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The National Basketball Association's (NBA) Digital Transformation: An Explanatory Case Study

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Abstract

Purpose. Digital transformation in the global sport industry has resulted in digitally focused business strategies, innovative business models, targeted social media marketing strategies, increased consumer, and sponsor demand, accelerated growth in women's sports, and streaming media (OTT) worldwide. This paper aims to study the case of the U.S.-based National Basketball Association's (NBA) digital transformation, including multiple interactions of actors in the digital transformation process. A key aim is understanding the synergies resulting from the league's integration of digital technologies, its business strategy, the evolution of its hybrid business model and the increase in revenue and global branding.

Design/methodology/approach. An explanatory case study design was selected to examine the NBA's integration of digital technologies, digital and social media marketing strategies, business model innovation, multimedia partnerships, and strategic sponsorships. Data was derived from: (1) academic journals; (2) research based white papers; (3) sport industry reports and periodicals; (4) selected sport industry websites; and (5) recorded interviews with selected NBA officials. Gleaned content was analysed with a theory-oriented triangulation approach. The study period was from 2000 to 2023.

Findings. The NBA's digital transformation, led by an entrepreneurial management team contributed to a successful business strategy aimed at engaging with digitally focused consumers across multiple media channels. The NBA developed an ecosystem-based consumer-focused hybrid business model, content-focused digital assets, and partnerships with media, brands, and cultural events. Its media partnerships and strategic sponsorships are synergistic with its business and marketing objectives, digital initiatives, and acquisitions. By the 2017-2018 season, the NBA had validated its position as a successful global entertainment property.

Originality/value. This paper examined the NBA's digital transformation, including how the league integrated digital technologies with its business strategy and model to increase revenue and create a global brand. The analysis examined how the NBA's digital transformation facilitated the league's business strategy, enhanced the NBA fan experience, generated revenue from innovative digital products and services, and transformed its business model. The NBA's business strategy and hybrid business model provide an exemplar for professional teams, leagues, and federations worldwide seeking to digitally transform their enterprises.

Key words: digital transformation, National Basketball Association (NBA), business model innovation, transformational leadership, marketing innovation

Introduction

Digital transformation has caused large-scale disruptions across multiple dimensions of business and provided opportunities for value creation and capture. It also has represented a source of risk (Schmitt, 2017). Digital transformation has changed the way enterprises worldwide conduct business and organize business activities and processes. Digitally focused business models leverage a mix of core and specialized technologies, some of which continue to resonate through society (Fenwick and Schadler, 2018; Fitzgerald et al., 2013; Schmitt, 2017). Digital transformation drivers include improved user experience, increased speed of innovation, and improved-time-to-market (Mangematin et al., 2014; Nambisan et al., 2017). Sport enterprises have integrated scalable digital technologies and platforms into their strategies and business models with the objective of enhancing consumer touchpoints and physical-digital communication channels, and creating new revenue sources (Lalli, 2018).

Innovation in the global sport industry, including the integration of mobile technology, the Internet of Things (IoT), social network sites (SNS), cloud computing, artificial intelligence (AI), data analytics, as well as augmented reality (AR), virtual reality (VR), and mixed reality (MR) into the sport industry has received significant academic attention (Ratten, 2011; Ströbel et al., 2021). Kunz and Santomier (2019) studied the intent of consumers to use VR with a special focus on flow experience and sport content quality in addition to technology acceptance influencing factors. Tan, Hedman, and Xiao (2017) studied FC Bayern Munich's digital transformation to achieve analytics leadership and develop its multi-tiered business ecosystem. Shaw (2007, p.1) studied Manchester United's relationships with its partner firms and developed a "multi-level model of network operation, sustainability, and governance". According to Shaw, inter-organizational networks (ecosystems) are open systems sustained from reaching equilibrium "by the flow of materials, energy and information" and referred to as "value flow systems".

Recently attention has focused on electronic sports (Kunz et al., 2021; Pizzo et al., 2021), however, significant gaps exist in academic literature for sport technology and sport management. Limited attention has focused on issues related to the impact of digital transformation processes in sport enterprises (Ratten, 2011, Santomier, et al., 2016), the scope and depth of the influence of digitalization on organizations (Grab, 2019), and the impact of digital transformation leadership on business model innovation (BMI) (Westerman et al., 2014).

The U.S.-based National Basketball Association's (NBA) digital transformation began in in 2000 (Johnson, 2000; Roth, 2000; Sutton, 2000) and in 2010, the league embarked on a business strategy to expand its global reach by creating strategic media and brand partnerships and social media marketing initiatives designed to target a young, male, mobile-focused demographic (Abbott, 2010; Krasnoff, 2017).

The aim of this paper is to examine the nature and dynamics of the NBA's digital transformation and the resulting synergies from the NBA's digital technology integration, business strategy, and business model innovation (BMI). This paper's main contribution is illuminating how the NBA's digital transformation leadership, technology integration, business strategy, hybrid business model, and digital marketing initiatives represent an exemplar for sport leagues, federations, and teams worldwide.

Literature Review

The conceptual framework for this paper includes: 1) digital transformation; 2) transformational leadership; 3) business model innovation; 4) marketing innovation; and 5) social media marketing.

Digital Transformation

Digital transformation (DT) is a complex form of technology enabled business transformation focusing on the strategic functions of digital innovation, often referred to as digitalization. It is considered by Ismail et al., (2017, p. 6)

as a process through which companies converge multiple new digital technologies, enhanced with ubiquitous connectivity, with the intention of reaching superior performance and sustained competitive advantage, by transforming multiple business dimensions, including the business model, the customer experience (comprising digitally enabled products and services) and operations (comprising processes and

decision-making), and simultaneously impacting people (including skills, talent and culture) and networks (including the entire value system).

Digital transformation also can be viewed as a process of reaching digital maturity by integrating digital and other technologies with organizational practices to create a digital culture (Westerman et al., 2011). Digital maturity enables enterprises to improve services, enhance competitive advantage and respond effectively to actions in a complex business environment. Enterprises successfully employing digital transformation have better returns on their assets and greater potential for profitability (Westerman et al., 2011). Digital transformation also is the cause of large-scale disruptions across multiple dimensions of business, providing opportunities for value creation and capture, as well as representing a source of risk (Schmitt, 2017). Business leaders in all economic sectors address the strategic implications of DT for their organizations, industry ecosystems, and society.

Digital project management (DPM) is the “combination of traditional project management and full adoption of digital tools and technologies in the management of projects” which includes: (1) concentrating on projects with digital deliverables; (2) managing projects using Internet and Web technologies; and (3) converging virtual teams and DPM. From a strategic perspective, DPM incorporates digitalization in an organization’s strategy, which shifts its culture via the complete adoption of working digitally (Wu, 2021, p 1).

Sport enterprises and brands worldwide are integrating a mix of digital technologies, social media marketing strategies, and ecosystem partners to deliver state-of-the-art digitally focused sport events (Santomier et al., 2016; Ströbel et al., 2021; Stegmann et al., 2021). The convergence of digital technologies and devices, media and marketing innovations, and the creative business strategies of ecosystem partners during the 2012 London Olympics resulted in the ability of sport enterprises and their brand partners to reach and interact with audiences worldwide, thus increasing potential for innovative approaches to sport media and sponsorship rights (Santomier et al., 2016).

Transformational Leadership

Transformational leadership represents the most active form of managing others to perform beyond transactional expectations. Bass (1985) identified four characteristics of a transformational leader: 1) having charismatic leadership traits, including the ability to envision issues and motivate group members; 2) being an inspirational leader employing precise communication; 3) considering each employee or group member as an individual and acting as a mentor; and 4) providing intellectual stimulation by finding new and innovative ways to solve problems.

One important characteristic of transformational leadership is the ability to motivate all members of an organization to achieve a common goal. Transformational leaders motivate followers by increasing social identification within a group, providing a clear vision and building congruency among the individual group members. They enable group members to believe their contributions are meaningful in achieving organizational goals (Bono and Judge, 2003), increase awareness of the importance and value of group outcomes, and enable employees to transcend their own self-interests in favour of the organization (Dubinsky et al., 1995; Westerman and McAfee, 2012; Bonnet and Westerman, 2020). Executives are transforming their enterprises in three areas: customer experience, operational process, and business models (Westerman et al., 2014). According to Bonnet and Westerman (2020) mastering digital transformation is now more critically important for enterprises due to the risk of falling behind. They call for enterprises to be “digital masters” focusing on digital capability using innovative technologies, and leadership capability focusing on envisioning and driving organizational change systematically and profitably. Their new framework, “The New Elements of Digital Capability” (p. 1) places emphasis on employee experience, business model innovation, and the digital platform. (See Figure 1).

Schiama et al. (2021) reviewed the literature related to digital transformation entrepreneurship and identified six competencies related specifically to digital transformation leadership. Each of the six elements involves “abilities that distinguish a transformative leader, connecting idealistic and pragmatic elements to digital transformative factors to create and apply new knowledge to facilitate” digital transformation entrepreneurship (Schiama et al., 2021, p. 6) The six are: 1) grasping the essence of digital transformation; 2) envisioning digital wealth creation goodness; 3) shaping a knowledge-creating context for digital transformation; 4) communicating the essence of digital transformation; 5) engaging people to act with digital transformation; and 6) making digital transformation everyone’s job (Schiama et al., 2021, p. 6-14). Regarding DPM, it is necessary for digital project managers to communicate the strategic goals of the project and simultaneously operate at a high level of detail (Wu, 2021).

The U.S. sport industry, due to its unique business, legal, financial, and marketing practices and imperatives

provides almost unlimited opportunities for entrepreneurial activity. According to Ratten (2011, p. 42) “sports entrepreneurship is a rapidly emerging area of entrepreneurship and sport management research.” In addition, “sports entrepreneurship has been influenced by the integration of technology that has been enhanced by the diffusion of information and the creation of new international markets” (p.43). Sport entrepreneurs are able to leverage business opportunities generated from their ecosystems and allocate resources effectively. Sport entrepreneurship involves identification of the conditions and operations new business opportunities require (Ratten, 2018).

Business Model Innovation (BMI)

Business model innovation occurs when dimensions of a business model are altered (Lindtgardt et al., 2009; Massa and Tucci 2012), that is, when the corresponding parts of a business model shift (Teece, 2010). A business model is made up of three dimensions, namely: value creation (“*How is value provided?*”), value proposition (“*What value is provided and to whom?*”), and value capture (“*How does the company make money from providing value?*”) (Bocken and Short, 2016; Richardson, 2008; Short et al., 2014). The number of dimensions which need to change in order to consider BMI is debated. It is our understanding that a change in at least one of the business model dimensions is considered as BMI. This understanding is broad; however, it provides a frame of reference for changes in the way the NBA conducts business.

The three business model dimensions consist of several sub-dimensions that can be used to assess whether an innovation occurs in a dimension (Clauss, 2017). For value creation innovation, the sub-dimensions are new capabilities, new technologies/equipment, new partnerships, and new processes. Value proposition innovation is structured in new offerings, new customers/markets, new channels, and new customer relationships. Finally, value capture innovation covers new revenue models and new cost structures. Among the variety of activities enterprises engage in during the BMI process, forming strategic alliances to create value is one of the most important (Hossain, 2017). Strategic alliances facilitate enterprises, especially those digitally driven, in developing customer and product focused ecosystems (Mansour and Barandas, 2017).

Digitalization, as a driver of innovation, is a multifaceted development in numerous business sectors leading to the development of hybrid business models. The resulting “combinations of products, services, cost structures and distribution channels eventually lead to a competitive advantage” (Endres, et al., 2020, p. 49). Stähler (2017) emphasizes the importance of not overlooking the entrepreneurial dimension of innovation, focusing on the customer side, and understanding how enterprises want to use technology. From this perspective, digitalization enables business strategy, which defines a business model, and it is the business model that creates value.

We will substantiate value creation innovation and value proposition innovation in marketing innovation, relationship marketing and social media marketing in the following and highlight value capture innovation within business model innovation.

Marketing Innovation

Innovation in the information and communication technology sector (ICT) occurs at multiple layers and in some cases government regulation may impact how quickly innovation potential can be realized. The telecommunication sector provides “platform technologies” for a range of manufacturing and service industries. The diffusion of digital technology, for example, the increasing availability of high-capacity broadband networks, cloud, and multi-cloud platform management systems, etc., and the proliferation of consumer-focused digital devices and applications has changed the nature of innovation in the ICT sector. Technological infrastructures that support internal and external service and applications are now general-purpose technologies (Bauer and Shim, 2012).

Marketing innovation specifically involves planning to “incorporate advances in marketing science, technology, or engineering to increase the effectiveness and efficiency of marketing, gain competitive advantage and increase shareholder value” (Gaskin, 2016, p. 1). These innovations may include a variety of methods focusing on consumer needs. Developing and implementing unique marketing strategies, entering new markets, creating new channels of distribution, and integrating new communication/promotional tools and pricing techniques, such as dynamic pricing, are considered elements of marketing innovation and BMI.

Interaction with consumers is the core of relationship marketing, where planned communication supports the development and the strengthening of relations and where values represent the output (Grönroos, 2004). Relationship marketing assumes that “on top of the value of products and/ or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider” (Grönroos, 2004, p. 99).

Relationship marketing is an integrative process requiring three elements for a successful relationship strategy: communication, interaction, and values. Relationship marketing communication is considered a two-way or multi-way communication enabling consumers to interact with enterprises and to share their desires and needs (Grönroos, 2004). An expanded version of the Grönroos relationship marketing model (Williams and Chinn, 2010), considers the interaction of the three elements as well as the relationship of sport organisations with their consumers, referred to in their model as prosumers, a term denoting two-way or interactive communication via social media.

Social Media Marketing

Social media marketing (SMM) involves leveraging social networks, digital communities, and other digital collaborative media specifically for marketing, sales, public relations, and customer service. The objective of SMM is to create interesting and relevant content that attracts consumer attention, generates conversations across multiple social media platforms and engages users to the extent that they are willing to share the content with their social networks (Miller, 2014). Tuten and Solomon (2013) consider SMM to include social media technologies, channels, and software used to create, communicate, deliver, and exchange content. A SMM strategy focuses on a scope of initiatives that seek an advantage for the organization by aligning resources within a social media ecosystem, meeting prosumers needs, and to fulfilling the expectations of stakeholders (Reis, 2011). Social media marketing is used by sport enterprises to enhance communication strategies and consumer relationships (Abdourazakou and Deng, 2019).

Research Design and Methodology

An explanatory case-study design was used for this research due to the complexity and specificity of the topic, and the fact that only a discrete element of the sport sector and a limited number of events and their relationships were addressed (Skille, 2013; Yin, 2017). This type of case study design answers the questions of how and why and explains presumed causal links that are too complex for surveys or experimentation (Yin, 2017). The case-study design is appropriate when “1) a large variety of factors and relationships are included, 2) no basic laws exist to determine which factors and relationships are important, and 3) the factors and relationships can be directly observed” (Fidel, 1983, p. 273). The NBA is considered the primary unit of analysis in this study, however, sub-units, for example specific NBA teams and employees of the league, also are considered within the scope of the study (Scheepers and Scheepers, 2003). While selected contextual factors (Miles and Huberman, 1994) are considered within the scope of the study, some specific cultural, economic, and technological events and innovations that occurred during the study period, 2000-2023 were omitted.

The NBA is an entrepreneurial enterprise and an early adopter of digitalization. It has received numerous accolades for its unremitting integration of digital technologies at all levels of the enterprise. The NBA has a DT history unique to the global sport industry. Therefore, our research question is: How did the NBA’s digital transformation and business strategy contribute to the league’s evolving business model and resulting increase in revenue and global branding? The qualitative data sources used to address this question included: (1) academic journals; (2) research based white papers; (3) sport industry reports and periodicals; (4) selected sport industry websites; and (5) publicly available recorded interviews with selected NBA officials. We used keywords such as digital transformation, transformational leadership, marketing innovation, relationship marketing, social media marketing, and business model innovation, separately and in combination with NBA, sport, and sport industry. We evaluated the relevance of the identified resources to our study and deleted those considered redundant.

Case Study Findings

NBA’s Transformational Leadership

The NBA’s digital transformation was the result of the insight, direction, and leadership provided by former NBA commissioner David Stern and current commissioner, Adam Silver. The league was struggling financially in 1984 when Stern assumed the commissioner’s role. He stabilized the league by revamping business operations and instituting a draft lottery (the process by which NBA teams select new players from US universities), benefitting the league’s least successful teams. While the initial draft lottery scheme was subsequently modified, the NBA Draft (nbadraft.net) remains one of the league’s most successful innovative product extensions (Schudel, 2020; Stein, 2020a). Although the focus of the NBA draft is on the selection of college players, it is a branding opportunity for

the league's media and marketing partners activating a variety of digital and non-digital strategies (Janoff, 2013; Prisell, 2022).

In an interview in 2000, Adam Silver, then Chief Operating Officer of NBA Entertainment, confirmed that he and David Stern considered the NBA to be an Internet company and the league's content, brand partners, global nature of basketball, and communities that support it were unique. Stern and Silver evolved the league's business strategy to accommodate the shifting dynamics of sustained integration of digital technologies (Sutton, 2000). The league's early digital marketing strategy reflected an appreciation of the future of relationship marketing and digital communication (Cousens et al., 2001). Stern's stewardship of the league's digital assets was a significant contribution to the evolution of the league's business strategy and business model.

Stern and Silver were responsible for increasing the NBA's product line by developing the Women's National Basketball Association (WNBA) and the National Basketball Development League (NBDL), now the Gatorade sponsored G League, and by creating the NBA.com, WNBA.com, and the league.nba.com websites. In addition, Stern and Silver managed the development of the NBA League Pass, NBA TV, the NBA/Electronic Arts (EA) ecosystem, and a wide variety of mobile applications for all the NBA's business lines. The NBA and its line extensions have a significant presence on multiple social media platforms. In addition to their innovative and agile management of digital resources, their entrepreneurial digital marketing strategies transformed the league into a sustainable entertainment product and facilitated the league's financial success and popularity domestically and internationally (Stein, 2020b; Woike, 2020). The league's marketing strategies and projects reflect current state-of-the-art digital technologies and marketing practices (Stein, 2020b).

Prior to becoming NBA Commissioner in 2014, Adam Silver was Deputy Commissioner and COO of the NBA for eight years. The evolution of the league under Silver is verification of the efficacy of fan-based businesses at the nexus of sports, media, entertainment, and technology. Few executives have more understanding of the strategy and business of basketball than Silver (Vollmer and Gross, 2018). David Stern and Adam Silver were digital transformational and entrepreneurial leaders who, in addition to contributions to the development of the NBA, were responsible for contributing to the development of a new digital business model for professional sports, including league operations, corporate social responsibility and sustainability, global marketing, media distribution, and digital technology integration (Woike, 2020; NBA.com, n.d.; Schiuma et al., 2021).

NBA's Business Model Innovation

One of the key differences between the NBA and other U.S.-based professional leagues is the league's digitally focused hybrid business model; characterized by a revenue stream driven by a complexity of products, services, and distribution channels (Endres et al., 2020). The NBA has understood the importance of potential embedded value in digital innovation and the role of its business model in identifying the important elements behind its digital strategy.

Much of NBA revenue is categorized as Basketball Related Income (BRI), which includes ticketing, concessions, TV contracts, and merchandising rights primarily from apparel sales (Roberts, 2022). TV rights agreements account for most of the NBA's revenue, and the nine-year national contracts with linear TV channels TNT and ESPN are generating approximately US\$2.6 billion per year and local TV contracts are generating an additional US\$9.4 million to US\$149 million. NBA branded merchandise generates over US\$1 billion annually (McFarlane, 2021) with approximately 45% of merchandise revenue generated internationally (Patel, 2019).

Although ticketing is no longer a primary revenue source for the NBA, it is significant. According to an estimate by Statista.com, as a percentage of total NBA revenue from 2010-2011 to 2019-2020, ticketing dropped from 29.14 percent in 2010-2011 to 19.32% in 2019-2020 (Gough, 2021). NBA Fan Cost Index (FCI), which is the cost of taking a family of four to a league game, includes the cost of tickets, concessions, and parking. For the 2019-2020 NBA season, the FCI was US\$430.25 (Nath, 2021). Licensing and sponsorship agreements account for a significant portion of league revenue. For example, the league's partnership with Nike is worth US\$ 1 billion over eight years, which represents a 245 percent increase from its agreement with Adidas (Roberts, 2022).

The NBA also occupies a unique and growing role in the entertainment and media world. Beyond being one of the biggest providers of sports programming, it has expanded its lines of business into adjacent areas: the WNBA; the NBA G League, a developmental league; the NBA 2K League, an e-sports league based on the NBA's video game NBA 2K; NBA League Pass, a popular video streaming service of live games; and a host of experiments with leading technology platforms including Facebook, YouTube, and Tencent. (Vollmer and Gross, 2018, p. 2)

NBA's Sponsorship and International Revenue

The NBA recorded US\$1.46 billion in sponsorship revenue in 2020-2021, including US\$115 million via the technology sector. The league also added thirteen additional sponsors, including Microsoft (Young, 2021). A successful jersey patch program was initiated in 2016, benefitting the NBA and its brand partners. Beginning in the 2017-2018 season teams were allowed to sell 2-1/2 by 2-1/2-inch ad patches on their uniforms, which generated more than US\$150 million in incremental sponsorship revenue (Lefton and Lombardo, 2020; Shoffner et al., 2022). Inspired by the jersey patch sponsorship program, NBA teams were able to partner with international sponsors during the 2019-2020 season (Patel, 2019).

China is an important revenue source for the NBA, with an estimated US\$500 million in annual revenue. A segment of this revenue is Tencent's US\$1.5 billion deal to be the NBA exclusive digital partner in China. Tencent broadcasts and distributes over 400 free games and approximately 1,300 NBA games through the NBA's League Pass platform. According to Tencent research, 370 million Chinese users have connected with an online service focused on basketball-related content. These connections include using a live broadcast service, viewing via video-on-demand (VoD), consuming news on games or interacting with the online community (Chang, 2016). The NBA also has an agreement with Weibo, a Chinese microblogging platform with over 400 million active monthly users. The NBA delivers game highlights, player interviews, photos, statistics, and behind-the-scenes events on the platform (Saiidi, 2018). The NBA has similar relationships with Bytedance (Tik Tok) in China (Feldman, 2018), Rakuten in Japan, and with Kwese Media and Econet in Africa (Connolly, 2018). In summary, the NBA's business model represents the additive value of its products and services and involves the expansion of new offerings, new markets, and marketing strategies that disrupt the organization from within.

Developing consumer focused content and enhancing brand awareness and consumer engagement requires investment and the understanding that digital and social media should not be considered as cost centres, but facilitators of digital transformation value factor in the NBA's successful digital transformation (Sutton, 2000; Schudel, 2020; Stein, 2020a). As Bieler (2017, p.1) points out, "disruptive transformation must be viewed as a strategic investment. The real value of digital transformation investments relates to long-term growth, not short-term technology ROI". The continued growth of the NBA can be attributed to embracing the challenge of engaging with fans in new and distinct ways.

The NBA digital evolution was accelerated by the disruption caused by the COVID pandemic. However, the agile NBA management team added sponsorship partners during COVID, including Clorox at beginning of the initial global lockdown (Roth, 2021; Uva, 2021) "The NBA ecosystem understands it needs to do its part, and that its players are at the center of everything it does, and its role is to help spotlight the passions and the work that the players are doing" (Uva, 2021, p. 1).

NBA's Digital Marketing and Social Media Strategy

The NBA's growth in global fan engagement is the result of implementing an innovative mobile-focused digital marketing strategy that engages fans in unique ways (Terdiman, 2018). The NBA was the first US professional league to initiate non-restrictive policies on sharing video online and enabling athletes to share personal interests and express their personalities.

NBA fans, as engaged prosumers, expect personalization and relevance from their favourite teams. In response the NBA announced a partnership with Microsoft in 2020 to "reimagine the way that fans experience NBA basketball" (Martin, 2020, p. 1). The objective of this NBA digital strategy is to create customized content enabling fans to view games worldwide, and to engage with teams and players directly. Microsoft and NBA Digital, which is co-managed by the NBA and Turner Sports, plan to create a "direct to consumer" platform on the Microsoft Azure cloud service. This service uses machine learning and AI to provide personalized game broadcasts and additional content enabling fans to customize and localize their NBA experience (Martin, 2020, p. 1). The NBA has integrated SAP's RISE software into the Microsoft Azure network. This has improved business processes and enhanced Direct-to-Consumer (DTC) and, fan engagement initiatives. SAP, a partner since 2012, also has facilitated the NBA's cloud transformation strategy (Jones, 2021).

The NBA Arena is a partnership with Meta Horizon Worlds; a metaverse activation airing 52 lives games, some of which will be immersive 180 VR games. Meta's VR Xtadium application provides access to NBA League Pass and its Avatars Store will sell NBA licensed apparel, which can be shared by fans across Meta-owned platforms (Jones, 2023). The NBA has entered the digital collectibles market via its Top Shot platform and partnership with Vancouver-based Dapper Labs. NFTs are non-fungible tokens that use blockchain technology to ensure transparency

in production and verification of authenticity. The Top Shot marketplace “does millions of dollars in transactions in a single day with over 50,000 users” (Highkin, 2021, p. 1).

NBA’s Social Media Marketing

Social media and its myriad technology-enabled ICT capabilities have been increasingly recognized and utilized by sport enterprises to enhance communication strategies and consumer relationships (Abdourazakou and Deng, 2019). NBA teams deliver relevant sport content via social media to their fans while personalizing their communications (Meng, *et al.*, 2015). The goal of the NBA’s social media strategy is to create digital proximity between fans and athletes, particularly for star NBA players that use social media to build relationships (Abeza et al., 2013; Stavros et al., 2014). Wang and Zhou (2013, p. 143) found the NBA focused on building professional relationships with their Twitter followers, which included information sharing and promoting.” The league communicated news, announcements, events, and content related to teams, games, and athletes.

According to a MVPindex report (PRNewswire, 2018, p. 1), the NBA ranked first “in the use of social media across all major sport leagues, increasing the value of its collective social media footprint”. The social media accounts of the league, teams, and players generated approximately US\$808 million of value for their brand partners during the 2017-2018 regular season. In 2018 the NBA was the most followed league across Facebook, Twitter, WeChat, and Instagram with over 1.3 billion followers. During the 2018-2019 season, “the NBA’s collective social media footprint increased 132%, with league and team accounts collectively generating more than US\$1.1 billion of value for brand partners” (Broughton and Lombardo, 2019, p. 1).

Eighty-seven percent of NBA players are represented on at least one SNS and 70% of players are on Twitter, the NBA’s most important SNS. NBA Twitter content includes statistical analyses, game highlights, jokes, exclamations, and trash talk. The NBA Twitter ecosystem includes gamblers, math geniuses, journalists, front office insiders, superfans, team PR reps, athletic apparel brands, cable news anchors, rappers, heads of state, and the NBA players themselves (Neely-Cohen, 2016). NBA Twitter is an “organic community of fans and personalities that has changed the way fans experience the sport” (Maese, 2018, p.1).

Twitter users are young and diverse like NBA fans (45% of fans are under 35) and professional basketball is the only sport where the percentage of black fans (45%) is higher than the percentage of white fans (40%) (Anzilotti, 2016). More importantly, the league has allowed players to “speak their minds” regarding racism and social justice and NBA stars are more vocal on social issues than any other group of professional athletes (Freudenstein, 2018; Silverman, 2020). “The same ethos of diversity and progressivism that the league has long championed has positioned it to profit most organically and effectively in the digital landscape” (Anzilotti, 2016, p. 1).

The NBA has leveraged stars such as Michael Jordan, Stephen Curry, and LeBron James by enabling them to engage NBA fans directly on social media (Dick & Schwarz, 2020). Many NBA athletes have their own businesses, such as LeBron James's sports agency, Klutch Sports Group, and Kevin Durant's venture capital firm, Durant Company. The NBA depends on the personalities of its athletes and embraces their different brands while building on its own and fans want relationships with their favourite athletes (Gasca, 2018; Leitch, 2021) and “fans want organizations they believe in” (Abbott, 2010, p. 1). A respondent to a social media/relationship marketing focused research study stated that NBA “teams are creating environments so that conversations take place that make fans feel that they’re bonded together” (Abeza et al., 2019, p. 95). In a 2018 interview, Adam Silver stated

players enjoy being the multidimensional people they are on social media and demonstrating to the public and to their fans that they are more than just basketball players, that they have points of view about what’s happening politically, that they have particular fashion tastes and music tastes. (Vollmer & Gross, 2018, p. 1)

The NBA’s SMM strategy contributed substantially to its global expansion. The league benefited from its star athletes because they represented a differentiating marketing strategy (Freudenstein, 2018) and, although players are extensions of their franchises, as individuals on social media they can serve as ambassadors of the league, its brand, and its values (Abdourazakou and Deng, 2019). The NBA’s SMM strategy was a relationship marketing/co-branding initiative benefiting the league, teams, and athletes (Abeza et al., 2019).

NBA’s Over the Top (OTT) and Esports Engagement

In 2017, the NBA improved its live-stream product, League Pass, enabling NBA fans to view games in all the league's markets (Terdiman, 2018). League Pass provides NBA consumers worldwide access to the entire NBA season via computers or the NBA Game Time App for tablets and smartphones. Internationally, the number of NBA League Pass subscribers has increased 18% compared to the 2019-20 season (+15% domestically and +14% internationally) and the number of hours viewed has increased 19% (+12% domestically and +23% internationally). A Kagan's survey indicated that 8% of U.S. Internet households subscribe to League Pass, with 48% of those subscribers using the service to stream live games on a smartphone or tablet (Ourand, 2021). In partnership with Tencent, League Pass became available in China, reportedly generating more than 190 million views during the 2017 NBA Finals (Terdiman, 2018).

WSC Sports Technologies, a workflow automation company, partnered with the NBA to increase the number of shareable highlights clips from 100 per week to 10,000, contributing to a record number of online video views (12 billion), which has facilitated expansion of the NBA's reach and influence (Cohen, 2019; Terdiman, 2018;).

In 2019, the NBA and Turner Sports introduced NBA TV, a linear television network that includes a subscription streaming channel (Cohen, 2019). The over the top (OTT) channel is accessible via NBA.com and the NBA app so content can be streamed on mobile phones, connected devices, gaming consoles, tablets, and web browsers. NBA TV offers live NBA games, studio programming, and on-demand video of classic NBA games. Following the HBO Max model (Adalian, 2021), the NBA TV OTT channel is available at no charge for consumers subscribing to NBA TV as part of their pay TV subscription (Cohen, 2019). NBA TV Center Court, another media product, includes new camera angles designed for smartphones, live on-screen group chats between viewers and celebrities, integrated analytics and statistical graphics, and social media integration (Cohen, 2019). Second Spectrum, a league-wide player tracking system used across all NBA arenas since the 2017-18 season, provides statistical overlays on the Center Court game feed (Cohen, 2018; Leung, 2016). In addition, the league installed additional cameras in all NBA arenas and introduced Mobile View, which provides tighter, zoomed-in angles for smaller screens.

The NBA signed a betting and streaming agreement with Sportradar worth US\$1 billion. The eight-year contract begins in the 2023-2024 season and includes the NBA, the WNBA, and the developmental G League. Sportradar will be the NBA's only betting data distributor, which also includes player tracking data. The league will receive a three percent equity position in Sportradar throughout the contract (Bassam, 2021).

NBA's eSports Engagement

In 2019, the NBA, the NBA Players Association, and 2K, a subsidiary of Take-Two Interactive Software, Inc., publisher of the global basketball video game NBA 2K, agreed to a multiyear global partnership extension (Take-Two, 2019). The agreement includes NBA 2K Online and NBA 2K Online 2, with a combined 40 million registered users. It is the #1 PC online sports game in China. In addition, 2K publishes NBA 2K Playgrounds 2, NBA 2K Mobile, and launched the NBA 2K League in May 2019 (Take-Two, 2019; Williams, 2021).

In its third season, the NBA 2K League increased its broadcast distribution and viewership significantly with the inclusion of broadcasts on Twitch, ESPN2, ESPN's digital platforms, Sportsnet in Canada and eGG Network in Southeast Asia and Loco in India, "marking the first-ever broadcasts of 2K League games on linear television" (Murray, 2020, p. 1).

ESPN2 added 29 nights of broadcasts over the season, and these league matches also were broadcast live in the Caribbean, Latin America, Oceania, and Sub-Saharan Africa. By combining Twitch viewers with viewership on ESPN2, the NBA 2K League garnered one million unique viewers each time it was shown on ESPN2 (Murray, 2020). The NBA 2K League also increased the number of non-endemic marketing partners during the 2019-2020 season. New sponsors included GameStop, Jostens, SAP, and Tissot. DoorDash, a food delivery company, was the presenting sponsor of the NBA 2K League Playoffs and Finals (Murray, 2020).

Conclusion

This case study was designed to examine the NBA's digital transformation, BMI, business strategies and marketing innovations. A key aim of this paper was to gain an understanding of how the NBA's digitally focused business strategy evolved over the study period and how the synergies from the NBA's continuous integration of state-of-the-art digital technologies and its business model contributed to increased revenue and enhanced global branding. The

NBA management team understood from its early integration of digital technologies that it was necessary to envision how evolutionary ICT would change sport consumption behaviours and how consumers obtain information, communicate with others, and entertain themselves. The management team also understood the importance of internationalization and enhancing the NBA brand online to create new direct and indirect revenue streams.

Like other enterprises integrating digital technologies into their business strategy and business models, the NBA's digital transformation was driven by C-level entrepreneurial and digital leadership and prescient business strategy. Stern and his management team embraced digital transformation with the objective of providing NBA consumers with relevant and engaging content. As the league's digital transformation evolved, its business strategy and business model reflected a new digital era for the league, teams, and NBA fans. The NBA's variety of product lines and digital products continue to generate significant revenue.

The NBA's business strategy, consistent with firmwide digital technology integration and related BMI, included: 1) reaching its consumers using digital devices and platforms, including social network sites; 2) developing relevant consumer digital content/products and digitalizing existing ones; 3) identifying and acquiring resources and ecosystem partners to facilitate digital technology integration and global branding; 4) transforming existing linear media capabilities into digital capabilities, including OTT; and 5) defining a business strategy to ensure digital transformation was the core focus of its business model. A key understanding is how technology integration facilitated the NBA's business strategy, leading to BMI and the co-creation of value.

Through its digitally focused business model, innovative digital assets, relevant and accessible content, and digital ecosystem, the NBA increased its revenue and global brand. The NBA's digital transformation, entrepreneurial leadership, and business strategy represent an exemplary model for sport enterprise managers, marketing professionals, and media managers. Our findings can be used as action-based recommendations for sport teams, leagues, and federations worldwide.

The obvious limitation of our study is that it is a representation of a single entity, the NBA, and, therefore, not generalizable. Furthermore, digital transformation strategies and processes, and subsequent BMI result from multiple variables specific to the context of each organization. Our study was able to examine a limited number of those variables. It was our intention that the reader would gain insight into the digital transformation process and, conceptualizing the NBA as a prototype, understand how its, strategies, processes, and knowledge can be transferred to similar enterprises and situations.

In the future, researchers may consider studies related to how digital transformation and subsequent business strategies can inform and energize the marketing and media strategies of other sport enterprises, including non-profit sport organizations and ecosystem partners. Researchers may also consider comparative studies focused on how sport enterprises in a variety of sport industry sectors and disruptive environments have integrated digital technologies.

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Figure 1 (Bonnet, D, and Westerman, G. (2020))

