

## Conquering the Continent

*Kevin McCullagh spoke to Euroleague Basketball about how the competition has become the continent's top basketball prize, and how it hopes to take the sport in Europe to the next level.*

When Ramunas Siskauskas' three-point shot-to-win on the buzzer bounced clear in this year's Euroleague basketball final, the scene at the O2 World arena bore testament to the prestige and importance attached to the event.

The several-thousand-strong support for winners Panathinaikos erupted; their subs and management charged onto the court to embrace and dance. CSKA Moscow players stared dejectedly at their Nikes, before trudging off to backslaps from colleagues, losers by two points and the width of a basketball rim. Two girls courtside proudly held aloft their CSKA Moscow banners as a jubilant Panathinaikos team raised the Euroleague trophy. The gleaming new O2 World in Berlin, one of Europe's finest indoor arenas, provided an altogether fitting stage.

The Euroleague has firmly established itself as the competition all European clubs want to compete in and win, ten years after emerging in an acrimonious birth when the top European clubs split from the international basketball federation, FIBA, to form the tournament.

Basketball exists in the shadow of football in most territories in Europe, well behind in terms of media coverage, fan numbers, and sponsorship and TV revenues.

The Euroleague's strongest territories include only one of Europe's big five economies - Spain, which has the strongest basketball league in Europe and this season contributed five of the 24 Euroleague teams.

But to say that basketball is a second-tier sport compared to football understates the significance and size of the top European leagues, clubs and players. Europe is home to wealthy, talented, and storied professional leagues and clubs.

Many of the top basketball clubs are part of the continent's most illustrious sports clubs, although the names are more famous in football - Real Madrid, Barcelona, CSKA Moscow, Panathinaikos, Olympiacos.

And the Euroleague has become a powerful central force in the European game, drawing together clubs operating in very different economies and sporting cultures, from the Iberian peninsula in the West, to Russia and Israel in the East.

Mindful that it exists to serve the clubs - unlike in the NBA, for example, where franchise clubs are created by the league - Euroleague is attempting to steer them collectively upward both on and off the court. It appears to be having quite some success.

The standard of skills and play in the league is considered to be rising; European teams fare well against traditionally dominant US sides in pre-season friendly matches; European clubs are signing some NBA players - although these still tend to be either veterans or young players lured by the lack of a wage cap; and Europe is providing an increasing number of players to the NBA, still the world's top club competition.

Euroleague is encouraging a minimum level of professionalism in its clubs' organisations and commercial activities, and, through its own educational programme - the Euroleague Basketball Institute - providing training in marketing, management and the media for the next generation of professionals who want to work in the sport in Europe.

And it is not just focused on the elite game - the league is also encouraging youth development by organising pan-European competition for top youth teams, in association with Nike.

A framework for the clubs

European basketball has history, professional organisation and a high standard of play. But, says Euroleague CEO Jordi Bertomeu, "Before [Euroleague], no one was co-ordinating the efforts of European clubs, or trying to identify common policies. It was FIBA at the time, but it has other objectives - it has to promote and expand the game everywhere. That's why the league was created - there was a need to create this dynamic."

Josep Cubells, chief executive of Regal FC Barcelona, this year's third-placed team at the Final Four, admits that the clubs are focused on their own day-to-day business, rather than the bigger picture of basketball in Europe. Bertomeu says "Our responsibility is to create a framework where the clubs can develop their own products. The framework is based on good exposure, good sponsorship platforms, and good organisation on the sporting side."

At the heart of the framework at the moment is a 24-team competition, played between October and May, with midweek matches, moving through two group stages, and one direct knockout round, to the 'Final Four', a showpiece event featuring two semi-finals, a third-place playoff and a final, broadcast on TV in 173 countries.

Euroleague Basketball is owned 80 per cent by the clubs taking part, and 20 per cent by the national leagues. The top clubs currently have their participation guaranteed for three years, with smaller clubs having one-year contracts. Next season the format changes to secure the places of the top clubs indefinitely, with the hope that this will make them more attractive to investors and sponsors.

The main Euroleague tournament is backed up by a second-tier competition for weaker teams - the Eurocup (formerly the ULEB Cup) - which is designed as a stepping stone to the elite competition.

Euroleague has been trying to foster the talents of clubs from the big five European economies in the Eurocup, although with mixed success. UK teams have fallen by the wayside, dropping out of the competition altogether this year.

However German team Alba Berlin has been a notable success, graduating from the ULEB Cup and this year reaching the second stage of the Euroleague for the first time.

Euroleague also runs the Nike International Junior Tournament, which in 2009 featured eight of the best under-18 teams from the continent, and took place on the same weekend as the Final Four, in the same grand venue. One of many signs of the changed times in Berlin, and Europe, the Anschutz Entertainment Group-owned O2 World is a comfortable, highly-profitable 21st century paradise for the sports fan, music fan and consumer, sitting on the site of an old train yard in East Berlin.

The staging of the Final Four and Nike International Junior Tournament at the O2 World is an endorsement of Euroleague's strength and an example of the kind of strategic, commercially-informed decision-making that was missing from the European game in the past.

AEG has a six-year contract with Euroleague to jointly organise the Final Four events. They will take place at AEG venues in Europe, and the two parties share the risk and organisational responsibilities, and jointly sell tickets, sponsorship, and marketing.

AEG's Andrew Messick explains his motivation for entering the partnership: "I thought the combination... had the potential to help arenas, by providing world class events, and the Euroleague, by providing it with the showcase I think it deserves."

Messick, formerly in charge of international at the NBA, says calling Bertomeu was one of the first things he did when arriving in his post as executive vice-president of marketing and international at AEG Europe. They share the same vision, he says, of what basketball in Europe could be.

AEG is expanding its European footprint at the moment, including by way of the second strand of its relationship with Euroleague - it is currently in talks with fourteen basketball clubs on the continent about "rebuilding, renovating, and managing" their facilities.

"A well-run venue for a team provides a fairly powerful economic platform, which it can use to reinvest back in the sport - in junior teams, in buying better players," says Messick.

He puts the value to an NBA team of a well-run arena at roughly \$50 million per year.

The new framework

Such an economic platform would be very welcome for the European clubs, judging by the conversations SportBusiness International had at the Final Four with two of the biggest.

Barcelona admitted to being only able to cover 40 per cent of its professional basketball team's budget - the rest is subsidised by the Barcelona sports club, particularly by the football business. CSKA Moscow says they covered 20 per cent of their budget.

The philosophy at Barcelona does not see non-profitability as a fatal flaw - rather the club was proud to say that it is a non-profit organisation, which exists for the good of the sport, its fans, and its community. "We are not a company," says Josep Cubells.

Nevertheless, both teams look forward to continued growth of the Euroleague, which provides Barca with 10 per cent, and CSKA with 5 per cent, of their total income.

They are both in favour of the new structure, within which 12 or 13 teams will be secured a place in the competition - except after the first three years, when the lowest ranked of these each season will pass their licence to the team ranked just below.

The secured teams will be able to guarantee commercial partners a place on European basketball's biggest stage, and exposure on its 170-odd broadcast partners, year after year.

The teams selected for the permanent contracts have been judged on their performances in the last six years of the competition, and also on their ability to generate revenues. However they must maintain a top level of performance in their domestic leagues, or risk having their contract terminated.

Bertomeu says the new format will encourage better competition in the domestic leagues - in Greece, recently, teams only had to finish third to qualify for the Euroleague which, he says, was damaging the competition.

From next season, only the champions will qualify, alongside the permanently-contracted teams. "This model is not a revolution," says Bertomeu. "We are just going deeper with the principles we had in 2000. Those principles were that, if you want to have people investing in the product, you have to give them stability."

There will be qualification spots available in the competition each year for the champions of the Eurocup, the national champions of the best leagues, and also to a range of clubs from new countries previously without an entry route, through a qualification round which will select two teams.

"With one hand we are giving stability to the main teams so that we have a good project to deliver to our TV partners, to our sponsors, to our fans - we have these 12 or 13 teams who are the top and who are champions," Bertomeu explains. "At the same time we are opening out our base, with more countries [from which clubs are able to qualify]."

The new system is not yet set in stone. Spain, the strongest of the ten current member leagues, is opposing it on the grounds that it will have fewer teams in the tournament.

It is the only dissenting voice according to Bertomeu, who is confident that ongoing discussions between the leagues will see the new system "definitely" in place next season.

It is another evolution in an organisation which, to its credit, has not stood still since its formation. A key evolution which took place in 2005 was bringing in-house the sales of sponsorship and TV rights. The rights had previously resided with Spanish pay-television operator Sogecable, which withdrew to focus on its core broadcasting business.

It has not all been plain sailing. The league suffered big cuts in fees for TV rights in the French and Polish markets in 2008 - a result of poor performances by teams from those countries, and a lack of competition.

But TV revenues for the 2008-09 season still reached the Euro 18 million mark, compared to Euro13.5 million back in 2005-06, when it first took the rights in-house.

The upward curve of the fees is steady, if not steep, and the league expects it to continue. "In the last year, all of the TV deals we have agreed have increased the fee 10 to 15 per cent," Bertomeu says.

#### TV and sponsorship

Euroleague has a mixture of free-to-air and pay-TV coverage in its top markets, including Greece, Spain and Israel - the latter two are the biggest markets in terms of revenues.

In Italy it is on the Sky Italia pay platform, although it is so happy with the coverage provided that Bertomeu says it hopes to renew its deal in negotiations to be concluded this summer, despite the presence of an interested free-to-air party.

The league is exploring potential broadcast interest beyond Europe in deals with NBA TV and internet broadcaster ESPN360 in the US, and with CCTV in China.

Bertomeu believes the Euroleague offers great value to US broadcasters, with fans looking for the next top NBA players, or watching their favourite veterans continue to play, and that there will soon be increased revenues coming from the US, which currently generates "tens of thousands" of Euros.

Chinese state broadcaster CCTV covered Euroleague for the first time this year, with delayed coverage of the Final Four matches given to it for free in order to gauge the interest in the world's most populous TV market.

The league, says Bertomeu, would like to achieve better balance in its TV-sponsorship revenue split, which he says is currently around 75:25 in favour of television.

At least one of the world's biggest sporting sponsors is putting its faith in Euroleague. Nike sponsors the league's ball, the under-18 tournament, numerous players and teams, and works with the league on numerous other promotions across Europe.

Nike says partnering with Euroleague gives them 'authenticity' in the European market. And Nike's director of global basketball sports marketing George Raveling is quick to point out the league's dynamism and willingness to change and innovate.

"It is a growing enterprise. The Euroleague is in an innovative stage right now. They haven't sat on a pat hand. They're not grinding out a twenty-year-old formula that they use year after year."

Raveling sees the Euroleague as one of the catalysts in a shift in power in basketball away from the US and towards a more even balance with other parts of the world. "The game is changing now - it's a global game," he says.

"The US dominance of basketball... those days are gone forever... There are one in six non-American-born players in the NBA now... I don't think we are far off that being three in six, over the next 10 or so years."

There have been plenty of noises in recent years about the NBA's interest in establishing a permanent presence in Europe, whether a team or a league. For the moment it appears to be content with pre-season friendly tours.

When asked if he thinks the NBA still has designs on the continent, Jordi Bertomeu's answer is confident, and harks back to what remains the backbone of European basketball, and those whom Euroleague serves - the top clubs.

"If they come, we will be well prepared to face the challenge. They have a great competition, a great brand, but we cannot forget that we have the teams with history, with fans.

"Europe is based on FC Barcelona, Maccabi Tel Aviv, CSKA Moscow. Those are our assets."

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