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## The Small-Market Disadvantage: Reflecting on a Speech by Avery Johnson



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On March 11, Avery Johnson presented a guest lecture at the University of Pennsylvania in which he discussed the business of basketball. As a member of the audience, sports journalist Daniel Lewis explores Johnson's discussion of the financial problems that small - market teams encounter as part of the NBA.

Avery Johnson, a former [NBA](#) player and head coach as well as a former ESPN analyst, visited the University of Pennsylvania on March 11. Once the starting point guard for the [San Antonio Spurs](#) and the head coach for the [Dallas Mavericks](#) and Brooklyn Nets, Johnson delivered a speech at an event entitled "Coach Avery Johnson: The Business of Basketball."

When the NBA schedule was first released in August, Johnson remarked that he had planned to be in the City of Brotherly Love on the evening of his speech-just not at Penn.

"I didn't know that I would be in Philadelphia at Penn giving a speech," Johnson said jovially as he poked fun at himself for being fired as head coach of the Brooklyn Nets in December. "I thought that I would be at the Wells Fargo Center tonight coaching against the 76ers."

Indeed, Johnson provided a humorous yet insightful glimpse into the world of playing, coaching, and understanding basketball not only as a sport , but also as a business. In fact, he even outlined the many intricacies of the NBA's collective bargaining agreement (CBA).

In particular, the former NBA champion focused on how the league's CBA inherently works against small-market teams, though the new CBA in 2012 constitutes progress in this regard.

"They have to have really comprehensive, strategic marketing strategies," he said of smaller market teams. "They must be really creative, really strategic-they can't waste any dollars. They are at a disadvantage. "

The opposite of a small-market team is, of course, a large-market team-a team from a big-name city such as New York, Los Angeles, Chicago, or Boston. Coincidentally or not, one team from each of these cities is a lock to make the playoffs, including two representatives from New York.

Fielding a team in a large market represents a huge competitive advantage, so much that the promise of the bright [lights](#) of a big city transformed the Nets almost instantly. After a decade of non-profitable and downright ugly basketball in New Jersey, the Nets' planned relocation to Brooklyn enabled them to make some quick blockbuster deals, sign some big-name free agents, and listen to the best center in the league begging to be traded there.

The single most important reason large-market teams have an advantage is that players want to play for these teams for a variety of reasons-fame, bright lights, and higher earning power. Or, in the case of the Miami Heat, they want to play in a locale with beautiful weather, sandy beaches, and exciting nightlife. In effect, no superstar really finds [Milwaukee](#) or Toronto appealing, and even if a

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lesser-known [free agent](#) truly does, the Bucks or Raptors would have to overpay to sign him.

Therefore, simple logic suggests that star players want more money to play in Milwaukee than they would to play in New York. However, the salary cap prevents the Bucks from offering a single penny more than the Knicks or the Nets. There is no provision in the current CBA that enables a small-market team to offer a player more income than a large-market team.

As a result, an offer from a small-market team cannot compete against the large sum of money a superstar can earn in a large market from external sources such as endorsements. Small markets, in essence, stand little chance of attracting superstars in free agency.

Small-market teams fare only slightly better building a roster through the draft. If one such team is fortunate to draft a player that deserves a maximum deal after their rookie contract expires, the team will still be hard-pressed to convince the player to turn down the opportunity to play in a large market. Though the Bird exemption does offer the home team additional leverage, the extra money that it allots hardly accounts for a player's desire for a championship and the external income available in a large market. The result, as Cleveland and Toronto know all too well, is that small market teams often lose their star draftees to free agency.

These two reasons support research elucidating that [small markets have historically fared poorly in the NBA](#) compared with those in other professional sports leagues. In fact, NFL teams from small markets have actually outperformed their large-market counterparts.

What makes this phenomenon seemingly exclusive to the NBA? For one, the rosters of basketball teams are very small, and thus a superstar has a more noticeable effect. Big-city teams also have both the money and media markets needed to attract superstars.

In this speech at Penn, Johnson noted that not only is a large city more enticing for the player, but the big-city team has more money to spend on its players. He pointed out that the L.A. Lakers signed a \$3 billion deal last year with Time Warner Cable, making the team the centerpiece of two new sports networks. He also highlighted the huge ticket revenue disparity between large and small market teams: the Lakers earn \$3 million in tickets per game at Staples Center, a number that dwarfs the \$750,000 to \$1.5 million the Charlotte Bobcats pocket per game.

He then explained that this extra revenue allows large-market teams such as the Lakers to dig deeper into their pockets. The salary cap as well as the luxury tax—a monetary penalty for exceeding the salary cap—are, in essence, weak restrictions that are ignored by these teams with such deep pockets. Because of their monstrous television deal, the Lakers can exceed the salary cap and comfortably pay hefty luxury tax penalties year after year because their TV revenue allows them to do so. In this sense, the luxury tax represents an annoyance rather than an impediment for large-market teams.

He also contrasted the harsh realities of an NBA small-market team with its NFL counterparts, which live in a vastly different financial landscape. All NFL teams share money made from television rights and ticket sales. In fact, according to Johnson, an NFL team visiting an opponent's stadium even receives 40% of the home team's ticket sales. Conversely, revenue sharing is absent in the NBA, forcing small-market teams to stay afloat entirely on their own.

As a result, small-market teams must conceive creative ways to earn or save money. Johnson described how, during his tenure in San Antonio, the Spurs held numerous player and coach public appearances to bring in additional revenue. He also recalls sharing airplanes with fans—specifically those willing to pay the Spurs for the opportunity to fly alongside the team's players.

Even with all these shrewd financial measures, Johnson acknowledged that small-market teams often have no option but to cut costs and offer their own players less money. As he witnessed firsthand, some teams such as the Spurs are somehow able to convince their players to accept less money than the market dictates. But while Tim Duncan, Manu Ginobili, and Tony Parker all took below-market deals, James Harden adamantly refused to do so, making the small-market [Oklahoma City Thunder](#) scramble to trade away the young superstar guard they drafted and developed.

Johnson stressed that, whereas big market teams can attract free agents, small-market teams have to draft extremely well to compensate for their inability to lure free agents. The cruel irony for the Thunder is that despite the incredible restraint and discretion GM Sam Presti demonstrated in constructing a championship-caliber team with minimal dips into the waters of free agency, he simply found it too difficult to keep the core pieces of his roster together.

Lacking big-market ticket prices and massive local TV deals the Lakers and Celtics recently signed-with Miami and [Dallas](#) next in line-the [Thunder saw the bottom line](#) and found it unreasonable to spend the money t hat high-revenue teams can justify.

That said, s mall-market teams do have a chance-Johnson and the Spurs are evidence-but they clearly face a disadvantage. The margin for error is incredibly small-they must find gems in free agency, make correct draft selections, and convince their own players to sacrifice money.

It speaks volumes that Johnson, who played primarily for a small-market team in [San Antonio](#) that has won four championships since 1999, concedes that the NBA's salary cap rules and lack of revenue sharing puts small-market teams at a severe disadvantage.

Why does the league seem so reluctant to rectify this apparent and unfair disparity? Simply put, an L.A. Lakers-Boston Celtics NBA Finals matchup earns the league millions of dollars more than does one showcasing the [Memphis Grizzlies](#) and Indiana Pacers.

As a result, as long as big-market teams can hoard their local revenue, they will be able to poach stars from smaller markets. As New York and Los Angeles stockpile talent like fantasy squads, the 20 or so smaller-market teams search for a way to win an unfair game.

1. Ken Berger. "[Given new rules of CBA, Thunder may find keeping core together difficult](#) ", CBSsports.com .
2. Richard Florida. "[The NBA's Small-Market Disadvantage](#)", TheAtlanticCities.com .

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