

Nearly 12 months on from the first games in the Indian Premier League, we assess the continued success of Indian sport's top property and also look beyond it, to see what potential there is in the wider Indian sports sector. **By Andy Fry.**

DRIVING INDIA FORWARD

AT A TIME when Europe, Asia, Australia and the US are in deep recession, there's not much for the sports industry to enthuse about. But the one flagship property which looks well-placed to come through the crisis in reasonable shape is the Indian Premier League (IPL) - the Twenty20 cricket league launched by the Board Of Control for Cricket in India (BCCI) early last year.

With season two due to start in mid-April, there's no real evidence that the league has been severely dented by the downturn. Indeed, IPL commissioner Lalit Modi has even gone as far as to claim that the league has "defied the recession." (see next page for more from Modi).

While the fact that some of the weaker IPL teams may turn out to be loss-makers, this is not a real reflection on the financial health of the league. As with Formula One and the English Premier League, it will be perfectly possible for the IPL umbrella brand to make money while some of its constituents parts don't.

If you really want to assess the health of the IPL brand, then you need to look at the kind of long-term financial deals it has done. Start with TV rights - and you can see that the big deals are already in place. With Sony and World Sports Group paying US\$1.026 billion for Indian/global rights from 2008 through until 2017, the IPL

has a solid financial base which will see it past the recession and into the next phase of Indian growth. It is a similar story in sponsorship - where the IPL is able to boast a strong and diverse portfolio of backers and the involvement of brands like Coke, Nokia and Vodafone adds to the league's financial resilience. IPL title sponsor DLF said it had no intention of pulling out of its five-year deal because of the volatile economic climate.

Speaking from Mumbai in January, the real estate giant's executive director Rajeev Talwar said: "Our commitment to the DLF Indian Premier League remains resolute and long-term. We will continue to support the league that has ushered in a unique new era of cricket and entertainment for a global audience."

Of course, the fact that the IPL and cricket are doing so well doesn't necessarily mean the rest of Indian sport is thriving. So what is the broader picture like?

The global slump has undeniably started to hit India and according to The Economist, the country's central bank has revised its estimate of economic growth downwards, to 7.5-8 per cent, with many expecting this to fall below 5.5 per cent, its lowest point since 2002. And there have been bad news stories in the sports sector.

One casualty of the crisis, for example, is golf's Indian Masters. Due to take place in February, the loss of title sponsor EMAAR-MGF made the US\$2-5 million flagship event unviable.

It wouldn't be a surprise to see a few other events fold in the current climate. But it would be a mistake to suppose that this is symptomatic of India's long-term potential.

The loss of the Indian Masters, for example, does not spell the end for Indian golf - which has been buoyed up in recent times by the growth of the PGTI professional golf tour. With the PGTI selling its exclusive broadcasting rights to Raghav Bahl's media conglomerate Network 18, there's no question that it has the resilience to weather the economic storm.

You get a similar positive vibe if you look at the level of activity in the soccer space. At the elite end of the sport, the headlines have focused on Pay TV broadcaster Zee's link up with the All India Football Federation (AIFF) via a US\$65 million, 10 year deal. But there has also been activity at grass roots level - with telecom giant Bharti Airtel backing the AIFF's plans for an international football academy in Goa.

Perhaps even more significantly, there were reports in January 2009 that Manchester United may provide technical support to the proposed



Academy. "The finer points of the project are yet to be worked out," said AIFF VP Subrata Dutta: "But our acting president has assured (us) that there won't be any more roadblocks."

Formula One commercial chief Bernie Ecclestone has made it clear that plans for an India Grand Prix are still very much on track. He went on record to say the various partners are "fully committed" to the project. Speaking to the BBC, he said "we will deliver... otherwise we wouldn't have entered into an agreement. (India is) a large country with a big population and it's good for the sponsors, car manufacturers and everyone involved in Formula One."

So how does the IPL impact on the rest of the Indian sports scene? Andrew James, senior principal of Brisbane-based sports architecture firm HOK Sport, has been to India many times in recent years - and he believes the growth of the IPL will probably benefit the overall Indian sports sector. "The TPL has transformed the cricket marketplace in a single year," he says.

"It's attracting new audiences to venues where the emphasis is on safety, fun, food, comfort and entertainment. If those lessons are transferred to other sports disciplines, then it extends Indian sport's overall revenue-generating potential." Not only that, but the

AN ACTIVE ENGAGEMENT - SPORT+MARKT

IN TIMES WHEN marketing spend needs to be justified, research has to deliver the basis for this justification. Regarding sponsorship, it is always in discussion whether engagements and tools actually lead to positive image transfer and ultimately change the consumers' buying behaviour.

In India, research results have been convincingly positive and highlight the standing of sponsorship as a strong connection with social responsibility, thus demonstrating the potential to create an image shift of the sponsor leading to a potential intent to purchase.

India is not only an interesting market with its different sporting landscape to its neighbouring countries but it is also a highly attractive target market for sponsors. With continuous growth and a very young population, the market holds enormous potential and sponsors can use sport to reach their target group and achieve positive image transfer.

Worldwide, CSR has gained in significance in company communication, accompanying business activities, as a communication tool itself or integrated into other marketing tools such as sponsorship. In India currently, research shows that sports sponsorship itself can be seen as a form of social responsibility.

But is not just social involvement that helps sponsorship achieve a high acceptance among the Indian population.

In India, 74 per cent of respondents agreed that a sponsorship engagement leads to a more attractive image—in absolute figures this means that a sponsor can significantly change its image with around 160 million people in this growing market. In European countries, respondents appear less easy to influence. In India, 68 per cent prefer the product of a sponsor over a rival brand—a number which is beyond the wildest dreams of sponsors in Europe.

revenue coming into the IPL infrastructure will have a knock-on effect for Indian cities. "Significant venues and public buildings can help put a city on the global map, establish an international identity⁷ and provide a focal point for the community. In India, as the development of key cities forges ahead, the IPL has a role to play in encouraging investments in infrastructure projects." Preparations for the Delhi 2010 Commonwealth Games haven't escaped the impact of the current financial crisis. But the good news is that the Indian government has demonstrated a real can-do attitude in adversity. This is evident in a number of ways - ranging from infrastructure costs to event security to investment in developing Indian track and field talent.

"The budget for the Games will be increased considering the escalating prices of raw materials used in construction," said Indian Olympic Association president and chairman of the Delhi Organising Committee, Suresh Kalmadi recently. "We are building an international standard stadium here and we can't compromise on that."

Kalmadi also said security has moved up the list of priorities for the Games after the Mumbai attacks: "We are very concerned about the security arrangements and we are taking additional steps. We are procuring all required equipment to ensure 100 per cent safety. We can't lower our guard."

Not all of the revenue for the Games will come from government. Also important is the sale of international TV rights which is being handled exclusively by Fast Track. Director of TV for Fast Track, Richard Russell, says the agency has already secured deals in Australia (Network Ten & Foxtel), New Zealand (TVNZ) and South Africa (SABC). Like Kalmadi, he is very bullish about the event: "The Indian authorities have demonstrated a real desire to put on a great event - and I have absolutely no doubt that they will deliver a memorable Games."

Russell says it is important to see the 2010 Delhi Commonwealth Games in context: "Like Russia and China, the Indian government has recognised the role that sport can play as a nation-building tool. The decision to host the Games is the first stage in a long-term plan which is intended to lift sport up the Indian agenda. The fact that India has already put its name forward for the 2020 Summer Olympics shows how seriously they are taking this area. They were very unlucky to lose out on the 2014 Asian Games to another excellent bid from Incheon in South Korea."

Certainly, India has been given encouragement to bid by International Olympic Committee president Jacques Rogge. Speaking to Kalmadi, he said: "We in the IOC think that India has great potential in sports. You have six years to prepare an impeccable bid (for 2020)."

Richard Gillis speaks to Lalit Modi, chairman of the IPL, about the success story so far and the ambitious plans for season two and beyond.

BUILDING LOYALTY

THE INDIAN PREMIER LEAGUE is not about cricket. It is about money. Its defining moment took place not on the field of play but in a Mumbai hotel, where the best players in the world lined up to be bought by India's new business elite, mobile phone magnates and Bollywood actors. The media buzz only began to dissipate when the cricket started.

It follows that the statistics that matter¹ most to the future shape of the game around the world are not those in the wickets and runs column, but the more mundane barometers of profit and loss.

Lalit Modi knows well that his job of creating the most audacious and ambitious sports property in recent times has only just begun. Year one was about the set up, and by any criteria, it was a stunning success. As the league's second year unfolds, Modi's considerable focus is on delivery, both on and off the field.

"Three IPL clubs have made a profit in year one, which is amazing, far ahead of schedule," he says, talking to SportBusiness International in a London hotel. "Look at the football clubs of the Premier League, how many have made a profit after 100 years?"

"It is a difficult proposition, to make a profit from sports clubs, it is rare. It goes

to show we have done something right. I'm confident that by year three and four all our clubs will be in the black".

Modi's education was augmented by a stint at Duke University's Business School in New York, then jobs back at home with Estee Lauder and Phillip Morris, two companies which are joint venture partners of the Modi group, his own company. However, it was his experience in the Indian TV industry that made his subsequent achievements possible.

"We knew where the value lies - this is my field," he says. "I ran ESPN-Sports in India, I launched Ten Sports in India, I launched Doordarshan Sports. This is my business. The issue (with the IPL) was going to be how we packaged the rights together. I admit we set the benchmark high for various packages and people said nobody will bid, so we said 'OK, don't bid.' We called their bluff and the bids reflected our accurate valuation. At the end of the day Indian cricket is what drives all sports channels in India and if they don't have Indian cricket they will lose their viewership and maybe their platform itself".

The engine of the IPL's revenue comes from Sony Entertainment Television in partnership with Seamus O'Brien's Singapore-based agency World Sport



Group. The way the deal is structured means the IPL receives \$70 million a year for the first five seasons. Some 64 per cent of the media and sponsorship earnings will be equally divided among the eight teams, around \$5.5 million per team. Ticket sales according to one franchise executive, could reap \$1.5 to \$2 million, sponsorship and other local merchandising deals another \$1.5 million. These figures depend on the appetite of the local commercial markets and will vary from city to city.

For Sony Television, buying the IPL has put them on the world map and there are broader strategic reasons for spending the money. Early research suggests Twenty20 cricket is popular among hard to reach groups, such as young people and women. Even so, \$7 million represents a lot of advertising. After last year's event, media buyers in India suggested Sony's price for a 30-second advert was around \$16,500, a premium rate similar to that charged by ESPN Star around the India v Pakistan World Twenty20 final in 2007. Given there are 60 such spots in a Twenty20 game and 59 games in the season, Sony's take from the first season of IPL could be in the region of \$60 million, \$10 million short of break even.

The initial sell to the franchisees was based on a prospectus put together on behalf of the BCCI by IMG. In this document, the

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financial details of various American sports franchises and European football were offered up as a guide to the investment potential of an IPL team. The message was clear; what works in the US and Europe can work in India.

For example, Texan Jerry Jones bought the Dallas Cowboys in 1989 for \$150 million, an investment that is now worth ten times that amount. Similarly, Frank McCourt paid \$355 million for the LA Dodgers baseball team four years ago. Last year, the Dodgers were worth \$632 million according to Forbes.

Unlike their counterparts in the IPL however, these gentlemen were buying an established sporting brand. The LA Dodgers began as the Brooklyn Dodgers in 1883 before moving to the west coast in 1958. By comparison, the Cowboys are a bunch of arrivistes, joining the NFL in 1960 as an expansion team. The Bangalore Royal Challengers did not exist before Vijay Mallya paid \$112 million for them in March. Whether this matters is one of the questions the prospectus doesn't answer.

But there is already talk of a secondary market for the franchises, with various investment groups circling. No sale can officially take place for the first three years and no expansion until 2011.

"None of my owners want to sell their franchise," says Modi. "There are rumours flying around of course. They are looking at investment coming in at a much higher valuation, and some will take on additional investment. Every franchise has exceeded its original business plan in terms of revenues flowing in, so that is good".

Having secured the best players, Modi knows well that the hard miles may be yet to come. Stadia redevelopment is a big priority - currently, the IPL rents the stadia to franchises - as is developing a greater traction between fans and their local teams. Areas such as licensing, merchandising and affiliate marketing programmes are the nuts and bolts of the sports marketing industry, and it is here that Modi sees room for improvement.

"Identification with a particular team is going to become more and more important in years to come," he says. "We want to build team brands. The Premier League, La Liga and the Bundesliga have the best foreign players who have become synonymous with particular clubs over the years. That is something we want to build".