



ANITA ELBERSE

Roger Federer's TEAM8: Launching the Laver Cup

"Our aim is to create a historic event that has no history."
– Tony Godsick, Roger Federer's agent and business partner

Roger Federer, widely regarded as the best tennis player in the history of the sport, walked onto the court to thunderous applause in a sold-out United Center in Chicago. It was September 21, 2018. The Swiss-born Federer was participating in the second edition of the Laver Cup, an event that pitted many of the greatest players from Europe against those from the rest of the world. The Laver Cup's inaugural edition in Prague in 2017 had seen Federer join forces with Spanish superstar Rafael Nadal. This year, Federer was on a team with the Serbian Novak Djokovic, another of Federer's main competitors in his record-setting quest for victories on the tennis circuit. Tonight, however, Federer and Djokovic would team up to play doubles. "At the Laver Cup, great rivals become teammates," said Tony Godsick, Federer's agent and business partner. "This 'un-rivaling' is amazing for the audience to see."

Federer was more than one of the Laver Cup's main stars—he was an owner and co-creator. In fact, the idea for the event had originated in his boutique company TEAM8 Sports & Entertainment ("TEAM8"), which he co-founded in 2013 with Godsick. Before he became TEAM8's chief executive officer, Godsick had been an agent at talent agency IMG for nearly two decades, where he had represented Federer from 2005 until the duo ventured out on their own. Two other accomplished businessmen, Dirk Ziff and Ian McKinnon, were also co-founders of the firm. TEAM8 represented a small roster of athletes, worked with brands, and—with the launch of the Laver Cup—now was also in the business of creating and managing events. "We are all in this to grow something together, create value, and have fun along the way," said Godsick.

A search for strategic partners for the Cup, named after tennis legend Rod Laver because, as Godsick put it, "Roger wanted to give something back to one of the sports' all-time greats," led TEAM8 to the United States Tennis Association ("USTA"), Tennis Australia, and investor Jorge Paulo Lemann. Each party signed on as an owner and investor in the event, but TEAM8 retained a majority stake and voting majority.

The Laver Cup's success—the first edition sold out within hours and generated headlines around the globe, and the second edition was on that same path—had not gone unnoticed in the world of tennis. "When you start something new, you inherently step on toes," said McKinnon. "Our success has, not surprisingly, inspired some responses from incumbents," agreed Ziff. With traditional tennis tournaments such as the Davis Cup attracting new investors and with governing bodies such as the Association of Tennis Professionals (ATP) planning to relaunch their team event, the competition for top players and for desirable slots on an already very full tennis calendar was stronger than ever before. Was TEAM8's Laver Cup well-positioned for long-term success?

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The World of Tennis

More than 100 million people worldwide played tennis recreationally.¹ Around 14,000 nominally professional tennis players entered tournaments around the globe; of those, only several hundred earned enough to cover the costs of travel, coaching, conditioning, medical care, and equipment.² A select few professional players were true global superstars. In fact, tennis was tied with soccer and golf for the highest share of athletes in the top 20 of the 2018 ESPN World Fame 100, with four players making that list: Roger Federer (ranked fifth), Rafael Nadal (ranked eighth), Serena Williams (ranked twelfth), and Novak Djokovic (ranked thirteenth).³

Governing Bodies

ITF The International Tennis Federation (ITF), tennis' main governing body, was tasked with enforcing and improving regulations, safeguarding the sport's integrity, and preserving and promoting worldwide interest in the game of tennis. "The ITF has over two hundred country members, from Great Britain, France, the U.S. and Australia, all the way down to the island nations in the Pacific," said Gordon Smith, chief executive officer of the USTA.

Four of the ITF's leading National Associations owned and organized the most prestigious individual competitions in tennis, the 'Grand Slams': Tennis Australia owned the Australian Open, the French Federation of Tennis owned Roland Garros, the USTA owned the US Open, and The All England Lawn Tennis & Croquet Club and Lawn Tennis Association together owned Wimbledon. The ITF worked closely with each tournament, providing administrative, officiating and media support. The ITF further controlled the two largest annual international competitions, the Davis Cup for men and the Fed Cup for women, as well as the Olympic tennis tournament.

ATP The ITF partnered with the Association of Tennis Professionals (ATP), and had a similar relationship with the Women's Tennis Association (WTA). The ATP—effectively a partnership between the players and the tournaments—was the governing body of the ATP World Tour, the highest level of professional tennis for men. A seven-person ATP board was responsible for key decisions. It consisted of three player representatives (chosen by players per region—Europe, the Americas, and the rest of the world), three tournament representatives (chosen by tournament directors, also per region), and a chairman (elected by the other six board members).

The ATP also maintained the ATP Rankings, the official world ranking for professional tennis players. Players could obtain ranking points by winning matches on the ATP World Tour (including the Grand Slams) and other tournaments. The rankings, which were based on a 52-week rolling period, were published on a weekly basis. ATP Rankings were important because they determined entry and seeding of players in all tournaments on the ATP World Tour, except the year-end ATP Finals (for which players qualified based on all points they accumulated throughout the current season).

Tournaments

Individual Tournaments In 2018, the men's tennis calendar consisted of 68 individual ATP World Tour tournaments in which players competed for trophies, ranking points, prize money and, in some cases, appearance fees (see **Exhibit 1**).

The four **Grand Slams**—the Australian Open, French Open, US Open, and Wimbledon—were the most elite and lucrative tournaments. Both Wimbledon and the Australian Open, for instance, were thought to generate nearly \$300 million in revenues annually from broadcasting rights, ticket sales, concessions and merchandise sales. The US Open's revenues were the highest among Grand Slams at \$350 million.⁴ Grand Slam winners earned 2,000 ATP ranking points.

The ATP hosted a variety of other tournaments, divided into three categories that were based on the amount of ranking points received by the winner, that together with the Grand Slams formed the ATP World Tour. There were nine 'ATP Masters 1000' tournaments, including the BNP Paribas Open