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Adam Silver, President and Chief Operating Officer, NBA Entertainment (NBAE)

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An Interview with Adam Silver, President and Chief Operating Officer, NBA Entertainment

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Introduction

Adam Silver, President and Chief Operating Officer of NBA Entertainment, has a pivotal leadership role in one of the most progressive sporting organisations in the world. With responsibility for the NBA's and WNBA's television, film, Internet, publishing and event relationships domestically and internationally, Silver finds himself working with not only US networks such as NBC, TNT, TBS and ESPN but also more than 125 international television companies. One of his most recent initiatives was the creation and development of NBA.com TV – the NBA's new 24-hour digital television network that represents a convergence of Internet and television technologies.

In this interview with Dr Bill Sutton from the University of Massachusetts, Silver provides an insight into the way in which new technology is radically altering the way in which sports programming is delivered, and comments on some of the likely consequences of this transformation.

WS: Adam, for the benefit of our readership, please discuss your career path and current responsibilities with the National Basketball Association (NBA).

AS: I am the President and Chief Operating Officer of NBA Entertainment (NBAE), which

manages the NBA's and WNBA's (Women's National Basketball Association) television, film, Internet, publishing, photos, merchandising, marketing partnerships, media properties and event relationships domestically and internationally. We have an extremely dedicated, smart and creative staff of about 425 professionals who have helped make NBAE an Emmy Award-winning production and digital media company and one of the largest providers of sports television and digital media in the world.

We manage the NBA's and WNBA's game telecasts on NBC, TNT, TBS, ESPN and Lifetime and more than 125 international television networks. This season, NBA games and other NBA programming are broadcast in 205 countries around the world. In the past six months, we created and developed NBA.com TV – a 24-hour digital television network – and significantly enhanced our award-winning Internet sites, NBA.com and WNBA.com, significantly enhancing our content, multimedia features and e-commerce capabilities.

NBAE produces several weekly shows, top-selling sports home videos and the promotional commercials and public service announcements for the NBA and WNBA. During my tenure as NBAE President, we've created – and strengthened – many of the NBA's relationships with the entertainment ➤



industry and have instituted relationships with Columbia TriStar Television, BET and Nickelodeon among others to develop NBA-themed television programs. We are also currently producing two films for theatrical release, including the IMAX presentation, Michael Jordan to the Max (May 2000).

I joined the NBA in 1992 as Special Assistant to Commissioner Stern. Before that I was a Litigation Associate at the New York law firm of Cravath, Swaine & Moore, where I concentrated on media and anti-trust cases. I was a law clerk to Judge Kimba Wood at the Federal District Court in New York City and a Legislative Aide in Washington DC to Congressman Les AuCoin. I graduated from Duke University and the University of Chicago Law School.

WS: What do you perceive to be your major role as the person responsible for NBA Entertainment?

AS: My role is to create opportunities to enhance the fan experience through a combination of traditional and new media, with the ultimate goal being to grow the sport of basketball and the NBA brand on a global basis. Strictly from a marketing point of view, we are looking at opportunities to further provide more personalized access to our game and players for our core fans as well as for new audiences. In the future we will see the development of on-line global communities in which fans worldwide can access interactive features while watching a game in a virtual environment. Knowing that a miniscule percentage of the world's population has an opportunity to attend our

games, we are making every effort to enhance the NBA experience through digital media.

WS: Looking back over the last decade, what, in your opinion, was the most significant accomplishment of the NBA as an entertainment entity and why?

AS: I would say that the most significant accomplishment of the NBA was the establishment of the Dream Team and that team being awarded the gold medal in 1992. It represented the culmination of the NBA's comeback from a decade earlier, where we were perceived as having too many minority players, being paid too much, using drugs, playing an uninteresting game that wasn't even worthy of prime-time exposure in the Finals. By 1992, I think all of that had been dispelled and our players were not only at the top of their game in this country but they had become global icons in sports.

WS: As we enter this new millennium, the landscape of professional sport has been changing and evolving to be much more than just on the field competition, but a complete entertainment package designed to hold the attention of live spectators and television viewers. The NBA was really a pioneer in this area as early as the mid-1980s. Please discuss the scope and role of NBA Entertainment and suggest the direction in which it may be headed this decade.

AS: NBA Entertainment was created in 1982 as a small videotape library and has since grown into a full-service, award-winning production and programming company, with



more than 425 employees and over 720 projects annually. During the 1980-81 season, the then Executive Vice President of the NBA David Stern convinced the owners of each team to buy a videotape machine and then to tape every game. This was intended to create a videotape retrieval system for logging and preserving game action footage. Since then, NBA Entertainment has been the historical repository and exclusive licensor for all NBA and WNBA game footage, the production house for all league advertising, public service announcements, television programming, home videos and corporate presentations. We are currently engaged in building our business, both digital and non-digital, grassroots basketball, the development of a new "developmental" league and creating new digital content.

At the beginning of the 1999-2000 season, we launched a 24-hour television network, NBA.com TV. NBA.com TV is the convergence of basketball, TV and the Internet. It combines real-time statistics, scores, and news from NBA.com, with live studio-based programming, live "look-ins" of games in progress, highlights, and programming from the NBAE archives. It is currently carried in approximately four million US homes through DIRECTV and INDEMAND (digital cable) and we recently announced carriage deals in Mexico and Japan.

We see more interactivity with both our Web-sites and NBA.com TV in the very near future. As the technology revolution continues at breakneck speed and globality continues, an increasing number of our fans are going to experience our games electronically. Fans are going to expect increasing

access to players and their coaches, and they'll want more ways to increase the interplay between themselves and the players. Our job at NBAE will be to find ways to make this happen. Within the next five years, we'll create a way for fans using the Internet to be able to choose whichever highlights – down to any sequence — they'd like to see from a particular game or games. Increasingly, arenas are morphing into live studios where everything that team personnel do in those studios will be available to the fan who chooses to tune in or log on to that particular game. The fan will direct his or her own viewing experience.

WS: With the strike of 1998-99 and the retirement of Michael Jordan, the NBA has been the subject of much criticism, being referred to as a league in decline. How has the NBA responded to this criticism, and what are its plans to reinvent itself in the post-Jordan era?

AS: I would say knowingly that the league is not in decline. Having lost hundreds of games due to the lockout and with the most famous person in the world and the greatest athlete of the century retiring from the game, we are now seeing a different NBA. This year, a lot of our young players – first-time All-Stars and emerging stars – were introduced to the world through the All-Star Game and the surrounding events of the weekend.

The global basketball community tuned in with viewers in 205 countries watching the telecasts in 42 different languages. NBA.com broke all weekly traffic records with nearly five million fans logging on for ➤



an All-Star interactive experience. In fact, over one million downloads of Vince Carter's winning dunk took place within 24 hours of the Dunk contest. The game is as popular as it's ever been.

We have begun to focus on the changes that the digital age and the impact of the Internet are going to have on our sport. We as a sports league need to embrace it or we risk not only being left behind but also left out. We understand that we are going to have to communicate with fans in new and different ways. They are sending us e-mails from all over the world and they want responses (quickly).

WS: Much has been made of the slide in television ratings and of the empty seats in NBA arenas. Is this a real problem or a media perception?

AS: There aren't a lot of sports that are going to post ratings gains in this era of exploding viewer choices. The only question is how much of your former totals can you hold onto? When considering television ratings and what they mean, consider the following developments in the past 10 years:

- The number of television channels available in the average US household increased from 33-62;
- The percentage of households with Internet access in the US grew from less than 1 per cent to 43 per cent;
- The number of hours of sports programming on American broadcast television (ABC, CBS, NBC, FOX) grew by 21 per cent (from 1,599 in 1990 to 1,939 in 1999);
- Household ratings for primetime television have declined 29 per cent since 1990-91. These same ratings have declined more than 50 per cent since 1980-81;
- The baseball World Series, ABC's Monday Night Football, the NCAA Men's Basketball Tournament, Wimbledon, NHL Hockey and US Open Tennis have all endured all-time household rating lows over the past two years.

We can debate whether or not we are watching less television, or perhaps if we are watching the same amount of television spread over a larger number of viewing outlets. In any case it would seem that the rating numbers of the past are perhaps not an accurate barometer for the present and certainly not for the future.

In terms of the empty seat issue, average game attendance for the 1999-2000 season was higher than the previous season, and only slightly below that of the 1997-98 season. The 1997-98 season, as everyone likes to point out, was the last year of Michael Jordan and the Chicago Bulls dynasty and also the year prior to the lockout.

We are currently looking at opportunities through the Internet to market and sell tickets, which takes advantage of the unique attributes of the medium. Day-of-game promotions to select fans, ticket exchanges, yield management programs and auctions will all be useful tools to ensure not only that tickets revenue is maximized but that fans are actually filling the seats.



WS: In recent months, we have heard Commissioner Stern describe the NBA as an Internet company. This was highlighted when the NBA sponsored its recent Technology Summit during the 2000 All Star Week. What does he mean by this statement and is the NBA truly an Internet company?

AS: The NBA is an "Internet company" and in our view any company that isn't at least part of an "Internet company" five years from now probably won't be around. Out of the Technology Summit, a few things became clear to us. We will need to digitize our vast libraries of archival footage and games in order to ultimately make them available to our various constituencies in the coming years. People are going to be accessing unlimited amounts of data – including video – and we will need to satisfy that demand.

We also learned that in this new Internet world, the communication model has changed. An interesting phenomenon has developed and we see it with our Web-sites – NBA.com and WNBA.com – that once you begin responding with immediacy to their questions or comments, fans on a global basis expect that service as the standard.

The Internet also provides virtually unlimited choice. We're going to have to continue to develop the Web-sites and NBA.com TV because consumers around the world are now demanding an on-going supply of information on every aspect of our game and its players. That's why, for example, we provided 10 different language audio feeds of the All-Star Game on NBA.com and the behind-the-scenes audio and video from our locker rooms and pressrooms.

WS: It seems as though a new "dot com" property pops up everyday. What are the goals for nba.com and nba.comTV and what makes these entities unique?

AS: What makes us unique is our content, our brands and the global nature of our sport and the community that supports it. NBA.com, our official Internet site which was launched in 1995, averages 650,000 visitors per day. Almost one-third of those visitors are fans living outside the US. Thus NBA.com provides us with an opportunity to reach out to our fans, wherever they live, while simultaneously providing them with an opportunity to "touch" and interact with the league, its teams and its players.

NBA.com features exclusive audio broadcasts of every NBA game, streaming video highlights, news about the league, real-time scores and statistics, live chats with NBA players and exclusive Web-based shows and programming. Our goal is to provide something for everyone as well as multiple platforms that encourage visitors to stay longer and return frequently.

Our strategy now is to drive our fans to a single destination — NBA.com — as the one-stop destination for everything NBA and, maybe one day, basketball.

NBA.com TV is the official 24-hour digital television network of the NBA and the first full-time television network created by a sports league. NBA.com TV combines real-time statistics, scores and news from NBA.com with live studio programming such as live "look-ins" of games in progress, vintage NBA games and special programming developed by NBAE (NBA ➤



Entertainment). NBA.com TV is also a preview of broadband – the first look at what the convergence of television and the Internet will look like. Ultimately, we are looking to distribute NBA.com TV around the world.

WS: As has been the case in the dot.com world, would the NBA consider an IPO at some point in the future?

AS: Actually, the NBA may decide sometime later this year about whether or not to take NBA.com public, a move that would position the NBA as the first major sports league Internet IPO. Doing an IPO could be instrumental in expanding the scope of business for the NBA as well as enabling us to consider and possibly initiate new acquisitions. While an IPO could generate a significant amount of capital, money would not be the sole consideration. We would also be focused on ways to improve the site and on the state of the NBA's technology business in general. As you can imagine, this idea is being analyzed from a variety of perspectives because there are downsides to becoming a public commodity. For example, if NBA.com went public, the league would be required to publicly report on its activities, lose a certain degree of privacy, and would be held accountable to outside investors.

WS: The NBA has created a retail presence (and presumably a cyber-presence) with the NBA Store in New York and has also ventured forth into the themed restaurant category with NBA City in Orlando. Given that sport licensed merchandise sales have been on the decline and that

themed restaurants such as Planet Hollywood have also experienced difficulties, why did the NBA elect to embark on these initiatives at this point in time?

AS: The NBA Store is a unique destination, a basketball "mecca" located on 5th Avenue in New York City. It is hard to imagine that a true basketball fan could come to New York City without stopping by! It is also the bricks-and-mortar manifestation of our e-commerce business. We are looking at various opportunities with e-commerce, which is without question where we are heading. We have aligned ourselves with USA Networks, Inc. and its Home Shopping Network and Ticketmaster properties for a fulfillment relationship. We have also partnered with IBM to build our on-line store, the NBA Store at NBA.com.

The Web-based NBA Store and WNBA store is being re-launched in late April. The promotional campaign to publicize the re-launch will include an "NBA.com Celebrity Fashion Show" at the NBA Store in Manhattan. NBA.com will feature a live Webcast of the show and NBA.com TV will televise the event live. Perhaps we will also have live-look-ins at the fashion show during the NBA play-off telecasts scheduled for that evening.

The NBA has determined that we need to improve the quality of the on-line shopping experience. To that end we have partnered with IBM to redesign and power the sites on the front end. We have also teamed with the electronic commerce and services division of USA Networks to improve the sites' customer service and fulfillment on the back



end. USA Network's Home Shopping Network will be responsible for delivering the merchandise to the buyers.

In addition to improving our retail presence through strong relationships with the aforementioned partners, we are also adding team-by-team shopping enabling a browser to click on a team site and go directly to their shopping environment. We will also be adding a rewards or frequent purchaser program enabling shoppers to earn and store points that can then be used for certain special offers.

NBA City offers a one-of-a-kind family dining experience. Our vision of NBA City is the convergence of family dining, interactive exhibits, memorabilia, games and special events to ensure a memorable experience to the tourist and an experience worth recommending and repeating for local residents. We are looking to open restaurants outside of the US with the first one being in Asia sometime in the next couple of years.

WS: To remain at the forefront of industry, it is essential to look outward and determine what is unique about other businesses, what makes them successful. Is this a practice of the NBA and what industries/ corporations is the NBA emulating in terms of best practices or unique approaches?

AS: We pay close attention to current industry trends – whether it is in the sports, Internet or entertainment business. All of our managers are voracious readers, and digest information from the most disparate publications. It is essential that we stay on top of those current trends. We have paid particular attention most recently to the leaders in

the Internet industry. The NBA has never been shy about following the lead of another company if the idea is a good one.

WS: Basketball, unlike baseball, football and hockey is truly, like soccer, a global sport. Discuss some of the global initiatives the NBA has undertaken and project how you feel the NBA will continue to increase its global presence.

AS: Our games and programming now air in 205 countries in 42 different languages and NBA.com registers more than one-third of its traffic from outside of the United States.

We will continue to strengthen our global television distribution of our games and programming by increasing broadcasting relationships and developing ancillary NBA programming. We will continue to create international-specific sections of NBA.com. We have already launched sections in Japanese, in Spanish for fans in Latin America, and a section specific to the Canadian market.

On the event side, we will continue to grow our presence by staging exhibition and regular season games, clinics and other basketball events around the world. Eventually, we hope to bring NBA-style basketball directly to our fans outside the United States.

WS: NBA corporate partners include dominant global brands such as Coca-Cola and Sony. In soliciting potential corporate partners what does the NBA offer to the corporate community and, from another perspective, what does the NBA hope to achieve from these corporate affiliations? ➤



AS: The NBA is one of the world's most recognizable brands and a model for professional sports in league operations, public service and global marketing. We have an ever-growing global fan base and corporations seek our players to align with their companies. Ultimately, the goal with any corporate affiliation is to help grow the sport of basketball. We (the NBA) are judged not only by our product, but on the basis of with whom we do business – who has invested with us and who has partnered with us. Our current sponsors are representative of some of the world's leading producers of goods and services. We feel that our corporate partners are their respective industry leaders and as such we are proud of the association and the lessons we can learn and practices we can emulate in building our brand along with enhancing the brand of our partners.

NB: *NBA Domestic Sponsors include: AT&T, American Express, Anheuser-Busch, Castrol, Inc., Coca-Cola, Fannie Mae Foundation, Gatorade, IBM, McDonald's, Nestle USA, Novartis, Schick and Sony. NBA International sponsors include: American Express (Canada), Anheuser-Busch (21 international markets), Gatorade (Canada, China, Hong Kong), Hershey (Canada), JOMO (Japan) and House Foods (Japan).*

WS: **How does the NBA utilize research in making and supporting strategic initiatives and decisions?**

AS: We rely on research and personal interaction with fans quite a bit. It is never

an exact science but we use information from focus groups, market research and surveys to better understand our customers, as well as those who aren't interested in basketball. In addition, we are constantly meeting with experts in the media, new media and entertainment communities to soak up their knowledge. One of the more fascinating aspects of our recent Technology Summit on the future of sports programming was the exchange of ideas between 300 sports industry, broadcasting and Internet leaders. We came home with a lot of new ideas.

WS: **What will the NBA look like at the end of this first quarter century (2025)?**

AS: Players will be eight feet tall and every country in the world will be represented with a player from their nation.

WS: **Adam, thank you for your time and insight. We wish the NBA much success in these unique technological and global initiatives.**



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Biographies

Adam Silver is the President and Chief Operating Officer of NBA Entertainment (NBAE), the Emmy Award-winning production and programming division of the NBA and WNBA. He manages the leagues' television, film, Internet, publishing, and event relationships domestically and internationally.

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Silver joined the NBA in 1992. Previously, he served as a Litigation Associate at the New York law firm of Cravath, Swaine & Moore, where he concentrated on media and anti-trust cases. Silver also served as a law clerk to Judge Kimba Wood at the Federal District Court in New York City and as a Legislative Aide in Washington DC to Congressman Les AuCoin.

Silver graduated from Duke University (BA) and the University of Chicago Law School (JD). He currently resides in New York City.

William A. Sutton is an Associate Professor in the sports studies department at the University of Massachusetts-Amherst. Prior

to assuming this position, Dr Sutton served as Vice President for Information Services for Del Wilber + Associates, a sport and lifestyle marketing agency, served as Coordinator of the Sport Management program at Ohio State and was a member of the faculty of Robert Morris College.

A past president of NASSM, Dr Sutton also is a principal in the consulting firm Audience Analysts and has worked for such clients as the NBA, NHL, Major League Baseball Properties, LPGA, NCAA, Hoop-It-Up, IBM, Mazda, Sprint, Cleveland Cavaliers Pittsburgh Pirates, Indiana Pacers, Orlando Magic and Philadelphia 76ers.

Dr Sutton is a co-author of *Sport Marketing*, published by Human Kinetics, and serves as Co-Editor of *Sport Marketing Quarterly*. He is widely published in the field of sport marketing and has made over 75 national and international presentations. He was recently named Sport marketer of the Year by the *Cyber Journal of Sport Marketing*.



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