



STANFORD

GRADUATE SCHOOL OF BUSINESS

CASE: SPM-38

DATE: 3/24/09

INDIAN PREMIER LEAGUE: BOLLYWOOD AND ENTREPRENEURSHIP TRANSFORM A SPORT

India fulfilled a dream in an unbelievable manner and made the inaugural event a reality. The people of India and the rest of the world embraced this tournament with their hearts and I feel really proud that we have taken the game of cricket ... to a new level. It was a difficult road for all of us involved in this venture to walk, there were skeptics ... the success is there for all to see.

—Lalith Modi, Commissioner and Tournament Director of the Indian Premier League¹

On June 1, 2008, the Rajasthan Royals scored a dramatic last-minute victory over the Chennai Super Kings in the final match of the first season of the Indian Premier League (IPL). The game was played before a sold-out stadium of 55,000 fans in Mumbai, India. It took place in a festival atmosphere, preceded by a spectacular show including Bollywood entertainers and fireworks.

The IPL had been announced by the Board of Control for Cricket in India (BCCI) just nine months earlier. The league was made up of eight city-based teams throughout India, whose owners were not determined until January 24, 2008, and whose players were not selected until February. Yet, the league raised nearly \$2 billion from the sale of media rights, sponsorships, and franchise fees. It attracted star players from around the world. The first season, running from April 18 until June 1, combined entertainment and sport played before packed stadiums, dominated television ratings in India, and riveted the country's attention. It also attracted a following among cricket fans worldwide.

The IPL changed the landscape of cricket around the world. It was driven by commercial considerations, challenging the existing control of national cricket boards. The IPL created a free market for players, who could make far more in six weeks with their IPL teams than they could in a year (or more) playing for their national teams. How should international soccer deal with this new reality, and benefit from the worldwide focus on cricket generated by the IPL?

¹ Deon Delpont, "IPL Ends on Glittering Note," *Daily News*, June 2, 2008, p. 1.

David Hoyt prepared this case under the supervision of Professor George Foster as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 2009 by the Board of Trustees of the Leland Stanford Junior University. All rights reserved. To order copies or request permission to reproduce materials, e-mail the Case Writing Office at: cwo@gsb.stanford.edu or write: Case Writing Office, Stanford Graduate School of Business, 518 Memorial Way, Stanford University, Stanford, CA 94305-5015. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of the Stanford Graduate School of Business.

The IPL had overcome many challenges during its first season, and now looked forward. How could it best capitalize on its success?

However, the world looked very different in March 2009, as the second IPL season was about to begin. In November 2008, terrorists had attacked Mumbai, India, in a siege lasting several days, and killing more than 170 people. On March 3, 2009, the Sri Lankan national cricket team was attacked by terrorists as it travelled to a match in Pakistan. Five police officers were killed, and several players wounded in the first major terror attack specifically directed at cricket. Lalit Modi, commissioner of the IPL, considered the impact of these events on the league, which was scheduled to start its second season on April 10. In light of the security situation, and with India's potentially destabilizing general election scheduled during the six-week event, could the season proceed as planned? If not, what should Modi do?

CRICKET

Cricket is an ancient game, with origins dating back to medieval England. In 2008, it was played in more than a hundred countries. It was the dominant sport in the south-east Asian countries of India, Pakistan, Sri Lanka, and Bangladesh, and one of the most popular sports in Australia, England, New Zealand, South Africa, and the West Indies (the countries of the Caribbean).

The Game

Cricket is played with a bat and ball between teams of 11 players, and has similarities to American baseball. The game is played on a large field, with a 22-yard long "pitch" in the center. At either end of the pitch is a "wicket," consisting of a set of three vertical "stumps" that are hammered into the ground and topped by wooden crosspieces called "bails." A "bowler" throws the ball toward a wicket, and a batter on the opposite team tries to keep the ball from hitting the wicket, and to hit the ball so that he and his partner at the other wicket can safely exchange places. Each time they successfully run to the opposite wicket, they score a "run." Batters are out ("dismissed") for a number of reasons, including the bowler hitting the wicket, a fielder catching a batted ball before it hits the ground, or a batter trying to score a run and the batted ball being fielded and thrown to the wicket before the batter or his partner arrives. The bowler throws six balls, called an "over" towards one wicket, and then a second bowler bowls an over toward the opposite wicket. When not bowling, the bowlers act as fielders.

The other important term for understanding the Indian Premier League is "innings" (using the same spelling whether singular or plural). An innings consists of one team batting until all but one of its members are dismissed (since batters are always in pairs), or until a specified number of overs has been bowled.

Forms of Cricket

The traditional form of a formal cricket match consists of two innings for each batting team, generally played over five days, with an unlimited number of overs. Today, the five-day, unlimited overs form of the game, is played only by the national teams of the leading cricket nations, in international "Test matches."

A shorter form of the game, consisting of a limited number of overs, was introduced in England in 1963 in order to complete the game in one day. The one-day format generally consists of 50 overs per innings. The first Cricket World Cup was conducted in 1975, using the one-day format.

The most recent innovation of the game, introduced in England in 2003, consists of one innings comprised of 20 overs, and is called Twenty20. Twenty20 matches generally last about three hours. Since each team has a limited number of bowled balls on which to score runs, batters are often more aggressive in batting and running than in forms of the game with unlimited overs, where they may be more focused on protecting the wicket and in trying to score runs only when there is no danger of being dismissed. While cricket purists were skeptical, concerned that the shortened format would diminish the game, Twenty20 rapidly caught on with fans. The three-hour format and the more exciting play made for a very different experience than the long, slow-paced, one-day or five-day formats. The first Twenty20 World Cup match was conducted in 2007.

International Organization and Governance

The international governing body of cricket is the International Cricket Council (ICC). In 2008, it consisted of 10 full members, those countries that competed in Test matches. The ICC also included 34 associate member countries, and 60 affiliate member countries. One of the important roles of the ICC was control of the international cricket calendar. Each ICC member country had a national governing body—in India, this was the Board of Control for Cricket in India (BCCI).

World Series Cricket: The First Commercial Revolution in Cricket

In 1976, Kerry Packer, head of a family-owned media conglomerate in Australia, attempted to gain the broadcast rights for Australian cricket, long held by the government-funded Australian Broadcasting Company (ABC). Despite a much lower bid than Packer's, ABC was awarded the rights by Cricket Australia, the Australian cricket board.

Packer responded by setting up his own competitions, outside the established international schedule. At the time, professional cricket players were paid so poorly that they could not support themselves solely from cricket. Packer secretly signed lucrative contracts with a number of the world's top players, and formed World Series Cricket (WSC), which operated from 1977 to 1979. The WSC, though short-lived, changed international cricket in a number of important ways. First, top players became well-paid, full-time professionals, funded largely through vastly increased media rights fees. The game also became more commercial, with colorful uniforms replacing the traditional all-white attire, merchandising, and theme songs. The WSC popularized the one-day format for cricket, although the highest level of the sport was still viewed as the five-day Test.

FORMATION OF THE INDIAN PREMIER LEAGUE

Over time, India became the most important economic power in the global cricket world. In 2008, cricket was the sport generating the most passion in India. *SportBusiness International*

observed that “A significant part of Indian life revolves around two things. Bollywood [the Indian movie industry] is one. And cricket is the other.”² India’s dedication to the game, combined with its economic rise, made it the most important country for cricket. In 2007, India had a population of about 1.2 billion, with an economy growing at 9 percent annually. All income groups were avid cricket fans, but India’s rapidly increasing middle class of 250 million people was a particularly attractive market for potential sponsors of cricket events.³

Cricket and Television: Founding the Indian Cricket League

Cricket was particularly important for television in India, with 10 seconds of advertising during major matches selling for about \$5,000. “The success of TV channels in India is predicted entirely on their access to cricket,” according to *SportBusiness International*.⁴

The importance of cricket to Indian television stations led to the founding of the Indian Cricket League (ICL) in April 2007 by the ownership of Indian TV network ZeeTV. For years, ZeeTV had tried to win the rights to televise Indian cricket, but had been continually rebuffed. Now, they would create their own cricket content, independent of the cricket establishment. The league would initially consist of six teams, based in Indian cities, and would use the Twenty20 format. The winner of the initial ICL tournament would receive \$1 million in prize money. The league planned to eventually expand to a total of 16 teams. The ICL attracted strong resistance from national cricket boards, some of which banned players that joined the ICL from participating even in domestic matches. As a result, most of the initial players were stars that had retired from international competition. However, within a few months, the ICL had signed a number of cricket stars to lucrative contracts. The first ICL season began November 30, and was completed on December 16, 2007.

The Indian Cricket Establishment Responds: Founding the Indian Premier League

On September 13, 2007, the BCCI announced that it was forming a city-based Twenty20 cricket league in India, called the Indian Premier League (IPL). This league would have the approval of cricket authorities, and representatives of the ICC as well as several leading Test playing nations, whose representatives were present at the announcement. The league’s first season would begin in April 2008, with \$3 million in prize money. At the same press conference, the BCCI announced formation of a Champions Twenty20 League, in which top clubs from India, Australia, South Africa, and England would compete.⁵

The IPL would operate on a franchise basis, a common form of sporting organization in the United States, but a novelty in India. Eight franchises would be sold through an auction, to be held in January 2008. The league would sell media rights and sponsorships, the revenue from which would be shared between the league and the franchise owners.

² “Is There Life Outside Cricket?” *SportBusiness International*, April 2008, p. 58.

³ Geoff Hiscock, “Stars Align for India’s Premier League Launch—Prime Time Television Advertising Is the Irresistible Lure for India’s Billionaires,” *The Australian*, February 20, 2008.

⁴ “Is There Life Outside Cricket?” loc. cit.

⁵ “BCCI Launches Multi-Million Dollar Domestic, International Leagues,” *The Press Trust of India Limited*, September 13, 2007.

The new league grabbed the attention of the cricket world. On October 10, the ICL sued a top Pakistani player who had signed with the ICL, for breaking his three-year contract at \$250,000 per season, in order to play for both the Pakistani national team and the IPL at a higher salary.⁶ The announcement of the IPL also impacted the ICL's sponsorship, as several companies pulled out of the unauthorized league.

To open space in the international cricket calendar, Pakistan agreed to delay the Asia Cup until June, and India agreed to play in the event. (The Asia Cup was to be played between India, Pakistan, and Bangladesh, but had been delayed or canceled a number of times due to political differences between the countries of India and Pakistan.) However, a number of national teams had matches scheduled during the IPL season. As a result, some international players were only available for a portion of the IPL season; players on the English national team would not be available at all.

The IPL Franchise Prospectus

The IPL hired the marketing and event management firm IMG to help develop the plan for the new league and to manage the tournament. In December 2007, the BCCI and IPL published a prospectus for potential franchise owners. The prospectus included data on the overwhelming popularity of Twenty20 cricket as compared to the longer forms of the game, noting that it was the preferred form of the game for 76 percent of spectators.⁷ It also included charts showing the value of television rights for cricket: about \$650 million for BCCI global rights, \$1.2 billion for ICC global rights, \$115 million for U.K. rights for the England and Wales Cricket Board matches, and \$120 million for the rights to Cricket Australia in Australia.⁸ The prospectus provided television rights data for non-cricket sporting leagues, and revenues and valuations of the top five franchises in Major League Baseball, the National Football League, the National Basketball Association, National Hockey League, and English Premier League, to illustrate the financial potential for franchises in city-based leagues of popular sports.

League Organization

The prospectus stated that eight franchises would be sold initially, with each team playing the others both home and away, so that each team would host seven matches and would play one away game with each other team. The top four franchises would then play semifinal matches, with the winners playing for the league championship. The entire season, consisting of 59 matches, would last just 44 days, with the semifinals and finals being played in one weekend. The two finalists would then play in the newly announced Champions Twenty20 tournament.

The city-based franchise model was new to India. It had been contemplated by the BCCI in 1995, but was not publicly launched due to a lack of sufficient media broadcast rights and sponsorship.⁹ In 2007, however, the prospects of large media rights fees and substantial sponsorship revenues were considerably brighter.

⁶ "ICL Serves Notice to Yousuf for Breaching Contract," *Asian News International*, October 10, 2007.

⁷ "Franchise Prospectus," Indian Premier League, p.8.

⁸ "Franchise Prospectus," Indian Premier League, p.38. Values are approximate, based on graphical data.

⁹ Loc. cit., p.1.

Players for the league would include the best cricketers from around the world. Each franchise was required to have at least 16 players. All players on the Indian national team were eligible. Up to four international players could participate in any individual match. The rules also specified that each team include four players that were younger than 21, and four from the franchise's local region. By the time the prospectus was issued, the league had already contracted with at least 48 international players from Australia, Pakistan, Sri Lanka, South Africa, New Zealand, and the West Indies. These, and other players recruited by the league, would be chosen by franchisees in an auction.

Franchise Revenue and Expenses

Franchises would generate revenue from two sources. First, they would share in "central" revenues paid to the league. These included a share of league media rights, sponsorships, and money paid by league official suppliers. (See **Exhibit 1** for details on central revenue sources and their distribution to the teams.)

The second source of franchise revenues was locally generated. This included tickets for matches, franchise sponsorships, licensing, merchandising, concessions, and other local-source revenue. Teams were responsible for leasing stadiums for their home games. Stadiums were generally owned by cricket associations, which would receive 20 percent of the tickets for each match. The remaining 80 percent of tickets would be sold by the host teams, who would keep the revenue from these sales.

In addition to the revenues that would be distributed to all franchises, the BCCI would pay \$3 million in prize money.

From a cost perspective, the franchisee would pay the franchise fee (in equal installments over 10 years), player salaries, franchise management salaries, leasing costs for the stadium used for home matches, match day costs such as stadium staffing and security, and other franchise-specific costs. Franchisees were responsible for managing their home matches. (See **Exhibit 2** for additional details of costs and obligations of the league and teams.)

Franchise Auction: Determining the Team Owners

On January 14, 2008, the IPL announced that it had sold worldwide global media and production rights to the London-based sports management company World Sport Group (WSG) for 10 years, for \$1.026 billion, of which \$108 million was to be used for promotion. Of the total, \$306 million would be paid for the first five years, with the balance paid over the following five years.¹⁰ As part of the WSG's bid, Sony Entertainment Television (SET) was awarded the television rights for India.¹¹

By January 14, 32 organizations had purchased the Invitation to Tender document, specifying the conditions of the franchise sale, and more did so before the bid opening on January 24.

¹⁰ "The Day Indian Cricket Got Auctioned," *Indo-Asian News Service*, January 24, 2008.

¹¹ As a comparison, the English Premier League sold rights for three years beginning with the 2007-8 season for £669 per year. The EPL played 380 games per season, compared to the IPL's scheduled 59 game season. Peter Elman, J. Pickles, B. Speight, M. Sherlock, C. Davies, F. Dunne, "World Football Leagues and TV Rights," *TV Sports Markets*, p. 31.

Interested bidders included companies, private equity funds, and consortiums of individuals (several of which included Bollywood stars). The minimum bid amount was \$50 million. While eight franchises would be awarded, they could be for any of 12 cities that met the IPL eligibility criteria, which included access to a stadium seating at least 25,000, and the capability of lighting the stadium for night games. The actual cities to be included in the league would be determined by the highest bidders for each franchise.

The franchise auction generated \$718 million. The top bidder was the Reliance Group, headed by India's wealthiest man, Mukesh Ambani, winning the coveted Mumbai franchise for \$111.9 million. The second-highest bid was \$107.01 million by Deccan Chronicle for the Hyderabad franchise, and the third-highest was by entrepreneur Vijay Mallya, who bid \$106 million for the Bangalore franchise. Top Bollywood stars led two groups that won franchises: action star Shah Rukh Khan and actress Preity Zinta. The lowest winning bid was by Emerging Media, a consortium that included Lachlan Murdoch, son of media baron Rupert Murdoch, which bid \$67 million for the Jaipur franchise.¹²

On February 13, the league announced another large infusion of cash, as it sold exclusive title sponsorship rights for five years to property developer DLF for a total of \$50 million.¹³ DLF had been an unsuccessful bidder for an IPL franchise, but still wanted television exposure to the IPL's audience, particularly the growing middle class of 250 million consumers.

Player Auction: Forming the Teams

Professional cricket players were contracted by their national boards. In leading cricket countries, local cricket teams consisted of a mix of professional, semiprofessional and amateur players. The national cricket boards had first priority on their contracted players—if the national team had a match or international tour, players were required by their boards to participate. This system did not provide a free market for players, whose salaries were suppressed as a result. The World Series Cricket league in the 1970s had been the first attempt to create a market for players, but had long since passed by 2007.

The player auction was originally scheduled to take place on February 8, just two weeks after the franchise auction, and would be televised live. However, scheduling issues delayed the auction until February 20, and it was not televised. The IPL had contracted with 80 top players, according to ICC rankings. The league designated the top five Indian players as “iconic.” These players were not included in the auction, but were assigned to their home city teams in an attempt to foster local fan excitement. The iconic players were to receive salaries 15 percent higher than the next-highest player on their teams.

The total player payroll for each team was required to be a minimum of \$3.3 million, with a cap of \$5 million. The minimum player salary was set at \$50,000. In addition to their salary, players could be paid bonuses from their owners, and a portion of any prize money, but this was left up to each franchise owner.

¹² “Big Names in Industry and Film Win and Lose IPL Bids,” *Indo-Asian News Service*, January 24, 2008.

¹³ “DLF Bags IPL Title Sponsorship Rights for 5 Years,” *Financial Express*, February 13, 2008.

Players contracted with the IPL in one of two ways. Players could agree to accept the amount that they negotiated with the league prior to the player auction. If the auction price for a player with such a “firm agreement” was higher than the agreed amount, the IPL would keep the excess. Under the second approach, the “basic agreement,” the player would get the full amount bid by the franchise, even if it was below the agreed amount.¹⁴ Most players chose the basic agreement, and their auction prices were almost always higher than the amount they had negotiated with the league.

Before the player auction could take place, there were issues to be resolved with some of the national cricket boards. Cricket Australia (CA), for instance, initially refused to allow its players to participate due to potential conflicts between CA sponsors and IPL sponsors. For instance, one of CA’s major sponsors was Fosters beer, while the Bangalore IPL team was sponsored by Kingfisher beer. This was resolved days before the auction when the IPL agreed that it would not ask Australian players to appear in commercials for companies that competed with CA sponsors.¹⁵

English players were not available for the IPL auction, as the top players were contracted with the England and Wales Cricket Board (ECB). ECB required them to play in county matches that were scheduled at the same time as the IPL season. Many feared that this would cause English players to retire from their national team early in search of IPL riches. This concern extended to all cricket-playing countries. Australian star Andrew Symonds observed:

Looking ahead, a lot of countries must confront the serious threat that it’s more financially viable for blokes to retire and play IPL or even ICL. So the administrators want to be careful that international cricket doesn’t suffer. They need to find a way to be able to work with the IPL so everyone’s available.¹⁶

At the February 20 auction, players were grouped into eight categories, labeled from A to G. Categories A to D were the marquee players, and were auctioned first. Of the 77 players offered, 75 were taken. Two players were withdrawn, one due to a legal conflict with the ICL. Bids were for three-year contracts, with the bid amount being the per-season salary. Actual payment would be adjusted if players were unavailable for the entire season, as in the case of conflicts with national team commitments.

The 75 players selected in the auction totaled annual salaries of \$40.08 million, for an average salary of \$534,000. The top bid was \$1.5 million, paid by the Chennai team for Mahendra Singh Dhoni, a top Indian batsman. The next-highest bid was for Australian Andrew Symonds, who went to the Hyderabad team for an annual salary of \$1.35 million.¹⁷ These salaries were for a season that lasted just six weeks. A second player auction was held several weeks later to allow teams to add players using any money still available within the \$5 million salary cap.

¹⁴ Indranil Basu, “Does the IPL Model Make Sense?” *The Times of India*, January 27, 2008.

¹⁵ “IPL Lure Above Any Conflict of Interest,” *Indian Express*, February 15, 2008.

¹⁶ “IPL to Test Loyalties of Top International Players: Symonds,” *United News of India*, February 17, 2008.

¹⁷ Ankur Relia, “Teams Bid Big for Top Cricketers,” *Mint*, February 21, 2008.

As previously noted, prior to the ICL and IPL, cricket players had only one potential employer—their national cricket boards. As a result, pay rates could also be maintained at low levels. In some countries, talented players were often suppressed or ignored for political or other reasons unrelated to their playing ability. The IPL created a market for players, which enabled the real worth of players to be established. The impact of this was quickly seen, as on March 2, New Zealand Cricket announced that it was giving 40 percent increases to its 20 centrally contracted players and the 72 semi-professional players in the major national associations. This was intended to keep players in New Zealand, and also to help offset salary losses that New Zealand IPL participants would incur when they played for the national team during a tour of England during the IPL tournament. To illustrate the disparity between salaries for the six-week IPL season and those paid by national teams for a year of service, the top salary for New Zealand cricket players, after the pay increase, was about \$141,000 (NZD 174,000),¹⁸ compared to the average IPL salary of \$534,000 for the top 75 players in the auction, and minimum allowable IPL salary of \$50,000 per season.

The captain of the English national team said, “We’re naïve if we don’t think England players are going to end up playing in the IPL. It’s exciting, and we shouldn’t see it as a threat.”¹⁹ The top English player, Kevin Pietersen said that he wanted to play in the IPL, but would not jeopardize his national contract. Pietersen earned £300,000 to play for England for one year (about \$600,000 in April 2008), far below what he could expect for a short IPL season.²⁰

IPL TEAMS

The eight IPL franchises included a wide range of owners and business models. (See **Exhibits 3 and 4** for a description of owners, franchise fees and other data.)

The Owners

Successful bidders for IPL teams were of two basic types, either large companies headed by extremely wealthy individuals, or groups led by Bollywood stars.

The owner that paid the most to obtain a franchise was Mukesh Ambani of Reliance Industries, which bid \$111.9 million for the Mumbai Indians. Ambani was India’s wealthiest individual, with a net worth reported to be \$46 billion. He was in the process of launching Reliance Retail, India’s largest chain of stores, including every retail format from superstores to specialty outlets.²¹

Vijay Mallya of UB Group, was the second-highest bidder, paying \$111.6 million for the Bangalore Royal Challengers. The UB (United Beverage) Group was a large liquor and beer company, and the team was named for one of the UB brands. UB Group also owned Kingfisher beer, which was one of the team’s sponsors. In addition to his beverage empire, Mallya owned

¹⁸ “Wage Increase for NZ Cricketers to Ward Off Rebel Advances,” *New Zealand Press Association*, March 2, 2008.

¹⁹ “IPL Is Too Appealing,” *Metro*, April 16, 2008.

²⁰ Mike Gatting, “England Pay Well Enough,” *Metro*, April 8, 2008.

²¹ Geoff Hiscock, “Stars Align for India’s Premier League Launch—Prime Time Television Advertising Is the Irresistible Lure for India’s Billionaires,” *The Australian*, February 20, 2008.

Kingfisher Airlines. Sport was an important vehicle for promoting his brands, and in 2007, Mallya had entered Formula 1 auto racing by purchasing a team that he renamed “Force India.”

T. Venkatram Reddy, owner of the Deccan Chronicle newspaper group, paid \$107 million for the Hyderabad team, which he named the Deccan Chargers. Prior to the start of the season, he sold 20 percent of the team to Group M, a media company that also was awarded the media operations contract with the IPL.²²

Two other franchises were purchased by established companies. India Cements paid \$91 million for the Chennai Super Kings, and GMR Holdings, which paid \$84 million for the Delhi Daredevils. India Cements was a regional company that was interested in national expansion. GMR Holdings was a Bangalore-based energy and infrastructure company, whose chairman, G.M. Rao was worth about \$6.2 billion. The company was developing airports in Hyderabad and Delhi.

Two franchises were purchased by groups led by Bollywood stars. The Kolkata Knight Riders ownership group was led by Shah Rukh Kahn, a top Bollywood actor. Priety Zinta, a leading actress, led the ownership group for the Mohali team Kings XI Punjab.

The final franchise, Rajasthan Royals, was purchased by Emerging Media Group, a consortium including Lachlan Murdoch, son of media mogul Rupert Murdoch.

Team Marketing and Promotion

All but one of the IPL teams hired Bollywood stars and other celebrities as “brand ambassadors” to promote their teams. The combination of entertainment and sport was a theme for the league, SET, and the franchises. When Bollywood action hero Akshay Kumar was introduced as the brand partner for the Delhi Daredevils on March 31, 2008, he “made a grand entry on the stage with a cricket bat and helmet and performed a martial art dance before vouching his loyalty for the team.”²³ The Daredevils’ team captain commented that, “Twenty20 is pure entertainment and there are no bigger entertainers in India than Bollywood stars.”²⁴

Most of the teams planned to spend \$2 million or more for marketing to attract fans.²⁵ The Bangalore Royal Challengers planned to spend \$4 million on marketing.²⁶ Teams spent marketing money on initiatives such as advertising, music videos, celebrity endorsers, and cheerleaders.

The one franchise that did not hire a brand ambassador and did not spend lavishly on marketing was the Rajasthan Royals. The team’s owners had spent the least of any successful franchise bidder, and had also stayed away from high-priced stars at the player auction. Their approach was to focus on building the best possible team, and make their statement on the field.

²² “Group M to Pick Up 20 Percent in Hyderabad IPL Team,” *Financial Express*, February 28, 2008.

²³ “Akshay Hopes to Be Lucky Mascot for Delhi Daredevils,” *Indo-Asian News Service*, March 31, 2008.

²⁴ Ibid.

²⁵ “IPL Gets Bollywood-Studded,” *Financial Express*, April 10, 2008.

²⁶ “Team Bangalore Spends \$4 Million on Marketing Initiatives,” *The Hindu Business Line*, April 11, 2008.

SPONSORSHIP AND MEDIA RIGHTS

As previously described, BCCI sold the global media rights to WSG prior to the franchise auction for \$1.026 billion for 10 years. As part of this deal, SET received the television rights for India. The television rights for the IPL were also in high demand outside India. WSG claimed to have received about \$100 million for selling the rights to broadcasters in Asia, the Middle East, U.K. and U.S. for about \$100 million.²⁷ In North America, Willow TV won the television and Internet rights,²⁸ selling U.S. television rights to DirectTV and Dish Network, each of which charged \$59 per month for IPL coverage.

SET planned to sign up two levels of sponsors for their television broadcasts in India. Lead sponsors would pay about \$6.7 million for 200 seconds of advertising per game (\$5,678 per 10 seconds over the 59 game season). Associate sponsors would pay about \$5 million for 150 seconds per game. They planned to sell two lead sponsorships and six associate sponsorships, but later reduced the number of associate sponsorships in order to preserve advertising inventory for sale closer to match time at premium prices.

Television sponsors could get television advertising category exclusivity by paying a fee of about \$1.75 million, over and above the sponsorship cost, and buying an additional 50 seconds per match. This prevented the sponsoring company's competitors from advertising during IPL matches. Two sponsors, Vodafone and Hyundai had signed exclusivity agreements by early March.²⁹ The category exclusivity arrangement would result in at least one sponsorship conflict, as Pepsi won the ground sponsorship contract with the league, while Coke was an exclusive television sponsor—thus Pepsi was not able to air advertisements during IPL matches.

To attract viewers and sponsors, Sony marketed the IPL matches as more than just a game. It planned to include shows by movie stars, fashion shows between innings, and other activities that would attract and retain viewers during the tournament.³⁰ The matches, providing a total of 177 hours of live entertainment, were scheduled for the late afternoon and evening prime time TV hours.

In March, BCCI sold the rights to build and operate Internet portals for both the IPL and the BCCI for 10 years to Canadian company Live Current Media for \$50 million. In addition, Live Media and BCCI/IPL would equally share revenue from the sites. The IPL portion of the rights fee was \$20 million, with the remaining \$30 million for the BCCI portal.³¹

The IPL actively sold sponsorship in many categories, most for multi-year, multimillion deals. In addition to the title sponsorship, which it had sold in February to DLF for \$50 for 5 years, it

²⁷ Priyanka Mehra, "Indian Premier League Also a Hit Among Overseas Audiences," *Mint*, April 26, 2008.

²⁸ "IPL: Willow TV Gets TV Rights for the Americas," *CricketNext*, April 9, 2008, <http://www.cricketnext.com/news/ipl-willow-tv-gets-tv-rights-for-the-americas/30865-13.html> (accessed October 10, 2008).

²⁹ Priyanka Mehra, "IPL Ads: Companies Pay Sony Rs 7 Crore to Keep Out Rivals," *Mint*, May 7, 2008.

³⁰ Amrita Nair-Ghaswalla, "IPL Matches: Sony Eyes Sponsors to Sell Air Time," *The Times of India*, February 25, 2008.

³¹ "Canadian Firm Bags BCCI, IPL Website Deal for \$50 Million," *Indo-Asian News Service*, April 17, 2008.

made sponsorship deals for many product and service categories. Some of the more interesting agreements were:

- Pepsi, which paid \$12.5 million for 5 years to be the league's "official beverage." The entire amount of this contract was to be split evenly among the eight teams.³²
- Kingfisher Airlines, which became the "Umpire Partner," paying \$26.17 million to sponsor umpires for 5 years.³³ Kingfisher also became the official airlines of the league, with all players and officials using Kingfisher to travel between matches. Kingfisher also sponsored the "Fly Kingfisher Fair Play Award."³⁴

Ironically, Coke signed with SET to be an associate television sponsor for one year at between \$4 and \$5 million. Coke's contract provided exclusivity for television advertising, blocking out Pepsi from television advertising during the matches (other than stadium advertising that could be seen during the television broadcasts).³⁵

Teams also actively solicited sponsorship. Shah Rukh Khan's Knight Riders were the favorite team of sponsors, in part driven by Khan's personal endorsement deals with major companies. Reportedly, Nokia paid \$10 million to put its name on the team jerseys, and four other companies each paid at least \$6.5 million to sponsor the team.³⁶ These were presumably multi-year contracts, but the term was not disclosed. One estimate in mid-May claimed that the Knight Riders' first-year team sponsorship revenue was \$8 million, substantially more than any other team.³⁷ Attracting sponsorship was one of the benefits of signing celebrity "brand ambassadors." The Rajasthan Royals, which took a frugal approach to the business of running an IPL team, was the only team not to hire a celebrity brand ambassador, and did not spend lavishly for players, reported difficulty in signing sponsors before the season started.

THE FIRST SEASON

The IPL faced a number of challenges as it hurried to stage its inaugural tournament. With only four months from the auction of franchises to the first match, schedules were tight. These challenges continued after the season began.

Challenges Preparing for the First Season

Disputes Over Tickets

One of the challenges that confronted IPL franchises as they prepared for their first season was to arrange for stadiums for their home matches. Many stadiums were owned by local cricket associations. Some of these associations had agreements with their members under which the membership fee guaranteed tickets (at no additional cost) to all matches held in the association-owned stadium. This posed a problem for IPL franchises, since the IPL franchise agreement

³² "Pepsi Pays \$12.5 Million to Be Official IPL Drink," *Indo-Asian News Service*, March 18, 2008.

³³ "Kingfisher Sponsors IPL Umpires for Rs 1.06 Billion," *Indo-Asian News Service*, March 20, 2008.

³⁴ "IPL Teams to Be Rewarded for Fair Play," *The Press Trust of India Limited*, April 17, 2008.

³⁵ "Coke Pulls a Coup Against Pepsi," *Business Line*, April 2, 2008, p. 22.

³⁶ "Knight Riders Attracts Investors Galore," *Indo-Asian News Service*, April 20, 2008.

³⁷ Shamni Pande and Tejeesh N.S. Patel, "Will Cricket's New Czars Make Money?" *Business Today*, May 14, 2008.

stipulated that 20 percent of tickets were to be provided to the hosting cricket association, with the balance to be sold to the public. Sale of these tickets was an important revenue source for franchise owners.

The first, and most contentious, of the disputes over ticket availability was in Bengal, where the Kolkata Knight Riders, owned by Shah Rukh Khan and his company, Red Chilies Entertainment, Ltd., leased the Eden Gardens stadium from the Cricket Association of Bengal (CAB). The CAB constitution guaranteed free tickets for all 31,000 members to any match organized by BCCI and CAB, except those that benefitted charity. This was far more than the 20 percent allotment for IPL matches. A group of members, the Cricket Members' Forum of Bengal, formed to demand free tickets, and filed suits against CAB and Red Chilies Entertainment, demanding free tickets for all CAB members.³⁸ Shortly before the season began, the dispute was resolved in the team's favor and the Knight Riders' home games were played in Eden Gardens.

In Mumbai, the venues for the Mumbai Indians home matches had not been finalized with only two weeks until the start of the tournament. Mumbai would also host the semifinals and finals, since the Mumbai owners had paid the highest price for their franchise, so 10 matches needed to be planned. The matches were originally planned for the Cricket Club of India (CCI) stadium, but they refused to allow the stadium to be used because the IPL would not give free tickets to all members. With the CCI stadium now unavailable, two other stadiums were considered. One was located in South Mumbai, but was substandard in several respects and planned renovation had been delayed. The other, DY Patil, was a modern stadium, located about 90 minutes away. The Mumbai Indians and IPL decided that five matches would be played at each stadium. Neither the Reliance Group, owner of the Indians, nor the IPL and tournament manager IMG were happy about this arrangement, as using two facilities increased costs. Reliance and IPL/IMG did not agree on who should pay the increased costs.³⁹ After the season started, the team decided that DY Patil was too far away, and players complained about a lack of privacy in their dressing room, so the final two regular season matches scheduled for the venue were moved to the smaller stadium. The semifinals and finals were held at DY Patil, however, due to its larger capacity.

Media Rights Problems

On April 3, the IPL released its media accreditation guidelines for journalists. The rules were extremely restrictive, and drew immediate and harsh criticism from new organizations. One of the rules was that photographers must upload all images to the IPL website within 24 hours of a match, and give the IPL the unlimited right to use the images free of charge. If a photographer did not upload all images, access to IPL venues would be revoked. Media organizations were also restricted from using images on their own websites, except for those images that had been previously published in their print versions. Many news organizations objected to these terms. The bureau chief of the Agence France-Presse (AFP) wire service said, "We won't be covering the IPL under those terms."⁴⁰ The Editors Guild of India lodged a protest with the BCCI, calling

³⁸ "Members' Forum Takes CAB to Court on IPL Tickets," *United News of India*, March 25, 2008.

³⁹ "Uncertainty Over IPL's Mumbai Venues Continues," *Indo-Asian News Service*, April 2, 2008.

⁴⁰ Anik Basu, "Just Not Cricket: IPL Kicks Up a Storm with Stiff Terms for Media," *Mint*, April 4, 2008.

these restrictions “unprecedented and unacceptable to the Indian media, to say the least.”⁴¹ The Indian Newspaper Service threatened to boycott the tournament.

The IPL and print media negotiated until just before the season began. Eventually, the IPL made concessions that the Indian media could accept. However, the league insisted that news agencies could not provide images to websites dedicated to cricket. The major international news agencies, such as Associated Press, Reuters, and Agence France-Presse did not agree to these restrictions, which would prohibit them from providing images to some of their subscribers, and they did not cover the IPL. As a result, in countries whose papers did not send their own reporters to cover the IPL and thus relied on agency coverage, the only information about the IPL came from the television stations that owned local broadcast rights, and the Internet. Specialty cricket websites were also banned from the matches, and could obtain photographs only from the IPL-sanctioned service, not their normal news agencies.

Three days before the season started, Indian television stations threatened to boycott IPL coverage due to restrictions on the availability of video clips that they could use to report on the matches. This was resolved two days before the first matches, and the IPL became a major subject of coverage on Indian television.

Ticket Sales

The IPL generated tremendous media attention in India in the months between the league’s announcement and the start of the first season. The franchise auction, player auction, participation of Bollywood stars and other celebrities all served to build interest in the league. SET, which had the television rights for the league in India, began an intensive advertising campaign on April 3, 2008. It promoted the league as “the father of all entertainment.” SET pointed out that most cricket tournaments consisted of mismatches—poor teams playing strong teams. The IPL, however, would be competitive. All teams had good players, and there should be no poor matches.⁴²

The IPL season was put together quickly, with little chance to work out details such as ticket sales. Many teams had little success in publicizing how fans could buy tickets. Ticket sales did not begin until days before the first matches. The first team to sell tickets was the Deccan Chargers of Hyderabad, which began sales on April 11 for the April 18 season opening match. Just five days before the first matches, some franchises had not even announced when they would sell tickets. Ticket prices varied, with some franchises selling tickets at very low prices (Rs50, or about \$1) in order to generate excitement and make the games available to all fans.⁴³

First day sales were very slow for some matches—Shah Rukh Khan, the Bollywood star who owned one of the highest-profile teams, the Kolkata Knight Riders, was distressed with the first day ticket sales, just one week before the first match. A paltry 237 tickets had been sold. He said, “I am a bit surprised as to why, despite keeping ticket prices low, people are not showing

⁴¹ “IPL Under Pressure,” *Indian Express*, April 5, 2008. Quotation from letter by Editors Guild of India president Sharad Pawar to the BCCI.

⁴² “The Father of Entertainment?” *Financial Express*, April 13, 2008.

⁴³ “IPL Ticket Sales Yet to Take Off in a Big Way,” *Indo-Asian News Service*, April 13, 2008.

any interest.... Involvement with the Knight Riders is giving me sleepless nights.”⁴⁴ The next day, however, the situation looked entirely different. Long lines formed at ticket counters, and the team sold about 55,000 tickets. It expected to sell out within days.

Even as late as April 14, at least one team had not started selling tickets, and three others were reporting very slow sales.

Some teams did not sell tickets for one home match until the previous home match had been played, in order to prevent confusion among fans. This meant that there was a short time frame for purchasing tickets for any individual match. Fans could purchase tickets in advance online, however.

Despite the initial problems with establishing the ticket sales process, once fans knew how to purchase tickets, most teams had excellent sales, and most matches were well attended.

Security and Logistical Concerns

The intense interest in the league, and high attendance at IPL matches, caused security and logistical problems. Additional security personnel were needed at the matches, causing disputes over compensation in some cases.

Traffic, parking, and late-night transportation after matches also needed to be planned. The matches would be held in the afternoon and evening, so that fans could attend, and to maximize the television audience. Large, nighttime events were not common in India—availability of lighted stadiums had been one of the criteria for cities to host IPL teams, and some stadiums installed lighting just in time for the IPL season. The infrastructure around some stadiums was not well suited to easy accessibility.

Poor infrastructure resulted in high costs of staging events. Outdoor events generally cost about three times as much as indoor events, due to the lack of infrastructure.⁴⁵

Challenges During the First Season

Player Availability

The IPL had not existed when the international cricketing world prepared its schedule for 2008. The league chose the April-May timeframe for its season to avoid most previously scheduled events, but some national associations had conflicts with the IPL schedule. As previously noted, the English season started at the same time as the IPL, and players with national contracts could not participate. Many players from other countries that contracted with IPL teams had to miss some games, however, due to national association conflicts.

A week before the start of the IPL season, the South African cricket board announced that its domestic tournament would take precedence over the IPL. The semifinals of that event were to take place on April 18 and 19, the beginning of the IPL season. The finals were scheduled for

⁴⁴ “SRK Gets IPL Heebie-Jeebies,” *Daily News & Analysis*, April 12, 2008.

⁴⁵ “As If High Taxes Weren’t Enough, IPL Sucks Out Sponsorship Funds,” *Mint*, April 19, 2008.

April 25. With the IPL season beginning on April 18, any South African player that was in the semifinals would have to miss the first IPL games. Players on teams in the South African finals would have to miss at least one week of IPL play.⁴⁶

During the IPL season, there were also events involving the Pakistan, Australia, Bangladesh, and West Indies teams, creating doubt as to which players would be available for which IPL matches.

Cheerleader Controversy

The IPL wanted matches that created excitement beyond the competitive event. Matches were extravaganzas of entertainment wrapped around a cricket match. The Bangalore Royal Challengers planned to spend about \$1.25 million for entertainment during home matches. Other teams planned to spend at least \$500,000.⁴⁷ One part of the entertainment offering was inspired by American football—the cheerleading squad. This was a novelty in India. The Bangalore Royal Challengers led the way, hiring the Washington Redskins cheerleaders to promote the team and perform at its first four matches. They would also help recruit and train local cheerleaders, with the squad’s choreographer staying to work with the local squad when the Redskins cheerleaders returned home. Each of the 14 Redskins cheerleaders was reportedly paid \$300 per hour.⁴⁸ Other teams also hired cheerleaders, many imported from Europe.

The cheerleaders attracted a great deal of attention. They were part of the entertainment before and during the matches. One newspaper reported of the television coverage, “Their ‘performance’ and high-powered movements are as exciting as the shots of the players.”⁴⁹ However, the revealing uniforms that were accepted in the United States and Europe offended many in India. This led to outrage on the part of government authorities, law enforcement, Hindu activists, and other leaders. In some cities, local authorities asked for a ban on cheerleaders, and threatened to arrest franchise owners if cheerleaders dressed in an indecent fashion, which would violate their entertainment licenses.

Eventually, at least one team (Mumbai Indians) disbanded its cheerleading squad. Other teams changed the attire of their squads to modest uniforms that were acceptable to Indian sensibilities, and the controversy subsided.

The First IPL Season

The first day of the inaugural IPL season set the stage for the orgy of cricket and entertainment that was to dominate Indian attention for the following six weeks.

The first match was played in Bangalore, between Shah Rukh Khan’s Kolkata Knight Riders and Vijay Mallya’s Bangalore Royal Challengers. There were terrible traffic problems, as 40,000 fans tried to get through 16 gates, and there was virtually no parking available. Police said they

⁴⁶ “Proteas to Miss First Week of IPL,” *United News of India*, April 10, 2008.

⁴⁷ “A Lot More Than Just Cricket Will Be on Display to Pull in the Crowds for IPL,” *Mint*, April 16, 2008.

⁴⁸ *Ibid.*

⁴⁹ Harsha Siddham, “Ready For This?” *The Hindu*, April 24, 2008.

had not been contacted about parking and traffic management, and streets within 2 kilometers of the stadium were turned into parking lots.⁵⁰

Despite these problems, the show began at 6:30 on a raised stage draped in red and orange. A packed stadium “shrieked, screamed, and cheered” as singers performed popular Bollywood songs. The Washington Redskins cheerleaders performed, accompanied by a live band. There were trapeze artists and a laser show, ending with a firecrackers “going up in [the] air from all corners of the stadium, creating a ring of fire.”⁵¹ The visiting Knight Riders won the opening match.

The next day, in New Delhi, the Delhi Daredevils played their first match against the Rajasthan Royals. The pregame show included trick cyclists and gymnasts, culminating in a “breathtaking stunt” by a Bollywood action star.⁵² The home team won the match.

While most of the opening matches were well attended, the first home match for the Kings XI Punjab, played on April 19, had few spectators. The franchise owner, actress Preity Zinta, attributed the poor attendance to a local culture of free passes, particularly for VIPs, few of whom came to the match. The home team lost to the visiting Chennai Super Kings.

As the tournament progressed, the IPL became a sensation in India. Attendance at matches was generally strong throughout the tournament, although toward the end of the season, attendance fell off for matches between two teams at the bottom of the standings.

On May 13, India was rocked by a series of terrorist bombings in crowded markets, tourist sites, and a temple in Jaipur, the capital of Rajasthan and home to the Rajasthan Royals. The bombs killed dozens of people. The team’s next home game was scheduled for May 18, and there were suggestions (which were rejected) that it be moved to Bangalore. Two Australian stars of the team, Shane Warne (who also served as the team’s coach) and Shane Watson, considered returning home, but stayed with the team. A team manager from Australia, and a player from South Africa, refused to return to Jaipur.⁵³ The league, franchises, and league sponsors donated about \$1.5 million to the bombing victims.

The season reached its climax when the semifinals and championship match were played in Mumbai on the weekend of May 31 and June 1. Even though the Mumbai team was not participating, local fans were excited. The final match, between the Rajasthan Royals and Chennai Super Kings, was held at the 55,000-seat DY Patil stadium outside Mumbai before a sold-out crowd. The match included a 45-minute entertainment spectacular on four mobile stages, including performances by Bollywood stars and international artists. There were folk dancers, acrobats, and trampoline athletes. The songs for all eight IPL teams were performed. There was a laser and light display, and fireworks.⁵⁴

⁵⁰ “Traffic Management Goes for a Toss,” *The Hindu*, April 19, 2008.

⁵¹ “IPL Off to an Electrifying Start,” *Financial Express*, April 19, 2008.

⁵² “Akhya Thrills Kotla as Delhi Daredevils Take on Rajasthan Royals,” *United News of India*, April 19, 2008.

⁵³ “Bombings May Force Warne, Watson to Go Home,” *Asian News International*, May 15, 2008.

⁵⁴ “Salman for the Closing of IPL,” *The Times of India*, June 1, 2008.

The Rajasthan Royals scored a dramatic, last-minute victory.

Following the match, tournament director and IPL commissioner Lalit Modi reflected on the league's first season:

India fulfilled a dream in an unbelievable manner and made the inaugural event a reality. The people of India and the rest of the world embraced this tournament with their hearts and I feel really proud that we have taken the game of cricket ... to a new level. It was a difficult road for all of us involved in this venture to walk, there were skeptics ... the success is there for all to see.⁵⁵

Winners and Losers

BCCI

The IPL was a huge success for BCCI. Financially, it generated about \$90 million from franchise fees, its share of television rights, and sponsorships. It planned to use much of its IPL earnings to develop cricket and other sports. It also solidified its place as a dominant factor in world cricket. With the success of its first season, BCCI planned to increase fees for new sponsors from \$5-\$5.5 million per year to \$7-\$8 million per year for a five-year contract. Existing sponsorship contracts were expected to have much higher fees when they were renewed in year six. The league also negotiated for its sponsors to have first right of refusal for television sponsorship with SET Max, starting with the second season. This would enable BCCI sponsors ("ground sponsors") to block competitors' ads, and avoid the situation encountered in the first season, in which Pepsi was a ground sponsor, yet Coke won the television sponsorship and blocked Pepsi from airing television advertisements.

Indian regional cricket associations benefitted from the IPL success, as they received 70 percent of team franchise fees.

However, the success of the IPL also created a threat to BCCI. After the end of the season, the Indian tax authorities challenged BCCI's tax exempt status, citing a new law that banned charitable organizations from engaging in commercial businesses through subsidiaries. Tax authorities hoped to collect \$40-\$50 million from BCCI.⁵⁶

Franchise Owners

After the franchise auction, and the high prices paid by the winners, there had been considerable debate as to whether, and when, franchise owners could make a profit on their investments. As the season began, most owners looked at the financial return as long-term objective, anticipating break-even only after several years. Some franchise owners were describing their teams as marketing vehicles—hoping to break even, but looking at the marketing value as the primary economic return.

⁵⁵ Delport, loc. cit.

⁵⁶ "CBDT Sees IPL as a Money Spinner," *The Hindu Business Line*, July 11, 2008.

However, at the end of the season, the picture looked much rosier. At least two of the eight teams were believed to have made profits, with two more at about break-even. Companies were lining up to sponsor teams for the 2009 season, with the four semifinalists being heavily pursued. Major retailers, who had not been prominent sponsors in 2008, were among the companies interested in signing on with the IPL and its teams. (See **Exhibit 5** for an estimate of team financial results as of mid-season.)

The Emerging Media Group, owners of the champion Rajasthan Royals, took a highly disciplined and economically conservative approach. The owners paid the least amount for their franchise (\$67 million), thus paying just \$6.7 million annually for their franchise fee. The Royals paid less for their most expensive player (\$675,000) than any other team, and had the lowest payroll in the league (paying a penalty for failing to meet the \$3.3 million minimum payroll). They had the Most Valuable Player of the tournament, Australian Shane Watson, for whom they had paid a salary of just \$125,000.⁵⁷ They were also frugal in their marketing spending, being the only team that did not hire a celebrity “brand ambassador,” and avoiding the glitz pursued by the other franchises. The team had the best record in the regular season prior to winning the playoffs.

The Royals initially had struggled to attract sponsors, since they had neither a brand ambassador nor high-profile stars to generate excitement. However, when they became the first team to clinch a spot in the semifinals, they were swamped by sponsorship offers. The team, however, insisted that they were interested only in long-term relationships, and that potential sponsors realize they were not planning to hire big-name stars, but recruiting what they considered to be the best combination of players.

The Rajasthan Royals and Kolkata Knight Riders generated profits during the first season in very different ways. The Royals were profitable through minimizing costs and excellence on the field. The most profitable franchise, however, was believed to have been the Knight Riders, owned by Bollywood star Shah Rukh Khan. The Knight Riders pursued a different strategy, spending heavily for marketing and maximizing revenues through sponsorship and ticket sales. The team benefitted from Khan’s personal endorsers, many of whom also sponsored the Knight Riders, selling an estimated \$7.5 million in sponsorships. With a stadium capacity of 90,000, the team was able to generate higher gate receipts than other franchises, while maintaining low ticket prices.⁵⁸ The team planned to spend some of its profits to develop a cricket academy to develop talent for the future, and hired an Australian coach to run the academy.

The Bangalore Royal Challengers, whose owner, Vijay Mallya, had paid \$111 million for the team, claimed to have broken even for the season, even though the Royal Challengers finished near the bottom of the standings. The Royal Challengers had been one of the IPL’s highest-profile teams at the beginning of the season, having brought the Washington Redskins cheerleaders to India, and heavily promoting the league and team. Their relative financial success was due to very high gate receipts, substantial sponsorship revenue, and sales of corporate boxes for matches.⁵⁹

⁵⁷ “Business Lessons from Rajasthan Royals,” *Indo-Asian News Service*, June 2, 2008.

⁵⁸ “IPL Franchisees May Have Better Margins Than Arsenal, Man U,” *The Hindu Business Line*, June 12, 2008.

⁵⁹ “Royal Challengers Achieves Breakeven,” *The Hindu Business Line*, June 11, 2008.

Another franchise that claimed to have been profitable, was the Chennai Super Kings, owned by India Cements, which lost to the Royals in the league final match. In addition to a successful season for the team, India Cements achieved a substantial increase in brand recognition. The company was based in southern India, and planned to expand its operations northward, with a doubling of capacity. India Cements planned to use the team name, Super Kings, as a brand name for cement in an effort to increase its retail business.⁶⁰

To add to their financial success during the season, both league finalists, the Rajasthan Royals and Chennai Super Kings, were scheduled to compete in the Champions League tournament against top Twenty20 teams from other countries later in 2008, which offered \$5 million in prize money. At least four IPL teams were planning tours to other cricket-playing countries, which could be expected to generate substantial profits. The Royals, led by Australians Shane Warne and Shane Watson, scheduled a tour to Australia.

The future looked bright for the IPL franchisees. A KPMG associate director claimed that franchises could achieve higher profitability margins than English Premier League soccer teams by the fifth year, with EBITDA of 30 percent.⁶¹ In light of this financial outlook, several teams, including the Rajasthan Royals, Mumbai Indians, Deccan Chargers, and Chennai Super Kings, were thought to be considering private placements or IPOs to monetize the value of their franchises.^{62,63}

Players

The players were unquestioned winners. Salaries paid by the IPL teams for top players dwarfed their national pay, putting pressure on national cricket boards to increase remuneration. Before the end of the season, New Zealand and England had already raised salaries. England had also arranged a high-stakes, five-match tournament for its players, in which players on the winning team could expect to make £500,000.

These increases in home country pay did not appear to be halting the flow of players to the IPL. The head of the Professional Cricketers' Association in England expected many English players to participate in the IPL in 2009, saying: "Players want to face the best—and that's the IPL."⁶⁴

From December 15, 2008 to January 15, 2009, IPL teams would be able to transfer players. Players were expected to demand at least 50 percent salary increases in order to agree to a transfer. Under the BCCI transfer rules, the selling team's owner received 75 percent of any transfer fee, and the player received 25 percent. At the same time as the transfer rules were announced, the league removed the \$5 million team salary cap. In addition to promising still

⁶⁰ "India Cements to Ride on Super Kings Brand for Retail Push," *The Hindu Business Line*, July 1, 2008.

⁶¹ "IPL Franchisees May Have Better Margins..." loc. cit.

⁶² Siddharth Zarabi, "IPL Champs Pitch for Pvt Placement, IPO," *Business Standard*, September 2, 2008.

⁶³ Suneet Szxena, "Howzat! IPL Teams to Score with IPOs," *The Economic Times*, July 6, 2008.

⁶⁴ "IPL Influx 'Won't be Hit by Stanford T20,'" *Metro*, June 19, 2008.

higher pay for players, it allowed owners to buy out the contracts of players who were no longer needed.⁶⁵

Television and Internet

The IPL became must-see TV in India. SET Max, the SET Indian station that broadcast the matches, dominated the television ratings. Normally a movie channel, it received more than twice the viewership of its closest competitor during the league's first match. Ratings dropped somewhat, but remained very strong. The company achieved ratings for their target audience that were nearly double their original expectation. SET generated a substantial profit, despite basing advertising rates for sales prior to the season on their initial expectations. It looked forward to an even better 2009, as rates were expected to increase by 40-50 percent, reflecting the strong 2008 ratings. Existing sponsors were interested in continuing, and potential new sponsors had expressed interest.^{66,67} SET Max was estimated to have earned about \$75 million from the IPL matches.⁶⁸ Television viewership was strong outside of India as well.

The IPL was also followed closely over the Internet. In just the first week, the IPL website received more than 3.5 million hits from outside India. In the United States, Willow TV, which had sold the television rights to DirectTV and Dish Network, streamed the matches live on the Internet. Willow TV had about 150,000 subscribers, and charged \$59 for access to the IPL matches. Willow TV claimed that there was much higher interest than for the Twenty20 World Cup, and "a hundred times better than ICL."⁶⁹

The IPL website, operated by Live Current Media, was also very successful, averaging over 1 million page views daily during the tournament. Team websites were also very successful. Teams viewed the Internet as an important way to build their fan bases and as a ticket sales outlet, and all had extensive websites, with blogs, player videos, and other features. Some had online games. By mid-May, the Kolkata Knight Riders claimed 37,000 registered users, and the Delhi Daredevils 30,000. The Knight Riders reported about 15,000 hits daily, with visitors playing games, participating in polls and quizzes. Teams also used websites to generate revenue through sponsorship advertising.⁷⁰ New media opportunities were expected to generate at least \$1 million per year for each team.⁷¹

⁶⁵ Aminah Sheikh, "BCCI Transfer Rules to See High-Scoring Payouts for IPL Talent," *Business Standard*, September 18, 2008.

⁶⁶ Shuchi Bansal, "Cricket is a Reality Show: The Indian Premier League Has Been a Big Bonus," *Business Standard*, May 30, 2008. During the season, Sony Entertainment Television was involved in a merger, and the company changed its name to Multi-Screen Media.

⁶⁷ "IPL TV Ad Rates to Go Up by 50 Percent," *Business Standard*, July 17, 2008.

⁶⁸ Aminah Sheikh, "In Love with the IPL, Advertisers Abandon Upcoming Tournaments," *Business Standard*, June 20, 2008.

⁶⁹ Ibid.

⁷⁰ Amit Sharma, "IPL Pitch Enters Cyber Domain as Franchisees Eye Fan Base," *The Economic Times*, May 12, 2008.

⁷¹ "IPL Throws a Gamut of New Media Opportunities," *The Economic Times*, March 6, 2008.

Retail Establishments

The IPL season changed the way of life for millions in India, significantly impacting buying habits and retail establishments. Watching IPL matches became a way of life for large numbers of Indians. Many congregated in bars to watch the matches after work every night.

Television sales boomed, but other retail stores suffered as consumers stayed home to watch the matches. To entice buyers back, malls and stores installed televisions so that shoppers could watch the games. Restaurants saw home delivery sales grow, but in-store sales decline. Movie theaters were relatively empty, both due to competition from the IPL, and due to the delay in release of major new films until June 6, after the IPL season had ended. One movie theater chain reported a 35 percent drop in quarterly profit, which it attributed in part to the IPL. Other entertainment events, such as concerts, suffered as all sponsorship money was directed toward the IPL.

When the season ended, one publication described the after-effects as follows: “Fans say they feel empty, the entertainment and retail industries are heaving a sigh of relief, and restaurants and pubs are scrambling to invent events that will replicate the extravaganza’s success.... IPL is an addiction that has left a hangover.”⁷²

International Cricket

The IPL had a dramatic impact on international cricket. This alarmed some traditionalists, particularly in England. Twenty20 had been viewed as suspect from its inception, as a lesser form of the sport. Mixing entertainment and cricket, creating a spectacle for fans, was seen by some as even more of a threat. The *Birmingham Post* in England described the season opening match between Bangalore and Kolkata as “a glitzy, tasteless, and over-the-top affair.” It warned readers to “Beware the Americanization of sport and, more significantly, the ‘dollarization’ of cricket. One suspects the bastardization of this country’s summer game that is underway in the form of the Indian Premier League is just the beginning.”⁷³

LOOKING FORWARD

Despite its success, the IPL was not on the 2009 international cricket calendar, and the ICC calendar did not include a formal window for the IPL season. However, the success of the IPL, and its importance to international players and fans, led national cricket boards to consider the league when developing their schedules. The 2009 international calendar had fewer conflicts with the IPL season. This helped alleviate some of the problems facing players that wanted to participate in the league, and ensure that top international stars would be available for matches. The international schedule was still crowded, however, causing potential problems for players with national team commitments (**Exhibit 6**).

The league planned to add three new teams beginning in 2011. The agreement with the original eight teams guaranteed television shares for three years, limiting the number of teams. Once this agreement expired, however, the league would be able to sell additional franchises.

⁷² Saumya Roy, “Withdrawal Symptoms for Fans, Cheer for Businesses,” *Mint*, June 3, 2008.

⁷³ James Peacock, “Money Will Always Talk,” *Birmingham Post*, April 25, 2008, p. 28.

In part due to the tremendous success of the IPL, ESPN Star Sports bid \$975 million for the global commercial rights to the Twenty20 Champions League for 10 years. This league, announced by BCCI when it launched the IPL, included the finalists of the IPL together with the top teams from other countries. The first Champions League season was scheduled to be played December 3-10, 2008.

One of the challenges for the future was to sustain fan interest after the season was completed. Most leagues, such as soccer's English Premier League (EPL) had longer seasons that maintained fan interest. During the off-season, fan interest was retained by news of player trades and signings. The six-week IPL season presented a challenge to the league and franchise owners. International tours and events such as the Champions League could help retain interest, but players were often unavailable to their IPL teams due to national team commitments, so fielding a team throughout the year was difficult—and the intense interest was focused around the competition between cities during the IPL season.

The Situation at the End of the IPL's Inaugural Season

The final match of the inaugural IPL season took place just nine months after BCCI announced the league's formation. Those nine months had been filled with activity—franchise auction, player auction, team formation, event planning, sponsorship sales and activation, and the successful completion of 59 matches. Initial skepticism about the financial viability of franchises had been replaced with enthusiasm. The salary structure for top cricket players around the world had been transformed.

This had been accomplished through a combination of sport and entertainment, what the managing director of one event organizing firm called a “potent mix with 20 percent soap opera, 40 percent Bollywood, and 40 percent cricket.”⁷⁴

Immediately after the first season ended, *SportBusiness International* observed, “The IPL has shown what can be achieved in sport through innovation, creativity and a dynamic approach. But we shouldn't forget that the particular set of circumstances which existed at its inception are unlikely to be entirely replicated anywhere else anytime soon.”⁷⁵

Off-Season Developments

The business environment for the IPL changed dramatically after the end of the 2008 season. First, the world economic crisis struck in September. As the 2009 season approached, teams found it difficult to sell sponsorship, Sony struggled to sell advertising time, and one of the league's major sponsors withdrew. In addition, the rupee declined against the dollar, causing franchises to pay substantially more for their foreign players, who were paid in U.S. dollars, in contrast to Indian players who were paid in rupees at a fixed conversion rate.

⁷⁴ Shailendra Singh, quoted in Saumya Roy, “Withdrawal Symptoms for Fans, Cheer for Businesses,” *Mint*, June 3, 2008.

⁷⁵ “The Sport Business Debate,” *SportBusiness International*, June 2008, p. 62.

The other significant issue was security. In November 2008, Pakistani terrorists conducted a three-day attack on Mumbai, laying siege to several of the city's finest hotels and killing more than 170 people. One of the focal points was the Taj Mahal Palace Hotel, the hotel of choice for visiting cricket teams.

The Mumbai attacks reemphasized the terrorist threat in south Asian countries, and some foreign cricket players expressed concern for their security. The inaugural Twenty20 Champions League tournament, scheduled for December, was cancelled. However, the cricket world could take some solace in the fact that while the game was extremely popular in some dangerous countries, cricket itself had never been the target of a terrorist attack.

That changed three months later, on March 3, 2009. The Australian national team had been scheduled to tour Pakistan, but had canceled due to security concerns. In order to avoid ICC sanctions on the team for failure to play an ICC-scheduled event, the Australian prime minister had banned the team from travelling. The 2011 Cricket World Cup was scheduled to be co-hosted by Pakistan, India, and Sri Lanka. In a show of solidarity with Pakistan, the Sri Lankan team agreed to make the tour in place of Australia. As it headed for a match against the Pakistani national team in Lahore, Pakistan, it was struck by a dozen heavily armed, masked attackers armed with rifles and rocket launchers. In a 15-minute battle with police guarding the team, the attackers killed five police and wounded several of the Sri Lankan players.

The second IPL season was due to start in mid-April, just weeks away. There was one other potential security concern—the Indian general election was scheduled to be held during the season. The international cricket calendar would not allow the IPL season to be moved. Modi had to decide how to proceed. His options included playing the season as originally planned, cancelling it for a year, or explore moving it to another country.

STUDY QUESTIONS

1. The case describes a number of challenges that the league overcame during its first season. What caused these problems, and could they have been avoided?
2. How can the league and its franchises maintain the momentum generated during the 2008 season?
3. What should the international governing board of cricket, the ICC, do to capitalize on the success of the IPL's first season? How can they address the player salary issues raised by the high prices paid to IPL players?
4. How should national cricket boards outside of India respond to the challenges posed by the IPL?
5. How should the league respond to the security issues it faced in March 2009?

Exhibit 1 IPL Revenue Sources and Distribution

IPL franchisees received revenue from two sources: central revenues which were negotiated by the league and distributed to the franchises, and local revenues which were collected directly by the franchises. In addition, the IPL provided prize money to all teams, based on the final standings.

Central Revenue

Central revenues were provided by the league's television rights agreement, and league sponsorships. For the first year, central revenues were evenly divided among the teams. Beginning in the second year, 80 percent was to be distributed evenly among the teams, with 20 percent of the distribution based upon the final league standings.

Distribution of Television Revenue (after production costs):

Year	League (%)	Teams (%)
1	20	80
2	20	80
3	30	70
4	30	70
5-10	40	60
11+	50	50

Distribution of League Sponsorship Revenues

Year	League (%)	Teams (%)
1-10	40	60
11+	50	50

The league's revenues also included 10 percent of each team's franchise fee per year.

Local Revenues

Local revenue sources were negotiated and retained by the franchisees. These included:

- Ticket sales (less 20 percent of tickets which were provided to the local cricket association that provided the stadium)
- Franchise title sponsorship
- Franchise shirt sponsorship
- Local sponsorships
- Merchandising and licensing
- Hospitality and premium seating
- Concessions at matches
- Franchise websites

Exhibit 1 (continued)

Prize Money

A total of \$3 million in prize money was awarded for the 2008 season. Each team received a share of this, ranging from \$1.2 million for the league champion to \$100,000 for the last place team.

Source: Central and local revenues from: IPL Prospectus, op. cit., pp. 23, 25.

Exhibit 2

League and Team Obligations and Expenses

League obligations included:

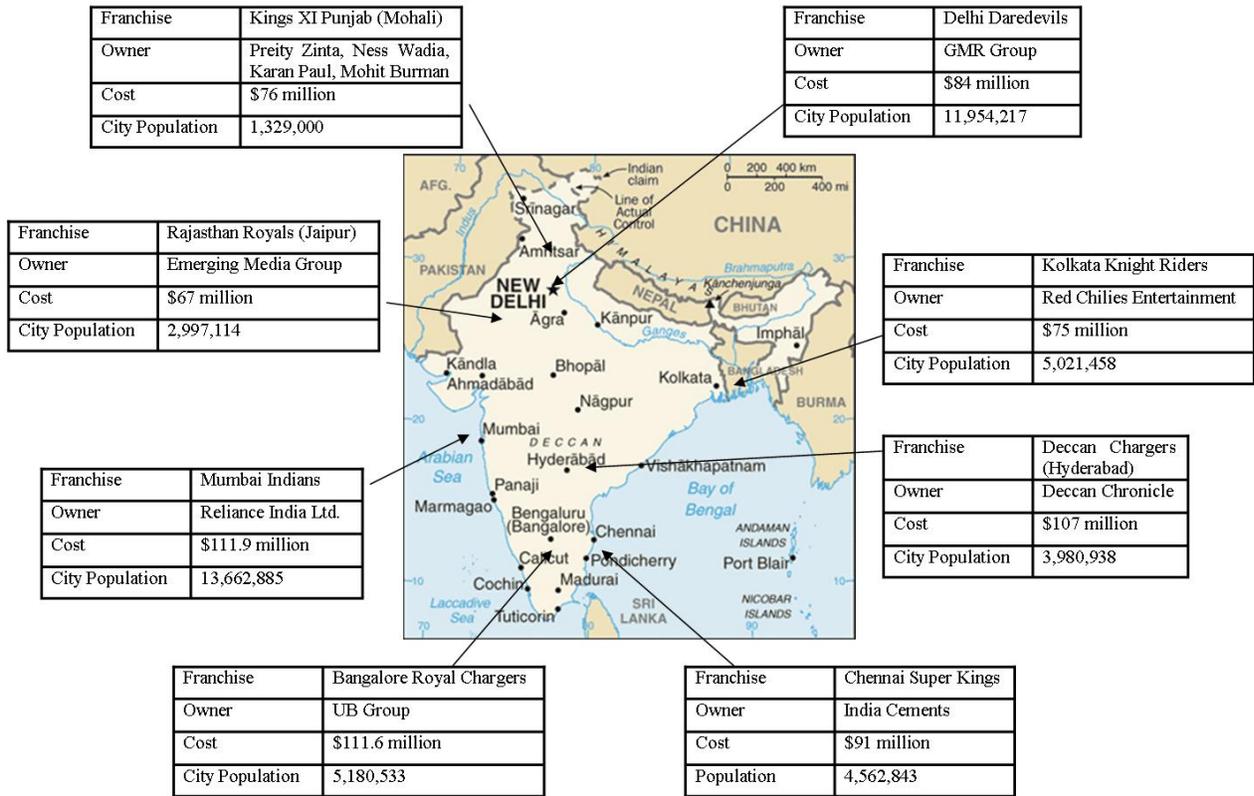
- Marketing centrally-controlled commercial rights, such as television rights.
- Establishing the tournament schedule.
- Managing travel and accommodation for the tournament.
- Providing umpires and match officials.
- Providing prize money. This was \$3 million for the first season.

Franchise obligations included:

- Payment of franchise fee (10 percent per year for 10 years).
- Player salaries.
- Team executive, management, and coaching salaries.
- Stadium leasing.
- Matchday costs, including staffing and security (to standards established by the IPL).
- Franchise travel and accommodation.

Source: IPL Prospectus, op. cit., pp. 33, 35.

Exhibit 3 Map of India, with 2008 IPL Franchises



Sources: Map from CIA: The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/print/in.html> (accessed October 15, 2008); population data for all cities except Mohali is 2008 estimate by World Gazetteer.com, based on 2001 census (<http://world-gazetteer.com>, accessed October 15, 2008). Mohali is a suburb of Chandigarh, with 2001 census of 123,000. Mohali data in table is the sum of Chandigarh and its suburbs, Mohali and Panchkula, from 2001 census (www.censusindia.gov.in, accessed October 15, 2008), adjusted for growth according to estimated growth for Chandigarh city by World Gazetteer.

Exhibit 4 Indian Premier League Franchises

Teams, in order of regular season record:

Team	Owner(s)	Franchise Fee (\$ million)	Most Expensive Player (\$)	2008 Record
Rajasthan Royals	Emerging Media Group	67	675,000	11-3-0
Kings XI Punjab	Preity Zinta, Ness Wadia (Bombay Dyeing), Karan Paul (Apeejay Surendra Group) and Mohit Burman (Dabur)	76	1,063,750	10-4-0
Chennai Super Kings	India Cements	91	1,500,000	8-6-0
Delhi Daredevils	GMR Holdings	84	833,750	7-6-1
Mumbai Indians	Reliance Industries Ltd	111.9	1,121,250	7-7-0
Kolkata Knight Riders	Shah Rukh Khan, Juhi Chawla, Jai Mehta	75.09	1,092,500	6-7-1
Bangalore Royal Challengers	UB Group	111.6	1,035,000	4-10-0
Deccan Chargers	Deccan Chronicle and M Group	107	1,350,000	2-12-0

Semifinals:

Rajasthan Royals defeat Kings XI Punjab
Chennai Super Kings defeat Delhi Daredevils

Finals: Rajasthan Royals defeat Chennai Super Kings

Source: IPL website, team details linked from <http://www.iplt20.com/team.html> (accessed October 6, 2008).

Exhibit 5
Estimated IPL Franchise Profit/Loss, as of May 2008

The following estimates were made by *Business Today* during the middle of the first IPL season. Financial results claimed by the franchises after the season was finished differ from these estimates, but the estimates illustrate the different financial models and performance of the IPL franchises. These estimates also do not include end-of-season prize money, which was based on final team standings.

All data is in \$ millions, translated at Rs 1 crore = \$0.25 million.

	Revenues	Expenses	Profit (Loss)
Royal Challengers	SET Max 5.00 Central Sponsorships <u>3.75</u> Total Central Revenue 8.75 Team Sponsors --- Gate Receipts <u>2.50</u> Total Revenue 11.25	Franchise Fee 12.00 Team Costs 5.50 Advertising 3.00 Administration <u>1.50</u> Total Expenses 22.00	Loss of (10.75)
Kolkata Knight Riders	SET Max 5.00 Central Sponsorships <u>3.75</u> Total Central Revenue 8.75 Team Sponsors 8.00 Gate Receipts <u>5.00</u> Total Revenue 21.75	Franchise Fee 7.75 Team Costs 6.25 Advertising 3.50 Administration <u>1.50</u> Total Expenses 19.00	Profit of 2.75
Kings XI Punjab	SET Max 5.00 Central Sponsorships <u>3.75</u> Total Central Revenue 8.75 Team Sponsors 5.50 Gate Receipts <u>2.25</u> Total Revenue 16.50	Franchise Fee 7.60 Team Costs 6.25 Advertising 1.75 Administration <u>1.50</u> Total Expenses 17.10	Loss of (0.60)
Delhi Daredevils	SET Max 5.00 Central Sponsorships <u>3.75</u> Total Central Revenue 8.75 Team Sponsors 5.00 Gate Receipts <u>3.85</u> Total Revenue 17.60	Franchise Fee 8.50 Team Costs 5.75 Advertising 3.50 Administration <u>1.50</u> Total Expenses 19.25	Loss of (1.65)
Rajasthan Royals	SET Max 5.00 Central Sponsorships <u>3.75</u> Total Central Revenue 8.75 Team Sponsors 3.75 Gate Receipts <u>2.00</u> Total Revenue 14.50	Franchise Fee 6.75 Team Costs 3.25 Advertising 1.75 Administration <u>1.50</u> Total Expenses 13.25	Profit of 1.25

Mumbai Indians	SET Max	5.00	Franchise Fee	11.25	Loss of (4.00)
	Central Sponsorships	<u>3.75</u>	Team Costs	5.00	
	Total Central Revenue	8.75	Advertising	3.50	
			Administration	<u>1.50</u>	
	Team Sponsors	5.00	Total Expenses	21.25	
	Gate Receipts	<u>3.50</u>			
	Total Revenue	17.25			
Deccan Chargers	SET Max	5.00	Franchise Fee	11.25	Loss of (4.50)
	Central Sponsorships	<u>3.75</u>	Team Costs	6.00	
	Total Central Revenue	8.75	Advertising	1.75	
			Administration	<u>1.50</u>	
	Team Sponsors	4.25	Total Expenses	20.50	
	Gate Receipts	<u>3.00</u>			
	Total Revenue	16.00			
Chennai Super Kings	SET Max	5.00	Franchise Fee	9.00	Loss of (0.05)
	Central Sponsorships	<u>3.75</u>	Team Costs	6.00	
	Total Central Revenue	8.75	Advertising	1.75	
			Administration	<u>1.50</u>	
	Team Sponsors	6.25	Total Expenses	18.25	
	Gate Receipts	<u>3.20</u>			
	Total Revenue	18.20			

Source: Shamni Pande and Tejeesh N.S. Behl, "Will Cricket's New Czars Make Money?" *Business Today*, May 14, 2008. Online at: http://businesstoday.digitaltoday.in/index.php?option=com_content&task=view&id=5206&issueid=28 (accessed October 15, 2008).

Exhibit 6

2009 International Cricket Schedule

The 2009 Indian Premier League season was scheduled for April 10 to May 25, 2009.

Other international cricket events in late 2008 through September 2009, as of October 2008:

Tour: New Zealand in Australia

- November 2008: 20-24 (Test), 28-December 2 (Test)
- February 2008: 1, 6 (ODI)

Twenty20 Champions League

- December 2008: 3-10 (T20 tournament for top teams from several countries)

Tour: West Indies in New Zealand

- December 2008: 11-15 (Test), 19-23 (Test), 26 (T20), 28 (T20), 31 (ODI)
- January 2009: 3 (ODI), 7 (ODI), 10 (ODI), 13 (ODI)

Tour: England in West Indies

- January 2009: 25-27, 29-31
- February 2009: 4-8 (Test), 13-17 (Test), 21-22, 26-March 2 (Test)
- March 2009: 6-10 (Test), 14, 15 (T20), 20 (ODI), 22 (ODI), 27 (ODI), 29 (ODI)
- April 2009: 3 (ODI)

Tour: India in Pakistan

- January 2009: 6-8, 13-17 (Test), 21-25 (Test), 29-February 2 (Test)
- February 2009: 6 (ODI), 8 (ODI), 11 (ODI), 14 (ODI), 17 (ODI), 19 (T20)

Tour: Australia in South Africa

- February 2009: 20-22, 26-March 2 (Test)
- March 2009: 6-10 (Test), 19-23 (Test), 27 (T20), 29 (T2)
- April 2009: 3 (ODI), 5 (ODI), 9 (ODI), 13 (ODI), 17 (ODI)

Tour: India in New Zealand

- March 2009: 6 (T20), 8 (ODI), 11 (ODI), 14 (ODI), 17 (ODI), 20 (ODI), 22-24 26-30 (Test)
- April 2009: 3-7 (Test)

Tour: Sri Lanka in England

- Tour originally scheduled for April 21 to May 30, 2009. However, this tour was scheduled after 13 Sri Lanka players had signed IPL contracts, and the Sri Lanka sports minister instructed the cricket board to release the players from this tour. As of October 2008, the status of this tour was in doubt.

Exhibit 6 (continued)

ICC World Twenty20 Championships, in London

- June 2009: 5-21

Tour: Australia in England

- June 2009: 24-27
- July 2009: 1-4, 8-12 (Test), 16-20 (Test), 24-26, 30-August 3 (Test)
- August 2009: 7-11 (Test), 15-16, 20-24 (Test), 30 (T20)
- September 2009: 1 (T20), 4 (ODI), 6 (ODI), 9 (ODI), 12 (ODI), 15 (ODI), 17 (ODI), 20 (ODI)

Types of match:

Test: 5-day test between national teams.

ODI: One Day International, between national teams.

T20: Twenty20 match between international teams.

No notation: match (in some cases multiday) between local club and touring national team.

Source: CricInfo.com, <http://content-usa.cricinfo.com/forthcoming/content/current/page/309784.html> (October 17, 2008).