

BUSINESS

By Mark E. Goebel

Endorsements and television contracts are as important to the NCAA Tournament as basketball is.

March \$\$\$ Madness

The NCAA Basketball Championship, otherwise known as the Final Four, is coming to the Meadowlands at the end of the month.

The days of one or two dominating teams have long passed, so it is not clear at all what school is likely to emerge the winner. A dozen or so teams have a legitimate shot of cutting down the net after the championship game.

What is clear, however, is that the NCAA and college basketball will once again come out on top, at least when it comes to the bottom line.

For years, the NCAA basketball tournament was played in relative obscurity. In 1979, the year Magic Johnson's Michigan State defeated Larry Bird's Indiana State squad in one of the most famous championship games in history, television rights went for a mere \$5 million.

Not anymore.

March Madness, the nickname given to the NCAA's 63-game tournament which culminates in the Final Four, is being equated with the Super Bowl and World Series and the money going into the tournament is certainly on par with those two big events.

College basketball is supposedly an amateur sport but in reality it's anything but that. Money is pouring into the sport in ever increasing quantities in a variety of ways, from television broadcasting rights to sneaker deals.

How big is college basketball?

Well, when Kentucky held its first practice of the season in the fall, over 8,000 people jammed the school's arena to see it and ESPN broadcast the event live, complete with interviews.

The commercialization of college basketball is most evident during the NCAA tournament, however.

Take television for example. In 1989 CBS agreed to

pay the staggering sum of \$1 billion to broadcast the tournament for seven years. That's \$143 million per year, up from \$16 million in 1984 and \$55 million in 1990. But it seems to be paying off for the Tiffany Network. Commercial time for last year's championship game in Seattle between UCLA and Arkansas, which went for close to \$600,000 per 30-second spot, was sold out well in advance of the tournament. As were the semifinal games at \$250,000 per 30-second spot. Pepsi, which bought 15 commercials during the Final Four, spent three times as much in 1995 as it did in 1991. And corporate sponsors, like Sprint and Frito-Lay had elaborate consumer promotions tied to the tournament. Gillette, for example, for the third year running staged its Million Dollar Three-Point Challenge.

It doesn't end there. Over 600,000 people attended the 63 games at sites around the country, generating revenues in excess of \$150 million. The teams participating in the Final Four took home over \$2 million and even the 32 schools eliminated in the first round pocketed around \$300,000. Scalpers fetched up to \$2,000 for Final Four tickets that had a face value of less than \$100.

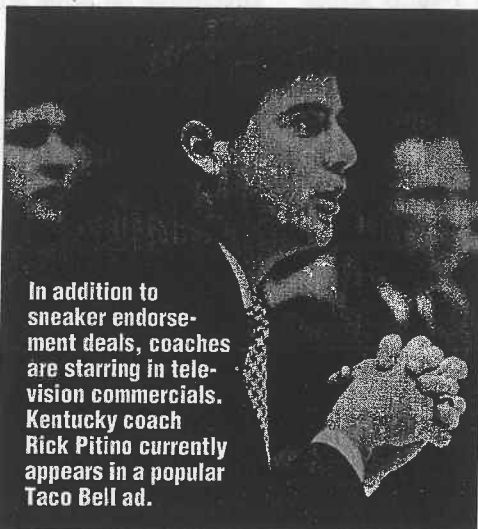
The 1980s Boom

College basketball really began to grab the attention of television executives, sporting goods manufacturers and marketers in 1984 when the NCAA expanded the field to 64 teams from around the country. The sport really gathered steam, however, with a series of thrilling championship games in the late 1980s including three involving Big East teams—Villanova's 66-64 upset of Georgetown in 1985, Indiana's last-second 74-73 victory over Syracuse in 1987 and Michigan's 80-79 overtime win against Seton Hall in 1989.

But college basketball means business all season long, not just at tournament time.

It starts with corporate-sponsored tournaments in the fall including the Diet Pepsi Classic in Charlotte, N.C., the Direct TV Classic in Detroit and the Coca-Cola New York University Classic.

Business means million-dollar endorsement contracts



In addition to sneaker endorsement deals, coaches are starring in television commercials. Kentucky coach Rick Pitino currently appears in a popular Taco Bell ad.

for head coaches with shoe and apparel manufacturers. Mike Krzyzewski, Duke head coach, signed a 15-year, \$7 million-plus endorsement contract with Nike in 1993. That deal included a \$1 million signing bonus plus options on 200,000 company shares. Krzyzewski's cross-state rival Dean Smith, coach of North Carolina, signed a multi-million dollar deal with Converse. The Nike stable also includes John Thompson of Georgetown and the coaches of Wake Forest, Florida State, Georgia Tech, Temple and Purdue. In return, these coaches agree to outfit their teams in Nike gear from warm-up suits and uniforms to basketball shoes. As a result, teams basically serve as billboards for the company.

Coaches also appear in television commercials for products that have nothing to do with basketball. A current Taco Bell ad features Thompson, Indiana coach Bob Knight and Kentucky coach Rick Pitino using tacos as a way to lure a recruit to their respective schools. No famous athletes appear in the spots. The coaches are the stars.

Not wanting to be left out in the cold, universities are grabbing their share of the apparel and shoe manufacturer pot too. The nation's colleges generated \$2.5 billion in retail sales of products bearing their names in 1994, more than was produced by Major League Baseball and the National Hockey League. So many of the most recognized schools have signed licensing agreements with the likes of Nike and Reebok to maximize the sale of their school's merchandise. Michigan signed a deal with Nike for \$8 million over six years and UCLA has a six-year, \$6.5 million agreement with Reebok. These deals will allow the corporations to sell their respective school's merchandise, including jerseys, caps and T-shirts across the country. In addition to paying schools for the rights to produce and market apparel bearing their names, the companies fully outfit varsity athletes and coaches.

Of course college basketball on television is not limited to the NCAA tournament. ESPN, NBC and CBS have multi-million dollar agreements with basketball conferences to broadcast games. Local and regional cable companies have deals as well. Big East games, for example, can be seen on SportsChannel and MSG Network.

Women's Basketball

Women's college basketball has caught fire too, in the eyes of fans and corporate America alike.

Last year was the best year ever for the sport. Attendance and television ratings were at historic highs and corporations began to take an interest. All Final Four games in Minneapolis were sold out nine months in advance. CBS, which broadcast the games, booked all of its commercial time by January for the April event. In addition, ESPN penned a \$19 million, seven-year contract to broadcast the women's games and in November, State Farm Insurance hosted its third Hall of Fame Tip-Off Classic with the top four Women's teams. Companies



Mike Krzyzewski signed a \$7 million dollar deal with Nike in 1993.

like Wells Fargo bank in California and Gillette are advertising on cable television broadcasts of women's games.

There is little doubt, given the money and marketing involved, that college basketball, both men's and women's, has become one of the biggest success stories in sports from a commercial standpoint.

The great irony of college basketball becoming a money machine is that the main contributors to its success, the players, aren't compensated one dime other than tuition, room and board. This has led some of the better players to leave before graduation to join the NBA. And many of those that stay on for the four years they are eligible to play aren't getting their degrees. According to a report released in 1995, the 39 percent graduation rate of all male basketball players in the 107 Division I-A schools is the lowest among any group of athletes. Football players, by comparison, graduated at a 53 percent rate. Local schools didn't fare too well. Syracuse's 21 percent and Seton Hall's 36 percent were both below average.

School administrators say that deals with television broadcasters, shoe and apparel manufacturers and other corporations are matters of necessity. Money earned from sports like basketball and football is used to fund less popular sports like soccer and golf, these officials say.