

# SHAPING UP SPORTS ECONOMY IN INDIA THROUGH COMMERCIALIZATION OF CRICKET

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*[Abstract: Sports economy came to be developed in the west following the availability of increased leisure with the working class after World War II. Countries who predominantly played cricket, were left out of the advantages which a developing sports economy could offer largely because the Boards of Cricket in these countries lived off the patronage of the state and aristocracy and the game itself was played largely in erstwhile British Colonies who would be looking up to the Cricket Boards in Australia and England to take a lead. These Boards were content in imagining their supremacy in the game and looked at the colonies playing game; indulgently at best. Technology being made use of in the west for increasing the revenue generating streams of a sporting event came to be applied fortuitously when a maverick TV broadcaster Kerry Packer in 1977 changed the format of the game to make it worthy of a telecast by limiting the duration of the event and making it fiercely competitive enabling the viewers to watch the event in the comfort of their homes, offices and bars. With the unexpected victory of India in 1983 in the World Cup held in England, the vast population in India found for itself a sporting identity to be proud of which triggered an unprecedented adoption of the game across the nations where Indians were situated. The glory of India also rubbed the other erstwhile colonies like Pakistan, Sri Lanka, and Bangladesh as all these former colonies found an instrument to take on their former master through the game of Cricket. Boards of these countries had new found confidence to assert themselves in the apex International Council for Cricket on scheduling the matches and discovered new revenue streams to encash on the increased viewership through the broadcasting medium and sponsorships from corporates. To make the Cricket compete on TV viewership vis a vis Football, The English Board further formatted the game to a 3 hour duration with success. In yet another unexpected event, in the World Cup in 2007 in Canberra, India and Pakistan both got eliminated at the early stages of the tournament causing the losses to sponsors and advertising agencies as the viewership fell. A new model of the contest was needed in which teams from these cricket crazy countries continued to play along with the talented players of other countries on the lines of football league in Europe. BCCI came up with the launch of the Indian Premier League in 2008 and the event has been successfully held every year since then which has not only enriched BCCI but has benefitted players across the countries immensely and the corporates have lapped up the opportunity finding the league as a forum from which sporting economy has sprung in this part of the world. Similar initiatives among other sports like Hockey and Football have added on to the contribution of sports economy to the overall economy]*

The development and diffusion of global sports has been true from the time of industrial modernization considered to be the take off phase of modern sports, when rules and regulations were formalized, leagues set up, and a calendar of competitions drawn up. This went hand in hand with the industrialization process in Britain, since the labour

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demands of the industrial revolution produced changes in the patterns of work and leisure. The establishment of modern sports also closely correlates with the high point of European imperial dominance. The first international cricket match was played in 1877, the Olympics were reinstated in 1894, and governing bodies for soccer, cricket and tennis were set up in 1904, 1909 and 1913 respectively. The global governance of sports was drawn upon imperial lines, and major sporting leagues and tournaments representing (mostly British) imperial elite networks. Sports grew in stature and symbolism, having a profound impact on public life<sup>1</sup>.

Commercialized sport was one of the growth points of economy at this phase of industrial revolution in the late Victorian era. A substantial rise in working-class spending power, growing urbanization, and a concentration of free time into Saturday afternoons all encouraged the marketing of spectator sports, and in response throughout Britain sport promoters and sport club executives enclosed grounds, erected stadia and charged gate money<sup>2</sup>.

It was not until after the Second World War that the genuine globalization and commercialization of sports and sports economy would flourish. This phenomenon was triggered off by three key trends. The first of these trends was the extension of annually paid holidays for individuals. This led the engagement by society in many leisure activities in all developed market economies, and sports were now consumed in many forms, such as: sport practice, sporting press and sport shows. The second major trend was the television broadcasting of big sporting events which brought with it a completely new industry which provided access to TV viewers for any significant international competition covered anywhere around the world. The last but not the least evolution was the emergence of new information and communication technologies from internet to mobile phone and so on through which images of sporting events can

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<sup>1</sup> Cricket and globalization: global processes and the imperial game; Fahad Mustafa, *Journal of Global History*, vol.8, Issue 2, July 2013, pp. 318-341

<sup>2</sup> The Peculiar Economics of English Cricket before 1914, Keith Standiford and wray vamplew, *The International Journal of History of Sport*, vol.3, Issue 1986

be instantly transmitted at any moment to any place, throughout the globe<sup>3</sup>. This citation published in 2008 includes globalised features of sporting economy represented by (i) sports shows and (ii) sports mega events since the beginning of 20th Century growing rapidly in international sports events per year: there were 20 sports events in the year 1912, 315 events in 1977, 660 in 1987 and 1000 in 2005 i.e. on an average of three global events per day on an average. Thanks to TV broadcasting, such events would be within the reach of entire population of the world standing at seven billion.

There was another side of the expanding sports economy on the using of technology of communications and TV. It was epitomizing as the most successful export of Western civilization, being of even wider appeal than democracy, egalitarianism and capitalism while for some factions within the world's societies, the meanings of representative political participation, equal employment opportunities, and even basic human rights are often the subjects of heated debates, there seems to be almost unanimous consent to the beauty of sporting victory, the value of gold medal, or the fascination of a new record. However, the celebration of sport as the universal cultural property disguises the political economy of sport in contemporary society and more down to earth corporate interests behind the western sport. First of all, both the wealth of nations and their inhabitants have great impact upon the diversity of sport opportunities, the quality of sport facilities and the issue of access rights. This is the case because a viable sports infrastructure requires a stable allocation of resources, either by public or private bodies, and the arrangement of these players ultimately decides whether sport is rather regarded as public policy or private business. Even though mass sport politics and the sport industry are distinctive fields, they are actually mutually dependant and linked to each other by various channels, most note worthy sport governing bodies and the media. Hence the development of sport into a key market for global capital

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<sup>3</sup> "Globalization of Sports Economy" by Wladimir Andreff, *Rivista Diritto Ed Economia Dello Sport* ISSN 18256678 vol. IV Fasc. 3, 2008

accumulation, which started in line with the rise of the current neo-liberal paradigm in the early 1980s, left its marks on the non-profit sector of amateur sport<sup>4</sup>.

While globalization of sports had been impacting political economy of nations, cricket was nowhere in the reckoning of the process and does not figure in the work of Andreff cited above which includes a table of audiences of major globalised sports events in terms of billion of viewers. While other sports had been cause of massive flows in global sports economy across the countries, the contribution of cricket in these flows was insignificant. Correspondingly, countries which were largely cricket playing only had been losing on the economic gains of sports economy and in the process organizers and players of the game were being deprived. Historical evidence suggests that the English Cricket decidedly remained non-profit oriented as it was raised to the pedestal of a cult and philosophy. Faith and mythology had termed the sport into an important national symbol and established it as part of the English social and cultural framework. Some viewed it as a patriotic institution, believing that cricket can rank among the links of chains to unite the empire. Others put their patriotism move at more local level seeing a successful cricket team as a reflection of their town or country. For some cricket was character building. It taught co-operation, self sacrifice and team spirit; it extolled comradeship and Christian virtues; honour and sportsmanship were at the heart of the game; and on a 'bumpy pitch' in a 'blinding light' cricket was a test of courage and self discipline. It simply represented all that many thought was best in the English way of life. These attitudes meant that, so far as cricket finances were concerned, on many occasions emotion superseded economics<sup>5</sup>. In the early twentieth century, other sports such as foot ball and tennis paid for the upkeep of cricket grounds. Country clubs ran on money donated by rich aristocrats<sup>6</sup>. In the colonies cricket was run by wealthy

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<sup>4</sup> "The Business of Sports and The Manufacturing of Global Social Inequality" by Prof. Welfram of East Asian Studies

<sup>5</sup> *Op cit 2*

<sup>6</sup> Cricket and Victorian Society Keith A.P. Sandiford *Journal of Social History*, Vol. 17, No. 2 winter 1983 Oxford University Press, <http://www.jstor.org/stable/3786904>

businessmen and the service elite<sup>7</sup>. Cricket was merrily going along its old ways in the cricket playing countries without tapping its potential of contributing to the world economy and the economies of their countries by following the lead taken by other sports. The tide was to turn rather fortuitously and despite the Cricket Boards and the International Cricket Council who had been and have been controlling the game of cricket in all its facets. In 1976, the Australian Cricket Control Board (ACB) refused to accept a bid made by channel 9 owned by Kerry Packer for televising Australia's home test matches for three years for the season commencing with 1976-77 despite his bid amount being Australian Dollar 1.5 million against Australian Dollar 2,10,000 agreed to by the state run Australian Board Casting Corporation (ABC). Determined to get some cricket on channel 9, Packer approached Test and County Cricket Board (TCCB) in England to telecast Australian tour of England scheduled in 1977. However, ACB prevailed on TCCB to accept the offer of ABC even though it was only 14 per cent of the offer made by Packer<sup>8</sup>.

Packer's channel 9, in response, launched a cricketing revolution in 1977 in the form of World Series Cricket (WSC), a breakaway series that was innovative in both its format and marketing strategies. Packer attracted key players from the Caribbean's, England and Australia by offering them lucrative terms to play in a three way international competition each summer. He was successful in establishing the concept of exclusive TV coverage of the game of cricket and present to the game an altogether new concept of one day cricket which was to affect the supremacy of the five days contest format. The Cricket changed with coloured clothing with sponsor's logos replacing white flannels, use of flood lights for games that ran into the night, and the rise of international superstars, whose popularity grew with the glamour associated with new series<sup>9</sup>. A truce was arrived at between ACB and Packer in 1979 on ACB conceding exclusive rights to telecast Australian cricket and besides PBL marketing, a company promoted by

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<sup>7</sup> *Op cit 1*

<sup>8</sup> World Series Cricket; Wikipedia

<sup>9</sup> *Op cit 1*

Packer, was also granted ten year contract to promote and market the game<sup>10</sup>. WSC effectively challenged the national sporting organisation's hegemony over the game. It was able to get players, referees, and the media to popularize the game. The spectacle was carried forward by other media such as newspapers and radio, which were also owned by Packer. Packer created a realization that the sport of cricket is far beyond mere entertainment but is a form of business of entertainment by demonstrating correlation between sports, corporate sponsorships, television broadcasters and the content providers and thereby boosting revenues for the cricketing events much beyond the gate collections and enabling sports lovers to enjoy the event from their homes, clubs, theatres, workplaces etc. Packer further established that broadcasters and sponsors would have a stake in the formats of the competition in tune with the best interest of revenues which would swell in proportion to the thrill and uncertainties that are bought about in such competitions. Format of one day cricket and later even shorter version has come to be established to make the competition result oriented and that too nail biting. Schedule, timing and duration of the matches were desired to suit the convenience of viewers across the countries with the development of appropriate technologies. However, with the placement of truce between Channel 9 and ABC, the pyramidal structure of ICC and Cricket Controls Boards fell into their usual groove and further potential of the economic activities and consequent economic gains had to await yet another fortuitous and unexpected event of the victory of India in the world cup at lords in 1983. Winning the world cup in 1983, against heavy odds, was a huge achievement; perhaps the greatest in the history of Indian cricket. "The significance of that win is that it changed the course of Indian Cricket forever"<sup>11</sup>. Nation regained a sporting identity which it had lost with its dwindling performance in hockey. Cricket picked up popularity and importance after 1983 victory. It became an ambition of boys to play the game; a classic example was Sachin, who has maintained many times that he was inspired by the victory<sup>12</sup>. The feat of Kapil Dev led team gave belief to the

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<sup>10</sup> *Op cit* 8

<sup>11</sup> Tendulkar in his fore word of the book "The Devils Pack" by B.S. Sandhu

<sup>12</sup> 1983 World Cup win changed course of Indian Cricket: Tendulkar; The Economic Times, Feb-10, 2011

administration of the BCCI to go ahead and deal with the traditional power houses of the game—England and Australia. Before that tournament BCCI mandarins sat in ICC meetings as timid participants. Its coffers were empty and to reward the winning team heroes they had to hold a Lata Mangeshkar musical night. The event kick started an Indian Cricket revolution and led to a shift in power. The World Cup was taken out of England and with it went control of the game. The 1983 performance gave Indian Cricket identity<sup>13</sup>.

While cricket would not become a religion until it got a figurehead in the form of Sachin Tendulkar, the wheels had been set in motion by Kapil Dev and Co. Cricket picked up in popularity and importance after 1983 victory. The corporates got behind the team, the media started to give the Indian team the recognition they deserved. Nation's identity got tied up with the sport. Cricket was to experience the phenomenon of Indianisation of the sport and the rise of a non-western power in the cultural sphere to an extent that led Ashish Nandy to proclaim 'Cricket is Indian game accidentally discovered by the English.'<sup>14</sup> The colonial structure of ICC where Australia and England enjoyed the status of 'founding members' and without whose consent any decision of the ICC would not be able to go through came to be challenged by India encashing upon the growing anti colonial sentiment fuelled by newly found supremacy of the erstwhile colonies in the game. Stung by the denial of extra tickets demanded by the BCCI President Salve, he successful fomented a revolt to bring the cricket world cup to India in 1987 with the close of co-operation the Pakistan Board despite the two nations having a military standoff, in their desire to get cricket out of the English hands. The presence of international diaspora that supported the South Asian national sides led to higher viewing figure worldwide for the matches involving Indian and Pakistan teams. This meant better revenues for the Board of these countries and also of those Boards whose teams were playing against these teams which vested increased negotiating power of the Boards of India and Pakistan when it came to negotiating international broadcasting

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<sup>13</sup> Cup that Changed the face of Indian Cricket Khelnama/Santhosh SR/25th June, 2013, Deccan Herald

<sup>14</sup> Ashish Nandy, *The Tao of Cricket*, New Delhi, Oxford, 2001, p.1

contracts. Thus, as the location of tournaments, choices of venues, and playing times became geared to fit the international diaspora, these Boards exercised influence the way the cricket was to run<sup>15</sup>. This was the emerging dynamics of cricket's globalization, rooted in its unreal (non-Western) global trajectory, given the limited number and skewed geographical distribution of countries playing international matches<sup>16</sup>. This phenomenon of globalization taking place not via the conventional means—expansion outwards from the metropolitan heartlands—but through the pursuit of commercial and media interests in India, is a subject itself for the scholars of the phenomenon of globalization.

Packer had challenged the monopoly of the ACB and ABC in obtaining the broadcasting rights in favour of channel 9; in India, cricket Association of Bengal (CAB) challenged the monopoly of the state television company; *Doordarshan*, by selling the telecasting rights for a five nation contest, Hero Cup, to Trans world International (TWI) and obtained a ruling on 15th Nov, 1993 in its favour. BCCI, taking a cue from this development, went on to obtain an order in 1994 in its favour and was able to grant five year exclusive broadcast right as part of a US \$ 30 million contract. Finally, the Supreme Court ruled in February, 1995 that the airways could not be a state monopoly as constitute public property and were for the advancement of the fundamental rights of free speech, something difficult to achieve under a monopoly<sup>17</sup>. While this opened ways for BCCI to maximize their revenues; Government of India ensured the continued presence of Indian Cricket on free-to-air TV thus enabling continued penetration of Cricket into Indian markets. All these developments led to creating financial clout of the BCCI and the other Boards also started looking forward to Asian teams playing with them in the hope of increasing their own revenue share. In 1996, the ICC agreed to have a rolling post of Chairman, with each country having three years' tenure. Under this scheme, the responsibility fell on the then President of BCCI, Jagmohan Dalmiya to head the ICC for

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<sup>15</sup> *Op cit 1*

<sup>16</sup> Cricket and Globalization; Chris Rumford and Stephen Wagg, Cambridge Scholars Publishing, 2010, ISBN (10): 1-4438-2370-8

<sup>17</sup> *Op cit 1*



the next three years. He, not unexpectedly, brought about structural changes by devising a schedule where each country was supposed to tour others at regular intervals and inducted many countries as associate members with the promise of schemes that money be spent in these countries where cricket was not widely played. With such changes, control in the ICC became realistic and hegemony of the founder members was dealt with squarely. When Dalmiya took over as ICC President, it had \$ 16000 in its kitty, but when he demitted office three years later, the ICC coffers were bulging with \$ 15 million. Besides, the International body had a cash cow in the form of World Cup and the Champions Trophy<sup>18</sup>.

The business of making money through advertising, television rights, franchises, sponsorships and merchandising by holding one Day Matches involving India, Pakistan and Sri Lanka became so compulsive that between 1984 and 2003, more than 200 OD Matches were played between India, Pakistan and Sri Lanka. Because of political reasons, they could not play matches in their home grounds in early decade of this century, when Abdul Rahaman Bukhatir in Sharjah, UAE undertook to organise tournaments among these countries calling them as The Cricketers' Benefit Fund Series (CBFS) with the professed objective to honour cricketers of the past and present generations from India and Pakistan, with benefit purses in recognition of their services to the game of cricket. The capacity of the stadium was only 27000 which was packed by cash rich but time-poor people but the target audience was cash poor and time rich spectators on TV in India, Pakistan, Sri Lanka and the diaspora settled elsewhere. However, the venue met its sunset on Government of India banning the participation of Indian Team on the suspicion of match fixing and without the Prince of Denmark; there could be no Hamlet<sup>19</sup>.

The model of commercialization of cricket brought into operation was heavily dependent on participation of India and Pakistan in the tournaments of an event as the

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<sup>18</sup> The Business of Cricket, Abhijeet chatterjee and M.S. Unnikrishnan, The Sunday Tribune, October, 24, 2004

<sup>19</sup> The Serious Business of Cricket –[www.roopenroy.com](http://www.roopenroy.com)

viewership to the events on television and related information Communication Technology systems was drawn from these countries and their supporters spread as immigrants in other countries of the world. The stunning exit of Pakistan and India from 2007 World Cup in the Caribbean brought BCCI particularly face to face with a crisis seeking to bring about correction in the model when giants such as Pepsi had to rethink marketing campaigns centred around the teams, Indian advertisers started demanding cut-price television spots and in Pakistan reckoned losses running into millions of dollars. South Korean giant L.G. Electronics panicked and expressed that it was unsure of it continuing as global partner of the ICC when sponsorship contract was to come for renegotiation<sup>20</sup>. A correction was called for in the format of the competitive games ensuring continuation of the participation of players from the subcontinent for the duration of the tournament as it was not possible to increase the viewership base beyond the Indian/Pakistani supporters spread across the continents. Essel group owned by Zee's Chandra came up with a new format, one with a lower entry cost and providing more value for money to sponsors and announced the formation of new Cricket series, Indian Cricket League. This league would be a six team league and each of the playing XI would represent a geographical region or city, with sponsorship tie ups, suitable branding, and the necessary hype. Foreign professionals would be invited to play, opening up the possibility of players from England in winter to play alongside foreign players of other countries including those from India. Chandra took a cue from comparing the Indian passion for cricket with the English passion for foot ball which attracts huge media coverage and endorsement deals. Yet the national team of England is not quite a World beater. No one bets on England winning Football World Cup. David Beckham is Foot ball's Sachin Tendulkar, a supremely talented player and national super hero but, frankly, not up there with the greatest match winners of all time. He is not Pele, just as Tendulkar is no Vivian Richards. The big trophies are missing from the English cupboards. Even so, since England loves football and there is lot of money riding on it, it needs a format where English teams-as opposed to the England team and

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<sup>20</sup> Counting the costs of early World Cups exits, Taipei Times, March 30, 2007

English players do well. This makes the English Premier league perhaps the richest domestic league of its type. Chandra's league wanted to follow the exact formula<sup>21</sup>. Chandra clarified that ICC was not in conflict with BCCI but would instead complement the Board by providing a rich talent reserve for the national team. Even if players get contracted to ICL, they were not to be stopped if they go on to play in the national team. In its announcement on April 3, 2007, the Essel Group mentioned that the league would be held annually and would have its own contracted Indian and international players, apart from a paid selection committee. The league would start with 20-20 format, keeping in mind the world cup of session in South Africa that was to commence in South Africa later in that year. In the first year of its existence in 2007, it was envisaged that six teams would participate whose number was to reach 10 in the next two years. Each team would comprise of two national, four international and eight budding players, who would be selected by talent scouts. Team will play on home and away basis in the T20 format and also in ODI format. It was envisaged that cricket academies equipped with latest equipments and facilities under national/international coaches would be set up. At the time of announcement, it was observed that while millions of boys were playing cricket in schools and colleges, they had very little chance of playing at national and state levels when only about 20 players were contracted with the Board with a restriction that they cannot play for anybody else and at a state level also about 25 players could come up. There was thus a scope for creating a vast reserve pool to continuously provide talented players at the national level by creating a network of academies. BCCI and every state organisation was also approached for their support<sup>22</sup>. However, ICL could hold their tournaments only for two years and since then it has become defunct largely for want of co-operation from BCCI by way of denial of its facilities nationwide and holding of threats to players, officials and state associations on

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<sup>21</sup> Skewed numbers, Cricinfo Magazine/ESPN Cricinfo; Ashok Malik

<sup>22</sup> Essel Group announces Indian Cricket League; ZeeNews.India.Com sports/cricket/essel-group-announces-Indian Cricket League. April 03, 2007.

their alliance with the league. The matches played under the aegis of league were not 'approved' by BCCI<sup>23</sup>.

The Cricket Control Board came up with their own version of the league naming it as Indian Premier League in 2007 on the blueprint of ICL and cementing a format of the tournament which would ensure the loyalty of viewers of the cricket crazy nation assuring the sponsors, advertisers and other stakeholders value for their money responding to their fears arising out of early exits of India and Pakistan from the World Cup 2007. Indian Premier League was launched on 12 September, 2007 in a high profile ceremony in New Delhi in the presence of its Board of Governors who included three former captains of Indian National Team and four BCCI officials, several players of international stature including Sachin Tendulkar, Rahul Dravid, Sourav Ganguly, Anil Kumble, Australia's Glenn Mc Garth, and New Zealand's Stephen Fleming were also on hand to support the league, as were the Chairmen of various Cricket Boards and the ICC. All of India's major television networks and newspapers covered the event. Challenge before Modi, Vice President of BCCI and Commissioner was to build a sustainable business model which would create the proper incentives to motivate players, broadcasters, franchisees, and the various cricket boards to join this effort. He was provided \$ 25 million as seed money by the BCCI to recruit players. There were many risks and uncertainties. Would Indian viewers enjoy a fast speed truncated version of the ODI game limited to show of  $3\frac{1}{2}$  hrs? Would they root for city based teams instead of a national team? And above all would the cricket boards discover the congruence of their own interests? The biggest convincing for selling the T20 format was to be done with BCCI and the Indian spectators who had a packed schedule of ODI's and Test Matches to satisfy the former on sufficiency of revenue and the latter on the entertainment aspect. Each telecast of ODI was fetching on an average \$7.5 million to BCCI and thus for them there was no compelling reason to yield ground to an untested format of T20 which would require the players to maintain best of fitness and

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<sup>23</sup> Lalit Modi says BCCI bent rules to outlaw ICL. Cricket News, IndiaToday.in >sport >Cricket

established players may face problems arising out of probable injuries. There were, of course, believers of shorter version as it would be appealing to younger generation and also to vast population of casual fans who did not care much about the finery of conventional cricket and would also be suitable for viewing in PVR's etc. competing with Bollywood entertainment of corresponding duration of  $3\frac{1}{2}$  hrs. The format of  $3\frac{1}{2}$  hrs cricket would also appeal to women and children which would increase eye balls for TV as well as those who would view the game at clubs, pubs and PVR's.

India was a reluctant participant of T20 World Cup organised in September 2007 as it had no experience of playing this format of the game. Sachin Tendulkar excused himself from the Team in the aftermath of the World Cup 2007 at the Caribbean's and a gruelling series in England. Fortuitously for the future of IPL, inexperienced Indian Team won the Championship by defeating its arch rival Pakistan in a nail biting finish. The faith of Indian viewers to this format of the game was won over decisively and their viewership was assured for years to come. The viewers loved the winners and the format which brought them glory. On the sidelines of the tournament, Modi was selling the league to participating players in the tournament assuming them minimum salaries of \$1,00,000 to \$4,00,000 in the different categories and further priming that the players would earn additional money from sponsorships. Almost all the players reacted favourably as they were assured that they would be free to fulfill their national commitments notwithstanding their IPL commitments.

Before the launch of the bid for seeking franchisees for eight teams for different cities as envisaged in the scheme of things, the potential investors needed to be convinced about the returns they could be getting as they owned a particular team as the concept of equity investment in the sports was alien to Indian Investors. As the IPL wished to include men and women from the glamour world, the prospective investors were not the usual risk taking investors in the new ventures. An explicit and detailed revenue sharing model and format among the promoters, the franchises, and the players in the form prize money was spelt out assuring them that over a period, every participant

would be in a win position<sup>24</sup>. Fundamental idea to IPL's business plan was the idea of inviting private enterprise to own a slice of the cricket business which had till then been a closed club. When franchises were sold in perpetuity, the corporate world was told it could invest in, own, and in future even trade on key component of Indian Cricket. Over the years, this proposition turned out to be a commercial masterstroke. Before the IPL, Indian cricket had no real, meaningful relationship with industry and commerce, though there were big TV deals and sponsors paying serious money to put their logo on Tendulkar's chest. The BCCI was quite content so far to let a few big sponsors compete for the available rights on paying the asking price.

By creating an arm of Indian cricket that could be run as a purely commercial enterprise, corporate India was allowed to enter the Indian Cricket dressing rooms. The sale of the IPL franchises was the game changing event. Limiting the number of teams in the tournament maintained a simple economic balance that of demand outstripping supply, translating into rise in value<sup>25</sup>. For example, GMR is reported to be seeking a valuation of between \$150 and \$200 million for their team Delhi Daredevils for which they obtained rights at \$84 million in 2008<sup>26</sup>. During the initial bidding, Mukesh Ambani led Reliance Industries bid the most (\$119 million) for the Mumbai franchise-Mumbai Indians. Subrato Roy-led Sahara had to settle for an amount of \$370 million for Pune Warriors two years down the line<sup>27</sup>. At the time of initial auction for the franchise rights in 2008, the total base price for 8 franchises was US \$400 million whereas auction fetched US \$723.59 million<sup>28</sup>. Tournament rules have been carefully crafted to balance the interest of all stake holders including those of International players and domestic players of different grades. Every team plays each other in IPL both at home and away - in a round robin system. Rules regarding team composition include; a minimum squad

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<sup>24</sup> The launch of Indian Premier League by Rajeev Kohli Columbia Business School, Columbia Case Works, ID # 092301, Feb.8,2011; Columbia ed/rk-35/IPL

<sup>25</sup> When Cricket goes Corporate, Amit Mathur, ESPN Cricket April 11, 2013

<sup>26</sup> Lakshmi Mittal in talks to buy Delhi Daredevil The Economic Times. <http://articles.economicstime.com/2013-12-11/News/45080878-1-gmi-gro>

<sup>27</sup> IPL cricket-Who makes what how indiaspend-<http://www.INdiaspend.com./viznomics/ipl-cricket-what-how>

<sup>28</sup> Cricinfo-Big business and Bollywood grah stakes in IPL, ESPN cricinfo 24 Jan.2008.

strength of 16 plus one physio and one coach; no more than 11 foreign players in the squad and not more than 4 such players in the final eleven; a minimum of 14 players must be in the squad and minimum of six players should be from the BCCI Under 22 pool. No franchise would have spent more than \$5 million in the first IPL on the auction of players. Under 22 players were to be numerated with a minimum annual salary of US \$20,000 and for others it was to be \$25,000. Time outs were allowed in the match to provide for advertisements on TV for earning revenues.

Franchisees have been assured revenue share as follows: 80 per cent of the Television revenue over the first two years, 70 per cent of in the third and fourth year, and 50 per cent from the 11th year onwards. In addition they would receive 60 per cent of the sponsorship revenue during the first ten years, after which they will receive 50 per cent of the total amount to be so distributed, 20 per cent will be divided among these franchises on the final league positions while the 80 per cent would be shared equally<sup>29</sup>.

Under this model BCCI's own revenue streams are secure. Every year it gets franchisee fee payments besides its share of central revenue, mainly from broadcast rights and from commercial sponsorships. Its surplus from IPL activities had increased to ₹265.14 crores in the year 2011-12 from ₹119 crore in the preceding year<sup>30</sup>.

The life line of franchisees is in their share of the central revenue described above. To breakeven and to make profits, a franchise team has to milk each and every asset available to it. Selling branding space on team uniforms is a major revenue stream. Logo branding has obviously media value; given live television coverage; everything starts with the team shirt. Each franchise sells as many as ten properties on its team uniform and would raise close to ₹60 crores. 20 per cent of tickets for entry to the stadium are to be given to IPL and a franchisee raises on an average ₹40 crores from tickets sales. In such a scenario, each IPL franchisee has on an average 25 commercial partners-

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<sup>29</sup> IPL lays out revenue-sharing plan with franchise; cricinfo staff, Dec. 18,2007

<sup>30</sup> BCCI annual report, 2011-12

sponsors, license and suppliers. IPL has given a platform from MNC to local companies to hawk their goods. There is something for every stage of corporate players.

It is the combined energy of approximately 250 such entities, all of whom are players in the business of Indian cricket every summer, that fuels' IPL economy. These stakeholders drive growth by injecting resources and creativity into the system. Surrounding the action on the field, beyond the boundary is an entire world to include promotions, product launches, events, contests, road shows, celebrity appearances, meets and greet, fashion shows, movie tie-up and more. The league seems to have been firmly integrated into the Indian economy, and its financial results reflect larger commercial dynamics at play untouched by recession.<sup>31</sup> Brand value consultancy Brand Finance has placed the valuation of IPL brand value as US \$2.99 billion in 2012.<sup>32</sup> Sport's goods manufacturing industry manufacturing cricket relating equipments are cashing on growing interest in cricket in markets like India, Pakistan, Sri Lanka, Bangladesh etc. Slazenger's product manager have, for example, identified the potential for their products and clothing relating to this sport. It has noted that the UK retail cricket equipment market is worth about \$35 million a year and that of India it is about 30 million dollars despite the fact Indians buy far more cricketing gears than the English. This is largely due to the fact that purchasing power of an individual customer is significantly lower in India. The challenge for Slazenger is for creating a right product at the right price to penetrate these markets and induction of advanced tech products can await.<sup>33</sup> Finally the increased profits for Slazenger and other competing manufacturers may result in introduction of advanced equipments at competitive costs besides local firms may also come up as they adapt the technology. Cricket has thus triggered business and manufacturing activities contributing to the overall economic growth of countries like India who have reasonable base to take advantage of such opportunities. Growing interest of cricket in the neighbourhood opens up opportunities of export of

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<sup>31</sup> *Op cit* 25

<sup>32</sup> Cricket now more than just sport, it is big business, Tony clover, July 7, 2013 the National

<sup>33</sup> *Ibid*



goods manufactured in India as relatively Indian produce would be cost competitive compared to manufactures of advanced countries.

Indian cricketers are the chief beneficiaries of the IPL. As the tournament mandates that each team must play seven players in its starting XI, the nine franchises as in 2013, must need to hire about 14 Indian players to build their squads. This means that approximately 125 Indian players benefit from what is effectively the BCCI/IPL's employment guarantee scheme. The most telling is statistics about star players salaries in the IPL: Sachin Tendulkar and MS Dhoni earned ₹1 crore (about \$1,80,000) during the year 2013 as part of BCCI's Grade A list of centrally contracted players which corresponds to their earnings they make from a single 20 over, 3.5 hour IPL game. Compared to this, these players get ₹7 lakhs for playing a Test Match ₹4 lakhs for playing ODI and ₹2 lakhs for a T20 international.<sup>34</sup>

Thus every young player wants to somehow land in IPL contract. That is what he is playing for like every bright Indian student wanting to crack the IIT and IIM examinations to get into country's most prestigious institutions. Salaries for Indian and overseas players are decided by force more complex than in the era when cricketers were paid by the Boards in a structure dictated by them. At IPL, they are valued on an open auction. The hammer price becomes a combination of many different aspects: talent and skill suiting the T-20 format, specific team needs, and the whims of indulgent team owner. Such a scenario leaves little room for reputations or sentiments.<sup>35</sup> Economists have sought to offer the determinants of valuations and investigate a number of hypotheses related to the design of the auction.<sup>36</sup> Their study finds that valuations of individual players depend to a large extent on measurable performance and experience factors. But the format of the competition also led to substantial premia for certain players; in particular young Indian players. Economists like Sherwin Rosen, who has done seminal

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<sup>34</sup> Indian Cricketer's salary 2013, pay check.in-salary of Sachin Tendulkar, MS Dhoni, Virat Kohli, Paycheck.in

<sup>35</sup> IPL-Economics where Indian players call the shot, Amrit Mathur, ESPN cricinfo, April 22, 2013

<sup>36</sup> Player Valuations in the Indian Premier League, David Parker, Phil Burns and Harish Natarajan, Frontier Economics, October, 2008.

work on the economics of superstars, shows how small differences in abilities and talent can result in enormous differences in compensation e.g. a salesman who can sell 10 per cent more than average is likely to get 10 per cent more whereas a batsman with 10 per cent faster-than average response to a ball travelling towards his throat at 100 miles an hour is likely to end up earning 100 times more than the average cricketer<sup>37</sup>.

For Indian players, the IPL is a major leap towards making cricket a viable career. The game offers incentive, insurance, compensation and a certain amount of job security. Of all the IPL's stakeholders, the players are most critical. The players contract reflects this and is completely pro player-all players are assured performance-delinked-guaranteed payment, and there is no penalty clause. Even 50 per cent of the prize money is shared with players. A player's wage cannot be lowered during the contract period. Besides players are entitled to enticing peripherals such as travel by business-class, five star hotel stay and a \$100 daily allowances. The franchisee picks up service tax liability, and in case of foreign players, it also contributes 10 per cent of salary to their national boards<sup>38</sup>.

IPL has turned out to be a cash cow for its promoters i.e. BCCI and has generated huge surplus every year of its existence through a host of streams of earnings created by IPL. It can boast to be among the richest sporting bodies and had a turnover of ₹5,300 crores during the year 2011-12 as per its annual report. Its kitty for the year 2011-12 stood at roughly thrice the revenue generated by ICC, five times the revenue clocked by Cricket Australia and 12 times the income of Cricket South Africa. ₹1200 crore income was earned from IPL and Champion League<sup>39</sup>.

Players of the game have also immensely benefitted by playing in the league with handsome earnings which if well invested would stand them in good stead when they cease to play competitive cricket. A survey of Australian players who had retired or

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<sup>37</sup> The economics of cricket Narayan Raja Dhyambah, live mint. March 28, 2007

<sup>38</sup> *Op cit* 35

<sup>39</sup> The financial express; Devenra Pandey, Oct 25, 2012

forced out of cricket at international or state level since 2005 found that a quarter of them experienced depression and feeling of helplessness after quitting cricket. As many as 43 per cent of the retirees felt they had lost a sense of their identity after finishing their cricket career. With the Boards getting richer, they have schemes on the anvil to assist and rehabilitate such players. Cricket Australia set apart 1 million US dollars for such programmes<sup>40</sup>. BCCI has also disbursed over ₹110 crores to former players in the form of onetime payment and the present lot of domestic and international players are also being incentivized. BCCI has decided to insure all U-16, U-19 and U-25 cricketers, besides senior domestic players as well as women players. The scheme also covers match officials and umpires. Beside 37 players have been put on contract by placing them in three groups A, B and C for amounts of ₹1 Crore, ₹50 lakhs and ₹25 Lakhs respectively.<sup>41</sup>

According to a survey conducted by Lagardère Unlimited at the instance of A.T. Kearney; the global sports industry is growing much faster than national GDP rates around the World. The global sports value chain—its size, make up and revenues has significant growth prospects for the future. The world wide sports events market, defined as all ticketing, media and marketing revenues for major sports, was worth \$64 billion in 2009 and out of this \$28 billion were generated by the sport of soccer alone and exceeding the revenues of \$23 billion generated by all the sports of formula 1, Tennis and Golf. In Europe alone, football is \$22 billion business. All other sports which would include cricket also contributed over \$3.6 billion in revenue generation. This survey finds that the sports industry is growing faster than GDP in fast growing economies including India. Structured around the four pillars of sports value chain, namely, properties, rights management, events and contest; a virtuous circle is created reinforcing each such pillar. It has been summarized that demand for the events would increase but supply would not always keep up fuelling a race for longer and more exclusive contracts among sponsors. The wave of new stadiums around the globe, the growing size of television

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<sup>40</sup> Survey: colour for retired cricketers Hindustan Times (Delhi Ed), 24 December 2013

<sup>41</sup> *Op cit* 34

contracts and the continued proliferation of sports advertisement protends an industry that continues to soar, even as global economy climbs out of recession<sup>42</sup>. Already, encouraged by the success of IPL, Hockey India League has been operationalised by Hockey India. It has found a sponsor in Hero Motor Corp and therefore officially, the league is known as Hero Hockey India League or HHIL. All India Football federation has also been encouraged to rope in IMG-Reliance to conceptualize a similar league for football<sup>43</sup>. Thus commercialisation of cricket and professionalization of its players has set an example for other sports people in the country to follow for a win-win situation for the players and the economy in general.

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<sup>42</sup> The sports Market-paper-A.T Kearney, at [Kearney.com/paper/-/asset-publisher](http://www.kearney.com/paper/-/asset-publisher)

<sup>43</sup> IPL cricket-who makes what makes & How India spend <http://www.indiasspend.com>