

Indian premier league marketing case study



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Cricket is just one of those many sports which was conceived by the English and perfected by the world; the Indian Premier League is just an extension of this phenomenon. The Twenty 20 format was invented in England in 2003 but it really took off when the master strategist that is Lalit Modi took it upon himself to take this format a step higher into crickets first franchise based sports event.

In late June 2007 Lalit Modi who was then Vice-President of the Board of Cricket Control for India spoke to Andrew Wildblood of the International Management Group (IMG), a company with a vast experience in the whole area of sports management. IMG and Lalit Modi then sat down to discuss this model and finally came up with the idea that is the IPL in its current format.

The idea behind creating city based teams was based on the model present in sports in US and UK. IMG designed the IPL after an intensive study of the primary sporting leagues around the world such as the NHL, NBA, NFL and EPL. They examined the theoretical models and also the result and impact of each of these leagues before arriving at the final blueprint. As in most other areas, there were at least as many learning's from the shortcomings and weaknesses as there were in the strengths and benefits - mapped to the individual market contexts. What has finally emerged as the IPL design is one that has been meticulously refined to work for cricket. The league structure has been modeled so as to flourish in the uniquely Indian context, and drive the development of grassroots talent in Indian cricket.

The idea had all the ingredients to be a success. The best cricket players of the world, fans from around the world and a dollop of glamour due to the presence of Bollywood celebrities, corporates and Indian politicians.

The IPL was the first of its kind sports extravaganza of its kind, prior to this India has been fed a steady diet of 50 overs and test cricket. This kind of model which is common in the west but a first of its kind in India provided many new avenues for all the stakeholders. The grand old game of Cricket has undergone several makeovers in its history. Test cricket was followed by 60 over one dayers which later became 50 overs. The all white strip of the 70's gave way to the colored clothing and day-night matches of the Kerry Packer era. The Twenty 20 format which originated in England was devised to bring back the crowds in English County Cricket. The game in England was going through a major crisis and the introduction of T20 was instrumental in bringing a much needed dose of excitement in the game.

Once again English were left to marvel as the sport they had created in their own backyard was spun into the “ Great Indian Tamasha” by Lalit Modi and his comrades.

Commercialization of IPL:

Indian Premier League (IPL) has defined a new set of paradigm to do business in the Indian landscape. This was bound to happen someday, looking at the craze for the cricket in this country. IPL is not a yet another cricket extravaganza but an event where money is spun around with many different angles and huge stakes are involved in it. IPL has corporatized cricket in a unique way. It has added a new dimension of marketing and

branding the sport in India. IPL is a business which has big economy of scale. India has seen the success of different businesses and the organizations or entrepreneurs running them and now it is the turn of IPL. Overall IPL itself has become a big brand under the leadership of Top management and it is a matter of interest that how it has been done as compared to the failure of its rival league ICL. The Value Positioning of IPL is “Fast and Quick Entertainment” Which has its own pros and cons according to the test and 50-50 Over Cricket Fraternity.

The Making of the Franchises:

The biggest USP of the Indian Premier League is that, here the teams are run and managed by various corporate houses or Bollywood celebrities. The owners of the teams went through a bidding procedure to buy the teams and after that, the cricketers were also put up for auction. The managements of the teams took part in the auction and bid for their desired cricketers, with a view to make their team the strongest one among all others. Cricketers from around the world, including the Indian cricketers were put up for auction. The BCCI actually followed the format of England`s most popular football event, the Barclays English Premier League (EPL) for governing the rules and regulations of the Indian Premier League (IPL).

Right from the ownership of the franchises to the games themselves, IPL saw an exciting cocktail of Cricket, Bollywood and Business Barons. The people involved in buying these franchises were the who`s who of Bollywood and Indian Business Houses. The winning bidders for the eight franchises were declared on 24 January 2008. The total base price for the auction was US \$400 million but the auction went on to fetch US \$723. 59 million. On March

21, 2010, Pune and Kochi were unveiled as the two new franchises for the fourth edition of the Indian Premier League. The base price this time around was \$225 million. While Pune was bought by Sahara Adventure Sports Group for \$370 million, the Kochi franchise was bought by Rendezvous Sports World Limited for \$333.3 million. The process was to have been completed on March 7 but was postponed by two weeks after many bidders and the BCCI objected to stiff financial clauses. The second franchise auction fetched total \$703 million. This auction brought a lot of attention towards the IPL for the alleged involvement of Union Cabinet Minister ShashiTharoor . His involvement in trying to tip the scales in the favor of a particular consortium created much furore in the media

Open Auction for Individual Players:

Highest bidder becomes the buyer.

Each player has a ' base annual fee' which is on a pro-rata basis depending on his availability.

Each IPL franchise has a max limit to spend on bidding for players.

Franchise

Owner(s)

Captain

Price (USD)

Price (Rupees)

Mumbai Indians

Mukesh Ambani (Reliance Industries)

Sachin Tendulkar

\$ 112.9 m

Rs. 441 Cr

Royal Challengers Bangalore

Vijay Mallya (UB Group)

Anil Kumble

\$ 111.6 m

Rs. 440 Cr

Deccan Chargers

Deccan Chronicle (Venkat Ram Reddy)

Adam Gilchrist

\$ 107.0 m

Rs. 422 Cr

Chennai Super Kings

India Cements (N. Srinivasan)

Mahendra Singh Dhoni

\$ 91.90 m

Rs. 359 Cr

Delhi Daredevils

GMR Group(G. M Rao)

Gautam Gambhir

\$ 84. 0 m

Rs. 331 Cr

Kings XI Punjab

Ness Wadia (Bombay Dyeing), Priety Zinta, Mohit Burman (Dabur) and Karan Paul (Apeejay Surendera Group)

Kumar Sangakkara

\$ 76. 0 m

Rs. 300 Cr

Kolkata Knight Riders

Red Chillies Entertainment (Shahrukh Khan, Gauri Khan, Juhi Chawla and Jai Mehta)

Saurav Ganguly

\$ 75. 1 m

Rs. 296 Cr

Rajasthan Royals

Emerging Media (Lachlan Murdoch, A. R Jha and Suresh Chellaram), Ultra tech cements, Shilpa Shetty, Raj Kundra

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Shane Warne

\$ 67. 0 m

Rs. 264 Cr

Pune

Sahara Adventure Sports Group

TBD

\$ 370 m

Rs. 1702 Cr

Kochi

Rendezvous Sports World Limited

TBD

\$ 333. 3 m

Rs. 1533 Cr

Economics of IPL

Television rights and sponsorships:

The IPL is predicted to bring the BCCI income of approximately US\$1. 6 billion, over a period of five to ten years. All of these revenues are directed to a central pool, 40% of which will go to IPL itself, 54% to franchisees and 6% as prize money. The money will be distributed in these proportions until 2017, after which the share of IPL will be 50%, franchisees 45% and prize

money 5%. The IPL signed up Kingfisher Airlines as the official umpire partner for the series in a Rs. 106 crore (1.06 billion) deal. This deal sees the Kingfisher Airlines brand on all umpires' uniforms and also on the giant screens during third umpire decisions

Television rights:

On 15 January 2008 it was announced that a consortium consisting of India's Sony Entertainment Television network and Singapore-based World Sport Group secured the global broadcasting rights of the Indian Premier League. The record deal has duration of ten years at a cost of US \$1.026 billion. As part of the deal, the consortium will pay the BCCI US \$918 million for the television broadcast rights and US \$108 million for the promotion of the tournament. This deal was challenged in the Bombay High Court by IPL, and got the ruling on its side. After losing the battle in court, Sony Entertainment Television signed a new contract with BCCI with Sony Entertainment Television paying a staggering Rs. 8700 crores for 10 years.

Sony-WSG then re-sold parts of the broadcasting rights geographically to other companies. Below is a summary of the broadcasting rights around the world. On 4 March 2010 ITV announced it had secured the United Kingdom television rights for the 2010 Indian Premier League. ITV will televise 59 of the 60 IPL matches on its ITV4 free to air channel. Sony charges Rs 4-5 lakh per 10 seconds, (top soaps charge Rs 1.5 lakh per 10 seconds). According to Television Audience Measurement (TAM), the average Television Rating Points (TRP) of the first 14 matches in Season 1 was 4.97; in Season 2 it was 4.52, and in Season 3 it's grown to 4.69. If IPL-1 reached 77 million people

in the first 14 matches, IPL-2 went to 96 million and IPL-3 is at 108 million.

The ratings have also raised team earnings.

Winning Bidder

Regional Broadcast Rights

Sony/World Sport Group

Global Rights, India

ONE HD

Free-to-air HD and SD television in Australia. Owned by Network TEN.

Sky Network Television

New Zealand broadcast rights

PCCW

Hong Kong broadcast rights, broadcast on Now Sports.

StarHub

Singapore broadcast rights, broadcast on Cricket Extra.

Astro

Malaysia broadcast rights on Astro Box Office Sport.

SuperSport

South Africa, Central Africa and Nigeria broadcast rights.

Arab Digital Distribution

Middle East broadcast rights on ADD's CricOne. Broadcast to United Arab Emirates, Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Palestine, Saudi Arabia, Syria, Turkey,

Algeria, Morocco, Tunisia,

Egypt, Sudan, Libya and Nigeria.

GEO Super

Pakistan broadcast rights

Willow TV

Rights to distribute on television, radio, broadband and Internet, for the IPL in North America.

DirecTV

United States Exclusive broadcast rights on Cricket Ticket.

Asian Television Network

Canadian broadcast rights. Aired on Pay-per-view channel. Aired on XM Radio's ATN-Asian Radio as well.

Sports Max

Caribbean broadcast rights.

ITV

United Kingdom broadcast rights, broadcast on ITV4.

Sponsorships:

India's biggest property developer DLF Group paid US\$50 million to be the title sponsor of the tournament for 5 years from 2008 to 2013. Other five-year sponsorship agreements include a deal with motorcycle maker Hero Honda worth \$22.5-million, one with PepsiCo worth \$12.5-million, and a deal with beer and airline conglomerate Kingfisher at \$26.5-million.

Revenue and Profits:

The UK-based brand consultancy, Brand Finance, has valued the IPL at \$4.13 billion in 2010. It was valued at U\$2.01 billion in 2009 by the same consultancy. There are disputed figures for the profitability of the teams. One analyst said that four teams out of the eight made a profit in 2009. While the London Times said that all but Kings XI Punjab made a profit. In 2010, the IPL expects to have 80 official merchandising deals. It has signed a deal with Swiss watchmaker Bandelier to make official watches for the IPL.

Official IPL applications:

DCI Mobile Studios (A division of Dot Com Infoway Limited), in conjunction with Sigma Ventures of Singapore, have jointly acquired the rights to be the exclusive Mobile Application partner and rights holder for the Indian Premier League cricket matches worldwide for the next 8 years (including the 2017 season). Recently, they have released the IPL T20 Mobile applications for iPhone, Nokia Smartphones and Blackberry devices. Soon it will be made available across all other major Mobile platforms including the Android, Windows Mobile, Palm & others.

How Does IPL make Money?

Auction of broadcasting rights.

Title sponsorship and corporate sponsorship.

Sale of Tickets (20% allocated to IPL).

Auction of Franchisee rights.

Official Umpires sponsorships.

How is the Income Distributed?

Share of the broadcasting money with franchisees.

Share of the sponsorship money with franchisees.

Share of ticket money with franchisees.

Inauguration expenses.

Prize Money.

Sources of Income for an IPL Franchise (ROI)

Share in revenue from the broadcasting rights.

Share in the sponsorship money.

Share in revenue from the sale of tickets.

Revenue from In-stadium Advertising.

Sale of Players to other franchise.

Revenue from own sponsorship and corporate sponsorship.

How is the franchise income distributed?

Franchisee fees: 10% of the total franchisee costs every year to IPL.

Players cost.

Match fees and Inauguration expenses.

Rent of Stadium.

Marketing and promotional cost.

Fees for coaches, physiotherapists and other members.

Administrative cost.

Franchisees can earn profit in IPL as Team owners get 80% of broadcast revenues, 60% of sponsorship revenues, 100% of team sponsorship revenues, 80% of ticket revenues, 87.5% of all merchandising revenues, and 100% of all hospitality revenues.

Brand Finance, which came out with IPL brand's latest valuation at \$ 4.13 billion, said that the brand alone has risen significantly, providing tremendous economic value to its owner, BCCI.

Although the English Premier League is valued much higher at \$12 billion, the IPL's valuation has risen above \$4 billion in just three years, Brand Finance pointed out. Indian Premier League would generate revenue of \$1 billion this season, thanks to huge fan following across the globe, attracting a large number of advertisers.

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Indian Premier League's brand value has more than doubled to \$4.13 billion (over Rs 18,000 crores), while 'Chennai Super Kings' has emerged the most valued franchise this year, says a study. Ranked fourth last year, Chennai Super Kings led by MS Dhoni has moved to number one with a valuation of \$48.4 million, followed by Shahrukh Khan-owned Kolkata Knight Riders (\$46 million) and Shilpa Shetty's Rajasthan Royals (\$45.2 million). The valuation of teams pale in comparison to the IPL brand itself, which has more than doubled from last year's \$2.01 billion.

The individual franchisees have also seen a fair amount of uplift in value since last year. Vijay Mallya-promoted Royal Challengers Bangalore is ranked fourth this year with a valuation of \$41.9 million and is followed by Nita Ambani-owned Mumbai Indians (\$40.8 million), Delhi Daredevils (\$40.5 million), Kings XI Punjab (\$36.1 million) and Hyderabad Deccan Chargers at the bottom with a valuation of \$34.4 million.

Consider this. Chelsea, one of the wealthiest, most powerful football clubs in Europe the Premiership giants, who were bought by Russian oligarch Roman Abramovic for £140 million (Rs 966 crores) in one of the most high-profile takeovers in international sport in 2003, would appear a mid-table struggler if compared to the £246.35 million (Rs 1,702 crores) Sahara splashed out to buy the Pune team.

While it is almost certain that Rendezvous Sports pumping in money for a Kochi-based T20 franchise sounds the death knell for Kerala's traditional favorite, football, at Rs 1,533 crores, the cricketing venture heads both

Chelsea and Liverpool, which was taken over by US ice-hockey team owners George Gillett and Tom Hicks for £219m (Rs 1, 511 crores) in February 2007.

It should be noted that seven seasons ago, the Russian oligarch was paying the amount he did for an established brand, one that was almost a century old, while the Indians paid these astronomical sums merely to gain entry into what is still a fledgling venture, which recently began only its third season.

THIRD SEASON VALUATION:

The crowds are swelling, with experts estimating a 25 per cent jump in gate money. In Season 1, higher-end ticket sellers like the Mumbai Indians and Delhi Daredevils earned Rs 15 crore each. Gate money for bigger franchises could hit Rs 20 crore this season. The gross revenues from gate money, television advertising and sponsorships on an IPL double-header day, industry experts say, could touch Rs 40 crore.

Marketing Strategy: IPL

The DLF Indian premier league is a concept sell.

It is clearly observed that IPL is a perfect example of controversy marketing

Strategies:

Auctioning the franchisees.

Auctioning the players participating in the IPL tournament.

Advertisements on various TV and radio channels.

Cheerleaders were one of the most important thing that is talked about, foreign girls attracted huge crowd.

Worldwide telecast.

Locations: the venue chosen for the cricket matches was a strategic choice of places which are named after franchisees, which helped attract people.

Conflicts with some media partners and some other cricket boards again demanded the attention of people.

Timing: IPL has shown its strategic application of intellect by choosing the evening time for the matches, which made people watch game comfortably.

ICL: the rival ICL had been one of the reasons for the publicity and emergence of IPL. People started comparing the IPL & ICL that caused the huge publicity for the IPL

Opening ceremony gala, Live Concerts.

Franchises taken by film stars like Shahrukh Khan, Pretty Zinta and JuhiChawlaetc are the center for attraction, which made some Bollywood stars come for the game.

Use of models and Bollywood stars for anchoring and promotion of teams like Akshay Kumar for Delhi daredevils, Shahrukh khan for Kolkata Knight Riders.

The commentators were not less than PROs, use of phrases that pleased sponsors and made them pay more. Example: for every six it was a DLF Maximum, for every special moment it was city moment of success.

Advantages and Disadvantages

Players:

Advantages

Disadvantages

Earn at least Rs 80 Lakhs (\$200000) or more per season on average.

Due to the tight schedule of international cricket, Chances of injury lowers the tenure of career.

Bonuses and Prize Money from Team owners.

Neglecting other forms of cricket

A great stage to show case skills and compete with the best in the world.

Fast game. Stamina and patience to build an innings and bowl tirelessly to get wickets is lost.

The top 4 highest earning international cricketers are Indians, with the captain, Mahendra Singh Dhoni, leading the way with annual earnings estimated at US\$10m, Tendulkar at US\$8m, Yuvraj and Dravid earning in excess of US\$5m.

Franchise:

Advantages

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Disadvantages

Using the cricket property to promote other businesses.

Financial Loss if the IPL fails to take off.

Prize money if the team wins.

Franchises Pays the team and financial costs i. e. Cost of acquisition.

They earn from the share in revenue from IPL.

Promotional expenses have to be paid by franchises.

They also pay the franchisee fee e. g. RCB has to pay \$11. 16m p. a. for 10 years.

Sponsors:

Advantages

Disadvantages

Spot rate charged from advertisers of IPL.

Spot Rate may go down if any IPL season is not a blockbuster.

Improves customer base.

Too much reputation at stake tied to the fortunes of the franchise teams as a whole.

Sponsors get branding and recognition.

BCCI:

Advantages

Disadvantages

The BCCI makes good money solely from the sale of TV rights, promotion and franchises.

May forget to put efforts to promote other forms of cricket - Domestic and Test Cricket.

Got a great source of revenue.

Viewers:

Advantages

Disadvantages

Unlimited Masti and entertainment.

Chances of family fights over Channel viewer ship.

A great arsenal to make the case strong against the Saas - Bahu fans in the family.

Capital costs in terms of additional investment in television sets.

A very good reason to increase productivity in office - Return home by 8 pm.