters and franchises, that the IPL will generate revenue of around \$30 million a year into cricket. Taken into consideration, the Indian government had a total sports budget of \$11.3 million (Mitra, 2008). The construction of the IPL is somewhat different from the other professional sporting leagues around the world where several existing teams collaborate together and form a league. The teams have their Directors on the Board of the league. In case of IPL first the league was constructed and then the rights of the league to the franchises were auctioned. The franchises do not have any Management Directors on the IPL Board. There has been anxiety among the franchises about carrying out work with each other as they have no representation on the IPL Board. As mentioned by Lalit Modi in his interview with Cricinfo,

address this fact by stating “*There is no need for concern. We need to work with them. It's with their success we will achieve ours. It's not us against them. We are all on the same side. We will ensure we work with our partners and that's what my job is*” (Modi, IPL will revolutionise the game, 2008). The IPL is based on joint venture league style and has sold the rights to operate the teams to various franchises. Arnab Mitra of India Info line suggests that the IPL franchises will generate annual revenues from the following sources:

- Television Broadcasting and IPL Sponsorship fee - \$1.02 million
- Team Sponsors - \$38 million
- Stadium advertisement - \$19 million
- Ticket Sales - \$40 million

He further adds the annual revenue stream for the IPL:

- Central Sponsors - \$30 million
- Television Broadcasting fees - \$100 million
- Franchises fees - \$723 million

Some of the franchises would perceive IPL as the ways to promote their Brand (UB group) while other might be interested in the financial investment benefits (e.g. India Cements). However, the concept implemented is yet to unleash and revenues streams though are hard to anticipate would be enormous. The researcher believes that the three predicted successful teams could easily generate revenues of around \$66mn per year in the next three-four years and all the teams are believed to transform into profitable after two - three years. Their OPMs could range from 15-20%. Investors looking for an investment in IPL should go ahead with investing in India Cements Ltd. Researcher according to the research results, believe that the company would be EBIDTA positive in the initial year. Conservatively, it is liable to generate a turnover of \$66mn from IPL in the next three-four years. (Alchemy, 2008) According to the Television Audience Measurement (TAM) service in India, the average spectatorship for the IPL was at 6.28 TRP's (television rating point), whereas in the IPL finals ratings reaching the seasons highest of 9.8 TRP's (television rating point), which can also considered as the topmost rating ever for domestic cricket in India (TAM Media Research, 2008). This topmost rating of

viewership suggests the astounding success of the IPL. According to Researcher, “*the IPL surpassed expectations of media professionals and the ratings were 30-50% more than expected*” (Alchemy, 2008). Also the Media companies related to IPL raised their ad rates for spot sales from \$5,000 - \$6,250 for 10 seconds to \$7,500 - \$8,750 for 10 seconds. Especially, in semifinals and finals the ad rates were sold for \$17,500 - \$25,000 for 10 seconds. “*Not to mention the TRPs (TAM ratings) that we have garnered in India are quite frankly staggering. And all this because we have had some of the best cricketing entertainment provided by the best cricketers from around the world*” (Modi, Q&A, 2008).

## **2. Indian Cricket League**

Zee Telefilms (Zee) started the Indian Cricket League (ICL) in April 2007, in collaboration with Infrastructure Leasing & Finance Services (IL&FS) with a starting investment amount of \$25 million (Cricinfo - ICL FAQ, 2008). This starting investment in the ICL was shadowed when comparisons of investment by the IPL franchises were carried out, whereas Reliance Industries auctioned the rights for the Mumbai franchise at whopping \$111.9 (most costly IPL franchise). The overall revenue generated by auctioning all the eight IPL franchises was staggering \$723.5 million for the right to own a team. The researcher predicts that the revenues generated by ICL are outclassed when compared to the revenues generated by IPL since in the case of IPL, where several teams owned by different franchises, in the ICL all the competing teams are owned by one single entity. So all the costs incurred related to marketing the league, player salaries, stadium and infrastructure development are to be bear by Zee Telefilms the sole owner of the ICL. In an interview conducted by Indiantelelevision.com, Himanshu Mody, Business Head of the ICL mentions that the league has begun to concrete its position in the market as more and more tournaments are conducted. Mody also rejected to comment about financial condition, but he did mentioned different revenue sources for the ICL which consisted of filed sponsorship, associate sponsorship, ticket sales sponsors, advertising revenues and broadband revenues. However the ICL is managed and operated by Zee Tele

films, a media company, all the matches that are conducted in the ICL are broadcasted by the same media company (Zee Tele films). Thereby revenues generated from sale of broadcasting rights are not covered in revenue source for the ICL. Moreover, Mody (2008) mentions that ICL generated some television broadcasting revenues from international television contracts as it was telecasted in several overseas countries consisting UK, USA, Pakistan, Middle East, Australia and New Zealand. The researcher believes the ICL sold the global rights for just \$10mn. As Sports marketer of Percept Holdings' joint managing director Shailendra Singh, mentions *“ICL could not raise much money and hence, the quality of ‘cricketainment’ and the marketing was not up to the mark. Even the stadia where the ICL matches were played weren't well-known”*. According to

a Map, a television ratings agency, the online television ratings of the initial three matches of ICL and moreover jointly, the ratings of all the 25-odd Zee channels for the initial hour of the ICL tournament was not able to generate potential spectatorship, and average time dedicated on the channels by the viewer's being just eight minutes. Astonishingly, the initial three T-20 matches conducted on November 30 and December 1 produced peak ratings of only 0.5 TRP's on Zee Sports in spite some concrete promotions and appearances by bollywood personalities. (Financial express, 2009).

## 11) ENGLISH PREMIER LEAGUE

The league carried out a significant strategy of selling television rights to Sky TV. As stated at its official website, *“At the time charging fans to watch televised sport was a relatively new concept, but a combination of the quality of football on offer and Sky's marketing strategy saw the value of the Premier League soar”*. (Premier league, 2009) The first deal made by the league was valued £191million for five year contract. Sky and Setanta paid a whopping £1.7billion for broadcasting the matches from 2007-10. Sponsorship was another significant factor that played a tremendous role. In 1993 Carling purchased sponsorship rights for £12million for four years and the competition was termed as the FA Carling Premiership. It was later renewed

for another four years with an investment of 300% rise. In 2001 the sponsorship right were transferred to Barclaycard for £48million over three years and it was termed as 'Barclays Premier League'. Later on again, Barclays renewed in 2007 with their new renewal price for

£65.8million for three seasons. This Rise in revenues has assured that English clubs can conduct matches on a global scale in relation with transfer fees and wages - a significant factor which has attracted some of the high quality overseas players towards the Barclays Premier League. As researcher believes according to the results achieved

Researcher analyzed a few of teams and found that, (Alchemy, 2008)

- 35% revenues are from gate receipts
- 30% from media
- 25% from sponsorships

The total revenues of three of the total 20 clubs are given below: (Alchemy, 2008)

- Arsenal- £177mn
- Tottenham -£103mn
- Birmingham City -£40mn

## 12) CONDUCT AND PERFORMANCE OF LEAGUES

IPL has always been operated and managed by BCCI, which is the official body to conduct cricketing activities in India. Moreover BCCI is also an active member of the International Cricket Council (ICC), which is the international entity governing for cricket around the world. Players taking part in the ICL have been suspended by the BCCI and other international cricket boards around the world. *“The IPL is an official sanctioned Twenty20 tournament, and unlike the ICL, which is not recognized by any of the national boards or the ICC, it (IPL) will have a better status, international reach, players, and the requisite infrastructure by default. Since the IPL is sanctioned by the ICC, players don't have the danger of bringing their international/first-class careers to a halt – as is the case with the ICL - whose players have been banned by the various boards”* (Cricinfo - IPL Faq, 2008). The concern of

getting suspended has forbidden superstars like Sachin Tendulkar, Ricky Ponting, Graeme Smith and others from participating in the ICL. Before the launch of ICL, there was news that some Australian iconic players including Glenn McGrath and Shane Warne would take part in the ICL, but later on, due to fear of suspension from the Australian Cricket Board (ACB), changed their intention of joining the ICL (Cricinfo - ICL FAQ, 2008). The BCCI is also possesses the powers to prevent the ICL from using state owned stadiums and infrastructure. Suppose if BCCI is unhappy with any state association, they could suspend them from the membership of the BCCI and can also disqualify them from any financial assistance from the BCCI. This threat of getting suspended has forbidden state associations from leasing out their stadiums to the ICL. Whereas, the EPL's economic position completely relies in on the potential to determine the value of its broadcasting rights. English football economic condition seems to be in good health, with spectators increased by 60% in last 15 years in the Premier League, with spectators also increasing in the Football League and with community overall investment from the Premier League overtaking £120m per year (approximately

€156m) estimated by Deloitte. Moreover, the natural operating process of the market will produce new multi-territory licensing mechanisms if there is appropriate requirement for them. The EPL also realizes that effective changes in this section should be subject to strict examination of the evidence, and to an overall impact assessment, so as to assure that the potentials of the current system are not weakened. Any conditions which impose compulsory multi-territory licensing mechanisms will also have to bear the damage returns on investment, to decrease the incentives to produce and invest and to inhibit rather than promote innovation. (Deloitte, 2008)

### **13) CONCLUSION AND RECOMMENDATIONS**

The aim of this paper was to find out the attractiveness and risks, economically and financially, involved in the Global business of sports leagues and the objectives of this were:

- Involvement of business in the field of sports
- Critically analyzing different business models used in the field of sports leagues for conducting business globally
- Calculating the economic implications of having multiple leagues
- Exploring the attractiveness and risks involved in business and carrying out recommendations appropriately.

Interestingly, the literature review on the unique topic Global business of sports clarifies the first objective, explaining the sport industry as widely defined industry involving a number of varied segments. Concerning about the second objective, it was observed through qualitative and quantitative ways that different business models exist for conducting business in sports. However the most widely used and successful business model has been the franchise model or ownership model, though there has been some disadvantages of this such as the competitive bidding among the player may lead to major cause of league failure. Due to this major disadvantage another business model called as single entity model was also introduced and analyzed. This format was built to avoid the self-destructive nature displayed by franchises in other sports leagues (Rosner and Shropshire, 2008). In relation with the third and fourth objective explained the major part of the research literature review. The economic implications of having multiple leagues and attractiveness and risks were explained and analyzed with help for S-C-P paradigm tool. It explained that market performance of sports leagues in any market is recognized by market conduct, which in turn is based in market structure of sports leagues. It also explained using the finding and analysis section that structure, conduct and performance are interconnected through structural features against models of perfect competition, monopolistic competition, oligopoly and monopoly (Ferguson and Ferguson, 1996). To finally conclude sports has always been a unique game of business for players and investing organizations.



#### 14) RECOMMENDATIONS

In every sports venture, the competitors must cooperate for the venture to be profitable. However Profit at any cost is problematic. According to the researcher, the franchise business model used for the business is appropriate model for conducting business in the field of sports leagues. As it helps lot of business organizations to increase their ways of investing in the field of sports leagues and generate potential revenues. It also helps small firms to take in the investment directly or indirectly. The researcher would recommend that there should be only one league in the same sport market. As it provides all the stakeholders of the game, the chance to benefit from the league. However the organization investing in the teams should carry out proper research, in order to avoid investing in the teams that are just going provide losses

#### CONFLICT OF INTEREST STATEMENT

##### 1. Financial/Intangible

I declare that I didn't had any financial, non-financial interest from spouse, family members and any other persons during my research.

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