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Business Of Basketball

A Scandal The NBA Can Live With

Tom Van Riper, 07.26.07, 10:15 AM ET

Call it the storm before the calm.

So says Dallas Mavericks owner Mark Cuban of this week's revelations over a gambling scandal involving a National Basketball Association referee. As long as no widespread corruption concerning numerous referees and players is uncovered, there is no reason to believe fans will turn off their television sets or stop buying tickets.

"Look at bad news and its impact on entertainment businesses. Baseball, football, European soccer and even the WWE," Cuban told Forbes.com in an e-mail message. "When has negative information had a negative impact on revenue?"

Indeed, baseball's issue with steroids and the NFL's trouble with lawless players hasn't dented their numbers. MLB revenue has climbed 22% in the last two years, to \$4.7 billion. The NFL? Up 43% since 2004, to \$4.3 billion. And while the NBA situation is potentially more serious because it involves the possibility of game fixing, it's unlikely that fans will dump watching pro hoops because a single referee got caught up with gamblers. Expect little long-term impact on the \$3.3 billion business of basketball.

The ref in question, Tim Donaghy, is being investigated for betting on league games, including some he officiated. Donaghy has already resigned from the league and is reportedly cooperating with investigators.

That hasn't stopped the league from charging into full damage control mode, with Commissioner David Stern muzzling team owners while he and his deputies handle public relations. Stern went through his league's process of weeding out bad apples in painstaking detail at a press conference Tuesday.

He described the revelations the most serious problem he's had to deal with in his 24 years in office. He also says it appears that Donaghy was a "rogue criminal," meaning there's no evidence at this point to suggest that the problem extends past a single referee. If he turns out to be right about that, then the league probably has little to worry about.

That's partly due to the fact that since 1984, Stern has marketed his league through individual stars, highlighting their ability to entertain by wowing crowds with shake and bake moves and acrobatic slam dunks. Fans still want their teams to win, of course, but there's the reality that the long, arduous regular season is carried by stars' exploits. A night at the arena these days is little different from a night at the theater--more about admiring talented stars performing their skills live than about pure competition. That can wait for the playoffs.

"If the NBA is seen to have done everything possible to prevent this, and this one slipped through their fingers, they shouldn't be in trouble," says consultant David Carter of the Sports Business Group.

Representatives from several NBA teams told Forbes.com that owners and club executives were directed by the league not to comment on the matter. But Cuban, as always, wasn't shy about expressing his opinion. He doesn't see the current scandal as a threat.

"People consume entertainment like movies and sports so they don't have to care about other people's problems," he says. "I'm confident the same trends will apply here."

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