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The Power of a Great New Product: How LeBron James Rescued the NBA Brand

by Alan Sharavsky

November 7, 2006

The big white Benz rolled into the parking lot of the 76ers front office. Chrome runner boards, enameled hubcaps, smoked windows—it looked like the car of a Mafia Don, or... a sports agent! "That's it!" I thought to myself. One of the NBA's power brokers had come to swap cigar smoke and players with Sixers management just before the 1992 trading deadline.

As the car door opened, I was surprised to see a Sixers player step out. I waived and said, "Hello, Charles." No, not Charles Barkley. The owner of the bling ride was Charles Shackleford, a little-known and even less-talented forward bought for a song from the Italian league.

From 1991 through 1995, I was marketing director for the Philadelphia 76ers. And my struggle to promote an unworthy Shackleford and an unhappy Charles Barkley was a harbinger of the future of the NBA. It would take a few years, but the whole league would prove susceptible to the same problems any company faces as its brands mature.

Uneven product quality (lousy players), poor customer service (bad player behavior), and few exciting new products (no clear successor to Michael Jordan) would plunge the league into a shooting slump.

From 1996 to 2002, average attendance per game dropped from 17,252 to 16,883. Multiply the difference across 30 teams—game after game, year after year—and you realize that clearly the league had a serious incentive to re-groove its jumper. And according to the NBA's Inside Hoops Web site, it has: "The NBA finished the 2005-06 regular season with the highest average attendance in history.... This year's average attendance of 17,558 fans per game bested the 2004-05 record of 17,314 fans per game and the 1995-96 average of 17,252."

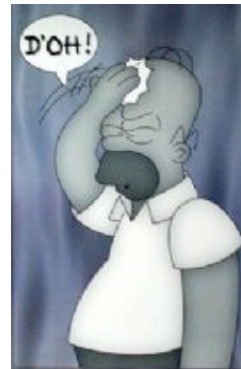
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How did the NBA overcome the 1999 retirement of Michael Jordan and a variety of black eyes that might have doomed a lesser brand? It launched and supported a new product—one by the name of LeBron James. From the second that James entered the league in 2003, average attendance climbed.

The NBA's resurgence is a classic example of the power of a new product. But we're getting ahead of ourselves; the story begins with the bad old days.

After Michael, Before LeBron: The NBA's Seven-Year Shooting Slump

Product marketers worry about shelf placement, adequate stock, and recalls. Sport marketers worry about players acting out. From '97 to '04, the NBA gets a personal foul for bad behavior, with some bad breaks mixed in:

- 1997. Guard Latrell Sprewell chokes Warriors' coach P.J. Carlesimo during practice, and later begins swinging at him landing a glancing blow.
- 1998. The league's shining star, Michael Jordan, plays his last game as a Chicago Bull, announcing his retirement three months later.
- 1999. NBA team owners lock out players for four months over a contract dispute; the league then stages a shortened season.
- 2000. Jordan un-retires for a second time, joining the Washington Wizards, and fans yawn.
- 2001. Jason Kidd, guard for the Phoenix Suns, confesses to hitting his wife and is charged with domestic violence.
- 2003. Kobe Bryant, Jordan's potential successor, is accused of raping a Colorado hotel worker.
- 2004. Indiana Pacers forward Ron Artest storms into the stands, going after a bellicose spectator; a 15-minute scum breaks out between players and fans. Pacers forward Jermaine O'Neal sucker punches fan Charles Haddad, who is carried off the court on a stretcher. Bill Walton, the former NBA great who called the game for NBC, intoned, "This is a low moment in NBA history."

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And yet, at the same "low moment," league revenues were on the rise! The "Air" apparent to MJ had landed in Cleveland. At 6' 8", 240 pounds, James had the power of Karl Malone, the scoring potential of Jordan, and an engaging smile and personality all his own.

He was the "innovation" that the NBA needed—a solid citizen with game. Instantly, the Cavaliers experienced what ESPN entitled "The LeBron Effect."

During the 2003-2004 season, an average of 18,287 fans per game packed into Cleveland's Quicken Arena to see James—*nearly 7,000 more fans per game than the season before*. The 59% season-to-season increase was the largest in NBA history for a team that didn't change venues. The effect spread across the rest of the league, too: attendance at Cavaliers away games rose from 16,087 to 18,730, more than a 16% increase.

A one-year wonder? Hardly. Midway through James's rookie year, Forbes ran a financial projection on him, predicting that in seven years the Cavaliers and his sponsoring sneaker, trading-card, and soft-drink companies will have paid the power forward over \$200 million. That's a serious investment in new product development and marketing—and it's a steal! Assuming no injuries or publicity missteps, Forbes estimated, James would generate \$2 billion in revenues for his team and all his sponsors in the same time period. And he's well on his way.

In 2002 BL (Before LeBron), Forbes valued the Cavaliers at \$222 million. In 2004, just four months into his second season, the Cavs' value jumped to \$298 million. Last year, the team was rated the ninth most valuable team in the NBA, at \$356 million. What brand that wouldn't take a +60% increase (+\$134 million) to its net worth in two-and-a-half years?

Clearly, the coaching return of Pat Riley, and his popular Miami Heat's winning the NBA championship, attracted fans and helped fatten the league's bottom line. And the moving story of Alonzo Mourning returning to the game following kidney transplant surgery certainly helped focus more national attention on an increasingly popular team.

But it's the LeBron Effect that has NBA Commissioner David Stern smiling again; he's a great new product that will hit three-pointers for years to come.

Lessons Learned

New products can reinvigorate brands and alter consumer perception more easily than making old products look new. Sure, the NBA cranked up the spin machine after each negative event. In fact, it has recently invoked a dress code to improve brand identity. But in the end, you may be better off launching a new killer app than spending too much time and money re-gilding the lily. Consumers love truly "new" products.

Place your bets wisely. Every player entering the league is a "new product." But before you pull out all the stops, know what you're promoting. Understand what's new and different about your product, where it fits into your portfolio, and what it means to your target audience. Then make people aware of it.

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Test small. Then bet all. The NBA allowed its franchises to "test-market" James while watching to see how he fared in each city. In essence, they were playing with house money just until LeBron proved bankable. When the numbers confirmed the hypothesis, league PR kicked in big time, landing James on national talk shows and magazine covers everywhere. He is now The Next Big Thing.

Don't be afraid to expand your brand. Once you have a hot property, you'd be amazed how far you can take your brand equity. For example, no serious Cavs fan can be without her own set of "The LeBrons"—four plastic cartoon characters described on the Cavs Web site as an "urban vinyl figure set." Now just \$279!

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