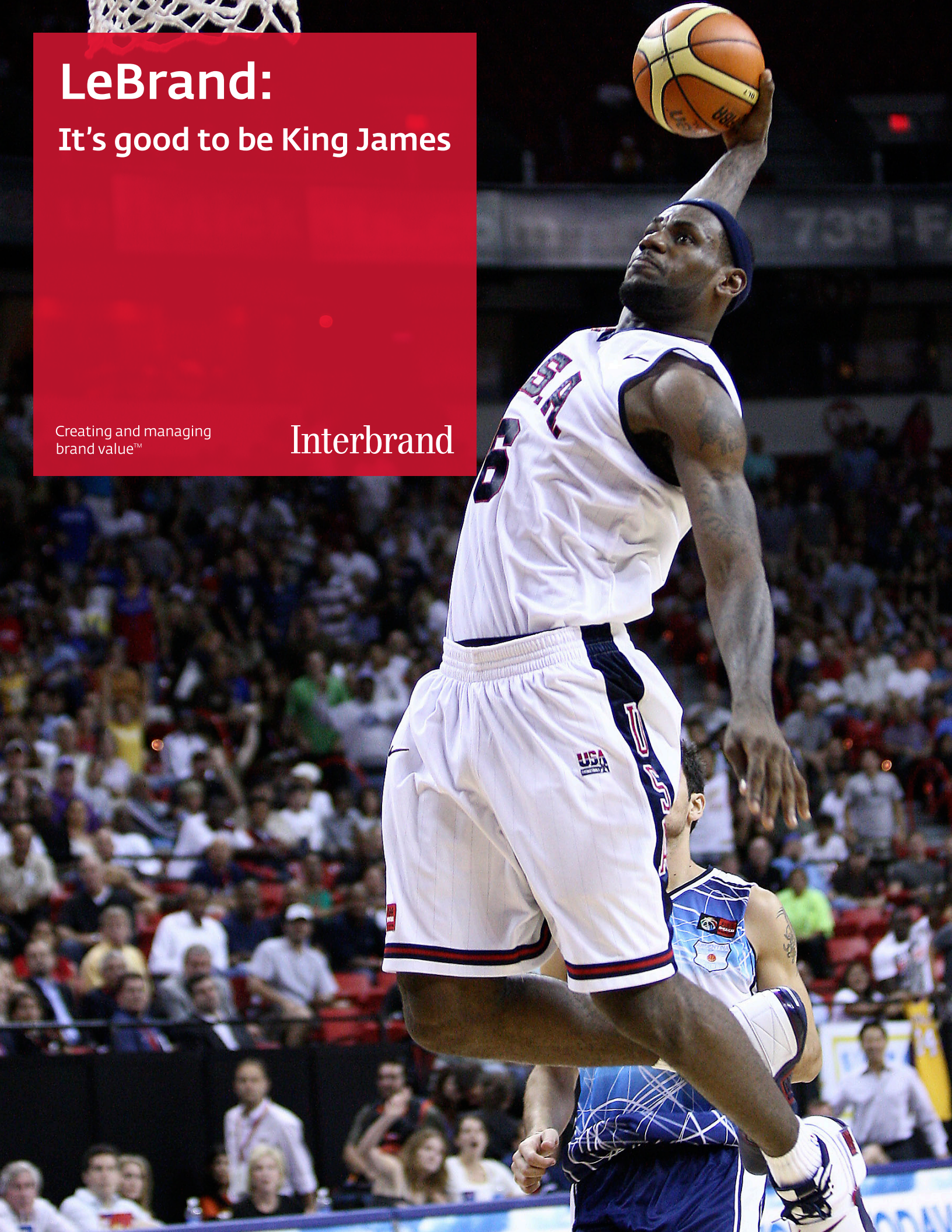


LeBrand:

It's good to be King James

Creating and managing
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It's good to be King James

by Rob Palermo and Tom Zara

He was the number one pick in the NBA draft at 18 years old, and even then LeBron James was aware of his place in a post-Michael Jordan world. Emblematic of a new breed of savvy sportsman attuned to both in-game performance and financial potential, James has deliberately managed his career to advance his twin goals: to leave a legendary basketball legacy in his wake and to become the first billion-dollar athlete in the process.

In short: LeBron James is a brand.

James' personal brand is the place where his hoop skills and his bank account meet – but it's bigger than the sum of its parts.

When Interbrand pioneered the notion of brand value in the early 1980s, we started from a basic question: If a brand plays a role in consumer choice among competitors in a marketplace, then what is the value of brand in driving that choice? The brand must indeed contribute to earnings and profit, and hence must be quantifiable and valuable to the owner. This is where the notion of Brand Value originated, and we apply it to organizations of all stripes and sectors.

But what about a highly visible and marketable individual, such as an actor or a star athlete like LeBron James?

In parsing out value for a company's brand, we look at the factors that drive demand, the role the brand plays across each of these factors, and the relative strength of the brand versus its competitors. Interbrand applied a similar model to James – trying to understand the value of his personal brand.

The decision James made this summer changed his life, and was a game changer for the NBA. But what was the best decision for him from a brand perspective? What was missing from all the conjecture about James' future was clarity. Even in the calculations of James and his camp, guesswork and gut feeling were some of the most prevalent variables. Interbrand set out to bring rigor to the free agent's deliberations – by formulating a stat that won't be seen in the box scores, but which can help the modern athlete apply quantifiable measurement to the life-changing question: Where should I go from here?

Step by step, our Personal Brand Valuation tool identifies an individual's current and future income streams, such as salary and endorsements and runs them through various factors likely to have an impact (for e.g., championship titles, awards, statistical performance). This allowed us not only to estimate earnings levels over time, but also the overall value of the LeBron James brand given a number of different scenarios.

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In fact, we ran 50,000 career scenarios and applied them to the four franchises most likely to sign him – New York, Cleveland, Chicago and Miami. The end results

estimated lifetime earnings potential, but the factors to get to these dollar amounts involved the kind of hard-to-quantify ex-factors that play a key role in the value of a personal brand.

As James decided where to bring his skills, larger intangible questions came into play so he could maximize value. What would drive more people to buy his jerseys, his posters, and the products he endorses? What could he do and where could he play to maximize the number of out-of-market fans who shift their allegiances to his team? Where would he best be able to concoct that fragile weave of hardwood legend, goodwill and wealth that intertwine to create his Personal Brand Value?

Player brand, market, franchise and basketball performance all play a role in building brand value and driving potential earnings in very specific ways.

The question was, which one drives the most value?

Player Brand

We found player brand to be one of the most important factors in allowing a player to sustain earnings after retirement (think Charles Barkley). Player brand image leads not only to endorsement deals after retirement, but often into a broadcasting career as well. However, in the case of LeBron James, the enormous potential of all the other factors tends to drown out what is normally a large driver of earnings for players.

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Market

Three primary market characteristics can drive earnings: disposable income present, media weight created and international influence. Although Chicago ranked highly on these measures, and Miami is undoubtedly an international city, the New York market was the only one with the potential to significantly drive his future earnings. The exposure and media weight of New York could have the opposite effect if he didn't perform on the court or manage his brand, but our analysis told us it would help more than it would hurt.

Franchise

Franchise brand value, fan loyalty and size of fan base all have an effect on earnings, but we found there is a stronger relationship between a winning drought and the lifetime earnings of a player than any of the other variables. Because of the lack of success of the Knicks and Cavaliers franchises in recent history, LeBron James had the opportunity to be the savior of a city and a franchise by winning one championship in New York (basketball's hometown) or Cleveland (his home market and a feel good story waiting to happen).

Basketball Performance

On average, we saw the first championship provides an initial bump of about 40% to an established player's non-salary earnings with each subsequent championship worth a little over half the previous one. And not all championships are created equal — rings weigh more or less depending on where they're won. Winning his first championship in New York had the potential to earn him the largest amount, followed by Cleveland, then Chicago and finally Miami.

The bottom line: Winning championships is the single most important factor in future earnings, largely because they drive the kinds of brand intangibles that add value.

The decision has been made, but where should James have gone if his primary goal was to maximize the value of his personal brand?

Now that Miami has won the LeBron Lottery, we certainly imagine he'll win some championships with Dwyane Wade and Chris Bosh, but we think he'll likely be giving up a lot in terms of potential earnings. Our 50,000 simulations said he'll bring home an average of \$596 million over the remainder of his lifetime and will have no chance of reaching his stated goal of \$1 billion in incremental earnings. Though the chance to win titles in Miami might have been too great to ignore, doing it while sharing the spotlight with two other elite players will come at a price — at the tune of at least \$90 million less in average lifetime earnings than the other markets he could have chosen.

In a surprise, the Bulls and the Windy City were only the third most lucrative option for James. The average lifetime income our model yielded was \$689 million, and we estimated only a 1.0% chance of him reaching even the \$1 billion mark. The valuable franchise and good market in Chicago, combined with the most loyal fan base in basketball would have helped his cause, but we found that the high threshold for establishing a long term legacy in this market held back his potential earnings.

James' hometown (or close to it) of Cleveland held the second largest opportunity for lifetime earnings. We found his average earnings would come in at \$699 million,

\$10 million ahead of Chi-town. Cleveland's average franchise brand and market certainly didn't help, but the opportunity James would have had to carve out a unique legacy drove his likely value in Cleveland past the Bulls.

We found that New York easily had the highest earnings potential of any of the franchise/city scenarios we examined. It combined a valuable franchise, a highly visible and influential market, and a fan base yearning for a championship. Taken together, all the factors combined to create an average lifetime earnings potential of \$983 million, and we estimated a 48.6% chance that he could reach that \$1 billion plateau.

Though no other market or franchise offered such an alignment, or a possible chance at the riches that could have been generated if the King had made Madison Square Garden his court, James ultimately decided that his chance of winning a championship in the least amount of time was greatest in Miami — and that just was too good to pass up.

You made your Decision, LeBron — we'll see if it was the right one. ■



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Tom has the benefit of over 30 years of brand consulting experience with a deep and diverse insight into how brands influence cultures, customers and shape markets on a national and international scale. He has strong CEO relationships and understands how organizations behave and communicate effectively as an extension of the CEO Vision through the definition of a brand.