

URL: <https://ecorner.stanford.edu/in-brief/the-economics-of-nba-basketball/>

Joe Tsai, co-founder and executive vice chairman of Alibaba Group, explains his decision to purchase the Brooklyn Nets. A thoughtful approach to revenue sharing, along with a well-defined partnership between players and owners, convinced him that an NBA franchise was an interesting and valuable business.



Transcript

So my whole life, sports is very important part of it.. I was never good enough to play basketball at the competitive level, but there's been lots of pick up games and things like that.. And when the opportunity to buy the Nets came up, I was originally very skeptical because it's a big under taking.. There's a lot of capital investment but the more I looked into it, I thought the idea of a professional sports league, especially the NBA is a very interesting sort of economic proposition.. You can imagine there are 30 teams in the league but all 30 owners share the wealth, the league level wealth equally.. So what is league level wealth? It is revenue that the league generates from being shown on TV like ESPN, watch NBA basketball.. You get to keep your local revenues, which is your tickets so that depends on your own ability but in a way, there's also that backstop of league level economics that all owners share equally.. So I thought to myself, that's actually a pretty good system.. Doesn't matter if you are in first place or 30TH place, you get the same split of the league level revenues.. And the other very interesting thing about the NBA, I think is true in most professional sports leagues is per the collective bargaining agreement, there's a very thoughtful way of sharing the economics between ownership and the players..

And today, the players have become more and more important.. They're stars.. They're literally mega stars.. Very, very powerful.. So you can't treat your players as employees anymore.. They're your partners in the business.. - And they're really good business people as well.. - Yes, they're very good business people.. they're smart; they wouldn't get to this kind of stardom if they weren't smart and they're also represented by very good business people so you really need to approach this relationship as a partnership and if you read the collective bargaining agreement which is an 800 page thick tome, they're very detailed provisions on how you share revenue and things like that so that really attracted me 'cause I analyze the economics of the league but the emotional part is it's the Brooklyn Nets.. It's New York City...