

# *The NBA's Economic Value Analysis and Beneficial Exploration*

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**Abstract:** As the NBA grows in popularity across the world, its annual income grows in lockstep with it. The NBA has signed several contracts throughout its history, and these contracts are what keep the NBA alive and well. Although affected by the COVID, the commercial activities of the NBA will not be sluggish because of this. The NBA generates money in a variety of methods, including merchandise, tickets, sponsorship, and live streaming, which enable the NBA to produce billions of dollars. Furthermore, the NBA's management style is one of the reasons for its success. This article starts with the income analysis of the NBA and clarifies the fluctuations and main proportions of income. Based on this, this research analyzes the reasons for the high income of the NBA and the benefits it brings to society and individuals. It can be seen that NBA promotes the spread of American culture, enriches people's lives, and drives the spread of sports culture among young people.

**Keywords:** NBA, economic value, benefits

## 1. Introduction

As the NBA spreads more widely across the world, its annual revenue corresponds to the popularity of the league. NBA gains profits by selling merchandise, tickets, sponsorship, and live streams. According to Statista, 2021-2022 NBA's revenue is around 10.02 billion dollars (Figure 1) [1]. NBA's yearly revenue is slowly rising because NBA players are more influential and moreover signing more deals. However, as shown in Figure 1 from 2019 to 2021 NBA's income had a huge drop because COVID occurs [1]. Due to covid being so harmful during the time, NBA decided to stop selling tickets to its audience. According to Tom Haberstroh, 500 million USD would be lost because of supporters not being able to attend games and buying the tickets [2]. This caused NBA's profit to drop because selling tickets is one of its main income. Looking into Los Angeles Laker's yearly revenue, its profit is also closely related to NBA because Laker's earns its money also by selling merchandise, tickets, sponsorship, and live streams too. According to Investopedia, on June 2015 NBA terminated its contract with Adidas and soon signed a contract with Adidas 1 billion dollars with Nike for 8 years. In addition, NBA signed a 9-year deal with ESPN and TNT, approximately worth 24 billion dollars in total and earning 2.6 billion per year [3]. Throughout the history of the NBA, it has signed multiple deals and these deals are what keep the NBA alive and so

famous [4]. NBA has many ways to generate money and these ways such as merchandise, tickets, sponsorship, and live streams are effectively helping the NBA generate billions of dollars [5]. Moreover, this is one of the reasons the NBA is so successful due to its way of managing. Researching on NBA's financial details will help to understand its success and understand benefits, thus promoting the experiences.

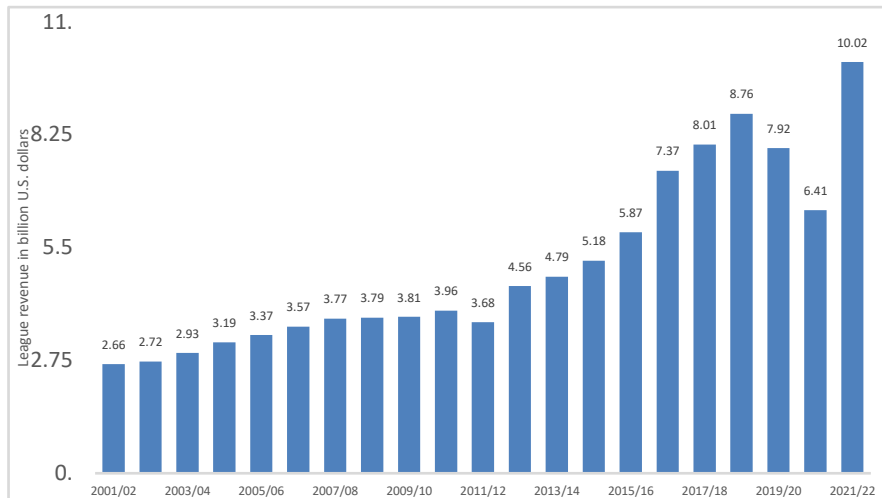


Figure 1: National basketball association total league revenue [1].

## 2. Selling Live Stream Increase the Popularity of the NBA

While NBA is a more American-based sport, there are still many over sea audience that watches NBA are willing to spend money to buy live streams through certain apps, like TenCent Sports. According to a Sports marketing Blog, its states that there are over 650 million fans across the world and over 18 billion social media views during 2020-2021 season [6,7]. Through social media, NBA increased its popularity. Moreover, it is building a culture where all kinds of people know it and like it. When the NBA commissioner came to China, the commissioner saw a potential revenue China is going to generate do to the influence of YaoMing and other Chinese nab players. Then NBA signed a contract with a famous local channel called, China Central Television [8]. After this contract was signed and NBA's influence became larger in China, almost every NBA arranges a pre-season game in a city in China every year, so that Chinese audiences can watch NBA basketball games without going abroad. In the annual China Game, a large number of fans flock to the cities to watch NBA players and wonderful games, which just drives the development of cities and brings in the income of the economy. NBA built something more than just money, they built a culture. Every Spring Festival, some cities will organize some local basketball games to welcome the arrival of the festival. At this time, even some seniors from rural villagers joined.

In addition, the NBA has a team located in Toronto, Canada called the Raptors. An NBA arena not only generates income from selling tickets but also from gift shops and parking lots. Being the only team in Canada, the Raptors brings income to the areas around the stadium and also influences the tax income of Canada. The NBA is not only a league, but it represents a bench mark for basketball. What made NBA a bench mark is because of the intenseness of the selection to become a player. A lot of countries across the world tries to train basketball players to be in NBA so that the level of basketball competition in the countries will be improved. In addition, the league promote basketball events and they arrange an annual pre-season games in many relatively developed countries. Although NBA is a league located in America and for Americans, a majority of players in the league are from countries other than America, such as Greece, China, etc. Every year during

off-season, international players will go back to their country to start training camps because they want to help children improve their basketball skills and be able to be in NBA or local teams. The NBA sometimes also organizes public welfare activities during off-season for players to play a game in poor countries and help them, such as the African Games, in which NBA players will be arranged to form a world team to compete against the American team. Games like this is not only let the local people see their favorite player, but also the money from those games will be donated to the local foundation.

### **3. Beneficial Brought by NBA Teams**

Championships have a significant impact on the market value of NBA teams. Generally speaking, championships directly increase the market value of a team. Here are some possible contributing factors:

Increase the popularity of the team: Winning the championship can make the team receive more media attention and exposure across the country, thus improving the popularity of the team.

Improve the image of the team: A championship can bring a positive publicity effect, win more fan support for the team, improve the image of the team, and attract more sponsors.

Increase audience rating and ticket sales: Good results in the game can stimulate the enthusiasm and purchase desire of fans, and promote the sales of football tickets, other souvenirs, and other peripheral products of the tournament, thus increase the income of the tournament.

Boost the Local economy: Being a champion can boost the economic activity of a team's home city, attracting more tourists and businesses, which in turn affects the local real estate market and other industries.

Based on the above influencing factors, winning the championship can directly or indirectly increase the market value of a team, but the specific impact varies with the market, time period, influence and other factors.

The NBA is not only one of the best-known sports leagues in the United States, but also an important part of the American economy. In the 2019-2020 season, the NBA's overall revenue was \$8.5 billion, or 0.44 percent of U.S. gross domestic product, according to official league data. Economic Studies, a research institute, estimates that the NBA contributes about \$14.9 billion in gross domestic product (GDP) to the U.S. economy. NBA activities can not only drive game ticketing, sponsorship contracts, advertising and other related fields, but also drive the employment chain through player salaries, and increase the international visibility and image of the United States. According to a study conducted by Princeton University in the United States, the NBA generated about \$73.5 billion in GDP in the United States in 2018. In 2017, the NBA's GDP contribution was \$71.7 billion, and in 2016 it was \$70.9 billion. The study also found that the NBA's contribution to the US economy is sustainable, as it has maintained high growth rates in each of the past three years. In addition, the NBA's contribution to GDP also creates about 160,000 jobs in the United States, while also generating a lot of tax revenue for the government.

The economic and cultural benefits that NBA teams bring to a city are immeasurable, based on two basic assumptions: that the local community has sufficient resources and ability to support and grow an NBA team, and that its citizens are interested and enthusiastic in welcoming an NBA team. First of all, NBA teams can bring huge income to the local economy. For example, sports and soccer games can attract more tourists to the city, thus boosting the local economy, leading to higher employment and incomes. In addition, NBA teams can become important business sponsors for local businesses. Secondly, NBA teams can also bring cultural development. The local cultural atmosphere can be greatly enhanced, thus benefiting local citizens. In addition, NBA teams can also hold various social activities in the local area, which can better improve the local cultural level. Finally, NBA teams can also provide more job opportunities for local people and benefit more local

people. Local stadiums, managers, technicians and other workers can earn money from this, thereby increasing local employment levels. All in all, NBA teams bring great economic and cultural benefits to a city, bringing more income and job opportunities to the local people, and bringing more benefits to the local people.

#### **4. Beneficial Brought by NBA Players**

As the league has been continuing, many NBA players have become so-called “Stars”. NBA stars influence their fans to buy merchandise and other items and increase NBA’s profit and NBA popularity. NBA superstars can be said to be the most famous household name. For the most fans of the players, every time they go to a city to participate in the activity will be clogged, and many fans eager to see their idol will be many hours in advance on the scene waiting. There are many fans will travel to their city to have a look. Like usually in the street people will also hear someone discussing voice of Jordan, Kobe, James and other stars. In the wild court it is often see that some players wearing NBA star clothes and shoes, and some of their playing action will imitate NBA star action [9]. For example, LeBron James, one of the greatest players in history, the influence he makes on the league and teams are incalculable. According to Bleacher Report, when LeBron James was still in the Miami Heats its jerseys is selling approximately 10,000 per year and one jersey costs 89.99 USD so on average the Miami Heats makes 899,000 USD per year [10]. A NBA star’s influence is unpredictable especially players like LeBron James bring more than just a championship to a team, they bring their market value and moreover, popularity to the team.

Another example is the NBA playoffs games. In regular seasons, many all-star levels players are playing to get the championship. During the games, sometimes some of the tickets would be really high due to who is playing the game and the content of the game. For example, on May 12, 2023 Los Angeles Lakers versus Gold States Warriors, second round playoff game 6 ticket prices vary from 276 dollars to 32922 dollars. As of comparison, on the same day, the Miami Heats versus New York Knicks second-round playoff game 6 ticket prices vary from 143 dollars to 18880 dollars. Both games are on the same date and playing game 6. However, the Los Angeles Lakers verse Gold States Warriors game’s ticket price values higher because hall of fame (highest level) level players attendance like Stephen Curry and Lebron James playing during the game and it might be their last playoff series. NBA stars do influence many things and one of the many things they influence is the ticket price for each game they play.

Although the United States is a developed country, the crime and poverty rate a really high. Due to these factors, many player have trained and been drafted into the NBA so that they could escape from the harsh life they had before. NBA also has strict requirements for each player, and it is forbidden to violate the rules of the team and the league. Some athletes have been living in complex and criminal areas since childhood to control and help the affected things. After players is drafted by the NBA, a lot of them will donate to the society that they once lived in or the local society. This is because they don’t want children to experience the harsh life the players had. Every year NBA teams organize players to go to do community service to help out children and families that is having issues. Moreover, sometimes players starts activities in the community, such as, teaching children how to play basketball and spread basketball knowledge. NBA player are more than themselves, they are a role model for many people and the league has been doing a great job helping out community for a greater good.

#### **5. Conclusion**

This paper analyzes the income of the NBA and describes the volatility and primary income shares. Based on the above, this study examines the causes behind the NBA's high earnings and the

advantages it provides to society and individuals. The NBA promotes basketball on a global scale so that all kinds of people in various countries can enjoy this sport. It also benefits the younger generation and even children with relatively poor conditions. Its positive financial effect has also made the NBA an industrial chain, created many star players, and thus formed a fan team with greater influence. This paper examines the NBA from the perspective of economics and gains some positive insights into its social effects. For future research, it is suggested that the negative aspects of NBA popularity can be explored to form an integral figure of this domain.

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