



Pacers Franchise Overview Report

By Nick Ginn

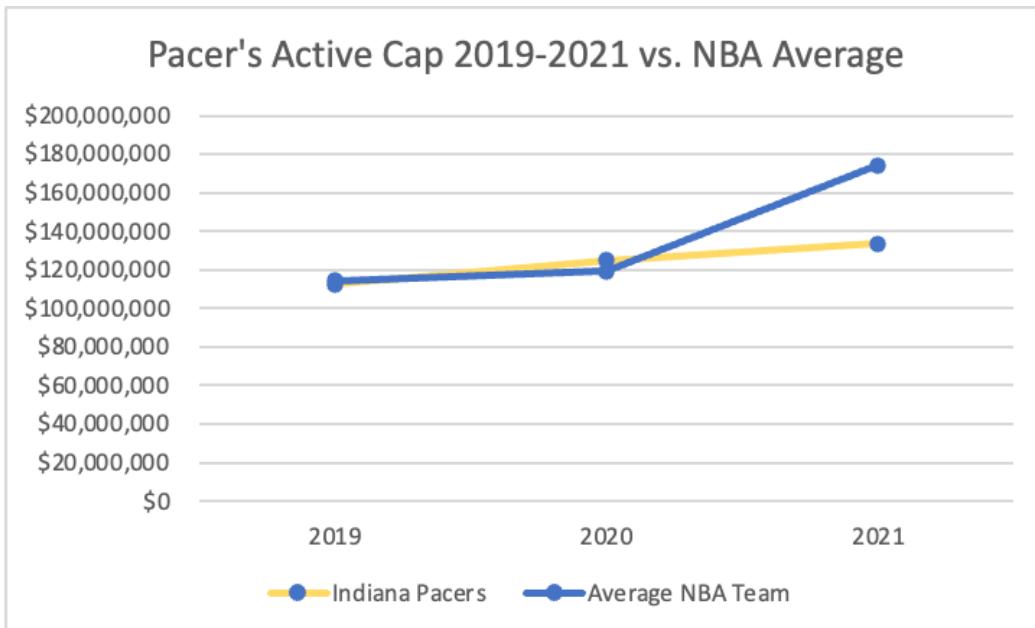


Before the Indiana Pacers became an official franchise, they needed a name. The nickname "Pacers" was decided on through a collective decision of the original investors. those investors recalled that the nickname was a combination of the state's rich history with the harness racing pacers and the pace car used for the running of the Indianapolis 500 (Augustyn 2022). Then, the Indiana Pacers were founded on February 2nd, 1967, as an official American Basketball Association Franchise (ABA). The franchise moved later to the National Basketball Association (NBA) in 1976 as a result of the ABA-NBA merger. The Pacers were considered a dynasty in the ABA, winning three championships and six conference titles during their nine seasons in the league. The Pacers have enjoyed some success in the NBA, making the playoffs 27 out of 44 years, but have never won a championship (NBA 2021). With the fierce competition in the NBA and the Pacers struggles to secure an NBA championship, this report will provide an overview of how the Indiana Pacers franchise compares to its league counterparts in terms of luxury tax space and payroll, active cap, franchise value, and top three combined player salaries.

All data for this report was collected from the online platform SBRNet. SBRNet is an online platform of nationwide sports business, sports marketing, proprietary research for professional and college sports, consumer research, industry reports, and licensed industry articles. They provide a comprehensive overview of the sports business, industry reports, and industry articles from leading trade and sports business publications and resources. SBRNet is the only online platform that provides nationwide analysis of statistical trends in each major segment of the sports market and the extent to which they interrelate. Additionally, figures and graphs were created through Microsoft Excel.



Figure 1



In figure one, it shows how the Indiana Pacers compare to the NBA league average active cap from 2019-2021. From 2019-2020, we steadily see the average NBA team active cap increase before taking a huge jump from 2020-2021. This huge jump was caused by The NBA and the National Basketball Players Association agreed to a collective bargaining agreement that increased the Salary Cap to \$109.140 million and the luxury tax cap at \$132.627 million. They also agreed In subsequent seasons of the CBA, that the Salary Cap and luxury tax cap will increase by a minimum of three percent and a maximum of 10 percent over the next season (Bontemps and Wojnarowski 2020). The Pacers however did not see their active cap increase sharply like many of the other franchises within the league.



Figure 2

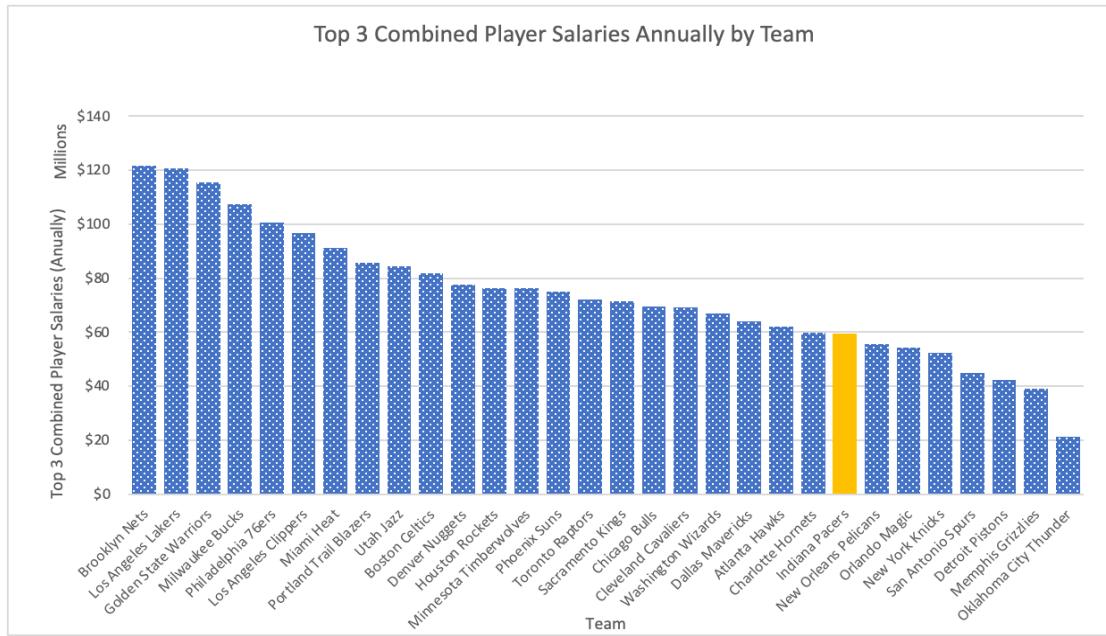


Figure two provides a representation of the top three combined player salaries annually by NBA team. Specifically, the Indiana Pacers are among the eighth lowest in the league with only \$59,500,000 owed to the top three players. Compared to the league average of \$73,819,962, the Pacers are well below the average. This shows Indiana's inability to attract top end talent or the organization's unwillingness to hand out higher annual salary deals.

Figure 3

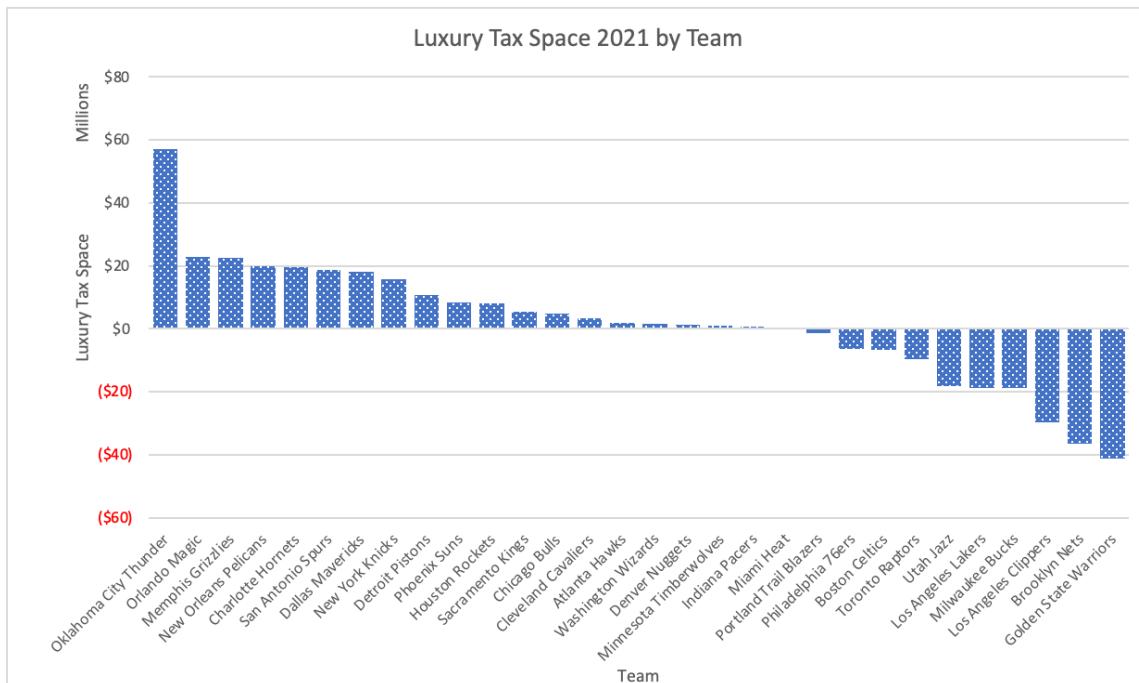


Figure three provides a breakdown of luxury tax space for the 2021 season broken down by each team. Like a majority of NBA small market teams, the Indiana Pacers are positive when it comes their luxury tax space. They have barely \$872,920 in space which is a little lower than the league average of \$1,817,909 in tax space. This shows that while the Indiana Pacers don't want to go over the luxury tax threshold but are willing to spend up to the tax threshold line to field the most competitive team.

Figure 4

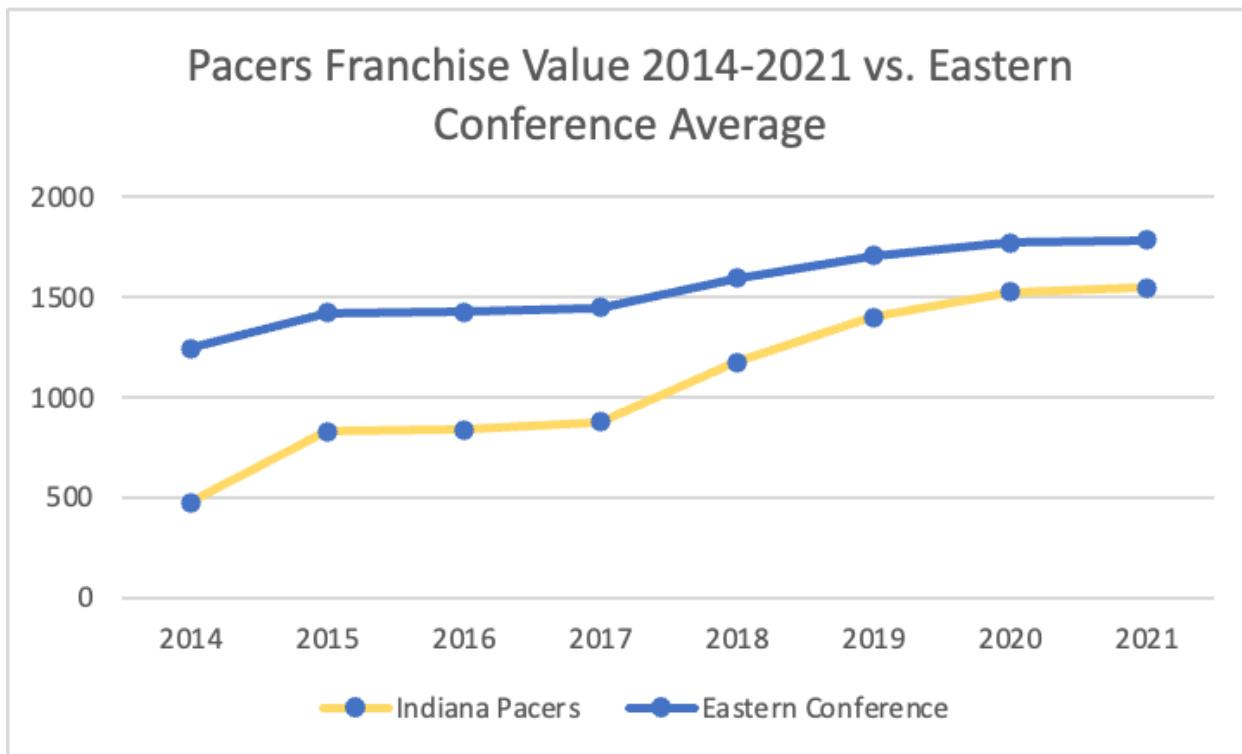


Figure four compares the Indiana Pacers franchise value from 2014-2021 versus the Average Eastern Conference NBA team franchise value from 2014-2021. As shown in the chart, the Pacers have been well below the Eastern Conference average every single year. While the value of their franchise is increasing every year, they are less valuable than the average team in the conference. Every year the gap between the Pacers' franchise value and the Eastern Conference average has grown smaller, indicating that the organization is trending in the right direction.



Figure 5

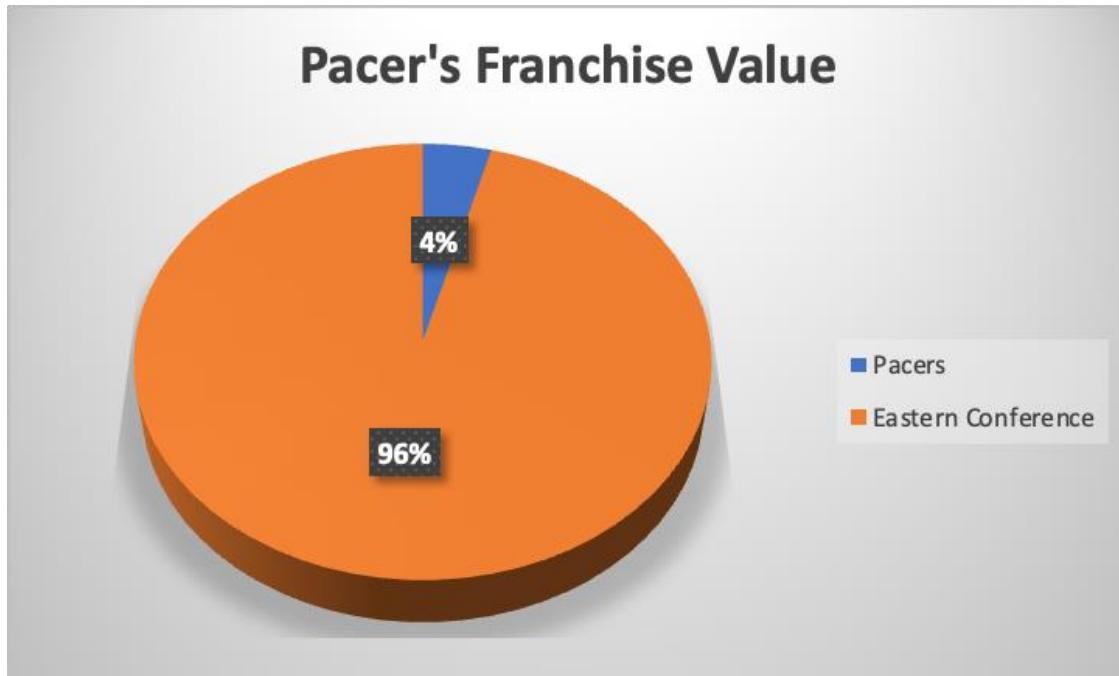


Figure five shows how much the Indiana Pacers franchise contributes to the total value of the NBA's Eastern Conference. Out of the 15 teams in the conference, the Pacers contribute to only four percent of the total value of all Eastern Conference teams. The Pacers are valued at 1.67 billion dollars (Ozanian 2021). The Indiana Pacers represent an extremely small portion of the Eastern Conference and are the eighth least valuable franchise when compared to every other NBA franchise.

Figure 6

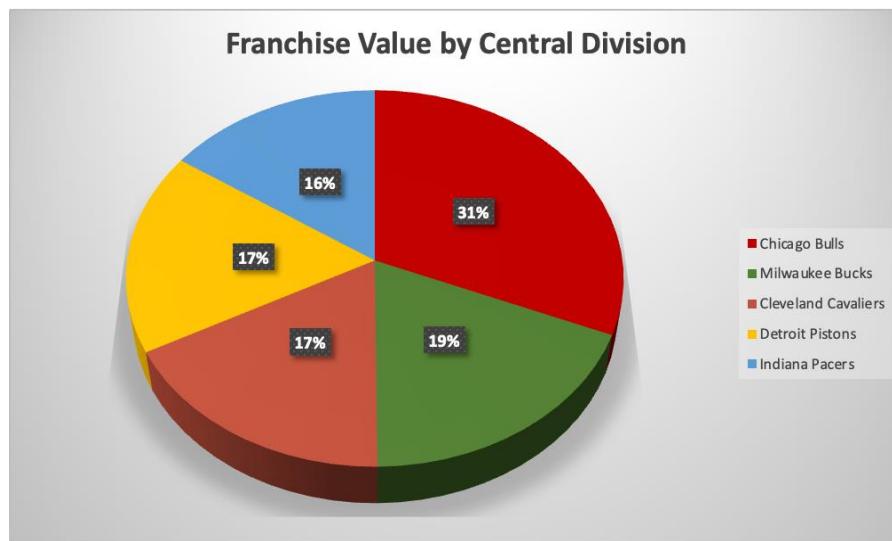


Figure six depicts how much each team in the Central Division of the NBA contribute in terms of franchise value to the total franchise values of the entire Central Division. Out of the five teams in the conference, the Indiana Pacers contribute the least amount to the total franchise values with only 16% or 1.67 billion dollars in the Central Division. Two other teams in the division, the Detroit Pistons and Cleveland Cavaliers are only at 17% or 1.65 billion dollars. This is only marginally more than the Pacers, but still shows how little value the Indiana Pacers have as a franchise because every other team in their division is with more than their own.

Overall, the Indiana Pacers are bottom eight teams in terms of luxury tax space and payroll, active cap, franchise value, and top three combined player salaries when compared to their league counterparts and when compared against their own conference and division. This is not the ideal path to building a sustainable, winning franchise within the NBA. There are three steps the organization should take to reverse their current course. First, winning is one of the best ways to increase NBA franchise value. We can see this trend when we observe the Toronto Raptors from 2019-2020. At the beginning of the season, the franchise was valued at 1.675 billion dollars and after winning the championship that season, saw their franchise value jump up to 2.1 billion dollars, over a 25% percent increase in one year (Miller 2020). The Pacers should attempt to sign or trade for higher end players to increase their top three combined player salaries to be in line with the top teams in the NBA. This increased spending will lead to more wins and in turn increase the value of the franchise. The second step the organization should take would be to better utilize their active cap space, by signing higher quality players on higher earning deals or a multitude of players on lesser salaries that can improve the depth of the team. The Pacers from 2019-2021 have been well below the NBA average of active cap space and have over 40 million in cap space to work with. The final step the organization should take is to increase the



fan engagement with the franchise. Increasing fan engagement will lead a better brand image and ultimately a more valuable franchise. One way the Indiana Pacers could increase fan engagement is through athlete led content. Fans prefer to connect with players rather than the club or league. Fans view athletes as role models and ambassadors for their team and often times, the players are even more popular than the organization they represent. So, the Pacers could implement virtual player meet and greets, interviews with players, or even fan parties all to leverage athlete power.



Works Cited

1. Augustyn, A. Encyclopedia Britannica, inc. (n.d.). *Indiana pacers*. Encyclopedia Britannica. Retrieved February 10, 2022.
2. Bontemps, T., & Wojnarowski, A. (2020, November 10). *NBA, players' union reach agreement on amended CBA, with free agency set to begin Nov. 20*. ESPN. Retrieved February 10, 2022.
3. Miller, H. (2020, February 11). *The latest Forbes NBA valuations show how much winning can pay off*. CNBC. Retrieved February 10, 2022.
4. Ozanian, M. (2021, October 19). *The NBA's most valuable teams 2021-22: New York Knicks lead a trio now worth over \$5 billion each*. Forbes. Retrieved February 10, 2022.
5. Pacers. (2012, March 9). *Year by year with the pacers*. Indiana Pacers. Retrieved February 10, 2022.

