JUNE 2008

How's that?

WINNERS AND LOSERS IN THE INDIAN CRICKET AUCTIONS

The Indian Premier League's Twenty20 competition has taken the cricket world by storm. The players, auctioned to the business and media groups granted franchises by the IPL, are getting $50,000 to $1.5m for six weeks' play. Our analysis suggests the process has resulted in both bargains and bonanzas: that (apart from the superstars) batsmen have done relatively poorly, while the youngest Indian cricketers have done exceptionally well; and that some of England's cricketers may have earned six-figure sums had they participated.

The IPL – a new league formed to play Twenty20 cricket in India – has had a bigger impact on cricket power structures and player salaries than anything since the Packer revolution in the late 1970s. Twenty20 cricket is a recently introduced, frenetic and exciting variant. A complete game takes about three hours, compared with the five days for traditional Test matches, or the full single day for one-day internationals (ODIs). Twenty20 cricket rewards explosive power and quick thinking; Test cricket rewards patience, discipline and concentration.

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RULES OF THE GAME

In January, the IPL auctioned eight team-owning franchises to business and media groups, who paid US$67m-US$112m for the privilege. However, media rights, to be shared across the franchisees, have been sold for over $1bn. Overall sponsorship (e.g., from Pepsi) will also be shared. Ticket sales, merchandising and "local" sponsorship will provide individual franchisees with further revenues.

The eight teams will play 59 Twenty20 home-and-away matches in 44 days in the inaugural competition. Each needed a squad of players. Only 4 of the 11 playing at any one time may be non-Indian, while 4 of each team must be under 22. The franchisees bid for the better-known Indian and international players with three-year salary contracts, although player transfers may be allowed in future years. (The remaining slots were filled by lesser-known Indian and under-19 players, whose prices were fixed at $50,000 and $20,000 per season respectively.) Each franchisee had to spend at least $3.3m per year, but no more than $5m. Each bid started with the base fee fixed by the IPL, but there was no upper limit.

Franchisees were each allowed to remove from the auction one "icon" player who would agree to play for a particular team, on the promise of earning 15% more than its next highest-paid player. This allowed the Mumbai franchise to secure Sachin Tendulkar, perhaps the city's most famous son.

Bids were high, but so were the differentials, between – for example – Mahendra Singh Dhoni at $1.5m a year, Shane Warne at $450,000, and Dmitri Mascarenhas at $100,000. Pundits and players alike have been puzzled by the results. To test the logic, we used regression techniques to analyse the unprecedented amount of data on the value placed on players in the auction[1] to find if these salaries could be explained by players' past performance and other characteristics.

KEY RESULTS

The analysis produced some intriguing results:

- **Test cricket experience didn't move the needle.** The bidders only seem to have put weight on experience in Twenty20 cricket itself, or (some way behind) ODIs. Each Twenty20 international played appeared to boost bids by $13,000, while ODI experience appeared to add $1,100 per match.

- **For batsmen, the "strike rate" was critical.** That is to say, the speed at which they had made runs explained bids much better than the number of runs made in each innings. A higher strike rate of 10 runs per 100 balls faced appeared to result in a bid $12,000 higher.

- **For bowlers, the speed with which wickets were taken was the key factor.** The number of runs conceded per wicket or per over was less important. From analysis of ODI experience of the various players being auctioned, each difference of 10 in the average number of balls bowled before a wicket was taken explained $17,000 of the difference in bids.

- **All-rounders did best, batsmen worst.** Excluding the Indian batting superstars, the bidders seemed to value all-rounders most, followed by

How's that?

bowlers, wicket-keepers and batsmen. As measured by the ICC ratings, the top 10 ODI "all rounders" (who include Jacques Kallis and Sanath Jayasuria) earned $205,000 more than would otherwise have been predicted. The Australian ODI opening pair of Hayden and Gilchrist have similar experience and performance at batting. Gilchrist's wicket-keeping may have contributed to the $700,000 bid for him, while Hayden attracted "only" $375,000.

○ **Young Indian players gained the biggest premiums.** On average, an Indian player aged over 22 attracted bids $270,000 higher than for overseas players whose experience and performance were – from the data we have – broadly similar. The rules of team formation helped drive competition for local talent, as did its marketing value. However, the premium was greatest for the rising stars. The regression suggests average bids for Indian players of 22 or less were $460,000 more than for comparable overseas players.

○ **Icons all made big money, but Dhoni is in the "Beckham" pay league.** On average, Sachin Tendulkar, Sourav Ganguly, Rahul Dravid, Virender Sehwag and Yuvraj Singh earned $323,000 more than would have been predicted from our performance data alone – over and above the premium already attracted by experienced Indian players. But the $1.5m auction-topping bid for Mahendra Singh Dhoni, India's ODI and Twenty20 captain, was $840,000 more than could be explained by our analysis, reflecting huge marketing value.

THREE-QUARTER LOGIC

From the data, we have identified factors that can explain 72% of the auction results. Some bids are almost perfectly explained. The regression analysis would suggest $221,500 for West Indian batsman Ramnaresh Sarwan, and $747,000 for the Indian player Rohit Sharma; the actual bids were $225,000 and $750,000.

But other bids were way off the regression mark, perhaps reflecting performance factors we haven't been able to collect data on – such as fielding quality or leadership – or recent rather than average form. Likewise, marketing value can't be properly captured from statistics alone. Whether these factors or bidding frenzy explain their results, the six who outscored the analysis most notably were:

- **Andrew Symonds** (Australia): bid $1.35 million, prediction $550,000.

- **Brett Lee** (Australia): bid $900,000, prediction $480,000.

- **David Hussey** (Australia): bid $625,000, prediction $210,000.

- **Albie Morkel** (South Africa): bid $675,000, prediction $300,000.

- **Cameron White** (Australia): bid $500,000, prediction $175,000.

- **Irfan Pathan** (India): bid $925,000, prediction $620,000.

Andrew Symonds is a fine all-rounder and a quick scorer, as reflected in the prediction; and a world-class fielder (which is not). Perhaps, too, his spats with Indian players in the Test series in Australia had raised his profile. Marketing value may explain the relatively high figures for Brett Lee and Irfan Pathan.

How's that?

David Hussey has played one Twenty20 international. His brother Mike Hussey is one of the world's leading batsmen, with the highest Test average after Don Bradman, and a tremendous ODI record. Yet David went for $625,000, Mike for $350,000. As Mike put it in a text message to his brother, "I can't believe you're worth double what I am". Perhaps his extremely quick one-day century for Victoria shortly before the auction swayed the bidders?

For contrast, our top 6 bargains are as follows:

- **Scott Styris** (New Zealand): bid $175000, prediction $650,000.

- **Ross Taylor** (New Zealand): bid $100,000, prediction $430,000.

- **Agit Agarkar** (India): bid $300,000, prediction $640,000.

- **Praveen Kumar** (India): bid $300,000, prediction $605,000.

- **Chaminda Vaas** (Sri Lanka): bid $200,000, prediction $465,000.

- **Parthiv Patel** (India): bid $325,000, prediction $560,000.

Styris is one of the top 10 ODI all-rounders, so Hyderabad did well. And at $550,000 (well above the final bid of $400,000) our prediction seems to support the view of the Australian captain, Ricky Ponting, that he was a "bargain buy".

WHAT DID YOU MISS?

The England players, most of whom did not participate in the auction, may well feel they missed out. Some, perhaps, with reason. Based on performance and experience alone (with – please note – no uplift for marketing value or other factors) our analysis suggests that:

- **Kevin Pietersen** might have hoped for $370,000;

- **Andrew Flintoff** (if fit) for $585,000; and

- **Paul Collingwood** might have come out top, at $640,000.

Other players who also might have been attractive to the IPL were Owais Shah, James Anderson, Ian Bell, Matt Prior and Stuart Broad, all of whom our analysis suggests might have hoped for more than $200,000. But at the other end of the scale, the regression analysis throws up a figure of "only" $60,000 for Michael Vaughan, and still less for Monty Panesar – a fine Test match bowler, but perhaps not ideally suited for Twenty20 cricket.

NOTES

1. *Data collected from Cricinfo and the International Cricket Council (ICC), as of April 2008. The regression could only be carried out with respect to the limited range of factors that can be drawn from these data and therefore carries no implications as to the market value of any of the players named in this bulletin, which in any case will vary greatly in different circumstances.*

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