

The Evolution and Challenges of the NBA's Business Operation Model from the Perspective of SWOT Analysis

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Abstract: As one of the most commercially valuable sports leagues worldwide, the NBA's business model is not only integral to its own sustained growth but also serves as a critical benchmark for the global sports industry. Through a review of the the historical evolution of NBA's business model, this paper examines the current operation model, and highlights key revenue streams such as ticket sales, media rights and brand sponsorships, all supported by in-depth analysis. Based on the SWOT analysis framework, it evaluates the NBA's business outlook by assessing its internal strengths, such as global brand recognition and strong media and sponsorship partnerships, its weaknesses, including reliance on star players and underdeveloped markets in Asia and Europe, its external opportunities, including global market expansion and digital transformation, and its threats, such as competition from other sports leagues and the fragmentation of its fan base. The results demonstrate that while the NBA's business model has experienced considerable success, it still faces key challenges in expanding into international markets, developing emerging talent, as well as responding to competitive pressures and technological advancements. Future research should focus on strategic adjustments to sustain its dominant market position.

Keywords: NBA, Business Model, SWOT Analysis, Digital Transformation, Globalization Strategy.

1. Introduction

The NBA, one of the most influential professional basketball leagues in the world, has promoted its own sustainable development with its unique business model, providing valuable experience for the commercialization of the global sports industry. The expansion of the sports market and the rapid development of technology have prompted the sports industry, which has traditionally followed a conventional model, so as to enhance its innovative attributes [1]. In the past, the NBA faced many challenges, including financial resources, a decline in viewership, and a lack of market recognition [2]. However, since the 1980s, especially during David Stern's presidency, the league has adopted a series of aggressive marketing strategies, such as the promotion of basketball stars, the introduction of the All-Star Game and the establishment of broadcasting rights, which have markedly improved the NBA's business environment and laid the foundation for its success today. At present, the NBA's business model has gradually transformed from a revenue model based on a single event to one that is diversified, including sources of revenue such as ticket sales, media rights, brand sponsorships, and global market development. The study adopts SWOT analysis to analyze the NBA's business model

in depth, which aims to reveal the NBA's strengths, weaknesses, opportunities and threats in today's market environment, and provide a theoretical basis for further understanding of its success factors and future development. Also, it explores the NBA's strategies in expanding international market expansion, pursuing digital transformation, and nurturing emerging talent, so as to assess its competitiveness and sustainability in the global context. Despite the NBA's remarkable success in commercialized operations, the challenges it faces remain significant. Future development requires effective measures in sustaining its appeal to global fans, expanding its international markets and enhancing its brand image in order to maintain its leading position in the global sports industry.

2. Overview of NBA' Business Model

Although the NBA has become one of the leading business models in the global sports industry, its success was not immediate. Since its founding in 1949, the league faced significant challenges, including struggling franchises, low attendance, declining television ratings, and limited national appeal. These issues were largely addressed under David Stern's leadership. His strategic marketing approach, particularly the promotion of iconic players including Michael Jordan and Larry Bird, enhanced the NBA's brand image and expanded its fan base. He also introduced key initiatives, such as the All-Star Game, and secured lucrative broadcasting deals, all of which contributed to the NBA's substantial financial growth [2]. In addition, the NBA's history is marked by significant expansion, growing from 14 teams in its early years to 30 teams today. This expansion occurred in several key phases: 11 teams were added between 1961 and 1974, six between 1976 and 1980, and another seven between 1988 and 2004. This geographic and organizational growth broadened the league's reach, and created additional opportunities for emerging basketball talent, hence fueling the overall development of the NBA. Furthermore, the increase in teams has directly boosted revenue through higher ticket sales and merchandise, diversifying the NBA's income streams and enhancing its financial sustainability [3]. In light of these considerations, the NBA's current business model contains strategic partnerships with major brands and sponsors, innovative digital transformation, and multi-channel media communication strategies. And these initiatives have bolstered the NBA's competitiveness in the global market, establishing a strong foundation for its long-term growth. In addition, the league's strategic adoption of social media and digital platforms has strengthened its engagement with global fans, enhanced brand loyalty, and expanded its market influence, further solidifying its position as a dominant global sports brand [4].

3. NBA's Integrated Business Operations Strategies

3.1. Diversified Revenue Sources

In the NBA's business model, diversified revenue sources are one of the key factors for its success, with the main sources including ticket sales, broadcasting rights deals and merchandising. Ticket sales make up a significant portion of the NBA's overall revenue, accounting for 21.57% of overall revenue in 2023 [5]. For example, the average ticket price of the Golden State Warriors reached 150 dollars, thus making it one of the highest ticket prices in the league [6]. This high ticket price not only reflects the market demand, but demonstrates the team's brand value. Broadcasting rights deals are likewise a core component of the NBA's revenues. In 2007, the NBA entered into a media rights agreement with ESPN and Turner Sports, valued at approximately 930 million dollars per year. Then, in 2016, it signed a nine-year media rights deal with both companies worth 24 billion dollars. The most recent agreement represents a total value of 76 billion dollars, which speaks volumes about the NBA's huge presence in the media market. In addition, merchandising is an important source of revenue for the NBA. In 2023, the NBA's total sponsorship revenue reached 1.66 billion dollars, accounting for more than 15% of the NBA's annual revenue [6]. Nike, as the main sponsor, signed

an eight-year contract with the NBA worth one billion dollars. This has further increased the commercial influence and brand awareness of the NBA.

3.2. Market Expansion and Globalization Strategies

In the context of globalization, the NBA has successfully expanded its international market through the implementation of diversified market strategies, especially in emerging markets such as China, as reflected in the organization of games, cooperation with local organizations and brand promotion [7]. To reach out directly to a global audience, it actively organizes international tournaments and exhibition games, and promotes its brand and events by hosting preseason and friendly games in China, Europe and elsewhere. These events showcase the league's athleticism, promote interaction with local cultures, and enhance fan identification and engagement with the NBA. For example, the participation of the "Dream Team" in the Barcelona Olympics in 1992 not only won the gold medal, but made the NBA a global symbol of basketball, greatly increasing its international popularity and appeal [8,9]. And the rise of players such as Doncic, Nikola Jokic and Giannis Antetokounmpo has further increased the attention and loyalty of fans in their countries and regions to the NBA. As of the 2024-2025 season, the number of international players in the NBA has reached 125 from 43 countries, a diverse background that boosts the competitiveness of the league and opens up a broad market base [10]. In addition, the NBA has expanded its international market reach through digital media and social platforms [11]. Using social media and digital platforms, it quickly disseminates tournament information and player dynamics, thus building a strong fan base globally. For example, by posting videos of players practicing and playing on social media, the NBA has attracted a large number of young viewers, allowing them to experience the charm of basketball outside of the game.

3.3. Digital Transformation and Interactive Innovation

In the digital era, the NBA has significantly enhanced its interaction and engagement with fans via social media and new technologies, thus boosting the viewing experience and creating new business opportunities, and promoting globalization. With the development of the Internet, NBA players are not only basketball players, but also stars on social media, and the number of their fans has risen sharply [1]. The NBA has successfully attracted different interest groups through diverse content such as highlights, player interviews, and behind-the-scenes footage. Since 2020, the NBA has accelerated its use of digital technology, employing cloud computing, artificial intelligence, and computer vision to enhance the viewing experience [2]. For example, it adjusts live content in real time through data analytics to provide personalized viewing suggestions and enhance user immersion. In addition, the NBA has introduced a number of interactive programs to enhance fan engagement. For example, the "Pass the Rock" series focuses on player performance and encourages fan feedback, forming a two-way interaction. In the 2023 NBA Draft, the live broadcast of Victor Wambanyama's games attracted a large online audience. These efforts transform fans from passive spectators to active participants, increasing loyalty to the league. The NBA also uses social media for event promotion and branding, utilizing short videos, live streaming, and interactive events to build strong connections with young fans. The widespread use of digital media has increased brand exposure, helping the NBA cultivate a new generation of fans, while enabling business model innovations and expanding partnership opportunities with sponsors.

4. Evaluation of Challenges and Future Prospects: A SWOT Analysis Perspective

The SWOT analysis is a strategic planning tool designed to assess and understand the internal and external factors affecting an organization, helping identify potential opportunities and threats [12].

This section will apply SWOT analysis to the NBA's business operations, which contains four key dimensions, strengths, weaknesses, opportunities and threats.

4.1. Strengths

As the world's leading basketball league, the NBA commands a considerable degree of popularity and influence, as well as a vast fan base. In recent years, the NBA's attendance and fan numbers are on the rise [13]. In addition, the NBA's brand value continues to grow, and almost everyone who plays basketball knows something about the NBA, which lays a good foundation for its promotion at home and abroad. In terms of business model, the NBA has gained significant revenue through media deals with ESPN and Turner Sports. These deals not only provide the NBA with a steady source of revenue, but also help the league maintain operations in the face of unforeseen events [14]. Agreements signed with both companies in 2014, for example, totaled 24 billion dollars in value, bringing sustainable growth to the NBA. Also, the NBA has established deep sponsorship relationships with globally recognized brands such as Nike, Adidas, and Gatorade. And these sponsorship agreements have not only enhanced the NBA's brand image, but also created considerable revenue for it. For example, Nike has a 68% market share in the NBA players' shoe contract market, indicating its leadership in the basketball shoe sector [15]. These sponsorships not only bring direct financial benefits to the NBA, but also enhance the market value of the players, thus creating a win-win situation.

4.2. Weaknesses

Despite the NBA's success in many markets, its expansion in Asia and Europe is still insufficient and has yet to achieve full market coverage [16]. In particular, consumer awareness of the NBA in many potential markets remains limited to knowledge of a few superstars, such as Michael Jordan and LeBron James, and a lack of interest in the actual game. In addition, the NBA's over-reliance on individual superstars poses a potential disadvantage. Retirement or transfer of star players may lead to a loss of viewers, which in turn affects overall ratings and ticket sales, which requires the NBA to invest more in developing new stars to ensure that it can continue to attract viewers' attention. In addition, player misconduct may have a negative impact on the NBA's image. In recent years, scandals involving individual players due to misconduct have occurred from time to time, and if not responded to in a timely manner, these incidents may seriously damage the reputation of the league and cause the public's overall evaluation of the NBA to decline [17].

4.3. Opportunities

In the context of increasingly fierce competition in the global market, the NBA can launching NBA press conferences in Asia and Europe, as David Stern did in China in 2004, successfully opened up the NBA market in China [18]. And this action could help to increase the popularity of the NBA and enhance the global image of the NBA brand. In addition, utilizing social media for marketing is an important opportunity for the NBA to face a new generation of fans. Although some rising stars, such as Anthony Edwards, Luka Doncic, and Jayson Tatum, have already made a name for themselves in the NBA, there is still a need to further increase their exposure in the international market. Therefore, the production of personalized advertisements, documentaries and promotion on social media can help these players attract wider attention globally.

4.4. Threats

The NBA faces stiff competition in the current sports market from other major leagues, particularly Major League Baseball (MLB) and the National Football League (NFL) [14]. Both leagues have large fan bases and overlap with the NBA's season, distracting viewers. This competition may lead to a decline in the NBA's viewership, which can affect overall ratings and ticket sales, which in turn could reduce the league's profitability. In addition, the NFL and MLB are putting pressure on the NBA in terms of advertising and sponsor appeal. And they typically attract higher priced advertising and sponsorship contracts, which puts the NBA at a disadvantage when competing for marketing resources. Also, the NBA's ratings have also suffered as viewer consumption habits have changed, particularly the increased preference of young people for digital content, with many choosing to access game clips via streaming platforms rather than watching full events. In addition, competition in the international sports market has become more intense, with international leagues such as the European Football League rapidly expanding their audience base via star players and marketing strategies, posing a challenge to the NBA's globalization process. These threats require the NBA to continue to innovate the event experience in order to retain viewers and maintain its market position, ensuring that it continues to lead in a highly competitive market.

5. Conclusion

This paper analyzes the business model of the NBA and reveals the impressive achievements and challenges faced by the NBA in the global sports market. The NBA has succeeded in attracting a large number of fans and maintaining sustained profitability by virtue of its strong brand influence, rich sources of revenue and effective market expansion strategy. Nevertheless, as market conditions change, the NBA should face up to fierce competition from other sports leagues, particularly the NFL and MLB, which may affect its viewership and overall revenue. In addition, with the advent of the digital age, the NBA has enhanced its interaction with its fans through social media and new technologies that provide new opportunities for its branding and market penetration. The expansion of international markets also demonstrates the NBA's potential to use exhibition games and social media marketing to increase global awareness. In the future, the NBA should continue to strengthen its focus on emerging markets, actively cultivate a new generation of stars, and optimize its brand image to address potential threats. Besides, through innovative digital strategies and enhanced fan experience, the NBA is expected to solidify its leadership position in the increasingly competitive sports market.

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