

The CBA Operating Model and Its Flaws

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Abstract: The operation of the CBA league determines the development of the CBA league, and is also the focus of external attention. This paper takes the operation of the CBA league as the theoretical base, and summarises the current operation of the CBA through literature analysis and SWOT analysis. The aim is to grasp the current operation mode of the CBA, describe and sort out its advantages, disadvantages, opportunities and threats, and put forward countermeasures for the development of CBA operation by combining expert opinions and logical analysis, so as to ultimately optimise the operation mode of the CBA, make the CBA more professional, help the league and the clubs to develop better, and make the CBA a more valuable brand event. The main findings of the study are as follows; the CBA league operation model is plagued by three major dilemmas: the property rights problem, the principal-agent problem and the adverse selection problem. The legacy of the original system, the gradual reform process, the use of international models, the immaturity of the domestic model and the lack of effective demand (supply) are the causes of the dilemma and create real obstacles such as the operational governance dilemma and the lack of professional sportsmanship.

Keywords: CBA League, current situation of operation, development measures, SWOT analysis

1. Introduction

The China Basketball Association (CBA), which was developed from the Chinese Men's Basketball A-A League, has become the most professional and influential basketball league in China and Asia after more than 20 years of professionalisation. There have been several changes of ownership. Although there have been ups and downs and stagnation in between, the league has developed well in recent years and has been a huge boost to the development of basketball in China. In fact, Chinese basketball has been successfully further commoditised. However, there are still many unresolved issues surrounding the CBA, such as the management dilemma of the association, the imbalance between club development and income and expenditure the inadequate legal system, the lack of relevant trips and the weak cultural heritage of the league.

The NBA is one of the most influential international professional sports organisations in the world and is a model of successful international professional basketball market development. Therefore, this paper chooses the NBA as the reference object. By analysing the current situation of the CBA's operation and proposing countermeasures for its development, the paper aims to provide a theoretical reference for the healthy and harmonious development of the CBA league. In this study, the researcher chose the literature analysis method and the SWOT analysis method. It is hoped that it can

provide a good reference for other leagues in China to optimise their operation mode, so that all leagues in China can truly become market-oriented and professional.

2. The Current Situation and Problems of the Operation of CBA

In terms of organisational structure, the CBA has three main structures: the Basketball Association, the Infront Sports and Media and the clubs. There is a very delicate relationship between the BBA, the Swiss surplus and the clubs. The relationship between the CBA and the Swiss Infront Sports and Media is one of principal-agent relations: the CBA and the clubs are stakeholders rather than stakeholders; and there is an indirect relationship of cooperation and competition between the Infront Sports and Media and the clubs. It is this relationship between stakeholders and competition that has prevented the league from developing further and has restricted the autonomy of the clubs.

In terms of ownership, CBA clubs are transitioning from joint ventures with local sports bureaus in the early days to independent investment by companies with legal personality.

Corporate joint ventures with local sports bureaus have become less and less prevalent as the reform process has progressed, with more and more clubs taking on a wholly corporate form of ownership. Although the wholly corporate form of ownership is one of the necessary conditions for the CBA to become professional and market-oriented, in the past, under China's special market, economic and political system, the form of joint ventures between local sports bureaus and corporations still contributed to a certain extent to the development of basketball in China.

In the early days of the development of professional basketball in China, clubs were under the jurisdiction of local sports bureaus and were institutional units in terms of establishment, so players mainly lived on their salaries, while clubs operated on grants from the relevant units at higher levels, without any commercialisation. However, later on, as China's reform and opening up spread across the board, clubs were increasingly removed from the jurisdiction of local sports bureaus, and numerous clubs were established in the form of wholly owned enterprises, and professional basketball was deepened and reformed, with the road to marketisation and commercialisation in full swing.

The NBA's revenue comes mainly from television broadcasting fees, ticket revenue and advertising. Compared to the NBA, the CBA has almost no TV broadcasting fees, and the central TV network and local TV stations only pay a small percentage of the royalties, so the CBA's TV rights do not receive their equivalent price in the not yet marketized broadcasting industry [1]. In terms of ticket revenue, the CBA clubs' ticket revenue is only a drop in the bucket due to the size of the stadiums, the atmosphere and the quality of the games. The NBA clubs have the right to operate their home arenas, and can invest in advertising space in various locations, with no restrictions on content or form; whereas the CBA clubs' right to operate their home arenas belongs to PCG, which is responsible for the commercial promotion of each club and places the league's main sponsor advertising in each club's home arena. The teams do not benefit much from this model.

3. The Successful Experience of the NBA Operation Mechanism and the Lessons Learned

Professional clubs are a product of the market economy and have been in existence abroad for over 100 years. They operate in accordance with the three laws of competition, price, supply and demand of the market economy. As a result, it has been extremely helpful in enhancing sports performance, stimulating the growth of sports influence, and satisfying the demands of sports fans.

The NBA is a huge professional basketball corporation with 30 professional basketball clubs across the country. Its highest authority is the Board of Directors, made up of the owners of the 30 teams or representatives appointed by the owners.

The NBA is purely contractual and the teams operate on a purely commercial basis. The CBA, on the other hand, has youth teams under each team, and teams invest and develop players over time, so CBA players who want to transfer face heavy obstacles, and the league cannot be truly professional.

From a brand marketing perspective, NBA players are not only stars on the court but also role models in their lives. They have launched a number of entertainment programmes and sold peripherals to bring the team into the public eye and build closer ties with fans. A number of charity initiatives have also helped the league to gain widespread social recognition and support.

In Europe and South America, the teams themselves take root from the community and then grow up, a process that is often as long as a hundred years, from the time when China was still in a feudal society when the teams were founded, and their team history often accompanies the memory of a region's times. A fan is defined by Hunt as an avid lover of a particular sporting object of consumption [2]. One of the most important effects of growing a club like this is the loyalty and stickiness of the local fans, which is unimaginable in China for a European club of 100 years. With fan loyalty comes the ability to spend money, tickets, peripherals, ratings, attendance, all of which are essential for a club to survive and thrive.

The CBA is very dependent on corporate sponsorship. Big business does not really care about the running of the team. Despite having a large market, the sporting league is not self-sustaining. As professional sports clubs, clubs need to find ways to develop the commercial value of their teams and invest more in the marketing and promotion of their teams. The Basketball Association holds all but almost all of the rights to run the stadium teams in its own hands. Title rights are one of the few profitable items that clubs can hold themselves. Professional clubs can only work on the title rights, which are the easiest way to recruit sponsors. As a result the team names in the CBA change as sponsors change.

4. CBA Operation SWOT Analysis and Development Countermeasures

Developed by Stanford University in the 1970s, SWOT analysis is a method that is frequently applied in strategic planning. SWOT analysis is a structured planning process for assessing organizations, initiatives, and business operations. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. In the following I will use the SWOT model to analyse CBA operations.

4.1. Strengths

The Alliance enjoys exclusivity. The CBA is the only provider of professional basketball in China; there are no other options, and entrance barriers are rather high, giving it a nearly full market structure. Because of this, its economic strategy emphasizes large monopolistic profits through coordinated marketing and expanded collaboration with sports middlemen to foster professionalism.

The league's reputation as a whole has improved. The CBA has made enormous efforts to uphold a positive public image, and the CBA's management has made significant efforts to control its players, displaying a strong commitment to oppose on-court aggression, rudeness, and other disruptive behavior. Players and coaches in the CBA receive less bad press than in other sports and competitions. This has led to the public image of the CBA being gradually recognized by the audience, along with the numerous public service activities and promotions carried out by the CBA.

4.2. Weaknesses

There is still room for improvement in the league's spectacle. The quality of the matches is the life of the club. No matter how well equipped a club is, without quality matches and enthusiastic participation from fans, the development of the club is an empty word. Since then, the league has evolved considerably and the Association has adopted various reforms to make it more enjoyable,

with more suspenseful matches and more intense rivalries, however, there are still some issues that have not really been addressed as the players themselves are not of a high technical and tactical standard and the matches are often tight but not exciting [3].

Lack of experience in running the club. The CBA does not promote its players sufficiently. Some basketball operators and managers may have high attainments in operation and management, but they have insufficient knowledge of the development laws of the sport and limited understanding of the characteristics of basketball products and their markets, making it difficult to combine basketball development and market operations in an appropriate manner. Therefore, training a group of special talents who understand the laws of sports, especially the development of basketball, and have strong management and operational skills is the key to further cultivating and expanding the basketball market in China [4].

The club does not make sufficient use of the media. With the multi-billion dollars annual television broadcast contracts, not only does the NBA league negotiate and sign contracts with television media operators, but the 30 club teams can also work with media operators [5]. From the successful experience of foreign professional leagues can see that cooperation with the media is crucial for the development of the league. Cooperation with the media not only reaps huge benefits, but also has a huge enhancing effect on raising the image of the club and building the club brand. It can be seen that every successful club has a very good relationship with the media.

In the early days of the CBA league, as the games themselves were not very attractive, there was little interest in broadcasting the games, with only CCTV and very few local TV stations broadcasting the games live, and very few teams were able to profit from the TV broadcasts, with some teams even paying for the TV stations to broadcast the games in order to pursue the advertising effect of their sponsors. After all these years, the CBA league has become more and more influential, with the establishment of various local sports TV partnerships, this aspect of market operation has improved greatly, but it is still not enough for the huge market potential of China [6]. Acknowledging the importance of the media's role in sports marketing, Li Yuanwei, former president of the Chinese Basketball Association, said the CBA should treat media workers with sincerity, respect and support [7]. Government officials should uphold a spirit of cooperation. Despite this, the revenue generated from the sale of broadcasting rights remains small [8]. It is still subject to China's monopolistic broadcasting system, with CCTV-5 having the sole power to decide whether or not to broadcast CBA games, which reduces the CBA's broadcasting revenue.

The club does not pay attention to the development of derivative products. The brand's products are available in almost all cities in the USA. Its logo products are developed with a high degree of specialisation and variety. The content includes food and drink, clothing, sporting goods, souvenirs and much more across a wide range of industries. For example, hats, sweatshirts, shoes, star cards and more. Leagues and clubs rely on this branded merchandise operation, which not only generates hundreds of millions of dollars in revenue each year, but also increases influence and fan loyalty [9]. The CBA, by contrast, has done very little in this regard. Firstly, the basketball management centre has been slow to act and has been slow to launch a product with its name on it, leaving fans with nowhere to go to buy some souvenirs. Secondly, the clubs, which could directly increase their own revenues, have been indifferent to this aspect of market development, and it is difficult to see attractive team merchandise in the home arenas of the various leagues.

Poor athlete selection system and transfer system. The transfer of players and the draft is a unique business tool for professional sports clubs. Through transfers and drafts, players can be moved from club to club. On the one hand, it allows teams to have fresh blood. On the other hand, they can balance the teams and make the game more exciting and uncertain. However, the current system of transfers and drafts is not as effective as it should be in this area of business. One of the main reasons for this is that under the planned economy, administrative divisions prevent the normal flow of players. It is

difficult for teams to send their own players to other teams as they are generally developed from the junior and youth teams. Secondly, the price of transferring players is too high. The current transfer prices for domestic players are completely at odds with what they can really bring in. There is also a lack of a sensible playing mechanism. This has led to a huge gap in strength between the stronger and weaker teams. There are not many games with suspense [10]. Professional basketball clubs in China have a complex background due to their upbringing, and although an athlete may play professional basketball, his athletic ability still belongs to the local sports bureau or the state that trained him. There are serious problems with the ownership of players, leaving them in a vulnerable position.

4.3. Opportunities

Basketball is also the most played sport in China in the eyes of the American media. After the NBA's Cavaliers and Magic played in China, the Associated Press published an article saying that basketball has always been a popular sport in China. Since Yao Ming joined the Rockets the sport has become even more popular in China with countless youngsters playing basketball in China's parks and schools. The number of basketball fans in China has doubled in the last few years. The NBA reported in 2009 that 89% of Chinese aged 15-54 knew more about the NBA than they did about the World Series, the UEFA Champions League or even the World Cup. China has become the NBA's largest international market, and NBA revenues in the country are growing at a rate of 30 to 40 per cent per year. Perhaps more importantly, the Chinese government sees sport as a projection of soft power, as reflected in the concerted efforts to ensure China performed well during the 2008 Summer Olympics in Beijing. The government sees basketball not only as a recreational activity, but as an important industry that impacts society and business.

The government has restricted the activities of private companies in the country's basketball industry out of concern to protect this growing and 'strategic' industry. But in the last few years the government has shifted its thinking and gradually allowed companies such as Nike, Li Ning and the NBA to play an increasing role in developing the market and basketball talent. These decisions have broad social and economic implications and are indicators of controlled and fragmented privatisation in China [11].

Compared to the NBA, the CBA has geographical advantages. Firstly, CBA games are more suitable for Chinese viewers and are broadcast during prime time. Whereas most NBA games are broadcast in the morning (Beijing time) and most viewers in China are unable to watch these games on TV or online. Secondly, there are a large number of NBA fans in China who actually watch Chinese players. When these Chinese players stop playing in the NBA, these fans will likely turn their attention to the CBA; thirdly, CBA games will never be overtaken or replaced by the presence of the NBA because they are games from China itself and will of course be supported by local fans. From a global or international perspective, there is also a force of "sports localism" behind the CBA that is instigating the formation of a fan base. From interviews with basketball supporters, it is almost unanimous that CBA followers tend to support their local clubs, which are often former provincial teams [12]. This phenomenon is a remnant of the pre-professional era. As a result, the local basketball market has not shrunk in the post-NSP season, but has continued to expand. 2011-2012 saw attendance reach 77.82%; 51 games were broadcast live on CCTV-5, 67 games were recorded, 1,614 games were televised by 23 local TV stations and the finals achieved a 1.83% rating, higher than the NBA and among all sports programmes broadcast throughout the year ranked among the highest of all sports programmes broadcast throughout the year. All of these figures were all-time highs [13]. The CBA's brand value is also on the rise. In 2004, Anta offered only RMB100,000 (the highest of all sports programmes broadcast throughout the year. All of these figures were all-time highstten, it spent RMB20.1 million (€200,000). In 2012, Li Ning signed on as the CBA's chief sponsor, paying

200 million yuan for a five-year contract [13]. These figures all reflect the potential of the CBA market and have attracted investment from a variety of marketers [13].

4.4. Threats

NBA captures the market. The NBA has been a patient player in China for more than two decades, relying on the provision of free game broadcasts, the establishment of summer basketball camps and the promotion of its stars to build a fan base and audience [14]. One survey shows that more than 30 million people watch games in China each week, and the NBA's Chinese website averages three million page views per day. Its influence in China is significantly greater than that of the local league. A Wall Street Journal article reported that the NBA earned more than US\$400 million in 2005 by finding partners and selling licensed products in China. The NBA also has 24 TV partners in China to broadcast its TV commercials during the broadcast of NBA programmes. Other competitive sports performance events compete for the market. In recent years, high-level sports competition performances, especially those of a commercial nature, have attracted a lot of attention from companies, the media and people. A considerable part of the basketball market has been seized. This has undoubtedly posed a more serious challenge to the development and expansion of the basketball market. And more and more high-level sports competitions are being played in China. These competitions are bound to have an impact on the basketball market when they divide up part of the market.

National team training matches etc. affect the normal running of the league. The league schedule has been shortened to protect the national team's training season. Firstly, the shortening of the league schedule has affected the sustainability of Chinese basketball. In this year, the league has finally taken some measures. One of the main elements of the reform was to gradually increase the number of games over the next few years. However, this plan was forced to be discontinued after only one year of implementation. The first people to suffer from the shortening of the league schedule were the fans who were being nurtured and whose enthusiasm for the league would be artificially converted into enthusiasm for the Olympics. Subsequently it is the sponsors who will suffer a huge loss. In the short term, shortening the league schedule and increasing training is one way to improve the national team, but in the long term this is not desirable.

The club's sponsors and patrons change frequently. The main sources of revenue for each club are corporate funding, ticket revenue, dividends, advertising revenue, television broadcasting fees and the transfer of club naming rights. Corporate investment, gate receipts and dividends are the main sources of income for professional basketball clubs. Of these, the capital investment of enterprises tops the list of revenues. This determines the dependence of the clubs on the enterprises and makes it difficult for the clubs to survive once the enterprises withdraw their capital (15). This phenomenon hinders the branding and long-term development of professional basketball clubs. The frequent change of team names due to the change of sponsorship is detrimental to the branding of the team and makes it difficult to create brand continuity.

5. Conclusion

The strengths of the CBA league are the monopoly nature of the league, the good image of the CBA, the improved quality of the games, the experience of the NBA and European leagues, and the introduction of talent from universities. The disadvantages of CBA league operation are: unbalanced income and expenditure of CBA clubs, insufficient development of peripheral products of CBA tournaments, lack of relevant talents, low level of appreciation of the league, insufficient publicity and promotion, and inadequate draft and transfer system. The opportunities for the operation of the CBA league are: the broad base of the basketball public, the advantages of the league's localisation

and the large potential market. Threats to the operation of the CBA are: market capture by the NBA, market fragmentation by other domestic tournaments, influence of national team training games on the league, and sometimes conflicting interests of clubs and the Basketball Association.

Through the analysis of the four aspects of CBA operation: advantages, disadvantages, opportunities and threats, it is concluded that the advantages of CBA league are more than disadvantages, and the opportunities are more than threats. This paper analyses the strengths and weaknesses of the CBA's operational model in the hope of providing some suggestions for the future development of the CBA. There are some limitations to this study. Due to the lack of domestic research on the CBA and NBA operating models from a cultural perspective, the author has no valuable literature to refer to. Due to time and personal limitations, this paper has many shortcomings. The author has collected less data and there is a shortage of foreign research on the CBA.

Looking ahead, the organic growth of mass interest in basketball will generate revenue even without the emergence of more Chinese superstars. The private sector's outlook on the sport is finally converging with the government's relinquishment of control. The CBA should seize the current favourable situation to push the league further. Whether the transition from world class basketball to a "basketball with Chinese characteristics" will be successful can only be seen.

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