

# FIBA vs Euroleague

*What is in the best interest of  
European Basketball?*

**Prepared by** - Cem C Karamürsel

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- Issue
- Assessment of the Current Situation
- Key Success Factors for Future Growth
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The 2017-2018 European basketball season has been kicked off almost a month ago with the first official games in several domestic leagues as well as the European competitions. Coming off from a summer in which the **Eurobasket** took place is for the majority of the basketball fans in Europe always exciting, especially when they witness a great talent like **Luka Dončić** growing up to the challenge and taking a huge step in becoming a basketball star. **Slovenia** won the European Championship title for the first time in its history, thanks to a great team effort led by Dončić and Dragić.

However, although it was a great summer full of many historical basketball moments, the fans and the broader basketball community are probably **more concerned than ever** about the **future of European Basketball**: It is because of the **dispute between FIBA and Euroleague**. If no agreement is reached the worst case scenario foresees that none of the Euroleague players will be playing for their national teams at the World Cup qualification games scheduled for November and February. The probability of this worst case scenario is definitely not remote, evidenced by the example of defending champions **Fenerbahçe Doğuş**: Namely, **all but only four of its players** have been nominated for the national team games scheduled for the November national window which represents a real challenge for the club and the respective players. It is quite unclear how the **national federations** would react to the situation in case the players do not show up for those games which might further escalate the issue.



Even if the current dispute seems to be focused on the **national team calendar**, essentially it is about the **governance model of European Basketball**, i.e. who is in charge of managing the European Basketball, scheduling the games, running the top competition, setting the rules of “(the business of) basketball”, in summary who sets the tone for the highest level (club) competition in Europe. Therefore, even if the parties agree on a last-minute solution to fix this season’s competition calendar, it would not necessarily mean that the dispute is permanently over.

**Sports governance** is a quite complex topic. It is not our intention to lay out all the theoretical and conceptual aspects of it in this article. It is also not our intention to perform a legal assessment of the league regulations, nor to make any comments about the ongoing legal dispute between the two organizations. In summary, we are not interested in the political side of this discussion (to the extent that it is possible). Our sole aim is to take an **objective look at the current situation** from a more **holistic perspective** and take into consideration the **interests of all key stakeholders**, i.e. not only top clubs, but also all other clubs participating domestic leagues, local federations, sponsors, athletes, referees, managers etc. This also means that we are **not only focusing on the commercial side** of the discussion (although we are aware of the fact that it is one of the most important reasons underlying this disagreement). Instead, our goal is to point out to certain aspects and key success factors which we believe are directly relevant for a sustainable **future growth of European Basketball**.

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# Assessment of the Current Situation

## Current situation is not efficient!

- All involved knowledgeable parties agree on the fact that currently European Basketball **does not possess the commercial potential and the depth** to have **four European competitions** running in parallel.
- On the **revenue** side, the inefficiency is mainly caused by the **lack of coordination of efforts** for expanding the revenue basis of the top level European basketball competition which is as a result of targeting **fragmented markets/ competitions**, thus also confusing the consumers.
- The inefficiency also exists on the **cost** side due to the **missed synergy effects**, i.e. overhead expenses necessary for running the competitions are **redundant**. If only one authority were in charge of managing the competitions, the cost structure would have been much more efficient. Furthermore, in the current situation the number of teams participating in a European competition seems to be extremely high, which leads to **higher operational costs**, especially regarding the logistics and other operational aspects of the leagues (i.e. travel, accommodation, refereeing, facilities etc.).
- In summary, the current situation does not (and cannot) lead to an **optimal return on investment** given the limited demand for individual competitions and the suboptimal way of addressing the growth.

# Assessment of the Current Situation

## Current situation is not sustainable!

- Primarily due to the lack of an efficient operating model as explained above, current situation **does not seem to be sustainable** either.
- Currently, both Euroleague and FIBA build up resources to ensure a long-term success for their respective top level competitions. Leading marketing agencies are also part of this initiative. However, unless the parties manage to expand the competitions' basis into new markets, both in terms of TV broadcasting and game attendance, the **commitment of the main sponsors as well as the agencies** might only be of a **temporary** nature.
- Furthermore, the future of European basketball is directly dependent on developing its **governance model** and ensuring that certain structural reforms (such as implementing Financial Fair Play regulations) are carried out consequently.
- However, the **effectiveness of such measures** directly depends on the **co-operation** and **alignment** among the key stakeholders and parties within the European Basketball. An ongoing dispute between FIBA and Euroleague would represent a major obstacle for achieving this goal.

# Assessment of the Current Situation

## Current situation is not fair!

🏀 First and foremost, the **players** suffer from an extremely high number of games per season, without having any officially recognized “*black-out period*” for rest and regeneration. Adding two national team windows into the existing competition scheduled by FIBA and creating a league with 30 regular game days by Euroleague escalated the issue to a level that it can become a **serious threat to players’ well-being, health and form levels.**

🏀 Extremely busy game schedule and long travel times are perceived to be the reasons for (some of) the injuries experienced by key players in the previous Euroleague season. We do not have the full official injury reports for any of the comparison years. However, we used objective data to analyze the **availability of the leading Euroleague players\*** for Euroleague games during four different seasons.

**First conclusion:** Compared to the previous league format, the number of Euroleague games scheduled has significantly increased by 59%, i.e. in 2011-2012 on average the full season for a leading player consisted of approx. 22 games whereas in 2016-2017 it was almost 35.

**Second conclusion:** In 2016-2017 on average the leading players missed almost 5 official games (approx. 14%) whereas in previous seasons this number was significantly lower. Additionally, some players who completed a very successful Euroleague season last year (e.g. Sergio Llull) suffered serious injuries during the post-season period and could not attend the Eurobasket. Although, no direct cause-and-effect chain can be evidenced by these statistics, we believe that the busy schedule might represent one of the main reasons.

## Games played / missed by leading Euroleague Players\*

(for the seasons 2001-02, 2006-07, 2011-12 and 2016-17)



\*) Players who were the regular season MVP, Final Four MVP, won the Alphonso Ford Trophy and selected to the All Euroleague First Team, i.e. 8 players per the selected seasons

# Assessment of the Current Situation

## Current situation is not fair!

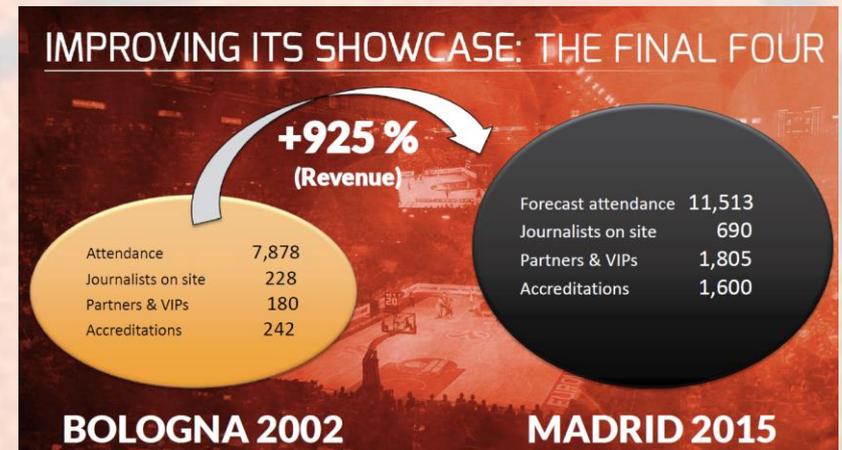
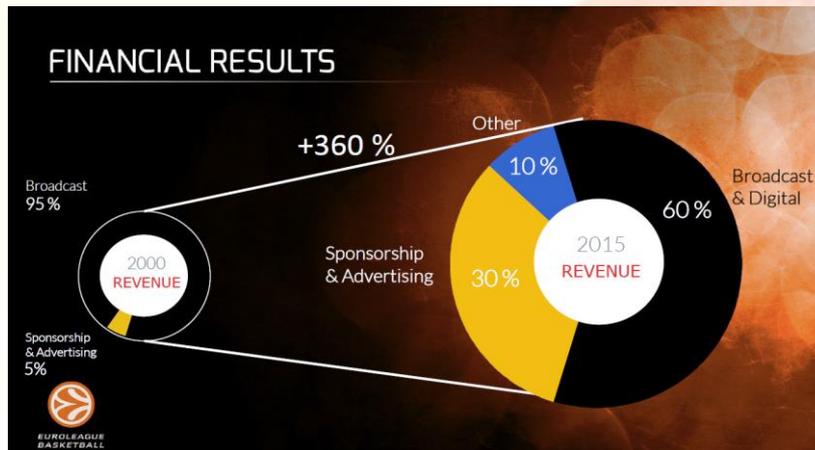
- Creating a semi-closed league can also be seen unfair to many **clubs competing in domestic leagues** whose qualification for the Euroleague appears to be almost impossible due to very limited number of seats given based on sportive criteria. Additionally, Euroleague aims at maximizing the benefits of its member clubs which might be in conflict with the interests of the other clubs (or even at their cost) and lead to a worsening of the competitive balance in European basketball.
- **Domestic leagues** are also adversely impacted by the current suboptimal situation mainly due to direct competition with European leagues and increasing difficulties in scheduling the local games. **Federations** find themselves in a very difficult position in terms of supporting the leading clubs in their countries while trying to find a right balance between the other teams as well as optimizing national team success. Also, **referees** are always among the first victims of any escalation between the two sides.
- Both **FIBA and Euroleague** appear to be negatively affected by the ongoing dispute as well which is visible in their aggressive and partially unprofessional behavior. And ultimately, the current situation is not fair to the **'true' fans** of the European basketball due to some real threats to its sustainable growth as discussed below.

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# Commercial Success

- Although it cannot (or should not) be the only objective of running the top-level competition, **commercial success** of the league is **one of the most important factors** for ensuring a long-term sustainable growth. For many years European Basketball has been suffering from lack of commercial success in terms of not being able to effectively 'market' its product and generate growing revenues over years. In this context, it is quite clear that **Euroleague achieved tremendous success** in managing the top-level competition in a **professional** manner and **significantly increasing the league's revenues** on a continuous basis since from the first season it started to manage back in 2001.
- Below charts support this view.



Source: Euroleague

# Commercial Success

- However, it also needs to be called out that the **figures published by Euroleague especially to compare the 2016-17 season** (i.e. first season of the semi-closed league) **with previous seasons** (e.g. increase in game attendance, game scores, social media exposure/digital growth etc.) should be **treated with caution**.
- First, in our opinion, an “**apples-to-apples comparison**” would require that only the **games between the same teams should be compared to each other**. In other words, to be able to illustrate the real growth/improvement vs prior year(s) the comparison basis should be the same. Otherwise we believe that the comparison figures might be misleading and would not be indicative of a real growth, at least not as significantly as Euroleague argues.
- Second, the **increase in social media exposure/digital growth** cannot be solely attributable to the new format, instead it could **partially** also be a result of a **more effective digital marketing concept**.

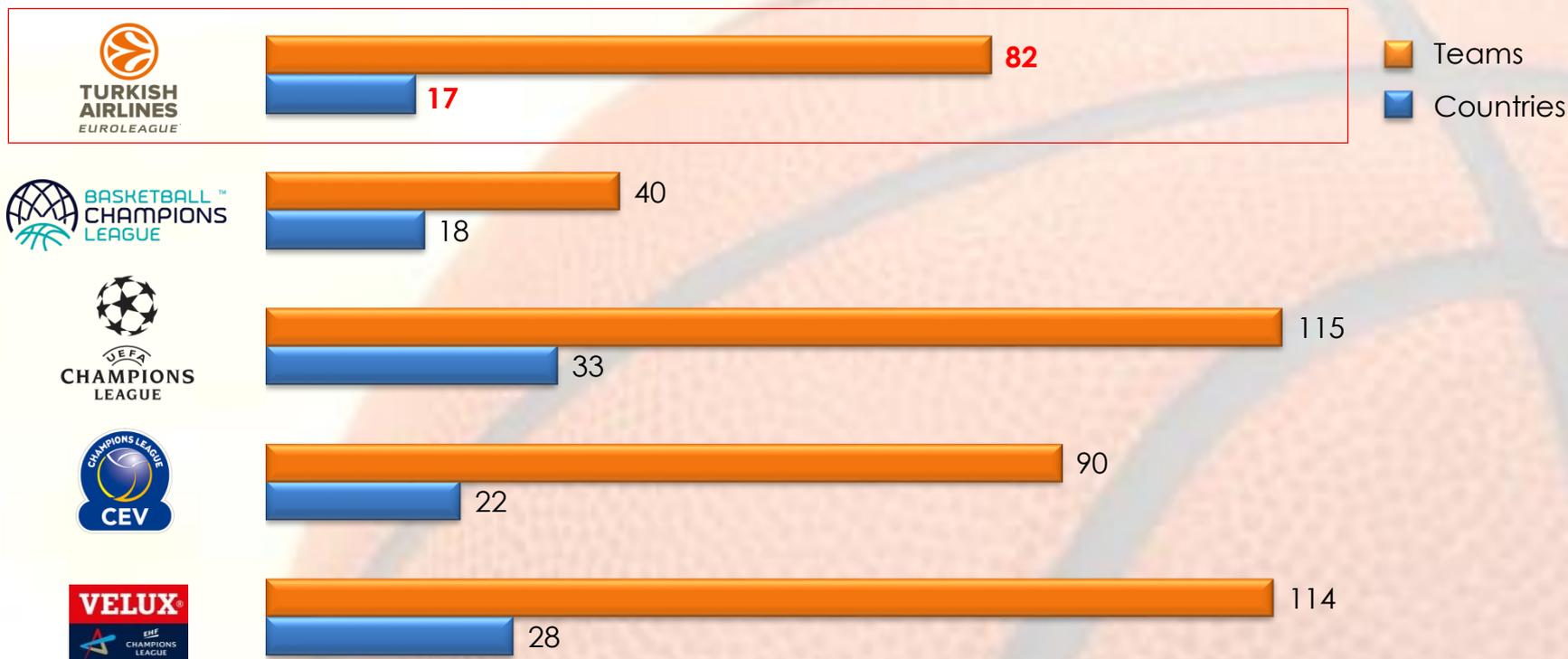
# Expanding Into New Markets

- As being the second most popular sport in the world, basketball in Europe still has a remarkable **growth potential**. In this context, **coverage** of the continent's top competition plays a key role. Compared to the other major leagues in Europe, Euroleague has the lowest number of teams and countries represented.

## Total Number of Teams and Countries Represented in Major European Leagues

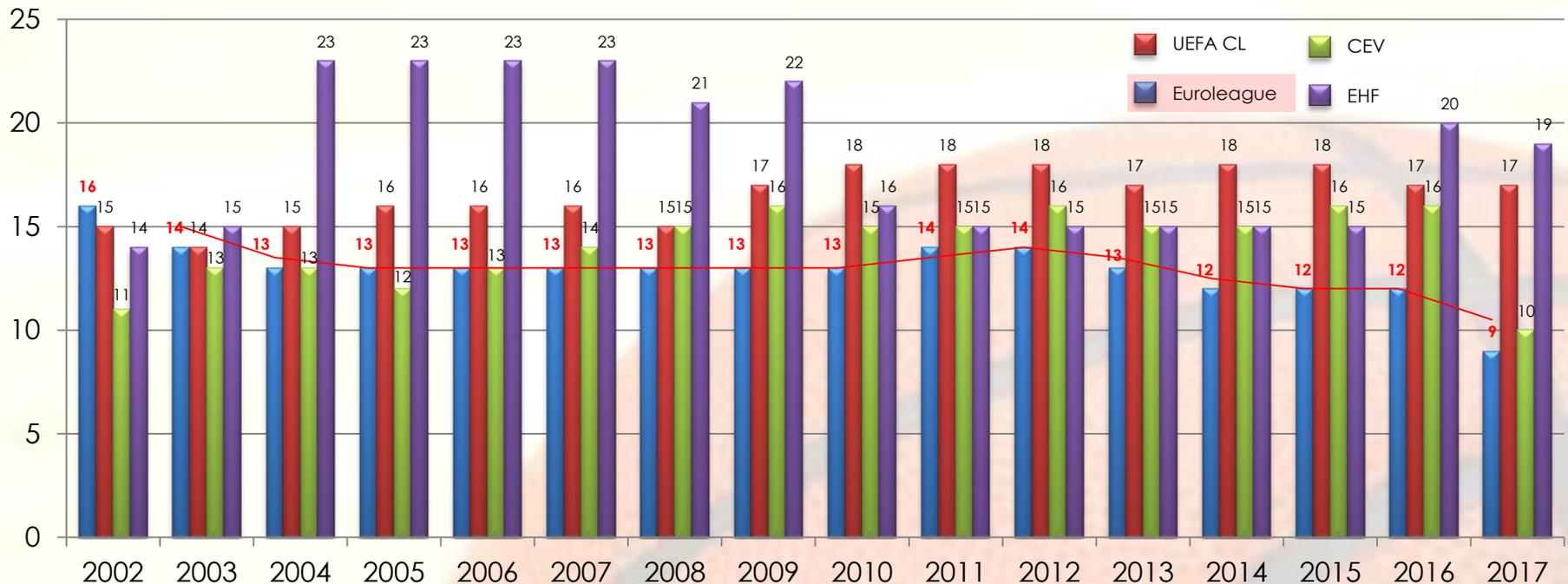
(Between 2002-2017\*)

\*) except for BB Champions League



# Expanding Into New Markets

**Number of Countries Represented in Major European Leagues**  
(each year between 2002-2017)



- It can be argued that **expanding the competition basis** will have a positive impact on future growth, mainly due to expected involvement of local fans supporting their own teams rather than being a neutral (and occasional) basketball fan following the games on TV. Limiting the number of clubs to only 16, therefore, does not seem to be an ideal option considering the fact that some **high-potential teams and/or investors** would not be given the chance to participate.

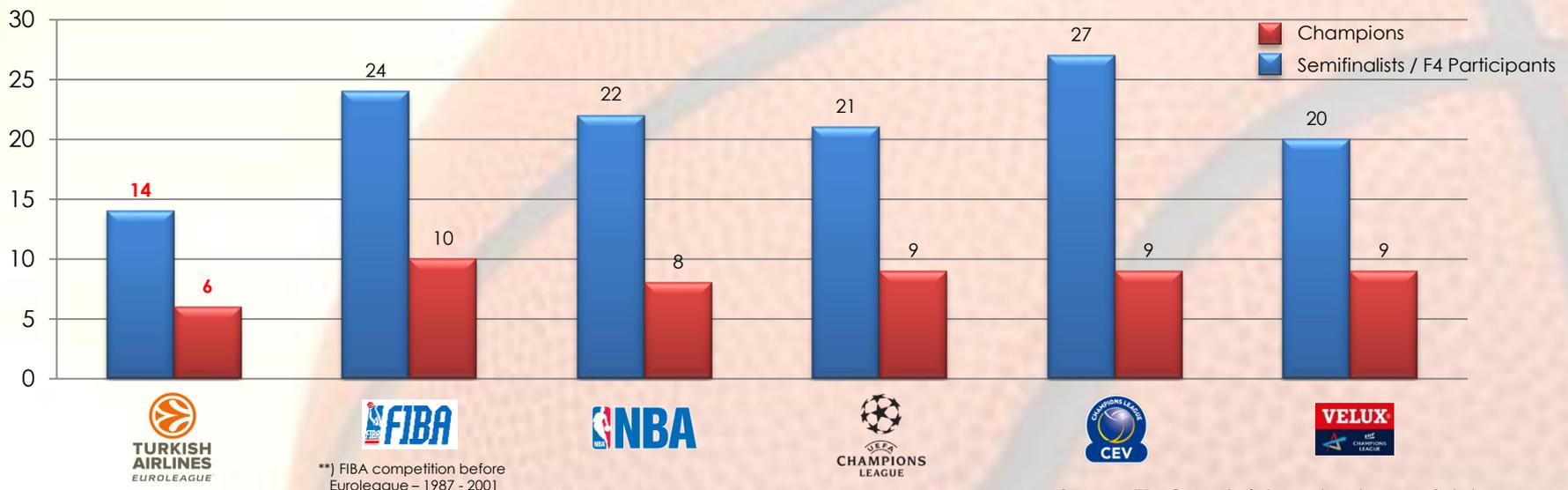
Source: EBAG Analysis based on leagues' data

# Competitive Balance

- Studies\* show that **competitive balance** and the **uncertainty of outcome** are among the key determinants of demand for game attendance and interest in sports. Applied to a league, having a long-term balance in competition and a broader allocation of titles would be deemed as one of the key success factors since seeing the same teams in the finals over and over again might have a negative impact on the long-term demand.
- Compared to the NBA, other major European Leagues as well as the 15-year period before Euroleague was launched (i.e. FIBA champion clubs competition), **Euroleague** shows the **lowest level of diversity in terms of sportive success**, with only 14 different teams participating in the Final Four organizations in the last 15 years (before 2016/17) generating only 6 different champions.

\*) e.g. Demand for Sport: Borland, J./Macdonald, R., in Oxford Review of Economic Policy, 2003.

## Number of Semifinalists and Champions (Between 2002-2016\*\*)



# Development and Supply of Players

- Another key success factor is related to the **availability of skilled players**. Developing new talents and ensuring a sustainable supply is extremely important for keeping up the **competition quality**. Below charts demonstrate **Euroleague's dependency** on other teams and (domestic) leagues in this regard. Players originating from NCAA seem to gain more and more relevance over the years which however would mean a **direct competition** with the **NBA** for the best talent.

## Where Euroleague Players "Grew Up"?\*



Source: EBAG Analysis based on Euroleague Player Profiles

\*) By number of players in the team rosters

\*\*) Also includes a few instances of domestic clubs outside of Europe such as Argentina, Brazil etc.

# Development and Supply of Players

- Previous chart illustrates the **mere number of players** included in Euroleague team rosters, which however **may not be indicative of the total impact / contribution of the players to the Euroleague**. Below chart shows the **% of minutes played, points scored, rebounds taken and assists made by players who grew up with a Euroleague club** relative to the total statistics, e.g. in the 2001-2002 season (blue bars in the chart below) players grew up with a Euroleague team played approx. 16% of total game minutes, scored 15% of all points, took 16% of all rebounds and made approx. 14% of all assists during the entire season. Over the four seasons examined there seems to be a **downwards trend** indicating a **diminishing role** of players who grew up in the youth programs of the Euroleague clubs.

## Diminishing Role of Players Who Grew Up with Euroleague Clubs



Source: EBAG Analysis based on Euroleague statistics

# Development and Supply of Players

- **Euroleague Legends** made significant contributions to their teams' success as well as the development of Euroleague over the years. Of the **six players** who received the Euroleague Legend Award so far, all of them have a European origin, while only two grew up in the youth teams of Euroleague teams.



Euroleague Legend	Youth Team
Theo Papaloukas	Ethnikos Ellenoroson / Greece
Juan Carlos Navarro	FC Barcelona / Spain
Ramūnas Šiškauskas	BC Sakalai Vilnius / Lithuania
Šarūnas Jasikevičius	Maryland / USA
Dimitris Diamantidis	Iraklis Thessaloniki / Greece
Mirsad Türkcan	Efes Pilsen / Turkey



# Development and Supply of Players

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**NBA** is currently recognized as the best basketball league in the world which also attracts the **best talent from European basketball**. In addition to this, recent changes in the regulations of its Development League as well as NBA's decision to open up **new NBA Academies** in Australia, China, India, Senegal etc. for recruiting and developing young elite athletes are deemed to be possible indications of **player supply constraints** in the future. Below table demonstrates the European relevance of **NBA Drafts** from 2002 to 2016.

Drafted	Draft Round	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Total Drafted</b>		57	58	59	60	60	60	60	60	60	60	60	60	60	60	60
European Players Playing in Europe	1 <sup>st</sup>	4	6	6	4	5	3	4	4	1	5	1	6	4	3	7
	2 <sup>nd</sup>	5	10	6	10	7	6	6	6	4	4	8	5	6	8	6
Foreign Players Playing in Europe	1 <sup>st</sup>	0	1	0	0	1	1	0	2	0	1	0	1	0	0	0
	2 <sup>nd</sup>	3	1	1	0	1	0	0	0	1	0	0	1	1	0	0
European Players Playing in NCAA	1 <sup>st</sup>	0	2	2	1	0	1	1	1	0	1	0	1	0	0	2
	2 <sup>nd</sup>	3	0	0	2	0	1	1	2	0	0	1	1	1	0	1
<b>European Relevance for the NBA Drafts</b>		15	20	15	17	14	12	12	15	6	11	10	15	12	11	16
		26%	34%	25%	28%	23%	20%	20%	25%	10%	18%	17%	25%	20%	18%	27%

# Importance of National Teams and Patriotism

- **FIBA's decision** to schedule qualifying rounds for the national teams during regular season created a significant conflict for the **competition calendar**. It appears that not joining the national team rosters is a quite possible scenario for the Euroleague players.
- Unlike in the US, national teams play an **important role** in European basketball. In most cases players are proud to play for their national teams (even if this may not represent a satisfactory option in monetary terms), not only because of **patriotism**, but also due to the fact that many leading players once used their national teams as the **first opportunity** to demonstrate their skills to the broader basketball community on the international level.
- Likewise, **junior national team** tournaments currently function as the most important **platform for young player development**.



# Importance of National Teams and Patriotism

- In addition to these sports related aspects, the social reality in Europe is very much based on **competition of different nations**. It would not be entirely wrong to argue that, to a certain extent, Euroleague's "*Feel the Devotion*" slogan also includes some elements of (healthy) patriotism based on this diverse environment.
- Studies\* show that, especially in some countries, compared to other competitions, **national team games** draw the highest level of attention resulting in high TV ratings.
- It is hard to assume that national teams will lose their importance in near future which makes a **constructive mutual co-operation between Euroleague and FIBA** (as being the body responsible for the national team organizations) a necessity.
- Further **escalation of the conflict** might result in a counterproductive situation for all involved parties, mainly due to the role of the governments especially in some countries. For instance, some key strategic partners/sponsors in Euroleague are either state-run companies or do have very close ties to the respective governments. Causing an adverse effect on national team success might put some pressure on these relationships.

\*) e.g. The Role of Patriotism in Explaining the TV Audience of National Team Games - Evidence from Four International Tournaments, Nuesch, S./Franck, E., in Journal of Media Economics, 2009. & Euroleague Survey 'European Basketball – Markets, Media, Leisure Time, Target Groups;

# Real Closed League?

- As mentioned above, the new format of TA Euroleague is being referred to as a **(semi) closed league** by some basketball authorities. Taking NBA's tremendous success as a benchmark, it is being argued that, especially in commercial terms, implementing a closed league format would be the best for the future of the European Basketball.
- NBA** indeed represents a closed league in all respects. It is organized as a **(legal) cartel** together with the **league administration** and its **franchisee teams** which are subject to all relevant league regulations and statutes. Additionally, certain regulatory mechanisms such as the **Draft System**, **Salary Cap** and some other rights and obligations of the teams ensure a sustainable competition model which is based on a fair benefit-sharing model.
- Compared to the NBA, the **European sports governance model** shows some significant differences. First of all, in the current set up, Euroleague represents a European competition *in addition* to the domestic leagues. As such, it is an **additional competition running in parallel**. Second, and as a result of this, there are some **critical dependencies** between the Euroleague teams and their competitors in the domestic leagues.
- A **completely separate league** (i.e. teams not playing in domestic leagues but only in Euroleague) does not seem to be a possible model, definitely not for all Euroleague teams due to local rivalries.

# Real Closed League?

- Creating a league of 16 (or maybe more) teams which play each other twice during the regular season might be **undermining the importance of the local competitions**. For instance, in the Greek A1 League there are only 14 teams leading to 26 regular season games for Panathinaikos and Olympiacos whereas they played more regular season games in Euroleague during this past season.
- **Unless there are similar regulatory mechanisms** like Draft System and Salary Cap in Euroleague and one single primary source for player supply (like NCAA for the NBA), it may not be possible to create a **fully closed league** in European legal system which in return would mean that the interdependencies between Euroleague and other European key stakeholders will continue to exist.
- As such, a model that is based on **co-existence** and **sharing of burdens and benefits** seems to be in the **best interest of European Basketball** as a whole.

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# Suggestions for a Sustainable Solution

- Almost **all leading basketball authorities** in Europe have expressed their **dissatisfaction with the current situation** and urged both Euroleague and FIBA to reach an agreement and resolve the outstanding issues ASAP.
- As the first step, we recommend establishing a broad **Arbitration Commission** consisting of leading basketball authorities in Europe such as the Greatest Euroleague Contributors (both nominated and selected), presidents and vice-presidents of leading national federations, ULEB, players union, domestic league directors, media representatives, leading academicians as well as representatives from Euroleague and FIBA with the **sole objective of finding a sustainable solution which is based on co-existence and sharing of benefits and burdens**.
- As a **pre-requisite** for starting the arbitration process, in our opinion, **FIBA needs to understand and admit that:**
  - (i) Euroleague has been **commercially very successful**,
  - (ii) it has applied **new and innovative ways of improving the game**, both on- and off-the-court which leads to a more professional and effective management of club and league matters and
  - (iii) the leading basketball clubs **did not accept FIBA's recent offer to join the FIBA Champions League** last year which (still) indicates a full confidence in Euroleague Management instead of FIBA. We believe that this aspect needs to be taken into consideration by FIBA which relates to the historical root cause of the dispute.

# Suggestions for a Sustainable Solution

- **Euroleague, on the other hand, also needs to understand and admit that:**
  - (i) there are **key interdependencies between Euroleague and non-Euroleague clubs**,
  - (ii) defending **only the interests of the Euroleague clubs** cannot be the overarching goal for the entire European Basketball,
  - (iii) creating a **closed league** (all legal difficulties aside) may not be in the best interest of all stakeholders, and
  - (iv) admit the issues with **competitive balance, player development and national teams which do represent key success factors** for future growth of European Basketball.
  
- As such, in our opinion, the **Euroleague** organization should be acknowledged for its success and expertise in running the top-level European basketball competition and **continue having the authority to organize it** while **FIBA** should be primarily **in charge of organizing national team competitions, grassroots programs and the general rules of the game**.
  
- The **operating model** should be built on a **transparent and fair governance structure** which requires **co-existence and fair sharing of benefits and burdens** within the European Basketball System. **Mutual trust** should be restored by (re-)defining roles and responsibilities of all key stakeholders.

# Suggestions for a Sustainable Solution

- A **players union** covering all leading European Leagues and Federations should be established and become one of the key elements of the future governance model.
- Concrete measures should be taken **to prevent undermining domestic league's value**, especially with regard to player development due to strong dependency on other domestic teams.



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