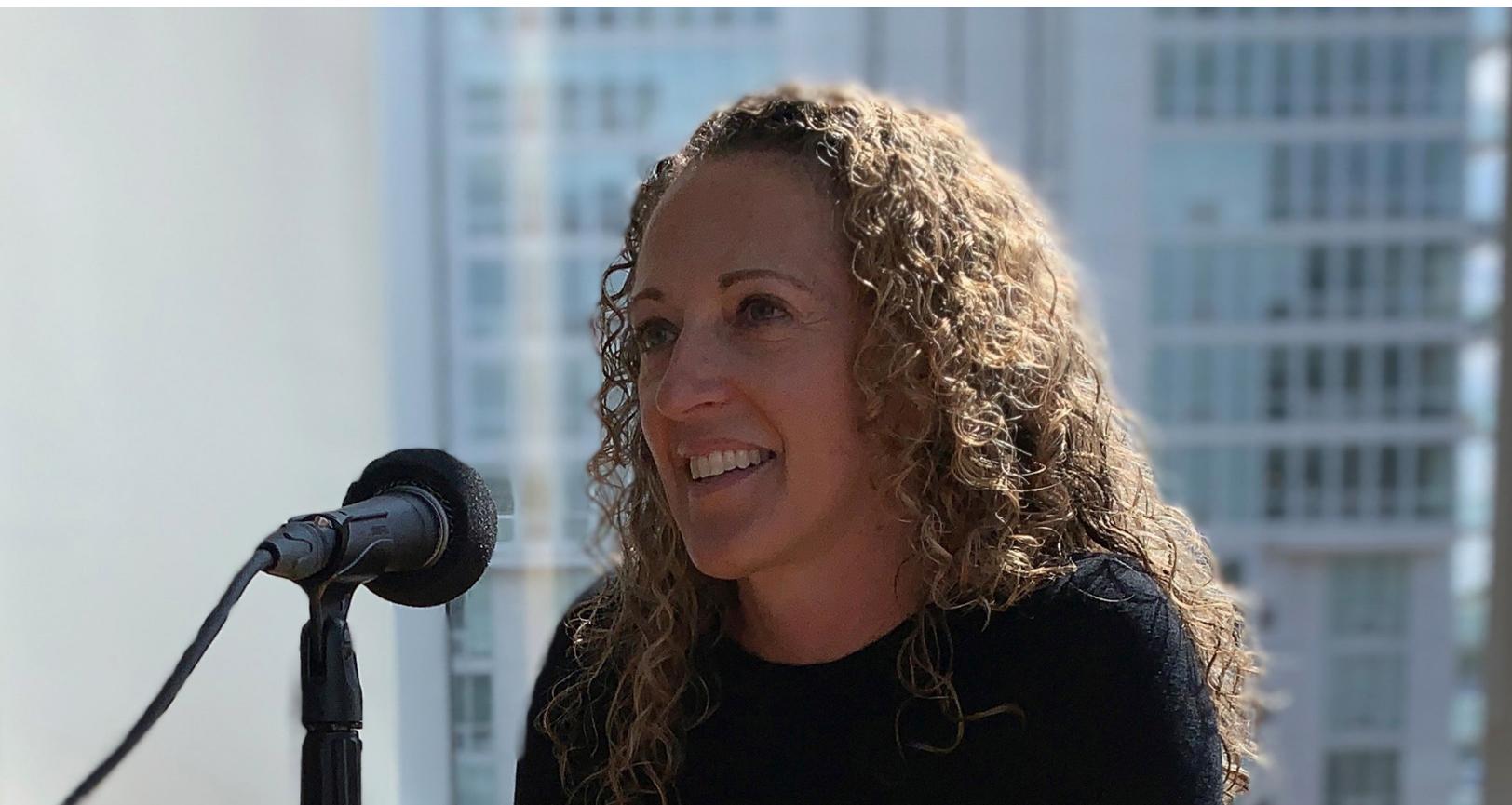


Strategy & Corporate Finance Practice

# The Committed Innovator: A conversation with Amy Brooks of the NBA

The National Basketball Association's chief innovation officer explains how the league seized opportunities presented by the past year's disruption to test new ideas.



**The COVID-19 pandemic** forced the National Basketball Association (NBA) to develop new ways to engage with fans. Amy Brooks is the NBA's first chief innovation officer. She oversees innovation initiatives across four leagues—the NBA, the Women's National Basketball Association (WNBA), the NBA G League (minor league), and the esports NBA 2K League—and has used the difficulties of the pandemic as an opportunity to experiment. In this episode of the Committed Innovator series, part of the *Inside the Strategy Room* podcast, she shares with McKinsey's innovation leader Erik Roth her organization's numerous new projects that have spurred growth despite unprecedented constraints around live games. This is an edited transcript of their discussion. You can listen to the full episode on your preferred podcast platform.

**Erik Roth:** You are trying to drive change in a world where everything is constantly changing around you. How do you do that with 94 teams and multiple leagues?

**Amy Brooks:** It's a matter of influencing that change. One of our owners, Peter Guber [Chairman and CEO of Mandalay Entertainment and co-owner of the Golden State Warriors], likes to say that this is the most complicated business he has been in because it's live events, media, real estate, concessions, merchandise. Growth and change across all those dimensions cannot be up to one person or one team; every individual has to have that mindset. I see my group's role as a catalyst, to remind everyone to focus on innovation. Each person, whether they are in charge of our broadcast or selling tickets or our social media platforms, has to think every day: How can I challenge the status quo and do something differently?

**Erik Roth:** Everyone has a different definition of innovation. What does it mean for the NBA?

**Amy Brooks:** It means challenging the status quo. Last summer, for example, when all of our teams were playing in the Bubble [a dedicated arena at Walt Disney World] and their arenas were dormant, the Atlanta Hawks suggested turning their arena

into a polling place. They did, and that created a blueprint for how we could work with governments, which we quickly shared with all our teams and before you knew it, the majority of our arenas were serving as polling places. That is what we seek to do: take a great idea, share it quickly, and implement it across the organization.

**Erik Roth:** Our client work often involves finding valuable problems to solve through innovation. How did you deal with probably the most challenging and valuable problem you ever had to solve, which is: everyone is forced to stay home.

**Amy Brooks:** Not easy. We were the first league to shut down when the pandemic hit. Then the question was, how do we bring basketball back? We had to be patient. Innovation is often about testing things quickly and getting them out, but sometimes you have to wait until you can implement the initiative in the best way. That was the case with the Bubble. During the period when we were not playing, we were trying to engage fans in new ways, such as releasing the Michael Jordan documentary *The Last Dance* in partnership with ESPN. In the background, we were running hundreds of scenario models around how we could bring the NBA back. What format should we adopt? What teams should be involved? Where should we play?

It was a massive effort and things changed quickly. We announced the Bubble four weeks ahead of the first game, at a time when Orlando had one of the lowest COVID-19 rates in the country. By the time we were ready to play, it had one of the highest.

**Erik Roth:** The pandemic created constraints that generated many interesting innovations across numerous industries. Could you have conceived the Bubble without this huge challenge that forced you to think differently?

**Amy Brooks:** No. Before the pandemic and to this day, our most important priority is to make sure our live-game broadcasts keep up with the rapidly changing media environment. We know that in the future our fans will want to watch the

# ‘In the Bubble, we were able to test a lot of things, which sped up the project of developing our next-generation telecast.’

game in a personalized and easily accessible way, so we had been exploring that for a while. Then, all of a sudden, we had to find a new way to bring the game to our global fans. We only had one broadcast location. What could we do that was new and different? Virtual fans, in partnership with Microsoft, was probably the most visible result. We placed live video images of fans in the stands behind the players. Of course, that involved challenges. In a normal arena, if a fan misbehaves, you kick them out, but what does misbehaving mean in this context? We had people stream videos of goats!

Nevertheless, we were able to have players’ families right behind them, to bring in fans from other countries, and to test new camera angles. We put 30 microphones under the court to test different sound optics. We had a rail camera running along the sideline and still do in our broadcasts today, so fans get the same view as someone sitting courtside. We were able to test a lot of things, which sped up the project of developing our next-generation telecast.

**Erik Roth:** How do you break through orthodoxies that exist in any organization—practices that people are reluctant to change because they worked in the past?

**Amy Brooks:** Again, it’s about influencing change. One example was the Play-In Tournament. In the past, we had 16 teams make the playoffs, but in the Bubble we tested a tournament for teams that did not make it into the top 16. It was controversial

because it was a big change. But look what happened: on the last day of the season, almost every team was playing for something—to get out of the Play-In Tournament or to get into the Play-In Tournament or fighting for seeds. It created a new level of fan engagement and that showed in the ratings. Our ratings in May were stronger than in April or March when usually we see flatness. We would not have known that unless we tried it.

**Erik Roth:** That innovation seems consistent with your business model. Tell us about the jersey patch, which one could argue is an innovation that extends your business model.

**Amy Brooks:** Several years ago, we considered adding sponsorships to player jerseys, which we already had on G League and WNBA jerseys. It became controversial. What will fans and players think? How big should the patch be? How should the money be split between the league and the teams, and who should sell the sponsorships? It took arguably too long to come up with a model, but it has worked. We found that our fans want to wear what our players wear, and our teams began selling not just a patch on a jersey but integrated partnerships with the team. Interestingly, two-thirds of these team partners had never partnered with the NBA before and two-thirds were global, so we were helping those companies grow their brands while they were helping the NBA grow our brand globally.

**Erik Roth:** It sounds like your success model includes focusing on the metrics that matter, driving

stakeholder engagement (with the most important stakeholders being the fans), and using data to create the examples or stories that travel across the various entities you touch. How long did it take to develop that?

**Amy Brooks:** I have been with the NBA for 16 years, but before that I was a consultant and I learned that you have a bow and arrows and a quiver, and you need to pull the right arrow out of the quiver at the right time. You can use data or examples to convince people about what is working in the market or what other industries are doing. We like to share best practices within our own leagues and within sports, but we also pay attention to every other industry that sells to consumers, because many do it better than sports, quite frankly.

**Erik Roth:** Is there an example where you applied this formula and it did not work?

**Amy Brooks:** I wouldn't say this did not work but this is an example of a challenge. We are in our 25th year of the WNBA, the longest-standing women's professional sports league. As a former basketball player, I take a lot of pride in that but with the mindset that we can always improve. We need more women coming to games and supporting the WNBA. We need more men supporting the WNBA.

We also need more commercial partners. We think the time is ripe for that, and our new leader, Cathy Engelbert, will test new things this year like a Commissioner's Cup mid-season tournament.

**Erik Roth:** When something is not achieving everyone's aspirations, we often explore the difference between the assertions about what it should be, and the assumptions: what do we have to believe for this to reach our aspirations? What assumptions need to be proven or disproven to make the WNBA a success?

**Amy Brooks:** One is around corporate spending on women's sports. You have to believe that an increased percentage of sponsorship spending, hopefully close to 50 percent, is achievable.

**Erik Roth:** How do you envision getting closer to that 50 percent?

**Amy Brooks:** The whole league ecosystem starts with the fans in the building. Is the building full? Is it exciting? Are the tickets selling out? Are there partnerships around the building? How good is the broadcast? How many people watch it and for how long and in how many countries? All those different levers drive toward growing the number

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of fans in the building, the broadcast audience, and corporate partnerships.

**Erik Roth:** Innovation is often used as a lever for growth. How have you used it to foster regional growth, and where?

**Amy Brooks:** China has been a focus for decades, and we have been investing more in Africa lately. We recently launched the Basketball Africa League, which consists of 12 club teams in different countries. We are excited about this because of the growth potential in Africa and the nature of younger African fans. Fifty-five players in our leagues were either born in Africa or have at least one parent from Africa, so we see the confluence of those factors as a huge opportunity. Having a regional league that people aspire to play in is also a way to foster the development of the sport. A former NBA player is already in the league, there are several G League players, as well as the entertainer J. Cole.

**Erik Roth:** When you enter a market like Africa, I suspect the number of unknowns is high. How do you prepare for those?

**Amy Brooks:** Fortunately, many of our owners and general managers have business experience in Africa, so we have leveraged that knowledge, plus we have a guiding subcommittee of owners. We also have local leadership there. But it is complicated.

**Erik Roth:** We should talk about the nonfungible tokens (NFTs), given all the excitement that technology has brought to the NBA.

**Amy Brooks:** Yes. So NBA Top Shot offers digital highlights as collectibles sold in packs. There are three to seven moments to a pack and if one is more rare, it's worth more. Interestingly, this idea stemmed from an innovation campaign we did in 2018 with all our leagues and teams where we posed the question: What new business should the NBA get into? One of the submissions that won was around blockchain, and we thought back then that digital collectibles were the lowest-hanging fruit for us and, at the same time, we saw

CryptoKitties [collectibles video game] going crazy. In the last few months, this campaign has done more than \$500 million in gross sales—the vast majority on the secondary market, so it's similar to a ticketing marketplace—and generated more than a million customers, most of whom were not NBA customers before.

Then we asked ourselves, "Well, what's next?" We want our whole ecosystem to innovate, so we quickly created some roles that enabled our teams to test NFTs of their own. A few are testing commemorative ticket NFTs: those tickets to a special game that we used to keep in our drawers could hold a lot of value.

**Erik Roth:** That's a great example of what we call collisions between a technology and the problem you are trying to solve, in this case around fan engagement. HomeCourt is another one. Can you talk about that?

**Amy Brooks:** I get a lot of technologies sent my way. When I first saw this, I immediately said, "I wish I had this growing up, shooting hundreds of shots in my driveway." HomeCourt is a mobile AI app that tracks your shots and dribbles. During the pandemic, it tracked more than a billion dribbles and 100 million shots globally. For my kids who are 10 and 12 years old, it gamifies dribbling. But aside from fans, it helps us address the challenge of scouting basketball players globally, which is very challenging to scale. So we developed NBA Global Scout with HomeCourt, which can test your vertical leap, lateral quickness, height ... those foundational elements. We scouted our first player from Indonesia, who recently joined our NBA Global Academy, via this technology.

**Erik Roth:** So you are saying that anyone can apply to the NBA from the court in their driveway? You heard it here first.

**Amy Brooks:** You may have an advantage if you are taller or quicker or shoot better, but yes, that is correct.

**Erik Roth:** With all these innovations, what do you find to be the hardest part?

**Amy Brooks:** Getting new things done is always challenging. The hardest is identifying the right time to market, because the inclination is to do things fast, but you need to prove something is a good idea. You only can prove that by waiting to get enough information, so finding the balance between those two is tricky. We tend to balance data with instinct and input from our owners. The NBA 2K League is a good example. We saw NBA 2K become one of the top sports video games in the world and esports growing, so we created our own esports league.

**Erik Roth:** How much of your time is spent on creating versus stakeholder management or executing or other tasks?

**Amy Brooks:** We spend a lot of time doing workshops with our teams. We will take the notion of bringing fans back into our buildings, for example. One of our priorities now is figuring out how the game entertainment experience should change. How can our arena operations be more seamless? Fans will not want to stand in line. They will want food delivered quickly and hot. They will want the Wi-Fi to work. We know we need to raise the bar on all those things.

**Erik Roth:** So is your biggest role collecting ideas, creating a playbook, and then showing everyone a new way forward?

**Amy Brooks:** I would put it slightly differently. One of the NBA's secret-sauce advantages is the

collaborative relationships among all our teams and with the league. [Former Commissioner] David Stern said years ago, "Even though our teams compete against each other on the court, they should collaborate off the court, because what works in Atlanta could work in Charlotte and could work in Toronto." We give our teams a platform for that openness so a vice president of ticket sales can call up another vice president of ticket sales to share an idea, or submit a best practice to us and speak about it at a team workshop.

**Erik Roth:** The past year has shown that sports really do bring people together. How can innovation help bring people together to address some of the big social issues we are facing?

**Amy Brooks:** As Nelson Mandela said, sport is a unifying force, and that has been more true than ever this past year. It has been a source of pride for me to be part of this league because of our social impact. We created the NBA Foundation to focus on economic empowerment, and we have the National Basketball Social Justice Coalition with our owners and players. We take very seriously the notion of using our platform to drive social equality around the globe, and that extends to diversity and inclusion. Speaking as a woman in sports, let's be honest: there are not as many of us as there should be. I played basketball and I have wondered, would I have pursued the path of becoming a general manager or a coach if it was open to me? I didn't see any women down that path at the time, so our efforts now are tremendously important.

**Amy Brooks** is president of team marketing and business operations and chief innovation officer of the National Basketball Association. **Erik Roth** is a senior partner based in McKinsey's Stamford, Connecticut, office.

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