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# The Launch of the Indian Premier League

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## ABSTRACT

In September 2007 Lalit Modi was handed a \$25 million check from the Board of Control for Cricket in India—formalizing Modi’s long-awaited opportunity to launch a new cricket league. Modi’s challenge was to build a sustainable business model which would create the proper incentives to motivate players, broadcasters, franchise owners, and the various cricket boards to join his effort. And he had seven months to accomplish it all.

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*This case was prepared as a basis for class  
discussion rather than to illustrate either effective  
or ineffective handling of a business situation.*

## Introduction

On September 10, 2007, Lalit Modi stepped out of the office of Sharad Pawar, the chairman of the Board of Control for Cricket in India (BCCI), holding a check for \$25 million. With that money, he was free to recruit cricket players to the Indian Premier League, which, five minutes before he'd shaken hands with Pawar, had merely been a dream. What Modi sought was nothing short of a revolution in a staid, proud, and venerable game. There were members of the BCCI who plainly wished his pet project to fail. No matter, Modi thought, as he made a grateful, polite exit. He was determined to prove them wrong.

Though Modi was thrilled to finally get BCCI approval to begin the real work of launching the Indian Premier League (IPL), he would find, in the coming months, that to be at the center of this effort was an exercise in vertigo. The IPL, after all, was meant to be something totally new, and to build it Modi would need to deal with much risk and uncertainty. Would Indians enjoy a fast-paced, three-hour version of a game whose current short form took *all day*? Would they root for teams based in various Indian cities instead of for a national team? Would the BCCI and other important cricket boards around the world buy in to this new format?

Whatever the answers, Modi was on his own. The BCCI gave him his recruitment money on the condition that he run the league out of his personal Mumbai office, earn no salary, and pay all personal costs incurred in pursuing IPL interests. Modi, in turn, agreed, with the stipulation that the BCCI would not interfere with the operations of the IPL for the first five years, and would defer to his judgment in the selection of the IPL Board of Governors.

Modi took out his Blackberry and called Radhika, his assistant. "We are going to New Delhi," he said. "We have the approval."

In New Delhi, a formal ceremony would let the world know that the IPL was just seven months away from its first match. Never mind that, at the time, he had finalized neither the way the teams would be structured nor how they would be financed. He didn't even have any players.

The announcement was, in a sense, a gamble, yet Modi believed, "We had a great deal to do in a very short time and we were attempting something that had never been achieved before...but there was no way we were going to fail."<sup>1</sup>

The various text and video links on this site offer background information on India, cricket, and IPL founder Lalit Modi, as well as snapshots of important moments in the birth of the league. Consider, as you familiarize yourself with this case, how Modi can create the right set of incentives to motivate players, broadcasters, franchise owners, and the various cricket boards to support the IPL. What kinds of deals should he strike to guarantee long-term commitment without conceding too much of

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<sup>1</sup> All statements by Mr. Modi are cited from October 7, 2008 email correspondence or from October 28, 2008 interview in Los Angeles, California, unless otherwise noted.

the earnings he expected the league to generate? And what can he do to ensure that the IPL becomes a permanent part of the Indian sports landscape?

The following sections contain much of the information you will need to answer these questions:

Section 1: Lalit Modi

Section 2: New Cricket Forms Evolve

Section 3: Modi Partners with IMG

Section 4: League Models to Consider

Section 5: IPL Concept Announced

Section 6: Competitive Landscape

Section 7: 2007 World Cup: A Time to Woo Players

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Appendix A: India and the History of Cricket

Appendix B: Snapshot of India's Modernization

Additionally, the Exhibit file contains the following:

Exhibit 1: Indian Revenue for International Cricket in 2007

Exhibit 2: Indians' Preferred Format for Cricket

Exhibit 3: Revenue Opportunities for Franchise Owners

Exhibit 4: Snapshot of Growth in Cricket Revenues

Exhibit 5: 2007 Global Television Revenues for Cricket

Exhibit 6: 2007 Global Financial Overview for Non-Cricket Sports

Exhibit 7: Stadium Capacity in Major Indian Markets

Exhibit 8: Snapshot of International Cricket Player Salaries

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Exhibit 12: English Premier League Fact Sheet

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Exhibit 16: Entertainment and Media Market Growth in Brazil, Russia, India, and China (BRIC)

Exhibit 17: Growth in Indian Middle Class

## Section 1

### Lalit Modi

Lalit Modi began dreaming of a domestic Indian cricket league as an undergraduate at Duke University nearly 20 years before the launch of the IPL. Impressed by the success of American professional sports, Modi wanted to start up a professional cricket league in India, one that would borrow from what he'd seen in the United States.

Upon his return to India after graduation, Modi pursued a winding path that would give him experience in entertainment, marketing, licensing, and television: four areas of expertise that would be critical to the success of the kind of cricket league he imagined. That path began in 1991 with a joint venture between Modi Entertainment Network (<http://www.modi.com/htm/entertain.htm>)—the television production and distribution company he'd set up within his family's multi-billion-dollar conglomerate, Modi Enterprises—and the Walt Disney Company. As part of that arrangement, Modi spent nearly two years learning about the Disney business, top to bottom and around the world. As he and Disney worked to set up licensing and marketing operations in India, it dawned on Modi that Disney needed to be in the television business if it wanted to get its brand in front of Indian consumers. To that end, Modi helped Disney move into broadcast television, and later into theatrical distribution of Disney films. While in this role, Modi approached the BCCI (<http://www.bcci.tv>) on Disney's behalf, inquiring about the prospect of Disney being a licensee of the BCCI. As Modi recalls, "The doors were closed."

In 1993 Modi had reason to engage with cricket more directly, as Modi Entertainment Network entered into a joint venture with the American television broadcaster ESPN.<sup>2</sup> ESPN sought to earn cable subscription revenue by broadcasting cricket matches. But at the time, India had no pay television system and no mechanism to collect money from what Modi called the "mom-and-pop cable operators." These operators would string wires up on the roof, put up dishes, and sell the channels they received to local subscribers. Modi used "the nationwide sales force employed by Modi Enterprises to identify the 70,000 to 80,000 of these cable operators." He encrypted the signal

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<sup>2</sup> Rahul Bhatia, "Mr. Big Deal," *Tehelka*, May 20, 2006, [http://www.tehelka.com/story\\_main18.asp?filename=hub052006Mr\\_big.asp](http://www.tehelka.com/story_main18.asp?filename=hub052006Mr_big.asp) (accessed via Google on 2/10/09).

and allowed the cable operators to decrypt it only if they collected revenues from subscribers on ESPN's behalf. "Nobody used to buy cricket in those days," says Modi. "The cricket board used to go begging to the national broadcaster, Doordarshan, saying, 'Can you show our cricket?' And Doordarshan would show it—but for a fee." In 1995 Modi proposed that ESPN pay the BCCI for exclusive rights to live cricket coverage. BCCI entered a revenue-sharing agreement with ESPN and sold it the rights to live cricket broadcasts. ESPN soon became the number one sports channel in India. The rights fees for Indian cricket began to rise. (See Exhibit 5 relating to Value of BCCI Television Rights.)

In 1996 Modi approached the BCCI with the proposal of starting a professional cricket league in which games took place over the course of a single day. These One Day International matches, termed ODIs, were a shortened form of the traditional Test cricket which was played over the course of five days. (See Section 2 for a description of various forms of cricket.) The league would also have Indian fans cheering not for a national team, as they long had, but rather for various city-based teams. Modi would own the league and sell the teams as franchises. ESPN would broadcast the matches and they would pay an annual royalty to the BCCI. The BCCI would provide access to its cricket grounds and to the players in the Indian national team. Modi called it the Indian Cricket League, and after obtaining BCCI approval, he spent millions of dollars signing up players for his eight teams. Then, as Modi recalled, an honorary officer of the nonprofit BCCI asked for a bribe. Modi refused. As a result, according to Modi,

Every door was shut, and the league was scuttled before a single game could be played. As I learned about the game of cricket, I found that there was more beneath the soil than one could see. Only a few people were making the money, and then for their own personal selves, at the cost of the entire country. It was a closed club: nobody could enter it.

His outspoken reaction to the alleged bribe poisoned ESPN's relationship with the BCCI, and Modi soon ended his relationship with the network.

Modi became determined to clean up the governance of Indian cricket. "The only way was to become a member of the BCCI—and that began a ten-year-long journey," he explained. Upon his efforts to gain membership, the BCCI changed its rules such that a person with business interests in broadcast television could not gain membership. Modi then left the broadcasting business and enrolled in the BCCI as a member of a local club (using only his first and middle names). He rose through the ranks, eventually to represent the State of Rajasthan on the BCCI board after a hard-fought election. Along the way, according to Modi,

The value of cricket had changed, and I found that billions and billions of dollars were being siphoned out of the BCCI. The BCCI could have earned a lot more. So I found a few members of the BCCI who believed in my plan; one of the key members was Mr. I. S. Bindra, President of the Punjab Cricket Association (PCA) and a past president of the BCCI. I said that if we got into the BCCI, the revenues could go up by a billion and a half dollars—

they actually went up by three—if we were to clean it up and be transparent in our operations.

Modi's efforts yielded him support from administrators of increasing authority. Early in his days, Bindra appointed Modi as vice president of the PCA, which allowed Modi to network among other members. Eventually, he ascended to the chairmanship of the league's marketing committee. As marketing chairman, he organized operations and auctioned sponsorships and media rights for the coverage of Indian cricket at previously unimagined prices. He knew from his days at ESPN that the board had severely undervalued the sport's financial impact:

I had learned what the value of the sponsorship was. ESPN would spend a small amount of money to buy 5% of the content for cricket, but that would finance 100% of the channel. The broadcasters were basically using cricket to finance everything else. So I worked to clean that up and, over the years, built the revenues of the BCCI to over three billion dollars.

With Modi at its marketing helm, the BCCI came to control 80% of global cricket revenues.

## Section 2

### New Cricket Forms Evolve

By 2007 international cricket matches were being played in three different formats:

**Test cricket** is the oldest and most prestigious form of cricket, and its matches take the longest time to play. It is considered the ultimate test of playing ability, both for teams and individual players. The first Test matches were played without any time limit. By 2007 Test matches were played over five days, two innings<sup>3</sup> per side, and could still end in a draw if all four innings were not completed. Preserving the integrity of Test cricket is considered to be the most important job of the cricket boards around the world, and of the International Cricket Council (ICC), the sport's governing body (<http://icc-cricket.yahoo.com/>).

**One-day cricket** (ODI) differs from Test cricket in three ways: it is played over seven or eight hours during a single day, each side plays only one inning, and each side plays at most 50 overs.<sup>4</sup> The format was introduced in 1977 by Australian media tycoon Kerry Packer, who sought a game better suited to television than Test cricket; his format would be faster and ensure a winner. Packer signed up international cricket stars to play in a new one-day league. The ICC initially banned any professionals participating in the league from playing for their country in Test matches. Over time, the ban was revoked, and the one-day game grew in popularity, earning millions for both the cricket boards and the players, especially the celebrity players who could command large fees for product endorsements.

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<sup>3</sup> An inning is akin to baseball—one complete cycle of both teams chance to bat.

<sup>4</sup> An over is a series of six balls bowled—or pitched—by one bowler.

India's masses developed a seemingly limitless appetite for one-day cricket after their unheralded national team won the one-day World Cup of Cricket in 1983. There were several reasons for this interest. Unlike the populations of developed countries, most Indians could not afford to spend much money on entertainment. Television, relatively new at the time to small-town and rural India, was still in its infancy, and one-day cricket broadcasts provided free entertainment. It also aroused the passions of sports enthusiasts in a country where other national teams often lost ground to those of richer countries, which could afford extensive facilities and staff as well as top level international coaches. But in other countries, one-day cricket's appeal began to wane as sports like soccer—which were easier to understand, exciting to watch, and produced a result in a shorter time period—gained in popularity. In Australia and England, younger audiences were captivated by their domestic and international soccer teams. In the Caribbean, which had long fielded formidable cricket teams, young athletes were lured to America, where baseball and basketball offered more rewarding opportunities. It became evident as the twentieth century came to a close that the twenty-first century might offer more appealing sources of entertainment than a full day spent watching cricket on television.

**Twenty20 cricket** is played over about three hours and guarantees a winner. Each side plays one inning comprising at most twenty overs. The emphasis of this highly shortened form of the game is on furious hitting and fielding. The strenuous pace of the game demands athleticism and a high level of physical fitness. Twenty20 players are often younger than those in Test and one-day cricket.

The English Cricket Board (ECB) (<http://www.ecb.co.uk/>) designed Twenty20 cricket in 2003 as a response to continued loss of interest in cricket: match attendance, television viewership, and the associated revenues had steadily declined in Britain. Women, by and large, already found cricket boring, but now schoolboys were saying they found cricket slow and outdated. Market research by the ECB suggested that a shorter, more entertaining version of cricket would appeal to a mass audience. Twenty20 cricket was positioned as a “perfect blend of sports and entertainment.” It featured loud music, dancers, cheerleaders, and wired-up players providing commentary on the game even as it was being played. Cricket purists scoffed at the gimmicks and felt that Twenty20 was a travesty. The format, nonetheless, proved to have great appeal in Britain. As experts decried the technical inelegance of its play, spectators enjoyed being able to watch a complete game in three or four hours.

By 2005 the Twenty20 format had gained a reasonable level of popularity in most major cricket-playing nations. India remained an exception. Its national team had played no Twenty20 international matches. One reason was that the Indian team already had a packed schedule of ODI and Test matches. More cricket, even if it could be fit in, would increase the risk of injuries to already overworked players, and create a situation in which too much live cricket was broadcast on television, leading to possible loss of interest in the sport. A second reason was that the BCCI was comfortable with the money and clout it earned from one-day and Test cricket; each ODI, for example, fetched it around \$7.5 million in television revenue. There appeared to be no compelling



reason to introduce an unproven format that could only cannibalize ODIs and might bring in less media revenue per game due to its shorter duration. The BCCI therefore took a wait-and-see attitude.

The wider reaction in India to Twenty20 was mixed. Some critics saw it as a way to appeal to hero worshippers. Others thought that this very attribute created the potential for widespread popularity among more casual fans, especially among young people who were of great appeal to advertisers. “Sponsors will drool,” said Ayaz Memon, an editor at *DNA*, a Mumbai newspaper. “The game has found favor across age groups, and more significantly, across genders. It could even emerge as a potent challenge to Bollywood, because it lasts just about three hours.”<sup>5</sup>

See Appendix A on India and the History of Cricket.

## Section 3

### Modi Partners with IMG

On July 5, 2007, Lalit Modi, then vice president of the BCCI, went to the Wimbledon finals in England and there met Andrew Wildblood, a senior vice president at IMG World, a major international sports marketing firm.

“When Lalit and I first talked about doing *something*, the something that we were going to do was completely undefined,” recalled Wildblood. But the two men did have a very specific subject to talk about. Modi wanted to design a Twenty20 cricket league in India, a country where matches played by the top national team were worth many millions of dollars, but which appeared to have no appetite for a secondary cricket product. Both fans and the television media largely ignored even the two major domestic tournaments, the Ranji Trophy (<http://content.cricinfo.com/india/content/story/261615.html>) and the Duleep Trophy ([http://www.cricinfo.com/db/NATIONAL/IND/DULEEP\\_WINNERS.html](http://www.cricinfo.com/db/NATIONAL/IND/DULEEP_WINNERS.html)). Still, Modi and Wildblood felt that the time might be right to build an intercity league. “In the big metros,” Wildblood explained, “where the money is in India, people identify much more with their city than with their state.”<sup>6</sup>

Wildblood elaborated during an interview in November 2008 at Columbia Business School:

This was in July. And he and I were just kicking around a few thoughts about how in India you have international cricket played by the Indian first eleven (players) that is worth whatever it’s worth in dollars per game. And you have no other cricket product that’s worth anything at all. So you have the Ranji Trophy worth nothing at all. Nobody goes. You have Duleep worth nothing. Nobody goes. You have India A which

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<sup>5</sup> Somini Sengupta, “If It’s Hip, Fast and Furious, Is It Cricket?” *New York Times*, September 25, 2007 (accessed online through ProQuest).

<sup>6</sup> All statements by Mr. Wildblood or Mr. Griffiths are cited from November 3, 2008 interview at Columbia Business School in New York, New York, unless otherwise noted.



is the second eleven best players in the country playing the second eleven best players in Pakistan. Worth nothing. And for years people have tried to find ways of creating a secondary product in India and whether that's by polishing up Nehru or polishing up Ranji, none of that worked. So we were just kicking some ideas around about how you might create something that would have value. And both of us had thought about this idea of having cities as opposed to states play each other, because serving the big metros is where the money is in India; people identify much more with their cities than with their state. So nowadays you are a Mumbaiite or a Bombayite first and a Maharastraite second. Similarly Dehli, similarly Madras...

And from a marketing point of view—because that's what I am—to be able to build a product in the image of the country in which that product takes place creates the circumstance that you need to create to make something that's going to end up being commercially viable. Because it's reflective of the mood; it's reflective of what's going on. And I don't know if you've been to India, but this is so reflective of that country now in every way. And in India people love immediacy; they get much more excited about what you'd call a slog sweep for six than they would a cultured cover drive for four, which will mean precisely nothing to you, but it's the difference between how you play a particular shot. And they get into it, feverish about it, excited about it.

Thus an idea that was chatted about courtside at Wimbledon in July was expected to lead to the first match of a brand-new sports league the following April. Wildblood and Peter Griffiths, who was also a vice president in the IMG London office, worked to give scope and definition to Modi's vision. Modi's concept for the abandoned ICL ODI league had eight teams. But it was not clear to them if this still made sense for the IPL; nor did they know how long the playing season should last. The Twenty20 format allowed for a league in which a large number of games could be played in a short period of time, permitting more teams and players to participate in the tournament. International players, already overworked by their grueling year-round schedules, would also have an easier time accommodating an IPL calendar if it were restricted to a handful of games over a short period of time.

IMG hoped to create demand for franchise ownership by limiting the league to a few franchises, thereby creating a “beneficial level of scarcity.” They thought of auctioning the franchises sometime in January 2008, “in a race to the finish,” barely in time for the tournament to be played in April. As they puzzled over how to structure the proposed sharing of revenue, the amount of money they would need in broadcasting rights, how much money they could afford to pay players, and other basic issues of league organization, they thought hard about the experience of the prospective franchise owners. IMG relied as much on gut as on the calculator. “This isn't rocket science,” said Wildblood. “You have to come up with the right model for the circumstances you're in.”

## Section 4

### League Models to Consider

Modi and his IMG team first considered the merits of a decentralized vs. centralized league ownership by studying two U.S. models: the National Football League (NFL) and Major League Soccer (MLS).

They knew that NFL (<http://www.nfl.com/>) franchises were independently owned and operated. The franchises had built substantial followings by creating strong brands and aggressively pursuing a wide variety of promotional, merchandising, and media sponsorships. The teams leased stadiums from cities, which were able to issue tax-free bonds and generate revenue from events outside the sports season, such as concerts. Each team was constituted as a private corporation, with wealthy individuals vying for portions of ownership. Revenues generated through ticket sales, merchandising, licensing, and media broadcast fees were reinvested in the team. These investments included signing players to more lucrative contracts, upgrading facilities, and boosting spending on advertisements. Successful franchises featured winning teams, sold-out attendance at home games, and nationwide appeal.

For an example of a successful centralized model, they turned to the MLS (<http://www.mlssnet.com>), a relative newcomer formed in 1993. The MLS operated its league as a single entity, structured as a company with limited liability. According to its website, the single-entity model meant that the league functioned as one company granting team operating rights to its “members.” (Note that holding the operating rights is different than “owning” the franchise.) Due to the single-entity model, MLS was the exclusive owner of all rights related to both the league and all of the teams (e.g., team logos, commercial rights, broadcast rights, ticketing rights, etc.). The league also contracted with each player, rather than the team, for each player’s services. Under the league rules, each team was the exclusive agent of MLS in its “home territory” (i.e., generally, the area within the 75-mile radius from the team’s home stadium). In its role as exclusive agent, each team was empowered solely in its home territory to sell local commercial affiliations, license local broadcast rights, solicit and sell home tickets, and conduct all local marketing on behalf of the league.

According to MLS Commissioner Don Garber, “Currently, we’re the only sports league in the U.S that incorporates a centralized business structure. I have no doubt that MLS wouldn’t be in business today without our unique structure. It has allowed our owners to make collective strategic business decisions to grow the sport and league overall in the country, against massive competition from other more established sports leagues.”<sup>7</sup>

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<sup>7</sup> Don Garber, E-mail message to the author, January 7, 2009.

In the end, IMG scrutinized the business models of myriad sports leagues in the United States and Europe in order to determine which aspects they would borrow to form the IPL. (See Exhibits 9,10, 11, and 12.)

## **Section 5**

### **IPL Concept Announced**

On September 12, 2007, the Indian Premier League was formally launched in a high-profile ceremony in New Delhi. Modi was joined by some of cricket's most powerful men. Among them were the IPL Board of Governors, made up of three former captains of the Indian national team and four BCCI officials. Several players of international stature including Sachin Tendulkar, Rahul Dravid, Sourav Ganguly, Anil Kumble, Australia's Glenn McGrath, and New Zealand's Stephen Fleming were also on hand to support the league, as were the chairmen of various cricket boards and the International Cricket Council (ICC). All of India's major television networks and newspapers covered the event. Modi announced that the IPL would initially be comprised of eight franchises, each linked to a city. The teams would play an annual tournament featuring Twenty20 cricket.

Modi's concept for the IPL would be to "entice an entire new generation of sports fans into the grounds throughout the country. The dynamic Twenty20 format has been designed to attract a young fan base, which also includes women and children." He said that the ultimate goal was to create a franchised domestic cricket structure for India. The league's board would be responsible for the tournament schedule, providing regulations and match officials, maximizing media coverage, and guaranteeing exclusivity within a team's geographic region. "Each franchisee will get one home ground and will have to commit to building stadiums at their base," said Modi. "These franchisees will get marketing rights and also a share in the centralized revenue, which is yet to be decided. They will also be entitled to local revenue like ticket sales."

Modi explained that each team was to have sixteen players, including a maximum of four foreign players and a minimum of four players drawn from the Under-19<sup>8</sup> teams or from the metropolitan area in which each team was based. International players would require the approval of their respective countries' cricket boards; matches to be played for their countries would always take precedence over IPL matches. Players would earn salaries, but not the options and bonuses common in American sports leagues. Many would likely earn considerably more from sponsorship contracts. There would be a player draft, similar to those in American professional sports leagues, and teams would be permitted to trade players.

Modi then described the IPL tournament. The league's eight teams would participate in an inaugural season featuring 59 matches played over 44 days in April and May 2008. The first 56 games would feature each team playing each other team twice in a round-robin format. The four teams with the

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<sup>8</sup> Refers to those teams whose players are all under the age of 19.

most points would qualify for the second, knock-out stage, featuring two semifinals and a final. The tournament winner would earn a cash prize of \$3 million, with additional cash prizes for the best pitcher, outfielder, and a variety of other special awards.

The IPL launch made headline news in India. Still, the league had made no formal arrangements with any players, franchisees, sponsors, or TV broadcasters. Nor was Modi actually sure about the feasibility of the franchises building stadiums. And there was competition to consider: Subhash Chandra's domestic Indian Cricket League (ICL) was about to launch its inaugural tournament.<sup>9</sup>

## Section 6

### Competitive Landscape

In Modi's own estimation, "As far as entertainment was concerned, only two things mattered to Indians: Bollywood and cricket." Bollywood in 2007 was poised for dramatic growth. (See Exhibit 14.) In 2006 Bollywood generated revenues of \$1.75 billion, with that figure estimated to rise to \$3.4 billion by 2010.<sup>10</sup> In December 2006 Aasish Saxena, COO of PVR Cinemas, announced, "There will be 40% more multiplexes in 2007. Most big production houses will have three/four releases that are expected to earn big money."<sup>11</sup> The average ticket price for a Bollywood movie in India in 2007 was \$3.

However, other sports were also luring some traditional cricket fans into their stadiums. On June 13, 2006, the *Asian Times* announced, "The World Cup has sent cricket-crazed Indians into a soccer frenzy. The game has never been bigger in the country."<sup>12</sup> The article went on to note that women, who were accounting for a growing mass of soccer and cricket viewers in India, were losing interest in cricket: "I like soccer because the men who play the sport are strong, fit, aggressive and much better looking," explained one young woman in the article, "...Cricketers are softer in comparison."<sup>13</sup> (See [www.the-aiff.com](http://www.the-aiff.com) for further information on the All India Football Federation.)

And competition within the game itself was beginning to heat up. Several months before Modi met Wildblood at Wimbledon, a Twenty20 cricket league, called the Indian Cricket League (ICL), was announced in India on April 3, 2007. It had taken the very name Modi had registered a decade earlier, when he had thought of starting a one-day cricket league. As he had himself once envisioned, this newly formed ICL (<http://www.indiancricketleague.in/>) was owned and operated by a single entity,

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<sup>9</sup> Not to be confused with Modi's ill-fated 1996 league concept of the same name.

<sup>10</sup> Woke, comment on "Bollywood vs. Hollywood—The Complete Breakdown," Mutiny, comment posted February 1, 2007 (accessed via Google on 2/10/09).

<sup>11</sup> Author unknown, "Bollywood booty breaks billion-dollar barrier," *The Financial Express*, December 31, 2006, (accessed via Google on 2/10/09).

<sup>12</sup> Siddharth Srivastava, "Soccer gives cricket a run in India," *Asia Times*, June 13, 2006 (accessed via Google on 2/10/09).

<sup>13</sup> Ibid.

called the Essel Group.<sup>14</sup> The Essel Group (<http://www.esselgroup.com>) owned Zee TV ([www.zeetelevision.com/](http://www.zeetelevision.com/)), an entertainment television network in India, and had tried on multiple occasions to obtain the broadcast rights from the BCCI for ODIs and Test matches featuring the Indian national team. It had not succeeded in these efforts, although on its last attempt Zee TV was the highest bidder.

Subhash Chandra, the chairman of the Essel Group, raised a reported \$1 billion rupees (approximately \$25 million) to fund the ICL. He installed a board comprising former cricket stars Dean Jones (Australia), Tony Greig (England), Kiran More (India), and Kapil Dev (India). Tony Greig was now a highly regarded cricket commentator; Kiran More had served as chairman of the selection committee for the Indian national team; and Kapil Dev was a former Indian captain, widely regarded as one of the best cricket players to emerge from India. The Essel Group would produce and distribute the TV broadcasts, own the rights to all merchandising, and employ all players and coaches. Six teams were set to compete in the inaugural tournament, which was planned to run from November 30 to December 16, 2007. The winning team would win a cash prize of \$1 million.

According to Modi, the BCCI had several objections to the ICL concept:

It does not respect official cricket, it contributes nothing back into the game. It is a commercial venture that in reality is created not for the good of the sport but for the good of the media company that owns it and of its shareholders. It does not respect the FTP,<sup>15</sup> and it has made no contribution to the development of the players it employs.

Chandra argued the ICL was not in conflict with the BCCI. Instead, he explained, it would develop local talent and provide a pipeline of players that could be used by the BCCI as a feeder to the national cricket team. Nonetheless, the BCCI refused to give its official approval to the ICL. Further, it said that players who joined the ICL would be barred from representing the Indian national team or playing in domestic tournaments run by the BCCI. It also did not allow the ICL access to the cricket grounds it controlled through the various state cricket boards in India. The ICL sought the assistance of the courts, filing a petition with the Delhi High Court in August 2007 that it be allowed permission to use the state-controlled cricket grounds in India. Even as the case progressed in the court, the ICL was pressed to find alternative cricket grounds that would meet international standards of play and had facilities for playing cricket at night, broadcasting booths, and adequate seating for spectators.

In another setback for the ICL, the cricket boards of all major cricket-playing countries announced their agreement with the BCCI's position. They declared the ICL an unofficial cricket league and announced that players who signed with the ICL could not represent their countries in ODIs and Test

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<sup>14</sup> FAQ: The Indian Cricket League, "Everything you want to know about the ICL," Cricinfo, <http://content-usa.cricinfo.com/icl/content/current/story/310677.html> (accessed via Google on 2/10/09).

<sup>15</sup> Refers to the Future Tours Programme, which is the set of Test and ODI matches to be played between international teams. The FTP is coordinated by the International Cricket Council.

matches. Nonetheless, by September 2007 the ICL had signed 44 players, including several recently retired international cricket stars. Notable among them were two former international cricket captains, Brian Lara from the West Indies and Inzamam-ul-Haq from Pakistan. Lara was reported to have signed a million-dollar annual contract. Other international players recruited by the ICL came from Australia, New Zealand, Pakistan, South Africa, Sri Lanka, and West Indies. The ICL also signed up promising Indian players, including some who had earlier played for India but were now playing domestic cricket.

Despite these setbacks, The Essel Group was not about to disappear from the competitive landscape. Chandra announced in October 2007 that the company's second-quarter performance was "commendable," with operating profits up by 508% vs. a year before—with this substantial growth "led by a robust increase in advertising revenues."<sup>16</sup>

## Section 7

### 2007 World Cup: A Time to Woo Players

Between September 11 and September 24, 2007, South Africa hosted the first Twenty20 World Cup, a 12-team international tournament sponsored by the ICC. Upon his arrival in South Africa, just after the formal launch of the IPL, Modi set out to meet with members of the ICC as well as with administrators of the various national cricket boards, which had authority over their own national and domestic teams. His IPL tournament, he knew, would raise two central concerns: the impact it would have on domestic and international schedules, and the extra demands it would impose on already overworked players. He sought to convince executives from the cricket boards that the IPL would accommodate their interests and not compromise their control over their own players and calendars. Modi also wanted to meet with players in order to convince them that far from being a hardship, the IPL would benefit them directly.

Modi knew that if he could not sign up great players for domestic Twenty20 cricket, his league would stand no chance. "Without the players, we have nothing," he said. Modi came to South Africa armed with BCCI approval to offer players contracts never before seen in cricket. In 2007 the annual salaries for cricket players ranged from \$100,000 to over \$1 million, depending on the player's skill levels and the country in which he played. Players also earned money from sponsorships and advertising contracts, especially the Indian players, whose faces sold everything from soft drinks to refrigerators.

Working with IMG, Modi had classified the top 100 players in the world into four categories, based on their annual earnings and skill levels. He decided to offer minimum salaries of \$100,000, \$200,000, \$300,000, and \$400,000 to players in the different categories. (See Exhibit 8.) In all, he

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<sup>16</sup> Televisionpoint.com correspondent, "Zee Entertainment Enterprises Q2 Revenues at Rs 398.6," Televisionpoint.com., October 23, 2007(accessed via Google on 2/10/09).



was willing to offer \$20 million for the top 100 players in the world. Modi determined that most players would at least double their annual earnings by playing fourteen IPL games over two months—and could earn additional money from sponsorships. Modi had already spoken to many players, and they had reacted favorably to the proposed terms. Now he could offer them contracts.

## **Section 8**

### **2007 World Cup: Seizing an Unexpected Opportunity**

Modi's focus at the South African tournament unexpectedly shifted from negotiating player contracts to responding to an event of epic proportions. "It changed everything," recalled IMG's Wildblood.

By "it," Wildblood meant the stunning conclusion to the first Twenty20 World Cup tournament. With all the leading cricket-playing countries participating—Australia, Bangladesh, England, India, New Zealand, Pakistan, Sri Lanka, West Indies, and Zimbabwe—the Indian team was not expected to fare well. It had just concluded a hard tour of England. Most of its leading players, including the legendary Sachin Tendulkar, had opted out of the tournament. Consequently, the Indian team in South Africa had many young, inexperienced players, and a new captain, M. S. Dhoni. Unlike the players from Australia, England, New Zealand, and South Africa, none of the Indian players had ever before played serious Twenty20 cricket.

On September 14, 2007, two days after Modi reached South Africa, India played against archrival Pakistan. A tense game came to a climax with both teams scoring the same number of runs. A new tie-breaking rule was brought into play. India won. Suddenly, all anyone in India could do was wait for the next match played by the team.

India lost the next match to New Zealand, and on September 19, played England. In an extraordinary game, the Indian vice captain, Yuvraj Singh, hit six consecutive balls out of the playing field. The English players were stunned; Yuvraj appeared to be playing at a level the game had never seen.

In India, work stopped. People crowded around televisions in shops and malls. The next day, India beat the hosts, South Africa, qualifying for the semifinals. On September 22, they beat Australia to enter the final.

The final match was played at the Wanderers Stadium in Johannesburg on September 24. As if pre-scripted, the other finalist was Pakistan, India's long-time rival. The match itself lived up to its billing, and by some reckoning was better than the earlier match between the two teams. India batted first and made a subpar score of 157 runs for 5 wickets. Pakistan, which appeared to be winning, lost the match when their most dependable batter, Misbah-ul-Haq, lofted the ball and was caught out with his team needing just six runs from the last four balls to win.

All of India was euphoric. "It was just something else," says Modi. "In a matter of weeks, cricket fans in India had gone from being curiously interested in Twenty20 cricket to becoming its most ardent supporters." Broadcast live to 100 countries, the India-Pakistan final achieved TV ratings in



India of 21.2 on ESPN (<http://www.espnstar.com/>) and Star Cricket (<http://www.startv.com/feed/4028d8bb1544d2950115451faa3c0001>), capturing 47.2% of all TV viewers even though the matches competed against popular reality shows.<sup>17</sup>

Modi and the Indian team headed back to India.

The BCCI had arranged for the victorious Twenty20 team to take an open-top double-decker bus from the Mumbai Airport to the Wankhede Cricket Stadium. Modi recalled:

The worry I had was, ‘Will people come out to watch the team and felicitate them?’ It was pouring and pouring. Well, when the team landed and we came out, there were over 100,000 people at the airport alone braving the rain. And the journey from the airport to the stadium, which should have taken 40 minutes, took over 9 hours, and it is estimated that over two million people came onto the road to greet the team. This was covered wall-to-wall across all TV channels in India. This just reinforced my thoughts that people want a winner and they love the format. A lot, of course, had to do with the Indian national team. But the take-home for me was that this format is totally unpredictable, can grab one’s attention, and can have one at the edge of his seat till the last ball is bowled. This is something people will love. So that’s when work began in full swing.

## Section 9

### Shaping the IPL Model

In September 2007 Lalit Modi, fresh from South Africa, where India had so dramatically triumphed over Pakistan in the first Twenty20 World Cup, began working with his partners to lay the groundwork for his Indian Premier League.

Modi worked closely with IMG, whose London staff was given just a few months to work out the details of the nascent IPL. In guiding the work of IMG, Modi identified four constituencies whose interests they had to examine in detail: players, broadcasters, franchisees, and cricket boards (including the BCCI, the ICC, and various country-level boards around the world). They also had to consider the competition; after all, another man, Subhash Chandra, was also working to build an intercity Twenty20 league in India based on a centralized league ownership.

The first game in the IPL’s inaugural tournament was to be played on April 18, 2008. Ahead of that date, Modi needed to convince each of the four main constituencies that the league was in their best interests. What follows is a snapshot of where things stood between Modi and the four major constituencies in late December 2007. Nothing was yet set in stone.

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<sup>17</sup> ICC History, “ICC World Cup, Event History,” ICC Cricket, <http://icc-cricket.yahoo.com/wt20-2009/event-history.html> (accessed via Google on 2/10/09).

## Players

The players—whose buy-in Modi and IMG knew was a prerequisite for a successful league—were on board. They had liked the offers Modi made at the Twenty20 World Cup. What's more, in the interim, Modi had decided to sweeten the offers further. The amounts he had promised the players would now be minimum guarantees; franchises were free to bid for players in an open auction, and pay them market prices.

Though he was sure this arrangement would strengthen the league by ensuring the attraction and retention of top players, he was concerned about the prospect of bidding wars, which could make the tournament lopsided—and even ruin some franchises. Richer and more aggressive franchises, after all, might lure all the top international stars, leaving the other franchises with unknown and lesser players. For the weakest teams, merchandizing and sponsorship revenue would be gravely affected.

A second issue concerned the inclusion of domestic players and the Under-19 players. Should they be promised minimum salaries and included in the bidding?

A third issue was the role certain marquee players would play in the formation of the league. It seemed to Modi that some players from the Indian national team were so closely associated with certain cities that they had to be assigned to these cities. The most prominent of these players were: Sachin Tendulkar (Mumbai), Saurav Ganguly (Kolkotta), Virender Sehwag (New Delhi), Yuvraj Singh (Chandigarh), Rahul Dravid (Bangalore), and VVS Laxman (Hyderabad). Should these players be preassigned to the franchises associated with these cities? If so, how would the franchises and the players in question react, and how would they be paid if not through the auction?

A final issue concerned the uncertainty around the availability of certain players. Some players might only be able to play for part of the IPL season if, for example, they were needed to represent their countries for Test matches or ODIs. Should these players be included? If so, how should they be treated in the player auction?

## Broadcasters

The primary revenue stream for broadcasters comes from advertisers, who pay to air commercials during breaks in programming. Viewership of popular programming, particularly Bollywood movies and soap operas, had exploded in India since the 1990s. Likewise, cricket revenues had grown by extraordinary multiples, in large part because of Modi's own efforts in marketing live cricket to television audiences. Broadcasters and advertisers recognized cricket as a powerful communication force. Demand for commercial TV spots had skyrocketed.

Just as broadcasters are paid by advertisers, sports leagues are paid by broadcasters. Cricket matches featuring the Indian national team fetched the highest broadcast revenues in the world. Although it was not clear what audiences the IPL might obtain, Modi knew that ODIs in India fetched the BCCI approximately \$7.5 million per game. Modi was not certain what broadcasters would pay the IPL for each Twenty20 game. Wildblood and his IMG team suggested \$1 million per game for each of 59

games played per season. This was a good starting point, but Modi's aim was to sell the broadcast rights for a ten-year period and he was not sure whether it made sense to commit the IPL to a set fee per game for as long as a decade.

Broadcasters in India typically expected to earn \$2 in advertising revenues for every dollar they spent acquiring the rights to a given program; to pay Modi \$1 million per match, a broadcaster would have to feel confident in receiving at least \$2 million per match in advertising. The league would be designed with advertising in mind: an IPL game could feature 72 thirty-second commercial spots. Each thirty-second commercial spot during prime time sold for approximately \$11,000 per rating point (one rating point equals viewership by one percent of all households with television sets in the country).

Modi's discussions with several TV broadcasters in India and abroad had not been promising. Although interested, most broadcasters he met considered the IPL a risky venture compared to the revenue ODIs brought in: an ODI was a sure bet for broadcasters with 400-500 seconds of valuable advertising per game garnering ratings in the 2-3 point range. Given the riskiness of the proposition, the broadcasters told Modi that the live TV coverage was feasible only if the IPL could deliver an average of 4 rating points per game—reasoning that since a Twenty20 game was half as long, they should be able to earn twice as much per second. Modi thought this feasible after the tremendous ratings achieved by the matches featuring India in the Twenty20 World Cup. However, a great deal would depend on when the IPL matches were played, and the audiences they delivered.

Some broadcasters, like ESPN Sports, proposed a revenue-sharing arrangement. Modi was opposed to this idea because he thought the broadcaster must share some risk.

Prime-time television had the potential of delivering the largest audience, but also the risk of more intense competition from competing television channels. Women had historically not been drawn to cricket matches in India. Most Indian households had a single TV, and there was a risk that a prime-time IPL broadcast might not garner the potential audiences unless it was compelling enough to attract a broad audience. A lot would thus depend on how the IPL was marketed and how the television broadcaster packaged the programming surrounding the match play.

Modi also thought it might be possible to tie the IPL in with Bollywood. Mixing the glamour of film with the fast action of Twenty20 cricket could be potentially irresistible for television audiences, provided it were done carefully and in good taste. He was aware that unlike the populations of developed countries, India's masses could not afford to spend large amounts of money on entertainment. For many, television shows became the principal form of free entertainment. How well would IPL cricket do against family-oriented prime-time television programs, such as the Indian version of *Who Wants to Be a Millionaire*, which was hosted by the famous Indian actor Amitabh Bachchan?

There was also the huge international market for pay-per-view (PPV) sporting events to consider; in fact, the BCCI earned more revenue from PPV in the United States than from the much more cricket-friendly markets of Australia and England combined.

## **Franchises**

Modi believed that a franchise structure, similar to the one used in American professional sports, had significant benefits over centralized ownership. But it was still not clear if anyone in India would buy an IPL franchise. Despite Modi's leanings, he could not entirely rule out centralized ownership; however, given the resources at his disposal, outside equity funding might be required.

After all, in selling an IPL franchise, Modi would not be selling a stadium, but instead would be asking the buyer to build one at enormous expense. Modi had a work-around solution for the short term: he had access to existing stadiums run by state cricket boards, which reported to the BCCI. Modi figured that a fee of about \$100,000 per game would cover the operating and maintenance costs for these existing stadiums. But though he could convince prospective franchisees that league play could begin immediately, he still had to face a daunting sticking point to any sale. On the one hand, franchisees were not likely to want to invest hundreds of millions of dollars in stadiums meant to host a 44-day annual tournament. On the other hand, the potential franchise owners to whom Modi spoke repeatedly asked him one question: what were they going to buy if not a stadium? Modi explained about exclusive franchise rights, but it remained unclear to them why these might be of any value.

Modi then went back to the drawing board. How should he value a franchise? He thought it might be possible to link the valuation of franchises to their revenue streams. But these depended on the not-yet-finalized money he would obtain from the broadcasters. And what would be the full amount to be shared among the franchises? In addition, they could earn a similar share of central sponsorships, which he estimated to be about \$30 million in the first year.

The franchises could also make money from local sponsorships, gate receipts, merchandizing, and hospitality. Cricket stadiums in India could accommodate between 30,000 and 90,000 spectators. (See Exhibit 7.) Thus ticket revenues could be substantial, even if tickets to IPL games were priced at only \$5 per game, which was slightly higher than the price of a movie ticket in India. In reality, there was a wide range of ticket prices offered for most Indian sporting events—from \$3 to \$750 a seat. Merchandise and concession sales might bring in around \$2 to \$3 for each ticket sold. Modi estimated that corporate hospitality suites could fetch another \$1 million annually.

Modi needed to pull together the various numbers and build an economic rationale for franchisees. Assuming the franchise structure was the right way to go, Modi also needed to know how much he should ask for each franchise. Modi intended to use a sealed-bid auction for the sale of franchise rights. He hoped to raise a minimum of \$50 million from the sale of each franchise. Equity in sports teams represented a lucrative investment around the world, but Modi needed a way to communicate

the full benefits to potential owners in India. George Steinbrenner's quip, that "owning the [New York] Yankees is like owning the Mona Lisa," would not be well understood in a country without a history of private control over domestic teams.

Modi spoke to Shahrukh Khan, an old school friend and now a leading Indian film star, about buying a franchise. Khan was interested but confessed to knowing next to nothing about cricket or franchising. Then on a visit to Thailand over the New Year break, Modi met Preity Zinta, another Bollywood star, who was vacationing in Phuket with her boyfriend, Ness Wadia. Would they be interested in buying an IPL franchise? Wadia was excited by the prospect, Zinta intrigued. Modi promised to help both Khan and Zinta understand the basics of the cricket business. An idea was forming in his mind—if he could get these stars on board, he might have a marketable IPL-Bollywood connection.

### **The Cricket Boards**

The BCCI and state cricket boards were allies, but there were practical realities with which Modi had to contend. The major concern for the BCCI was the impact the IPL would have on Test matches and ODIs, and on the relationships with other cricket boards across the world.

In 2007 there were 10 Test matches and 39 ODIs featuring the Indian national team. All these matches, and many others between non-Indian teams, were shown live on Indian television. As a result, there was almost nonstop cricket coverage on Indian television. Test match attendances had diminished, although ODIs continued to draw almost-full stadiums; Eden Gardens in Kolkata, full to the rafters with nearly a hundred thousand spectators, was a sight to behold.

Modi was committed to one overarching objective: any new format of cricket, including the Twenty20, must not compromise the traditional game of cricket in any manner. Test cricket was more than a century old, and he believed it must be preserved like the jewel in cricket's crown. ODIs were the bread and butter of cricket, the cash cow that had made the BCCI the richest cricket board in the world. India had become the economic powerhouse of cricket, earning, according to Modi, 80% of the worldwide cricket revenues. ODIs were central to this power and money. Modi could scarcely sacrifice these existing forms of cricket in pursuit of his interest in the IPL. Thus he had to make sure that the IPL offered a differentiated product; it could not cannibalize ODIs and Tests.

Finally, Modi had to address the BCCI's concerns about its relations with the ICC and the cricket boards of other countries. The cricket boards of other countries already felt resentment at the economic clout exercised by the BCCI. Modi thought the problem was that the countries that had for so long controlled the game could not bear to lose their hold on it. Still, the BCCI had to act responsibly, as a member of the larger cricketing community. A successful IPL could further threaten the cricket boards of other countries. Already, the ECB—who developed Twenty20 in 2003—was expressing displeasure at the prospect of the IPL. The ECB watched in chagrin as Modi looked to use English cricket players for a domestic Indian tournament and ultimately announced that no English

player would be available for the first season of the IPL. Fortunately, the executives of the other boards, with whom Modi had spoken in South Africa, were supportive. The ICC had given its formal approval. Modi had to figure out a way to include the ICC and the other cricket boards into the IPL equation.

### **Christmas Eve: Finalizing the Plan**

IMG's Wildblood and Griffiths spent the night before Christmas working in Mumbai. The inaugural season of the rebel ICL had just finished, and it had been reasonably successful,<sup>18</sup> with Zee TV carrying the matches live from the two or three stadiums that it had managed to secure from various parties—including Indian Railways and several Indian state governments—despite the BCCI's opposition.

At the most basic level, Modi and his IMG colleagues had to decide how to position an IPL franchise as a marketable and sustainable commodity. In any event, there was an auction for the broadcast rights and a players auction to plan for—all within a month. And all of these decisions would be made in the glare of public scrutiny and the media spotlight. For months Modi had scarcely been able to walk the streets of Mumbai without a journalist or a camera in his face. Every sentence he uttered was dissected and analyzed. It was likely to stay that way for some time to come. Fail or succeed, it would all happen in the most public way for Lalit Modi and the IPL.

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<sup>18</sup> It was difficult to accurately measure the success of ICL's first season due to a lack of transparency in league operations.

## Appendix A

### India and the History of Cricket

The game of cricket brings Indians together in ways nothing else can. In it they see a dramatic example of their plurality and tolerance, where religion, caste, economics, and social status play no role. In 2007 India's best bowlers—cricket's rough equivalent of baseball's pitchers—were a Sikh (Harbhajan Singh), a Muslim (Zaheer Khan), and a Hindu (Ishant Sharma). A few days after the November 26, 2008 terrorist attack in Mumbai, when the English cricket team returned to play Test matches in India, the Indian cricket players stood together as a symbol of India's harmony.

Indian cricket is seen by many as a national institution; in this view, its rise and the rise of India are one and the same. Sachin Tendulkar (<http://www.liveindia.com/cricket/Tendulkar.html>) is considered to be the most revered player in the history of Indian cricket. Yet Tendulkar is not merely seen as an outstanding cricket player. Instead, the country sees in his success an example of *their* success, and in his behavior an example of their best selves: gentle, modest, and cerebral on the one hand; self-confident, fiercely competitive, and all-conquering on the other.

#### A Cricket Primer

Cricket was invented in England long enough ago that its origins are the stuff of legend: the first known written mention of the game occurs in 1598.<sup>19</sup> The first international cricket match was played between the United States and Canada in 1844. Although baseball replaced cricket in North America, cricket gained in popularity in the other British colonies.

Cricket resembles its cousin sport, baseball: two teams take turns batting in an effort to score more runs than the other. In cricket, the bowler bowls (pitches) a hard red or white ball toward the batsman, who stands in front of three sticks, called stumps or wickets. Unlike baseball, in traditional (or Test) cricket, a batsman can remain at bat as long as he is not “out”—there are no balls and strikes.

A batsman can score runs by:

- (1) hitting the ball and running back and forth between a pair of wickets located 22 yards (66 feet) apart on a pitch;
- (2) hitting a home run (which fetches six runs); or
- (3) hitting the ball past the boundary of the playing field (which fetches four runs).

A batsman is out if:

- (1) the ball hits the wicket behind him;

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<sup>19</sup> About the Club, “About Guildford Cricket Club,” Guildford Cricket Club, <http://www.guildfordcc.com/about.html> (accessed via Google on 2/10/09).



- (2) he uses his legs instead of the bat to block a ball headed toward the wicket;
- (3) he hits the ball in the air and it is caught by a fielder; or
- (4) the wicket is broken by a fielder when the batsman is outside his crease, a region extending 4 feet in front of the wicket.

Bowlers take turns bowling *overs*: each over is a series of six balls delivered by one bowler. A bowler can bowl more than one over, but not two consecutive overs. Once ten of the batting team's eleven batsmen are out, the teams reverse positions; one complete cycle is an *inning*.

In 2007 the sport was played at the international level by teams representing Australia, Bangladesh, England, India, New Zealand, Pakistan, South Africa, Sri Lanka, and West Indies. Most international cricket matches are broadcast live on television and radio, and typically eclipse in popularity the domestic tournaments in these cricket-playing nations. Long-standing rivalries, such as those between Australia and England or India and Pakistan, fill stadiums and attract large TV audiences.

## Appendix B

### Snapshot of India's Modernization

India, at the time of IPL's launch, was a country of 1.1 billion people and the world's largest democracy; it was, in 2007, about as upwardly mobile as a country could be. For while it was home to poverty of a depth and a scale hardly imaginable—as much as a half of the population lived on less than \$1 per day; half of all Indian children were clinically malnourished; 60% of Mumbai's 18 million inhabitants lived in slums or on the street—it was also a place where people up and down the social order were staging what amounted to a quiet revolution, one fueled as much by a slow withering of fatalism as by a fast expansion of wealth. The consequent social changes were uneven, halting, incomplete, and unpredictable, but one thing was certain: India was no longer a nation of the very rich and the very poor alone. It was also becoming, according to a 2007 report by McKinsey & Co.'s Global Institute, a nation with a middle class. (See Exhibit 17.)

At the heart of the growth of the middle class was the expansion of the economy itself. India had for the past five years enjoyed an annual growth rate of 8.8%. For that, it could offer great thanks to Prime Minister Manmohan Singh, who in 1992, as India's finance minister, pushed through reforms that freed up industry and reduced taxation and tariffs; his efforts led to an annual growth rate of 6% between 1992 and 2002. In this period of heady growth, headlines told the tales of the nation's brilliant technology industry, its glamorous Bollywood, and the entrepreneurial spirit that neatly underscored the nation's new faith in ambition. But the reforms were most meaningful for their success not in creating wealth, but rather in relieving poverty. From 1985-2007 the number of Indians living on \$1 per day had fallen from 93% to 54% of the population. By that measure, these reforms had helped more poor people than any government effort in history.

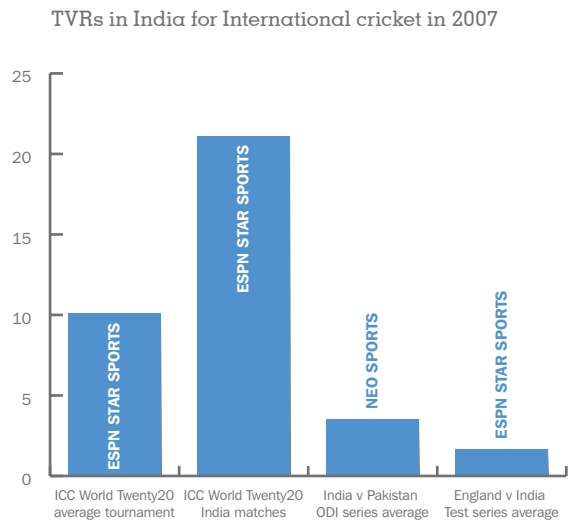
Indian modernization in 2007 was a work in progress. It was predicted that if its current pace of growth continued, India would within 20 years be the fifth-largest consumer market in the world. What's more, it would be powered by youth. India had the youngest population in the world: half of its people were under the age of 25, and by 2015 there were estimated to be 550 million teenagers in India.

As India boomed, it became more and more of an urban country. In 2007 city dwellers accounted for 28% of the population: one projection saw that figure doubling in the next 30 years. The Indian government was preparing to deal with the problems that this vast expansion of cities would bring. In 2005 Prime Minister Singh inaugurated an urban-renewal program that committed \$28 billion to alleviating poverty and making urban life viable. That would be good news to the inhabitants of Mumbai, 99% of whom were exposed to air deemed unsuitable by the World Health Organization.

The 2007 McKinsey report saw an India fundamentally changed by an explosion in wealth. India's middle class—defined by McKinsey as people with a household income, when cost of living was taken into account, between \$23,000 and \$118,000—was made up of 50 million people, but was expected to balloon, in 2025, to 583 million people. What's more, the firm guessed that middle-class Indian households would see their incomes, in that time, grow eleven-fold. McKinsey also took note of the wealthiest Indians—those earning more than the American equivalent of \$118,000. There were only about a million of them in 2007, but by 2025 there were expected to be 9.5 million, and they were expected to spend scads of money—representing 20% of Indian consumption—on luxury goods and services.

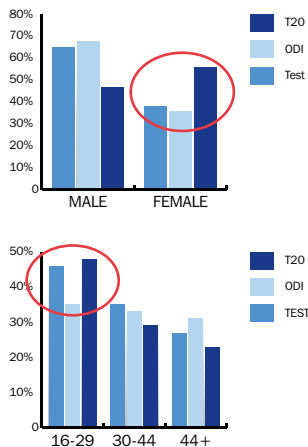
# Exhibit 1 - Indian Revenue for International Cricket in 2007

- The fastest developing sports format of the modern era
- India's victory in the ICC World Twenty20 created an instant love for the format
- The perfect blend of sport and entertainment
- Ideal timing for evening and weekend match attendance
- "Must have" prime time content for broadcasters
- Delivers key demographic groups to advertisers and sponsors
- Delivers new "hard to reach" demographic sectors (e.g. women and youth)
- 3 hour match duration guarantees exciting finishes with explosive action
- Twenty20 has been an instant hit wherever it has taken place – e.g. England, Australia, South Africa, West Indies
- Surveys in India suggest that Twenty20 is now overwhelmingly the preferred format of cricket to watch (76%)
- Truly an unbelievable sporting phenomenon

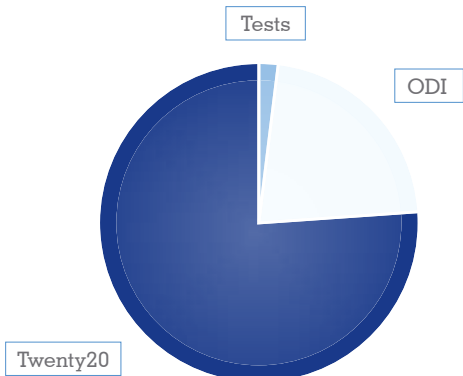


## Exhibit 2 - Indians' Preferred Format for Cricket

Twenty20 consolidates cricket's traditional audience whilst recruiting far greater numbers from non-traditional cricket demographics e.g. younger people and women.



source: Cricket Australia "Product Insights", Sweeney Sports Research March 2007



source: Mindshare Survey on Indian cricket fans October 2007

Twenty20 brings a new demographic to cricket: as is evident from the dramatically increased numbers of female and young people in this profile of Australian Twenty20 attendees.

The Indian cricket fan's favourite type of cricket to watch has moved dramatically to Twenty20 following India's victory in the ICC World Twenty20.

Form of Cricket	Peak Value (Rs)	Broadcaster	Match/Series
Test Match	300,000	Neo Sports	India v Pakistan 2007 series
ODI	515,000	Neo Sports	India v Pakistan 2007 series
Twenty20	800,000	ESPN Star Sports	India v Pakistan (ICC World Twenty20 Final 2007)

### Exhibit 3 - Revenue Opportunities for Franchise Owners

The revenue opportunity is divided into two distinct areas

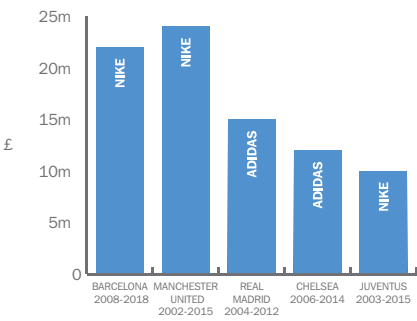
1. Central: (Aggregates rights sold collectively from the centre)

- Media
- Sponsorship
- Official Suppliers

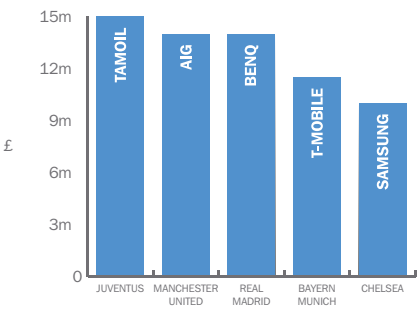
2. Local: (Commercial rights sold by the Franchise)

- "Gate"
- Franchise title sponsorship
- Franchise shirt sponsorship
- Local sponsorships
- Licensing programme
- Uniform merchandising
- Hospitality and premium seating
- Matchday concessions
- Matchday promotions
- Franchise media platforms e.g. Franchise channels and websites

Top 5 football uniform supplier agreements (per season)



Most valuable European football shirt sponsorship agreements (per season)



## Exhibit 4 - Snapshot of Growth in Cricket Revenues

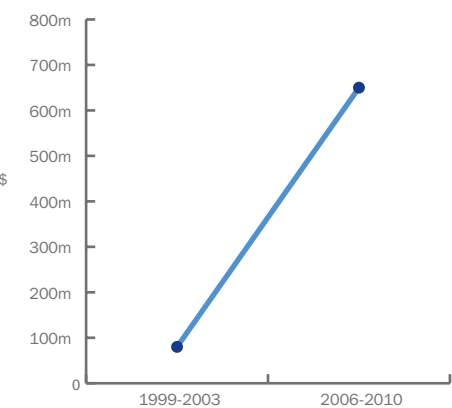
Cricket revenues have grown by extraordinary multiples since the early 1990's as broadcasters, advertisers and critically rights owners, recognise the powerful communication force the game represents.

The development of the Twenty20 format is certain to be the catalyst for the next steep growth curve as the format matures and attracts greater numbers of viewers from a wider demographic base.

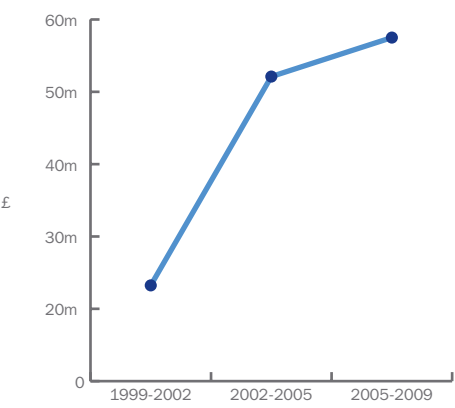
	Previous	New
Rights Owner	ICC	ICC
Winning Bid	Global Cricket Corporation	ESPN Star Sports
Length (yrs)	7 (2000 - Late 2007)	8 (Late 2007 - Feb 2015)
Value	\$550m	\$1.1bn
Competitions	2 World Cups	2 World Cups 2 Twenty20 World Cups Minimum 3 Champions Trophies
Rights Included	TV, Radio, New Media & Sponsorship (\$150m)	TV, Radio, New Media
Sponsorship	4 Global Partners: Hero Honda (\$25-30m) Hutch (\$25-30m) Pepsi (\$25-30m) LG Electronics (\$25-30m)	Currently 2 Global Partners: Reliance (\$100m) Pepsi (\$60m)

Exhibit 5 - 2007 Global Television Revenues for Cricket

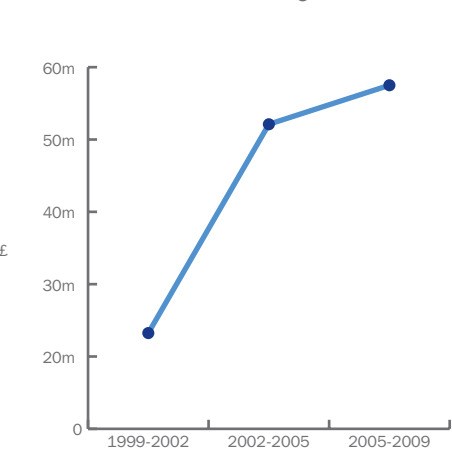
Value of BCCI global television rights



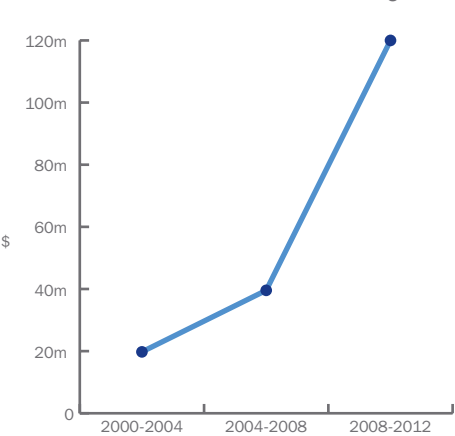
Value of ICC global television rights



Value of ECB U.K. television rights



Value of Cricket Australia's television right in Asia



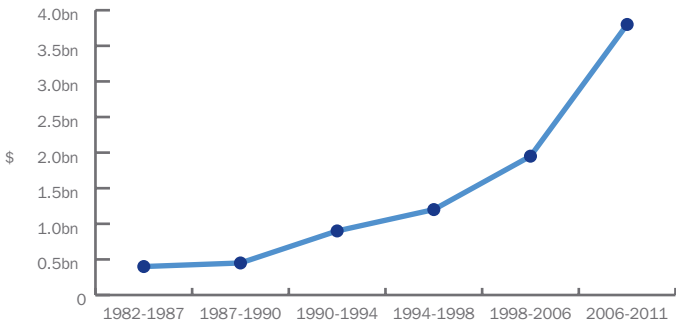


## Exhibit 6 - 2007 Global Financial Overview for Non-Cricket Sports

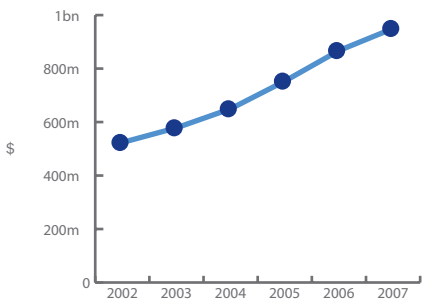
As leisure time in developed markets in developed markets increases so does the consumption of sport through the media. Greater numbers of media outlets creates greater competition amongst these outlets for the 'must have' content that attracts media consumers and so advertisers.

The world's successful sports leagues have seen their revenues and the value of their teams rise hugely in the last 20 years.

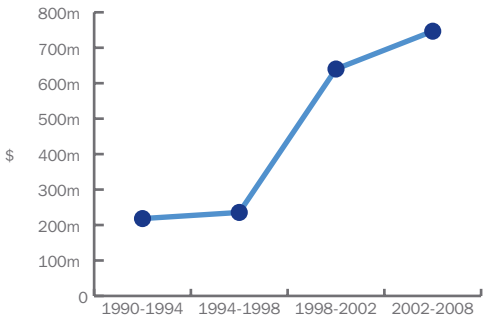
Value of NFL television rights



Average NFL Franchise value



Value of domestic NBA television rights



Average NBA Franchise value

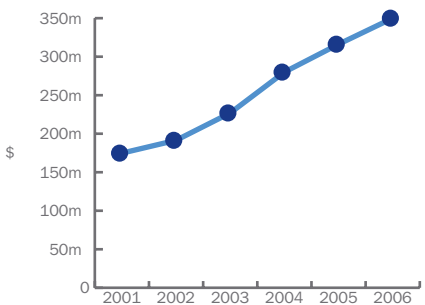
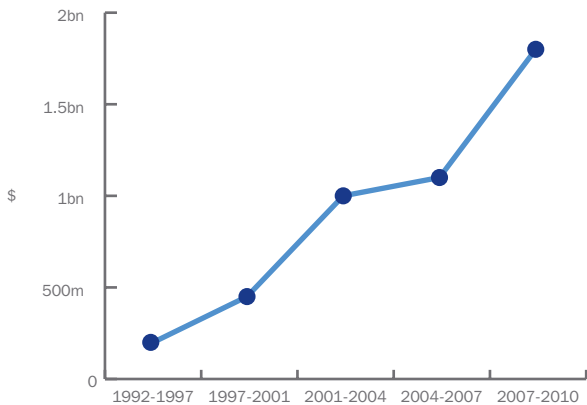
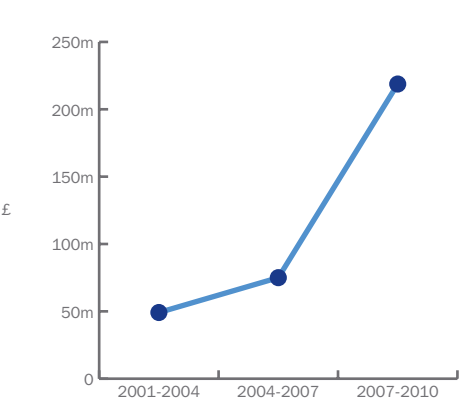


Exhibit 6 - 2007 Global Financial Overview for Non-Cricket Sports

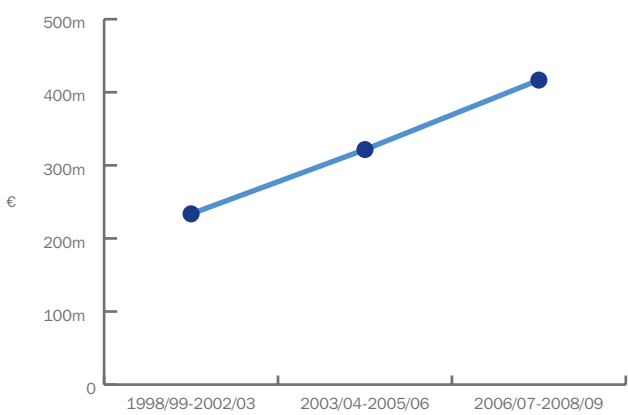
English Premier League domestic media rights



English Premier League overseas media rights



Spanish La Liga domestic & international media rights



Italian Serie A media rights

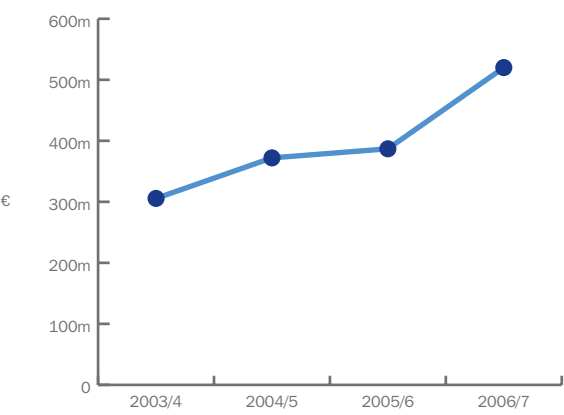
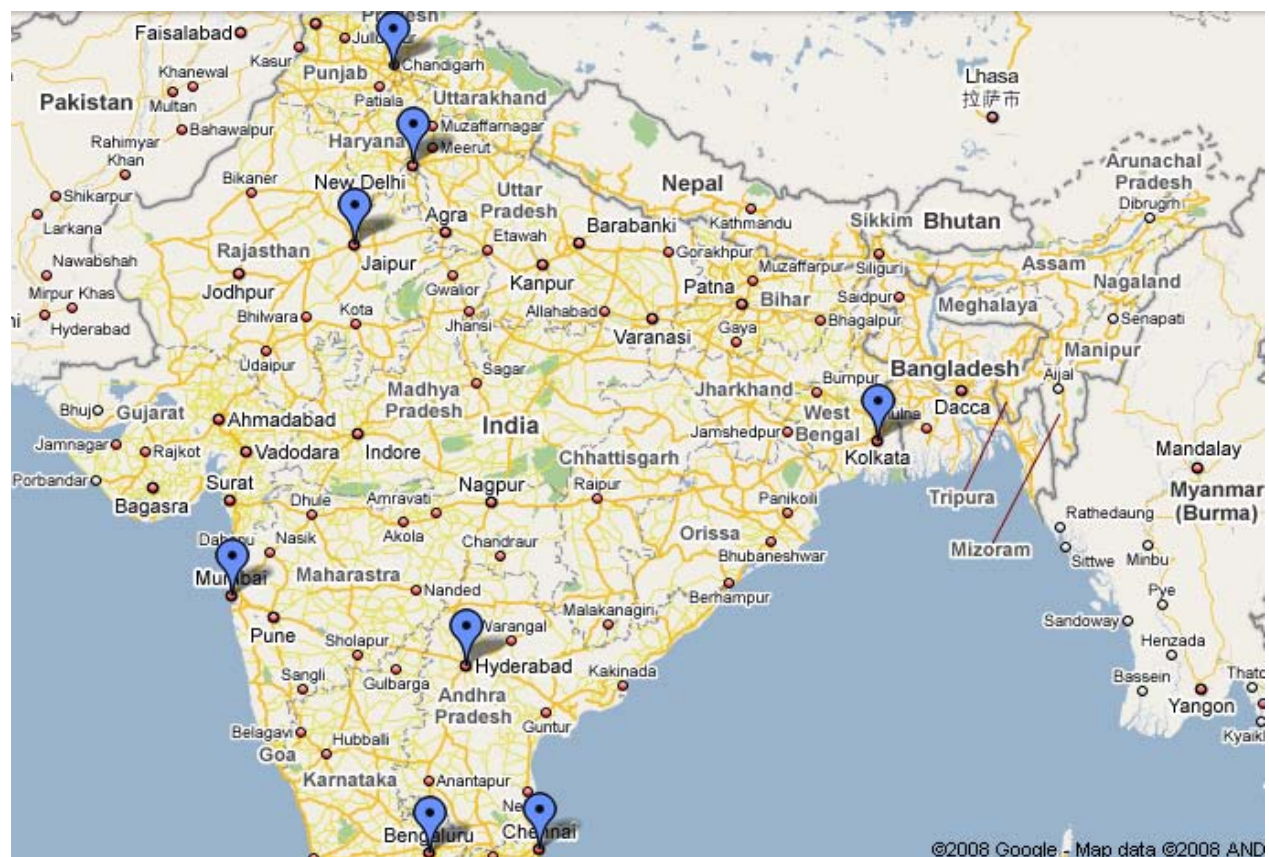


Exhibit 7 - Stadium Capacity in Major Indian Markets

City	Population	Cricket stadium	Stadium capacity
Mumbai	13 million	Wankhede Stadium	40,000
Kolkatta	7.8 million	Eden Gardens	90,000
New Delhi	12 million	Firoz Shah Kotla	40,000
Jaipur	3.3 million	Sawai Mansingh Stadium	30,000
Chandigarh	1 million	Punjab Cricket Association Stadium	40,000
Chennai	4.3 million	M. A. Chidambaram stadium	50,000
Hyderabad	8.9 million	Rajiv Gandhi Cricket Stadium	55,000
Bangalore	6.2 million	M. Chinnaswamy Stadium	55,000



**Annual salaries (USD) of players from different countries**

Country	2007 salary range
New Zealand	\$100, 000-150,000
Pakistan, Sri Lanka	\$150-000-200,000
South Africa	\$200,000-250,000
Australia, England	\$300,000-500,000
India	\$250,000-1,000,000

**Player classification and minimum salary**

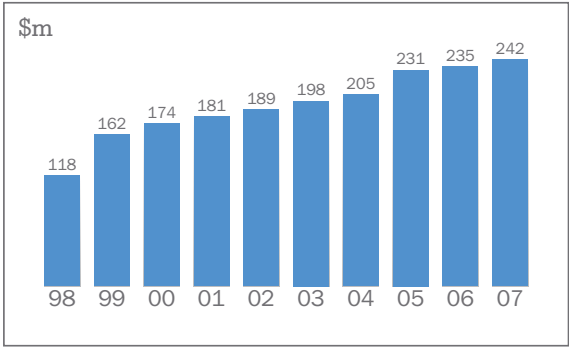
Player level	Minimum IPL salary (2008)
1	\$400, 000
2	\$300,000
3	\$200,000
4	\$100,000

Modi calculated the total value of the top 100 players worldwide at approximately \$40 million.

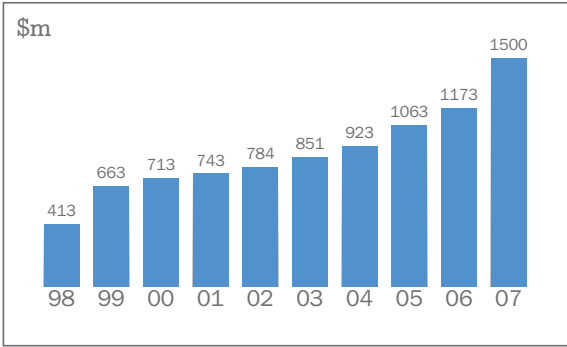
Exhibit 9 - Most Valuable Franchises in U.S. Major League Sport

As rights revenues grow, so the capital value of Franchises rises inexorably

NFL

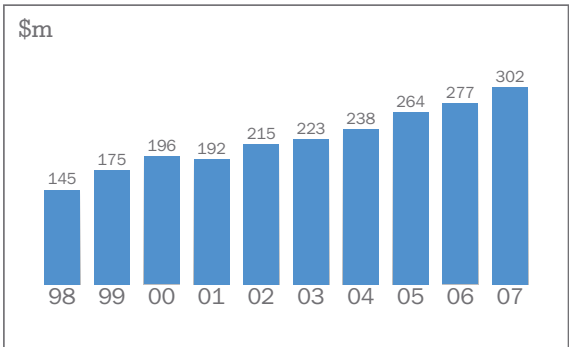


Dallas Cowboys Revenue

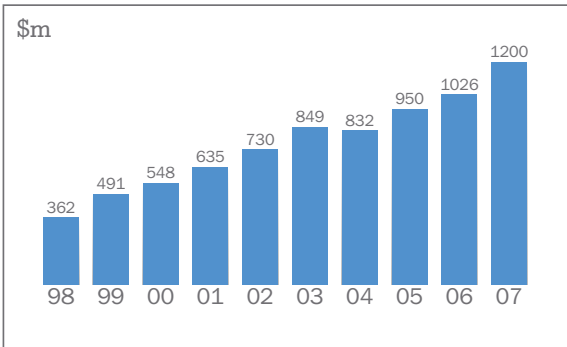


Dallas Cowboys Value

MLB

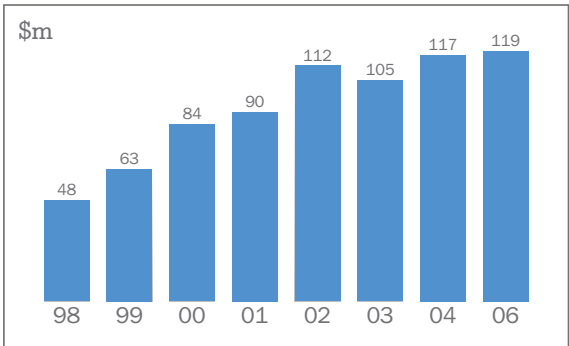


New York Yankees Revenue

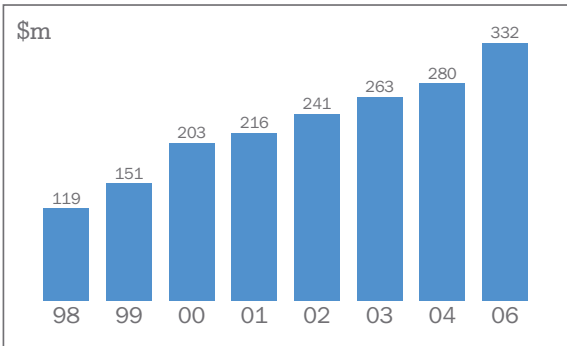


New York Yankees Value

NHL\*



Toronto Maple Leafs Revenue



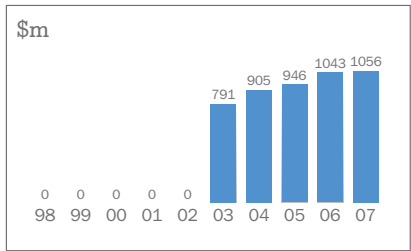
Toronto Maple Leafs Value

\*NHL lockout during '04/'05

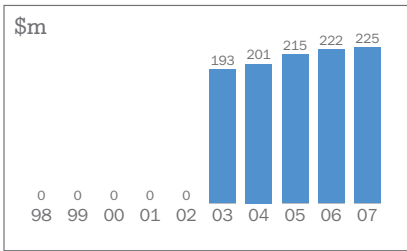
# Exhibit 10 - Recent Expansion Franchises in U.S. Major League Sports

The financial entry points into Franchise leagues continue to set new records

## Recent expansion Franchises

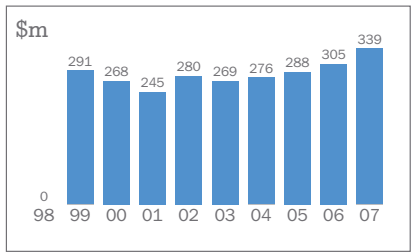


Houston Texans Value

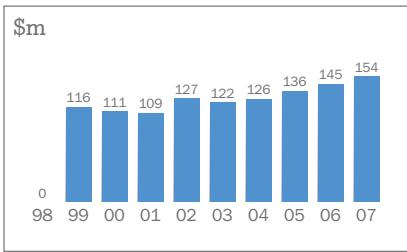


Houston Texans Revenue

- The most recent NFL expansion Franchise, the Houston Texans, was sold for \$700m in 2002 – the 2007 estimated value is \$1.056bn

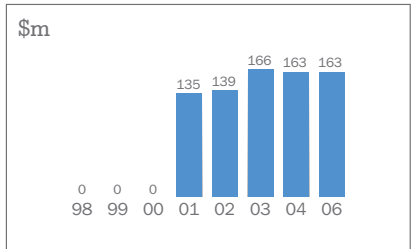


Arizona Diamondbacks Value

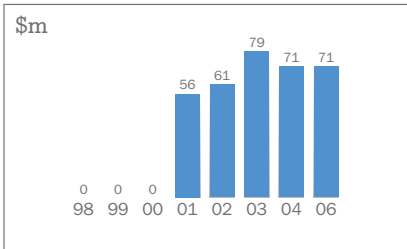


Arizona Diamondbacks Revenue

- The most recent MLB expansion Franchise, the Arizona Diamondbacks, was sold for \$130m in 1998 – the 2007 estimated value is \$339m



Minnesota Wild Value\*



Minnesota Wild Revenue\*

\*NHL lockout during '04/'05

- The most recent NHL expansion Franchise, the Minnesota Wild, was sold for \$80m in 2000 – the estimated 2006 value is \$163m

## Exhibit 11 - Estimated Value of Leading Sports Franchises

Sports Franchises are viewed amongst the most attractive investments by many of the world's leading businessmen

Franchise	Owner	Year Bought	Value when bought	2007 Revenue	Value in 2007
New York Yankees	George Steinbrenner	1973	\$10m	\$302m	\$1.2bn
New York Mets	Fred Wilpon	2002	\$391m	\$217m	\$736m
Boston Red Sox	John Henry & Tom Werner	2002	\$380m	\$234m	\$724m
Los Angeles Dodgers	Frank McCourt	2004	\$355m	\$211m	\$632m
Chicago Cubs	Tribune Corporation	1981	\$21m	\$197m	\$592m

### Top 5 Major League Baseball Franchises

Franchise	Owner	Year Bought	Value when bought	2007 Revenue	Value in 2007
Dallas Cowboys	Jerry Jones	1989	\$150m	\$242m	\$1.5bn
Washington Redskins	Daniel Snyder	1999	\$750m	\$313m	\$1.467m
New England Patriots	Robert Kraft	1994	\$172m	\$255m	\$1.199bn
Houston Texans	Robert McNair	1999	\$700m	\$225m	\$1.056bn
Phildelphia Eagles	Jeffrey Lurie	1994	\$185m	\$224m	\$1.052bn

### Top 5 National Football League Franchises

Franchise	Owner	Year Bought	Value when bought	2007 Revenue	Value in 2007
New York Knicks	Cablevision Systems	1997	\$300m	\$185m	\$592m
Los Angeles Lakers	Philip Anschutz	1979	\$20m	\$167m	\$568m
Dallas Mavericks	Mark Cuban	2000	\$280m	\$140m	\$462m
Chicago Bulls	Jerry Reinsdorf	1985	\$16m	\$149m	\$461m
Houston Rockets	Leslie Alexander	1993	\$85m	\$142m	\$439m

### Top 5 National Basketball Association Franchises

Franchise	Owner	Year Bought	Value when bought	2006 Revenue	Value in 2006
Toronto Maple Leafs	Bell Globemedia	2003	\$224m	\$119m	\$332m
New York Rangers	Cablevision Systems	1997	\$195m	\$109m	\$306m
Detroit Redwings	Michael Illitch	1982	\$8m	\$89m	\$258m
Dallas Stars	Tom Hicks	1995	\$84m	\$89m	\$248m
Philadelphia Flyers	Comcast-Spectacor	1996	\$150m	\$88m	\$246m

### Top 5 National Hockey League Franchises

Team	Owner	Year Bought	Value when bought	2007 Revenue	Value in 2007
Manchester United	Malcolm Glazer	2005	\$1.484bn	\$310m	\$1.453bn
Arsenal	Arsenal Holdings	-	-	\$246m	\$915m
Chelsea	Roman Abramovich	2003	\$276m	\$283m	\$537m
Liverpool	George Gillett & Tom Hicks	2007	\$454	\$225m	\$454m
Newcastle United	Mike Ashley	2007	\$274m	\$159m	\$274m

### Top 5 Premiership football teams



## Organization

- English Premier League is organized as a corporation for its member clubs
- 20 clubs compete in the English Premier league every year in a season that runs from August to May

## Finances

### Revenues [3]

- Total Premier league revenue in 2006/2007 was £1.5B, with average Premier League club revenue exceeded 75M in 2007

#### Match day Revenues (Ticket Sales)

- Premier league clubs collected total of £546 (est) match-day revenue in 2006/2007. Of note, Arsenal reported a 105% increase in match-day revenue after moving to new, bigger facilities at Emirates Stadium

#### Commercial Revenues

- Premier league clubs collected total of £400 (est) commercial revenue in 2006/2007. The highest earner was

#### TV Revenue

- English Premier League TV rights were expected to hit £2B in 2007/2008
- 50 per cent of total money goes on an equal share basis to the 20 Premier League clubs, while relegated clubs also receive some of this money in the form of a parachute payment. 25 per cent of the money is paid as facility fees, which are determined by the number of appearances on television. 25 per cent is paid in merit payments, determined by the position that a club finished in the league. [1]

## Costs

#### Player Salaries

- Player salaries in 2006/2007 rose to £969, with wages/turnover ratio (salary and wages paid divided by total business income) rising to 63%.

#### Stadium Development

- Average attendance in 2007/2008 was 36.1k and total attendance was 13.7m
- Over £100M was invested in stadium improvements in 2006/2007

## Financing

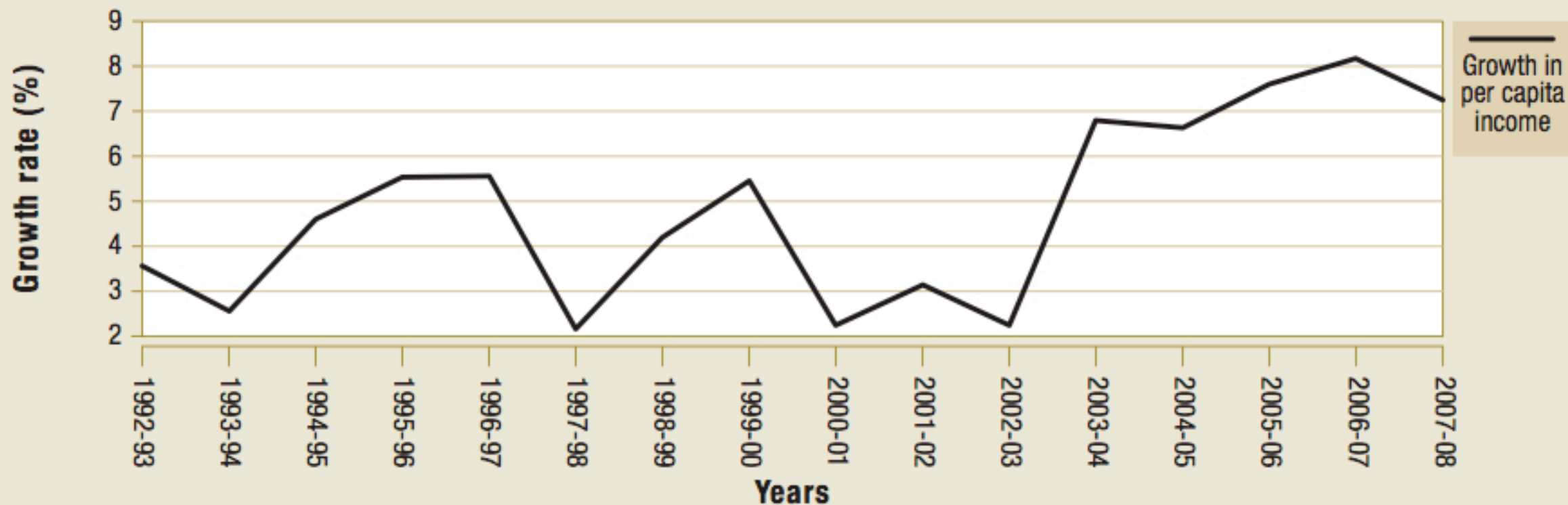
Clubs reported nearly £2.5B in debt in 2006/2007 season, with top clubs contributing 605 and 620 for Manchester United and Chelsea

## Sources

1. About us FAQ (premierleague.com) <http://www.premierleague.com/page/Faqs/0,,12306,00.html>
2. Premiership in new TV Deal (bbc.co.uk) <http://news.bbc.co.uk/2/hi/business/6273617.stm>
3. Annual review of Football Finance (deloitte.co.uk) [http://www.deloitte.com/dtt/cda/doc/content/UK\\_SBG\\_ARFF2008\\_Highlights\(1\).pdf](http://www.deloitte.com/dtt/cda/doc/content/UK_SBG_ARFF2008_Highlights(1).pdf)

**Figure 1.2**

## Growth in per capita income



## Indian Film Industry

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
<b>Film Industry</b> % growth	<b>59.9</b>	<b>68.1</b> 14%	<b>84.5</b> 24%	<b>96.0</b> 14%	<b>110.8</b> 15%	<b>123.8</b> 12%	<b>141.0</b> 14%	<b>165.0</b> 17%	<b>175.5</b> 6%	13%
<b>Box office-Domestic</b> % growth	<b>46.5</b>	<b>52.8</b> 14%	<b>64.0</b> 21%	<b>71.5</b> 12%	<b>82.5</b> 15%	<b>90.5</b> 10%	<b>102.0</b> 13%	<b>119.0</b> 17%	<b>122.5</b> 3%	11%
<b>Box office-Overseas</b> % growth	<b>5.0</b>	<b>5.7</b> 13%	<b>7.0</b> 24%	<b>8.5</b> 21%	<b>10.0</b> 18%	<b>12.5</b> 25%	<b>15.0</b> 20%	<b>18.0</b> 20%	<b>20.0</b> 11%	19%
<b>Home Video</b> % growth	<b>3.4</b>	<b>4.0</b> 18%	<b>6.5</b> 63%	<b>7.5</b> 15%	<b>8.3</b> 11%	<b>9.3</b> 12%	<b>11.0</b> 18%	<b>13.0</b> 18%	<b>15.0</b> 15%	15%
<b>Ancillary revenues</b> % growth	<b>5.0</b>	<b>5.7</b> 13%	<b>7.0</b> 24%	<b>8.5</b> 21%	<b>10.0</b> 18%	<b>11.5</b> 15%	<b>13.0</b> 13%	<b>15.0</b> 15%	<b>18.0</b> 20%	16%

## Indian Television Industry

Rs. billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
<b>Television Distribution</b>	<b>75.0</b>	<b>97.0</b>	<b>117.0</b>	<b>136.5</b>	<b>167.0</b>	<b>204.0</b>	<b>253.0</b>	<b>310.0</b>	<b>380.0</b>	
% Change		29%	21%	17%	22%	22%	24%	23%	23%	23%
<b>Television Advertising</b>	<b>48.0</b>	<b>54.5</b>	<b>66.2</b>	<b>80.0</b>	<b>100.0</b>	<b>120.0</b>	<b>150.0</b>	<b>175.0</b>	<b>200.0</b>	
% Change		14%	21%	21%	25%	20%	25%	17%	14%	20%
<b>Television content</b>	<b>5.7</b>	<b>7.0</b>	<b>8.0</b>	<b>9.4</b>	<b>11.0</b>	<b>12.8</b>	<b>16.0</b>	<b>18.0</b>	<b>20.0</b>	
% Change		23%	14%	18%	17%	16%	25%	13%	11%	16%
<b>Total</b>	<b>128.7</b>	<b>158.5</b>	<b>191.2</b>	<b>225.9</b>	<b>278.0</b>	<b>336.8</b>	<b>419.0</b>	<b>503.0</b>	<b>600.0</b>	
% Change		23%	21%	18%	23%	21%	24%	20%	19%	22%

million	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
<b>TV households</b>	<b>102.0</b>	<b>109.0</b>	<b>112.0</b>	<b>115.0</b>	<b>119.0</b>	<b>123.0</b>	<b>128.0</b>	<b>130.0</b>	<b>132.0</b>	
% Change		7%	3%	3%	3%	3%	4%	2%	2%	3%
<b>Pay TV households</b>	<b>50.0</b>	<b>62.0</b>	<b>70.0</b>	<b>74.0</b>	<b>79.0</b>	<b>85.0</b>	<b>91.0</b>	<b>103.0</b>	<b>115.0</b>	
% Change		24%	13%	5%	7%	8%	7%	13%	12%	9%
<b>Cable TV households</b>	<b>50.0</b>	<b>61.0</b>	<b>68.0</b>	<b>70.0</b>	<b>71.0</b>	<b>73.0</b>	<b>76.0</b>	<b>83.0</b>	<b>90.0</b>	
% Change		22%	11%	3%	1%	3%	4%	9%	8%	5%
<b>DTH households</b>	<b>0.1</b>	<b>1.0</b>	<b>2.0</b>	<b>3.5</b>	<b>8.0</b>	<b>12.0</b>	<b>15.0</b>	<b>20.0</b>	<b>25.0</b>	
% Change		900%	100%	75%	129%	50%	25%	33%	25%	48%

Penetration (%)	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
<b>TV households</b>	<b>57.0</b>	<b>59.0</b>	<b>59.0</b>	<b>59.0</b>	<b>60.0</b>	<b>60.0</b>	<b>61.0</b>	<b>61.0</b>	<b>62.0</b>	
% Change		4%	0%	0%	1%	1%	2%	1%	1%	1%
<b>Pay TV households</b>	<b>49.0</b>	<b>57.0</b>	<b>63.0</b>	<b>64.0</b>	<b>66.0</b>	<b>69.0</b>	<b>71.0</b>	<b>79.0</b>	<b>87.0</b>	
% Change		16%	10%	2%	4%	4%	3%	11%	10%	6%
<b>Cable TV households</b>	<b>49.0</b>	<b>56.0</b>	<b>61.0</b>	<b>61.0</b>	<b>60.0</b>	<b>59.0</b>	<b>59.0</b>	<b>64.0</b>	<b>68.0</b>	
% Change		14%	8%	0%	-2%	-1%	0%	8%	7%	2%
<b>DTH households</b>	<b>0.0</b>	<b>1.0</b>	<b>2.0</b>	<b>3.0</b>	<b>7.0</b>	<b>10.0</b>	<b>12.0</b>	<b>15.0</b>	<b>19.0</b>	
% Change		836%	95%	70%	121%	45%	20%	31%	23%	44%



## Key International Trends in 2007

### E&M Market in BRIC

The BRIC countries are generating excitement because of their expanding economies and surging E&M markets. Nominal growth in gross domestic product (GDP) in the each of the four BRIC countries rose at double-digit and high-single-digit rates during 2003–05 and continued to expand at double-digit rates in India and the PRC in 2006. Even though economic growth in Brazil and Russia is slowing, the large increases during the prior three years created an emerging and rapidly expanding middle class. In the process, discretionary income has grown, and pent-up demand for entertainment and media was unleashed, leading to large increases in spending. Consequently, even though GDP in both countries will grow more slowly during the next five years compared with the past few years, E&M spending will continue to post large gains in all four countries. India and the PRC had the fastest-growing economies of the BRIC countries in 2006. India rose 14.3 percent, and the PRC, 11.6 percent. We expect continued double-digit compound annual increases in these two countries during the next five years. For the BRIC

countries as a group, growth will average 9.3 percent compounded annually. That expansion will be nearly twice the 4.9 percent projected annual GDP increase in the rest of the world.

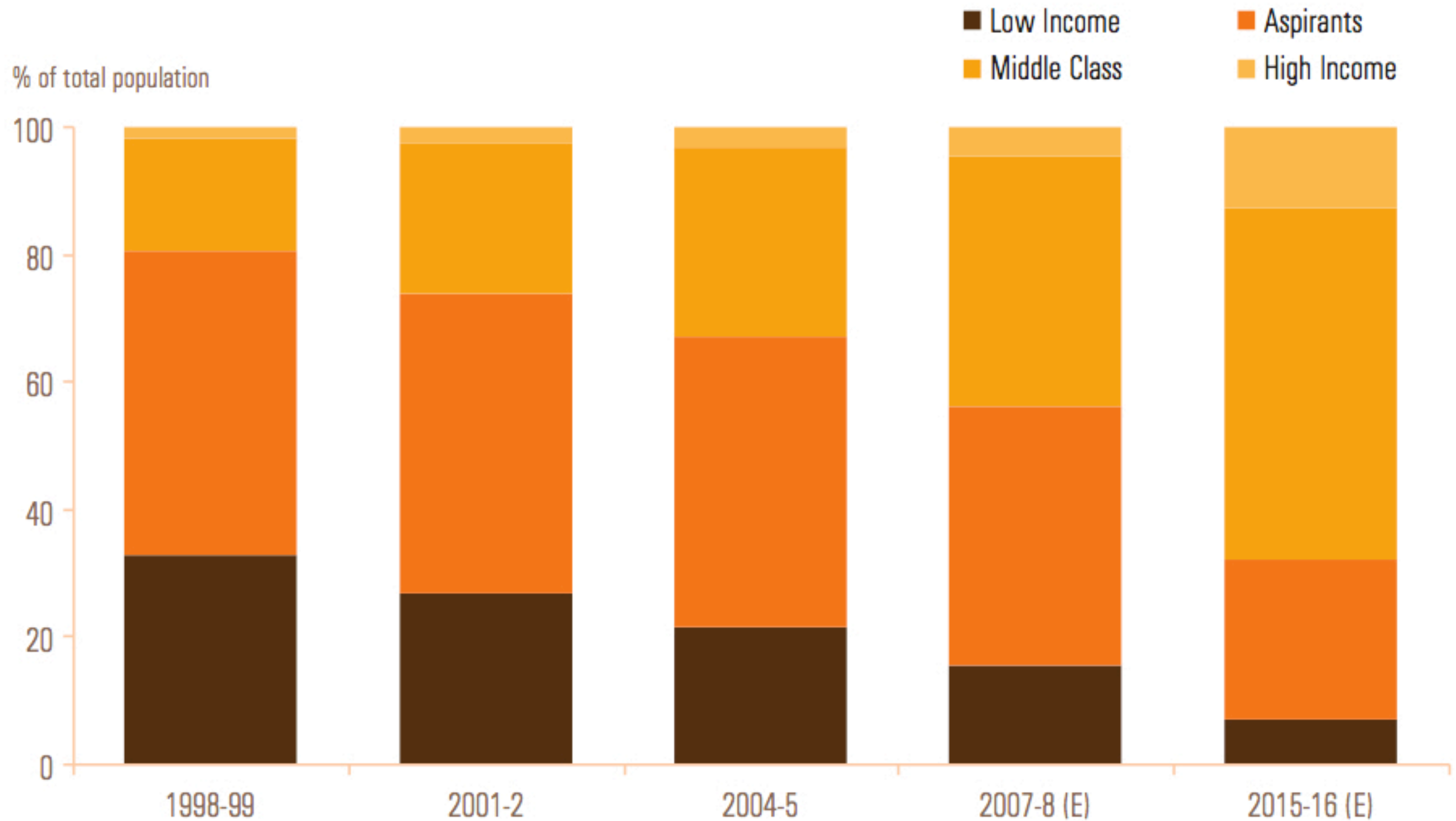
Economic expansion is generating large increases in E&M spending. During the past five years, E&M spending in the BRIC countries rose at double-digit annual rates. In 2006, BRIC E&M spending increased by 17.0 percent, while the rest of the world grew by 6.4 percent. Led by India and the PRC, E&M spending in BRIC will continue to grow at double-digit annual rates during the next five years. India is projected to increase at an 18.5 percent compound annual rate, and 16.8 percent annual growth is expected for the PRC, with mid- to high-single-digit gains in Brazil and Russia. Casino closings in Russia will lead to a \$2-billion drop in spending in 2009. Excluding casinos, Russia will grow by 12.8 percent in 2009. BRIC as a group will increase at a 14.7 percent compound annual rate. That gain will be nearly three times the projected 5.5 percent compound annual increase for the rest of the world. BRIC will account for 24 percent of global E&M growth during the next five years.

#### E&M Market in BRIC (US\$ Million)

BRIC	2002	2003	2004	2005	2006p	2007	2008	2009	2010	2011	2007-11 CAGR
<b>Brazil</b>	11,947	12,355	13,834	15,761	17,615	19,314	21,272	23,098	25,309	27,256	
% Change	-1.6	3.4	12.0	13.9	11.8	9.6	10.1	8.6	9.6	7.7	9.1
<b>Russia</b>	7,978	10,644	14,999	18,629	19,958	21,114	22,890	23,408	25,723	27,851	
% Change	30.5	33.4	40.9	24.2	7.1	5.8	8.4	2.3	9.9	8.3	6.9
<b>India</b>	7,425	8,104	8,969	10,107	11,590	13,616	16,218	19,324	23,213	27,089	
% Change	10.2	9.1	10.7	12.7	14.7	17.5	19.1	19.2	20.1	16.7	18.5
<b>China</b>	31,426	38,805	50,616	63,953	77,776	95,529	115,187	131,961	149,836	169,309	
% Change	22.9	23.5	30.4	26.3	21.6	22.8	20.6	14.6	13.5	13.0	16.8
<b>BRIC Total</b>	58,776	69,908	88,418	108,450	126,939	149,573	175,567	197,791	224,081	251,505	
% Change	16.2	18.9	26.5	22.7	17.0	17.8	17.4	12.7	13.3	12.2	14.7
<b>Rest of World</b>	1,045,911	1,091,350	1,169,102	1,227,239	1,305,456	1,375,599	1,459,716	1,534,275	1,626,426	1,704,562	
% Change	3.8	4.3	7.1	5.0	6.4	5.4	6.1	5.1	6.0	4.8	5.5
<b>Global Total</b>	1,104,687	1,161,258	1,257,520	1,335,689	1,432,395	1,525,172	1,635,283	1,732,066	1,850,507	1,956,067	
% Change	4.4	5.1	8.3	6.2	7.2	6.5	7.2	5.9	6.8	5.7	6.4

Source: PwC Global Entertainment and Media Outlook

## More than half of households will be middle class by 2016



Source: NCAER/FCR

Draft—do not circulate