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Research Proposal

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Is there a correlation between a NBA team’s financial performance and team’s wins/losses during the season ?

1. Motivation

According to Forbes, an NBA team’s valuation has almost tripled in the past 4 years. The average NBA team is now worth $1.25 billion which is up 13% from the previous year. This is due to new national media deals and sponsorship deals with the NBA. Teams like the New York Knicks and the Los Angeles Lakers top the list of the NBA’s most valuable team with a valuation of $3 billion and $2.7 billion respectively. Despite the Knicks having a rocky decade in terms of seasonal records, and the last 3 years of the Lakers seasonal performance being at an all-time franchise low, these two teams still manage to be profitable and top the list of the NBA’s most valuable teams despite performing poorly during the regular season. This begs the question how much the actual performance of the basketball team on the court affects the financial performance of the team.

2. Hypothesis

Although teams who perform poorly still manage to do well financially due to national media deals, sponsorships, market location and many other factors, teams like the Golden State Warriors who have been performing extremely well for the past two seasons have seen great financial performance off the court as well. Due to their newfound popularity and crowd pleasing playing style, they have sold out the past two seasons in tickets and have been accepted to build a brand new arena in San Francisco. The valuation of the team saw an increase of 46% from 2015 to 2016 from a valuation of $1.3 billion to $1.9 billion. This is only one example of a team who saw seasonal success transfer from on the court to off the court. I will be comparing many NBA teams from the past decade who came from losing seasons to winning seasons and how much that affected the valuation of the NBA team. In addition I will be comparing teams that had losing seasons but still managed to have a solid fiscal year.

3. Method

I hope to compare the valuations of the NBA teams for the past 10 years and evaluate the teams that transitioned from a losing season to a winning one and see if that translated into financial success for the team as well. Teams that already consistent winning records would be harder to evaluate so maybe for those teams we would take into account whether their record would increase by an amount that would have any effect or whether winning a championship helped contribute to financial success. Other factors such as national media deals, sponsor deals, market location, ticket sales, arena deals would have to be taken into consideration too in comparing valuations from year to year. I will also be looking at teams that have invested more to the franchise and players and if it eventually saw an increase in wins per season and how that that affected the team’s fiscal performance.

4. Starting resources

<http://www.forbes.com/nba-valuations/list/>

<https://hbr.org/2015/03/how-an-nba-team-thinks-about-data-talent-and-pricing>

<https://thinkprogress.org/almost-all-nba-team-owners-have-made-profitable-investments-7a60d24087b4#.bxzuzjnwi>

<http://www.forbes.com/sites/chrissmith/2012/01/25/the-most-and-least-profitable-nba-teams/#30e025a953d9>