

The LeBron James Effect

Getting LeBron James, Dwyane Wade and Chris Bosh to Miami was a coup. Too bad only the Heat will enjoy the economic spoils.

By Vytenis Didziulis

At the end of a long newsroom-type office in the back of the AmericasAirlines Arena, [Eric Woolworth](#) sits at his desk overlooking Bongo's Café and the Port of Miami. His office is filled with sports mementos: A pair of boxing gloves signed by boxers Roy Jones Jr. and Sugar Ray Leonard, newspaper clippings on the Heat's 2006 national championship, pictures of Heat legends Tim Hardaway and Alonzo Mourning.

"It's the best office in the NBA," says Woolworth, president of the Miami Heat's business operations. "Well, except in the winter, when [Bongo's] is packed for happy hour."

Truth is, Woolworth may have the best office in all of South Florida. The Heat's re-signing of hometown hero Dwayne Wade, coupled with the addition of All Star forward Chris Bosh and two-time reigning league MVP LeBron James has catapulted the team to the top of the NBA hierarchy. The signings have turned the team into a hot commodity; ticket sales have skyrocketed, corporate sponsors are interested in striking deals and national television networks have fought to secure the rights to broadcast the team's most delectable match-ups. Unlike many struggling Miami businesses, the [Heat](#) will be clinking champagne glasses all the way to the bank.

The signing of James is the ultimate basketball coup, but it's also a goldmine for the Heat. James' former team, the small market Cleveland Cavaliers was valued by Forbes at \$476 million—good enough for fifth place in the league—in large part because of James' place on the team. James himself is one of the richest athletes in the world, raking in a cool \$42.8 million last year. But besides the team, the player and a handful of businesses in downtown Miami and South Beach, few others will feel any financial impact. Ironically, the first casualties were 30 Heat season ticket sales staff members who were let go after James' imminent signing helped sell out inventory.

Sitting at his desk waiting for the NBA schedule to be posted, Woolworth looks like a man at ease about his team's \$400 million investment in player salaries. His rimless oval eyeglasses and specks of grey hair give the impression of both youth and experience. As head of business operations since 2001, Woolworth has dealt with high-pressure situations before, and learned from them. In 2004, the Heat acquired Shaquille O'Neal from the Los Angeles Lakers in a trade, causing a surge in ticket demand.

"We were in a little bit of a different place in our business then," Woolworth recalls. "At that time we were still trying to recover from a couple of real bad years, so we had a lot more inventory to sell... All of a sudden you've gone from being in an environment where you have a lot of inventory to sell to being in incredibly high demand, and we were like kids in a candy store. As long as the phones were ringing we were selling.

"What we learned in retrospect from that was that it wasn't in the best interest of our business," he says. "From a



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revenue perspective if you sell the whole house on a season ticket basis you're done, you have no more upside," he explains. "By holding inventory we're able to variably-price tickets so we can charge more for premium games." Selling the house limits the number of new people coming to the stadium, slowing the sale of team paraphernalia to new customers and holding down the total number of people who come in contact with corporate marketing content. It also is a cost-reducing strategy since not as many resources are spent following up with the low-end season tickets holders who are hard to retain.

The LeBron effect (Wade and Bosh included) has given Woolworth a second shot at maximizing the team's revenue. This time the Heat has withheld almost a third of its tickets to sell on an individual game basis; even actor Andy Garcia was placed on a waiting list for courtside seats. The buzz should lead to consistently sold-out stadiums on the road and at home. [Scott Becher](#) of Boca Raton-based Sports & Sponsorships thinks the Heat could see additional revenues of \$10 million from regular season tickets, sponsorships and media sales. That could jump another \$10 million if the Heat makes a title run with at least 10 post-season home games. Under this scenario, the franchise value would increase from \$364 million to more than \$400 million, and could top \$500 million if the Heat wins a championship in the next five years, says [Patrick Rishe](#), the director of Sportsimpacts and an economics professor at Webster University in Missouri.

"If Cleveland could do it, Miami can do it," Rishe says about the valuation spike. "You could argue that Miami had more caché than Cleveland anyway, so if you add LeBron and the other two guys, their value could rise to the top five franchises in the league."

[A Drop in a Bucket]

Despite what is popularly believed, LeBron James, Dwayne Wade and the rest of the Heat are not slam-dunking stimulus projects. South Florida will feel only a small economic impact from the Heat's success, say economists. "Pro Sports in general do not appear to add additional revenue or enhanced direct economic impact to the local community," explains Stan Geberer, an economist with Orlando-based [Fishkind & Associates](#). What they do, he says, is redirect spending. "The downtown bars and establishments near the stadium will receive some benefit, but that is generally redistributing an already existing pie. So if those dollars get spent in downtown on game night that means those dollars aren't being spent somewhere else in the county."

League games just don't draw in enough people from out of town to expand that pie, says [Kathleen Davis](#), president and CEO of Sport Management Research Institute. She estimates the number at just 2 to 3 percent of attendees for regular season games. If the Heat goes deep into the playoffs the number goes up. "That's pretty much the only time that enough people from out of town come here to bring new money to the community," Davis adds.

Many more economists agree that the greatest effect will be in terms of marketing. Heat games will be on national television 29 times this year, the maximum allowed. At home games, the networks will pan to images of downtown Miami or South Beach, helping to deploy Miami's brand to the rest of the world. On the market, those precious seconds are worth millions. They also generate revenue for hotels, restaurants, cabbies and local governments.

[Building a Global Brand]

[Rolando Aedo](#) is a senior vice president of marketing at the Greater Miami Convention and Visitors Bureau ([GMCVB](#)), the agency responsible for promoting Miami's image. "One of the key motivators for LeBron James to come live work and play in Miami is South Beach," Aedo says. "Especially coming out of a recession, out of an oil spill, this is like a blessing from heaven."

With businesses in downtown Miami set to potentially benefit the most, the Miami Downtown Development Authority has met with more than 50 local businesses to make a lasting impression on

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visitors during home games. The DDA is leading a plan to spruce up the area before game days and will host a tailgate party in Bayfront Park on opening night. Bars and restaurants plan to offer special Heat deals, and condo sales teams will facilitate temporary housing for potential investors who want to catch some of the games.

"This is more than a shot in the arm, it's an atom bomb," declares [Tadd Schwartz](#), a downtown promoter. Schwartz and the DDA want to use the increased foot traffic to lure a major retailer such as Apple, Houston's, or the ESPN zone sports bars to the neighborhood. "LeBron coming to downtown adds sex appeal and international exposure. That energy, buzz enables downtown to appeal to big name retailers and big name corporations who want to link their brand with a city that is on the tip of everyone's tongue," says Schwartz.

[The Miami-Dade County Sports Commission](#) wants to take the marketing a step further by selling the area as the sports capital of the world. The area already hosts the Orange Bowl, the NASCAR championship, and the Sony Ericsson tennis tournament, the CA Golf Championship, the Florida Marlins, Miami Dolphins and on occasion the Super Bowl. With James and the Heat in tow and a bid to host the 2018 World Cup in the works, the thought doesn't seem that outlandish.

"We should be the epicenter of the sports world," says [Alan K. Fertel](#), vice chair of the sports commission. "Miami is a great big-event town. If there's a Super Bowl it sells out, if you have a great team, the stadium sells out. But I think Miami can go from being a big event town to an all-event town."

[Socializing' Capitalism]

The Heat will attempt to drag its public partners into the international spotlight while doin an end-run around NBA marketing rules.

The league prohibits teams from marketing their brands in traditional media outside designated 150-mile regions. But Woolworth is confident the team's website, social media platforms and international cell phone marketing, which are not controlled by the league, will represent the companies greatest growth driver. "[Corporate partnerships] is where we are seeing the biggest difference," he says. "What [James, Wade and Bosh] have done is propel us to a more global stage, regardless of the NBA's marketing restrictions."

Since announcing the trio's signings, the Heat's Facebook followers have grown ten-fold and visits to the official website have gone "off the charts." Almost half those people are coming from outside the United States.

"That kind of data gets the attention of big multi-national corporations that see themselves as the market leaders in their business and see the benefit of being aligned with the market leader in the NBA," Woolworth says.

"And that's going to be us.