

BASEBALL IN THE DIGITAL AGE: THE ROLE OF ONLINE AND MOBILE CONTENT
IN MAJOR LEAGUE BASEBALL'S MEDIA PRODUCT PORTFOLIO

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This case study evaluated Major League Baseball's (MLB) media product portfolio to identify how broadcast revenues have evolved over the past decade. This research looked back across baseball's long, dysfunctional history with broadcasters in order to recognize the significance of its ambitious use of online content. While MLB had failed to fully utilize the potential of broadcasting, the league's aggressive online strategy through its Advanced Media (MLBAM) division made it the industry leader in broadcasting live streaming sports video. MLBAM expanded its online streaming video to mobile phones and iPad, further expanding the distribution of its content. This research compared MLBAM revenue to traditional broadcast revenue while analyzing the online division's role in promoting the MLB brand. This case study concluded that while MLBAM had made a number of groundbreaking developments, the league could still improve its use of embedded, shared video clips, archived footage and international marketing in order to further extend the brand equity of the MLB, its thirty individual brands and its media product portfolio.

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CHAPTER 1

INTRODUCTION

Major League Baseball (MLB) is a professional baseball league of 30 North American teams that was founded in 1869 with the creation of the first professional team, the Cincinnati Red Stockings. Baseball and the broadcasting industry enjoy a partnership that dates back to the Prohibition Era and according to sports economist Andrew Zimbalist (1993, p. 148) “to understand the media and baseball one must look at the ongoing technological revolution in telecommunications and the ever more concentrated and interlocked structure of the broadcast industry.” MLB operates as a legal monopoly due to its anti-trust exemption from the U.S. government.

Today, MLB’s media product portfolio includes local and national broadcasts, online and mobile streaming, the MLB Network and other online services. This study looked at the long history of baseball and broadcasting to determine the best utilization of MLB’s content online to best promote the both the brand of the league and the thirty individual franchises. Additionally, this research analyzed the growth in MLB’s national, local and online media revenues.

Literature Review

The information that comprises this case study comes from a variety of sources including news articles, books, scholarly journals, and personal interviews. Scholarly journals provide insight on subjects, such as the history of baseball broadcasts, baseball economics, branding and media product portfolios. While there is a tremendous amount

of research involving the game of baseball, Major League Baseball Advanced Media (MLBAM) is still a young company that has only recently asserted itself as a digital powerhouse. In addition, the digital landscape is constantly evolving as the improved quality and accessibility of online broadcasts continues to blur the lines between traditional television and media in the 21st century, and therefore greatly altering the landscape of media revenues.

Economics

Economic research has a long history in analyzing various aspects of the baseball industry, ranging from public financing of stadiums to the impact of attendance and market size to the correlation between players' salaries and performance to the impact of the reserve clause (Medoff, 1976; Noll, 1974; Noll & Zimbalist, 1997; Scully, 1974). This study concentrated on research discussing market size, the value of a win, competitive balance, and salaries.

Burger and Walters (2003) utilized a general model of fan behavior and team revenues from 1995-1999 to analyze the competitive balance in baseball. The authors expanded on a two-tier model of the contribution of players and the relationship of team wins and revenue, including market size as an independent variable in a regression estimate when determining the effects of marginal revenue based on additional wins. The study defined two types of fans: "purists," who attend and view games despite the team's record, and "bandwagoners," that increase in number based on the team's improved performance. The study found a dramatic difference in the marginal value of a win above or below the defined contending threshold of 84 games, indicating that teams attain more

fans and generate more revenue as they compete for playoff contention and value a given player six times more than non-contenders. Additionally, the study concluded that teams in larger markets have a higher marginal revenue slope, which allows teams in larger markets to value a player six times more than he would be valued in a smaller market.

Gustafson and Hadley (2007) utilized a four equation simultaneous model of win percentage, team payroll, total team revenue and local team revenue to show a consolidated metropolitan statistical area population's distinct impact on local team revenues. The study measures the impact of an additional one million in population to be .233-1.126 additional wins per season and \$4.92 million in local revenue. The results support Burger and Walters' (2003) claim that marginal revenue of a win increases with a higher winning percentage. Gustafson and Hadley (2007) estimate that an increase of payroll by \$1 million would increase win percentage by .984-1.725 (0.154-0.28 wins), indicating that the influence of market size may have been overstated in previous research.

Brown and Link (2008) expanded on Burger and Walters' (2003) model to include a team's performance in the postseason. The study's results were consistent with Burger and Walters (2003) in that market size has a significant impact on a team's marginal revenues. However, Brown and Link's inclusion of post-season performance was a much more important factor than the regular season win-loss record. The study finds that per 1 million residents, an additional regular season win is worth \$65,000-\$88,000, while a post-season win is worth \$450,000-\$500,000 for the current season and

an additional \$550,000-\$650,000 the following season due to increased interest in the team.

Silver (2006) utilized a series of linear models, market-price and two-tiered, to determine marginal value of an additional win from gate receipts, local media, revenue sharing, merchandising and post season revenues in order to determine if star slugger Alex Rodriguez lived up to his 10 year, \$252 million contract. Silver found on the linear model that an additional regular season win was worth about \$700,000, \$300,000 in the current season and \$400,000 the next. Additionally, the author concluded that a team received \$1.9 million in additional ticket revenue per season for each playoff appearance in the past ten years, stressing the importance of playoff appearances as a sign of true competitiveness.

The study's regression analysis on local media revenues is of particular importance to this study. Silver used local media revenues from 1998-2001 and 2003 accounting for several independent variables, most importantly market size, number of playoff appearances in the past ten seasons and a Superstation dummy. The regression analysis found a \$30 million annual difference between the largest and smallest markets, New York and Kansas City, at \$1.88 per additional citizen. Playoff appearances account for the long-term competitiveness of the club that is essential when negotiating long-term media contracts. Silver estimated that one additional playoff appearance is worth \$1.8 million in media rights per season for the next ten seasons, or \$14 million in present day value.

The linear model concluded that each additional win provided the club with \$1.119 million in marginal revenue. The two-tiered model accounted for playoff appearances as well as regular season wins, lowering the marginal value of each regular season win to \$747,000, while each additional playoff appearance was valued at \$28.89 million. Due to the immense value of a postseason appearance, different wins were valued differently due to the increased probability of reaching the playoffs. For example, wins number 70 or 105 were valued at \$747,000 while win number 90, a pivotal win for reaching the postseason, was valued at \$4.5 million. Silver concluded that Rodriguez was overpaid across all three models, with the sole exception of the two-tiered playoff model in the 2005 season, when Rodriguez's 10-win performance was essential to the Yankee's post-season appearance. Despite being valued at \$32.4 million in salary, Rodriguez barely covered his actual \$25 million salary; much less covering the debt incurred from the first 4 years of his contract.

Silver (2007a) continued his research on market size in a series of studies on Baseball Prospectus, utilizing local population, the strength of a team's brand, and media markets to determine the team's total fan base beyond the metropolitan area. The author utilized a number of variables to determine the strength of a team's brand, ranging from team performance, *Forbes* franchise valuations, regular season performance, post-season performance, the number of hits on Google Blogsearch, Scarborough research on fan avidity, and ESPN surveys on perception of ownership and fan relations. Silver determined the influence of local counties' population, weighted for other variables including distance from park, out of state commutes and team influence. The model was

rerun with a few subtle changes to determine the impact on media audience. This formula, described as combining “superfluous precision and extreme subjectivity,” gauges a franchise’s impact beyond the traditional designated market area (DMA) (Silver, 2007a, para. 15). This is particularly useful for markets in the Northeast and areas like northern Illinois, which is shared by as many as three or four teams. Silver utilized this system to rank the thirty MLB clubs’ market shares (Silver, 2007b) before revising the system to account for the impact of Minor League affiliates and drive time (Silver, 2007d). Silver also used this system to look at the best potential home for the Florida Marlins, if the franchise chose to relocate (Silver, 2007c)

Hakes and Sauer (2006) evaluated the hypothesis of the hit book *Moneyball*, that the Oakland A’s were able to capitalize on a labor market inefficiency at the turn of the decade by focusing on un-athletic players with high on-base percentage (OBP), the ability to get on base through hits or walks while avoiding making outs. The study used a probability-based measure of batting productivity (PGP), a weighted system that assigned values to various possible outcomes of a game to determine the probability a team wins a game, to confirm *Moneyball’s* claim that OBP was more important than slugging percentage (SLG), a measure of a player’s raw power by dividing total bases by plate appearances. OBP’s coefficients were twice as high as large as SLG’s coefficients when predicting the outcome of a victory. The authors then used a log salary regression from the 1999-2004 seasons to discover that the coefficient for SLG was significantly greater than the coefficient for OBP, confirming *Moneyball’s* hypothesis that there was inefficiency in the labor market. However, after coefficients ranging from -0.13 to 1.36

over the first four years, the coefficient rose to 3.68 in 2004, indicating that the league adjusted to this inefficiency, possibly due to the success of the Oakland A's or perhaps due to the hiring of several Oakland A's Assistant GMs and many other young, likeminded personnel across several big-league front offices.

Brown and Jepsen (2009) used a hierarchical linear model to analyze 345 non-rookies from the 2000 season in order to determine how teams value certain statistics, primarily OBP and SLG. The research found a positive, statistically significant correlation at better than 1% between each statistic and a player's salary. The authors found that if a player's OBP rose one percentage point, his salary would increase 0.077%. Additionally, the research concluded that players on high revenue teams tend to receive more in the salary arbitration process, with a \$1 million increase in team revenue increasing a player's arbitration salary by .5%. The study found that teams do not pay differently for these statistics.

Grossman, Dietl and Lang (2010) utilized a dynamic contest model to gauge the effects of revenue sharing on competitive balance. The three factors that were determined to affect the model include the cost function of talent investments, club's market size, and the initial endowment of talent stock. The authors discussed the "dulling effect" in which revenue sharing recipients do not reinvest in talent due to the lack of incentive to compete, and therefore become revenue payees after they find success with higher costs. Small-market clubs do not have the same slope of marginal revenue from additional wins, and higher salary costs, that large-market clubs enjoy, further reducing the incentive to reinvest in their clubs.

Lewis (2008) used a structural dynamic programming model to analyze payroll decisions and to analyze the effect of the newest revenue-sharing system. The author indicated that market size has a strong impact on the amount a club is willing to invest in its payroll, with optimal payrolls doubling when the metro population increases from 2.5 million to 7.5 million. Lewis explained the value of a win to be \$1.2 million in a market with a population of 10 million, while the value of a win for a population of 2.5 million is only \$625,000. The study found a moderate correlation between salary and winning percentage, .43 correlation between winning percentage and attendance, and a .44 correlation between market population and payroll. Lewis concluded that the newest revenue sharing system decreases the incentive for small-market teams to reinvest shared revenue on the payroll; after the adoption of revenue sharing, small-market teams only invested in payroll as if each victory was worth \$315,000. Lewis proposed a revenue sharing system based on attendance, but warned of other methods clubs could manipulate the system, including the heavy discount or even giving away of tickets to optimize the benefits of revenue sharing.

Bennett (2009) compared the average MLB salaries to the real gross domestic product (GDP) in the U.S. economy to measure the impact of the nation's GDP on player salaries. The author found a high correlation ($R^2 = .97$) within the data, indicating that MLB salaries are highly dependent on the U.S. economy for growth. Another interesting trend identified by Bennett was that MLB salaries rise at roughly four times real GDP growth of the U.S. economy. Hoffman (2010b) expanded on the work of Bennett (2009) to identify the effect of the 2008 economic slump on the 2010 offseason. The author

found a moderate correlation ($R^2 = .46$) between the U.S. GDP growth and the MLB growth the following year. This indicated that nearly half of MLB revenues can be tied to the US economy of the previous year. While this comparison is an example of the teams' individual revenues rather than shared media revenues, it provides insight on how the national economy impacts the game.

Sports Programming and New Media

Research in the areas of sports programming and new media provides information on the benefits of sports as programming as well as its value as a promotional vehicle. This research explained changes in the media environment impacting the value and use of sports programming. Additionally, research provided examples of how fans use new media to become more engaged viewers of traditional broadcasts.

Bellamy (1989) outlined media strategies of the MLB, National Football League (NFL), and National Basketball Association (NBA). The research includes an economic history of MLB, including the formation of the National League and World Series. The author discussed the large discrepancy in media revenues between large and small market teams in 1988, with some teams earning as much as \$17 million (Mets) while others received only \$3 million (Indians). The lack of competition between the “haves” and the “have nots” led to the expansion of the playoffs, with the introduction of a “Wild Card” team in each league beginning in the 1995 postseason. The author discussed how ownership has sought to limit player salary increases and the growing importance of media revenues. The author acknowledged the evolving television industry, citing the impact of cable on sports programming.

Allen and Hill (2004) discussed technological convergence and “the new integrated technological system” that would replace traditional TV. This new form of content distribution “will come to us on our TV screens, PCs, wristwatches and dashboard displays anywhere, anytime” (Allen & Hill, 2004, p. 536). Mobile content is an important part of MLB’s online strategy, which began offering live streaming games to mobile devices in 2009. Bob Bowman, CEO of MLBAM, described the league’s strategy “if it takes a plug or a battery, we should have baseball on it” (Leitch, 2008, para. 6). According to Bowman, wireless page views rose from 8% to 30% of total page visits between 2007 and 2009 (Gilgan, 2009). MLB has a tremendous strategic opportunity with the growing mobile audiences as the adoption of smartphones continues to rise.

Bellamy and Walker (2005) looked at vertical integration within the baseball industry, most notably with regional sports networks’ (RSN) and franchise ownership by media conglomerates. Joint ownership in a franchise and RSN allows the ownership to supply its cable network with a bulk of its programming while keeping media revenues in house. New media technology makes it easy for teams to become “producers, distributors and exhibitors” (p. 20). This also provides ownership the opportunity to play various “tax games” to avoid taxation and revenue sharing. In addition, the authors discussed the failed acquisition of MLB franchises by media companies such as News Corp. and the Walt Disney Company. Luxury taxes eliminate the advantage of deep-pocketed media companies, and investing heavily into a sports franchise makes little sense from a business perspective. The authors also discussed News Corp.’s failed attempted to market the Los Angeles Dodgers to its vast satellite viewers in the Pacific

Rim, ignoring cultural barriers by offering a team to a part of the world with no emotional ties to the organization or players. News Corp. also risked unwanted attention to the parent company's operations and financials when it attempted to launch a national Los Angeles Network.

Bellamy (2006) discussed the place of sports in media in the 21st century, and why sports content is perfect for the new media age because of its real-time suspense, “zap-proof” advertising, loyal and engaged audiences, cost effectiveness, and promotional advantages. For these reasons, sports is in a prime position to succeed in the new media age, where viewers want content on demand from a number of devices including TV, PC and mobile devices. MLB is regarded as the industry leader in online and mobile streaming sports video distribution, providing the league with an additional advantage over the NFL, NBA and National Hockey League (NHL).

Real (2006) offered a brief history on sports online, including case studies on ESPN.com and MLB.com. The author emphasized the importance of partnerships between broadcasters and publications in order to fully utilize each company's resources, as well as cross-promoting various features between the two organizations. Real continued by discussing the role of the Internet to create a more engaged fan, similar to sports talk radio shows that emerged in the 1980s and 1990s, and citing fantasy sports as a specific example. The author noted that online sports content has made distance a less important factor in sports fandom, as online content can provide a displaced sports fan all the information they need. This is evident today as fans from all over the world discuss the game on everything from social media, blogs and even the comments sections of

stories. The pre-digital age had a much heavier emphasis in local newspapers, TV and radio.

Mondello (2006) discussed the economics of sports and the media, citing the importance of sports programming to strengthening a network's brand, delivering the valuable male demographic to advertising as well as providing an abundance of content that can be re-distributed fairly cheaply. In addition, the author provided details regarding a \$275 million, six year contract to broadcast MLB games in Japan, as well as specific advertising revenue for MLB from the 2003 season.

Billings (2006) looked at the impact of sports programmings on a network's promotional abilities, outlining 15 variables, ranging from reach and frequency to compatibility of audience distance between promotion and the promoted program, which can be measured to evaluate both the ratings of the sports programs themselves as well as any other programs that might be promoted. The author analyzed a number of studies that compare pre-Olympic and post-Olympic ratings to ratings from the same program at other points in the broadcast season. The results showed a wide variety of outcomes, indicating that value of a promotion during a sports program is dependent on a number of external factors, such as the location of the Olympics, time of year and the individual athletes participating.

Anderson (2008) discussed "the long tail" of economics, which focuses on the mass distribution of niche products, turning the traditional broadcast business model on its head. Cable broadcasts are a good example of the long tail, as the traditional "Big Four" broadcasters, NBC, ABC, CBS and FOX, began to face competition from niche

cable networks that range from sports, fashion, history, science and more. The Internet is extremely effective in selling an incredible amount of niche items, whether it's obscure books or music, under the same umbrella, and relying on the limited sales of a vast number of items to obtain profitability. Like media product portfolios, this spreads the economic risk of a company across a number of revenue streams, and removes the dependence on "hits" that plague industries like traditional radio, films and over-the-air broadcasts. Companies and services that rely on the long tail range from Amazon and Rhapsody to Netflix and Wikipedia. Considering the MLB's regular season features 2,430 games or more, it is easy to apply the league's content to the long tail formula. The primary costs of sports content come from a significant investment in rights fees and production, which allows the repurposing of content across other devices.

Hoffman (2009c) continued to look at baseball content and the convergence of media broadcasting stating that the MLB is making a long-term investment with its dedication to online content, in a time when other sports leagues aren't in such a hurry. Despite MLBAM's strengths, Hoffman elaborates on problems with the league's marketing strategy, claiming they are trying to be a portal in a post-portal world. Despite this, MLB's advanced technology allows it to be an extremely successful entity. In the long run, the MLB will have strong leverage when technology evolves to the point that the league can broadcast all of its content to any television in the nation without cable, satellite or television middle-men.

Hoffman (2009e) discussed MLB's content as "TiVo-Proof Television," making it extremely advertising-friendly like all live-TV. As MLB continues to develop the

proper utilization of its vast resources to properly spread its brand awareness, this type of programming has extreme potential for revenue growth. The author also considers the world of baseball and IPTV, when the leagues would be able to eliminate networks and cable stations as middle-men allowing the league to broadcast all the games themselves, and avoid sharing the advertising revenue. The future of online broadcasts and the convergence of media devices will continue to play a large part in MLB's future.

Johnson (2009, p. 123) outlined the evolution of sports programming, calling it the "epitome of network era TV at its zenith" that was essential for building strong network brands and cross-promotion as well as providing RSNs, Superstations and other networks an abundance of content to help establish their brand. Sports programming in the post-network era encourages fans to "seek out new information and make connections among dispersed media content," including demand for online video, fantasy sports as well as "hot stove" reports, or the latest news in free agency and trades, which leads to a more engaged fan that has consumed more sports programming (p. 115).

Anderson (2010, p. xiv) discussed the economics of Free, which is described as "taking advantage of the near-zero marginal costs of digital products and services to use free as the most effective form of marketing." The free economy offers a number of distinct advantages to media companies. First, it takes advantage of the exponential decrease in costs of the three primary components in digital technology: processors, bandwidth and storage. The rapid development in these three areas leads to costs that halve at the same rate performance doubles. Anderson (2010, p. 78) explained that "never in the course of human history have the primary inputs in an industrial economy

fallen in price so fast and for so long,” providing digital media companies a distinct advantage. The author explained that the biggest obstacle for consumers is paying anything for a media product. Anderson (2010, p. 61) elaborated “what free grants in exchange forsaking direct revenues is the potential of mass sampling.” This adds tremendous exposure for the brand, providing tremendous value at a minimal cost to the company. Additionally, the free economy handicaps piracy, and helps the brand monetize their content. Anderson cited the success of the British comedy troupe Monty Python, who, after tiring of their material being pirated online, decided to offer the same content under their official YouTube channel. Consumers received higher quality video content while Monty Python saw their DVD sales increase 23,000% on Amazon.com, climbing all the way to #2 on the Movie/TV bestseller list. MLB is in a prime position to utilize the free economy to strengthen its overall brand through its diverse media product portfolio.

Each of these studies offer a unique perspective on sports programming, including the value of creating time-sensitive “TiVo-proof” programming, the growing demand for supplementary sports content, and the networks’ ability to use sports programming to build strong national brands and cross-promotion vehicles. Leagues own the content rights but broadcasters feel as though the highly lucrative contracts they sign should include digital rights as well, making it problematic for the league to offer free online streaming to fans without satisfying the economic demands of broadcasters. Streaming digital video has evolved so quickly that networks are now weighing the risk of what President and CEO of NBC Universal Jeff Zucker called trading “analog dollars for

digital pennies” (Anderson, 2010, p. 127). Therefore, a detailed, MLB-specific analysis of digital broadcast strategy will provide value to sports, broadcasting and academic research.

Media Product Portfolios

The concept of media product portfolios revolves around the diversification of media content to reduce costs through the reuse and redistribution of content. Major League Baseball serves as a great case study due to its repackaging of the on-field product (roughly 2,430 regular season games annually) through local and national broadcasts as well as to its own cable network, and online and mobile streaming broadcasts. This research sought to identify how MLB can best use its vast content and its industry leading technology to best monetize its media product portfolio.

Litman, Shrikhande, and Ahn (2000) analyzed network television programming, comparing each network’s catalog of programs to a stock portfolio. The authors argued that the networks’ selection and structure of programming is designed to maximize profits or returns while minimizing risk through programming strategies such as the lead-in, blocking, counter-programming, and bridging. The authors emphasized the importance of balancing risk in a portfolio in order to protect its owners from risk by diversifying its media offerings.

Picard (2005a) discussed the use of media product portfolios to fully utilize economies of scale and scope across a variety of media due to limit its risks, manage product life cycles, encourage company growth, breadth and improve efficiency. The author outlined various organizational and geographical factors that impact media

product portfolios, emphasizing the necessity to routinely analyze and reorganize the portfolio to match changing market conditions. The author emphasized the importance of recognizing the life cycles of various products in the company's portfolio. Picard explained the importance of risk-return analysis of products, and explains that each product in the portfolio is of varying importance, falling into one of four categories: stars, cash cows, problem children or dogs.

Picard (2005b) discussed how media products are unique, varying both from each other and traditional products, such as benefits from copyrights. The author discussed the differences for media products in the supply side and demand side compared to traditional products. Picard outlined the continuous creation of media products, in which managers rely on "structured and coordinated processes" and emphasizes the importance of branding for continued production (p. 62). In addition, the author outlined the fixed cost economy for this type of distribution, due to the low cost of distributing the content to additional audiences once it is created. This is the same concept emphasized by Anderson (2010) and is the basis of the Free economy.

Achtenhagen (2005) addressed strategic and organizational challenges in media portfolio development emphasizing the importance of diversifying the portfolio as older products begin to age and see revenues decline. The author discussed a number of strategic developments, including internal development, cooperation and strategic alliances, and mergers and acquisitions. MLB has employed a number of these strategies with its Advanced Media division, utilizing strategic alliances (ESPN3, Apple, StubHub, as well as others) with enjoying the resources to make the right acquisition.

Hess (2005) discussed the use of product platforms in the media industry, and how media companies can reuse the same content on a variety of platforms in order to fully utilize economies of scale and scope. The author outlined how the modulization, or the stripping down of content to its most basic parts, and rebundling of media products affects the cost of production and changes in revenue. Hess explained that modulization allows media companies to break down or bundle its content in any number of ways, in order to further dilute costs. The breaking down of media into clips is an important part of Anderson's (2010) Free economy. Modulation can easily be applied to MLB's media product, with 2,430 games annually that can be broken down into clips or packaged as a complete package (MLB.tv or MLB Extra Innings).

Norbäck (2005) analyzed the importance of cross-promotion and branding in media product portfolios and emphasizes how a strong brand can help a company stand out in today's fragmented media market. The author outlined a number of ways a media company can cross-promote by utilizing cross-company, cross-customer, cross-media, cross-product and cross-content promotion strategies. MLB's brand is impacted by a number of factors including the individual team performance and the quality of its broadcasts. New media provides a number of opportunities for MLB to extend both its brand equity and brand awareness by utilizing social networking, blogs, archived video and embedded clips. The next section expands on the theory of brand marketing.

Branding

Brand theory is a relatively new area of academic inquiry, but it has existed throughout human history, ranging from products like bricks, cattle, property and whiskey (Aaker, 1991; Bellamy & Traudt, 2000). There is no doubt that Major League Baseball is a strong national brand and online broadcasts provide the league with a unique opportunity to strengthen its brand on the local, national and international level. Aaker (1991, p. 7) described a brand as a “distinguishing name and/or symbol intended to identify the goods or services . . . and to differentiate those goods or services from the competition.” Although MLB lacks any form of serious baseball competition, its brand image is essential to the growth, marketing and perception of the league.

Aaker (1991, p.16) described brand equity as a combination of brand loyalty, name awareness, perceived quality, brand associations in addition to perceived quality and other proprietary brand assets. Each of these components combines to add a particular value to the customer and their confidence, satisfaction and overall experience. The more value a product or service provides to the customer, the more likely they will return to the same company in the future. MLB has a brand image that is more than one hundred years old. The MLB brand is affected by a number of factors ranging from the on-field quality, to quality of broadcasts. The MLB has seen its brand tainted a number of times throughout its history including the 1919 Black Sox scandal, Pete Rose being banned from baseball for gambling, and the steroids era.

Aaker (1996) utilized a number of case studies to outline companies' success in building strong brands. The author outlined the important concept of brand identity,

described as “the unique set of brand associations that the brand strategist aspires to create or maintain” and “imply a promise to consumers from organization members” (p. 68). While brand image described how the brand is now perceived, the brand identity is the image that the company wants to relay to their consumers. The author provided in-depth analysis on how to properly build, manage, and leverage a brand for a product or service. MLB’s brand identity could include the MLB logo, an idealized player like Ken Griffey Jr. or simply the thought of spending a wonderful day at the ballpark.

Bellamy (1998) discussed the evolving television sports marketplace at the end of the 20th century, emphasizing the role sports have in the branding of major networks and the consistent delivery of desired audiences for advertisers. The author explained how changes in the media industry, such as the rise of cable and new technologies, have allowed sports to become one of the fastest growing industries in the country. Bellamy also discussed the role of integrated marketing, which is a combination of advertising, promotion and public relations in sports marketing. The author also noted MLB is “generally regarded as doing a poor job of marketing its product” (p. 83). This is exemplified in future sections.

Bellamy and Traudt (2000) evaluated television branding as promotion, outlining basic branding strategies of networks as well as the history of branding in broadcasting. The study measured both the unaided recall of both broadcast and cable television networks as well as the recognition of network logos. By combining these two measurements, the authors determined where a brand fell on the “graveyard model” of brand awareness. The research found that the network “big three,” NBC, ABC and CBS,

dominated its cable rivals, shortly followed by popular cable brands like ESPN, HBO, MTV and CNN. The authors suggested that ABC and CBS should follow NBC's lead in introducing new channels as part of its network in order to properly utilize brand extension.

Aaker (2004) discussed the importance of brand portfolio strategy that properly “fosters organizational and market synergies, creates relevant, differentiated and energized brand assets and leverages those brand assets” (p. xiii). The author outlined key goals to a successful brand portfolio strategy, to “create synergy, leverage, and clarity within the portfolio and relevant, differentiated, and energized brands” (p. 13). MLB leverages its media product portfolio through the use of local broadcasts, national broadcasts, the MLB Network, and live streaming video on the PC and mobile phones to benefit the overall brand identity in its brand portfolio strategy.

Bellamy (1993) looked at issues in the internationalization of the U.S. sports media with an emphasis on the European marketplace. The author addressed a number of issues that arise in international marketing, including the deregulation of broadcasting in Europe, cultural boundaries and competition from local sports programming. While the NFL has taken a more active role in marketing to Western Europe with the defunct NFL Europe and their annual regular season game in London, MLB has an opportunity to extend its brand elsewhere in the world, especially through its online and mobile content.

Bellamy and Chabin (2006) outlined global promotion and marketing of television in the digital age, recognizing globalization as one of the six “imperatives of marketing” today. The authors stressed the importance of globalization when building a

worldwide recognition of brands. Additionally, the authors emphasized the importance of how today's media needs to be "on hand and on demand," a mantra that describes MLB's new media strategy (p. 285). MLB's online streaming video continues to improve as the costs of processors, memory and bandwidth decrease.

Research Questions

This study attempted to answer the following research questions:

RQ1– How has traditional broadcast revenues evolved between 2001 and 2008?

RQ2 – How does the value of Major League Baseball's Advanced Media (MLBAM) compare to traditional broadcasts?

RQ3 – How can MLBAM better utilize its product portfolio and industry-leading online technology to strengthen the MLB and thirty local brands?

Purpose

The purpose of this case study is to discuss what has made MLBAM "the most forward thing baseball's ever done," while looking for additional ways for the league to improve its product in order to maximize its impact on both the league and the 30 individual clubs (Ortiz, 2007). Originally established to unify the league's 30 team websites under a single brand, the MLBAM expanded to online and mobile broadcasts, generating a projected \$450 million in revenue in 2008 (Brown, 2008a). However, as digital convergence continues to blur the boundaries between content creation and content distribution, MLB is in a prime position as it holds the rights to all of its content.

This study looked to the long history between the broadcast industry and the game of baseball in order to learn from the failure of many early commissioners, team owners and broadcasters that did not recognize the full potential of broadcasts. Additionally, this

study quantified MLBAM's value to MLB's media product portfolio both in equity and a way to extend brand awareness with cross-promotion and the repurposing of its content. The next chapter outlines the long history between MLB and broadcasting.

CHAPTER 2

MAJOR LEAGUE BASEBALL BROADCAST HISTORY

MLB and Early Broadcasting

Prior to the advent of radio, telegraphs services were used to send game results to poolrooms and saloons. Western Union and Major League baseball signed a 5 year, \$17,000 deal for the exclusive telegraph rights in 1913 (Zimbalist, 1993). Additionally, Major League Baseball had agreed with the motion picture industry for the rights to the World Series for a paltry \$500 in 1910, before rising to \$3,500 the following year (Zimbalist, 1993). These same rights to the World Series are a key component in the billion dollar contracts with television broadcasters around the world.

Beginning with the first baseball radio broadcast in 1921, the broadcast industry has shaped the evolution of the game (Zimbalist, 1993). The first live World Series radio broadcast was the following year, as more than five million Americans tuned in. Throughout the 1920s baseball sold radios, and radio introduced baseball to a new generation of fans (Silvia, 2007). By the end of the 1920s, the new medium of radio was seen as a problem rather than a marketing tool when revenue typically came from ticket sales, concessions and billboards (Zimbalist, 1993). Others argued that “listening to a game on the radio may increase the desire to see it” (Walker & Bellamy, 2008, p 182). Many baseball fans found that, even after the advent of television, they still preferred games on the radio. Car radios provided further portability, as they allowed the fan to

listen to the game as they drove. While only 9 million cars came with radios in 1946, half of all the automobiles on the road would have them by 1963, and nearly 95% of cars would have a car radio by 1979 (Silvia, 2007). Silvia (2007, p 7) argued that “imagination is what connects generation of baseball fans that grew up listening to, rather than viewing, baseball games.” Before long, owners began to see the potential in radio broadcasts, recognizing that radio could heighten fan interest, even developing new audiences in the dominant daytime audience, women, and children (Walker & Bellamy, 2008).

Several owners recognized the marketing potential of broadcasting, including William K. Wrigley, owner of the Chicago Cubs. In 1925, William Wrigley became the first owner in baseball to invite radio stations to promote any Cubs game (Zimbalist, 1993). Wrigley saw infinite potential in broadcasting, viewing broadcasts as a two-hour promotion rather than “giving away” the product of baseball (Walker & Bellamy, 2008). Future Dodger owner Walter O’Malley believed road games were “the best promotional tool you could have,” adding “it built up the interest for the next home stand” (Helyar, 1995, p 54).

The rights to the World Series radio broadcasts in the late 1930s sold for approximately \$400,000 and set a precedent for early sports broadcasting deals (Zimbalist, 1993). All three New York teams banned radio broadcasts as late as 1932, but by 1939 all sixteen teams offered radio broadcasts (Zimbalist, 1993). Baseball on the radio continued to be a powerful medium for broadcasters even after the invention and adoption of television, as many fans either didn’t have the means to buy a television set,

or preferred radio's portability as many games occurred during working hours during the day (Silvia, 2007). Baseball was in the perfect position to take advantage of radio's three primary advantages: mobility, portability and localism (Silvia, 2007). Radio would continue to have a key role in developing baseball at the local and regional level throughout its lifespan, and its reach is broadened today through satellite radio and the internet.

MLB and Television's "Dysfunctional Marriage"

Television, however, wasn't accepted nearly as quickly by owners. Baseball's long-term relationship with television has been described as a "dysfunctional marriage" by Walker and Bellamy (2008); a volatile partnership that tends to clash much more frequently than collaborate towards a mutual benefit. While television saw baseball as a great opportunity, owners saw television as a threat rather than extension of major league baseball's brand, a new revenue stream, or another unique medium to expand the popularity of the game from a regional to national phenomenon.

The first television broadcast of baseball took place on May 17, 1939 between Princeton and Columbia as part of NBC's "World of Tomorrow" for New York City's World's Fair (Walker & Bellamy, 2008). The first broadcast of a professional baseball game took place later that same year from Ebbets Field between the Brooklyn Dodgers and Cincinnati Reds (Walker & Bellamy, 2008). Many owners felt threatened by radio and television because they thought that broadcasts would dip into their consumer base, causing fans to avoid games (Zimbalist, 2003). Meany (1947, p. 2) warned that owners needed to take advantage of the advertising potential of media by "formulating plans to

incorporate their radio and television rights to get the most out of them, not merely in money but in advertising value.”

Baseball’s partnership with local television broadcasting began in 1946 when the New York Yankees signed a contract with WPIX-TV for \$75,000 (Zimbalist, 1993). Baseball provided an abundance of programming, something the networks needed to push sales of their new, expensive television sets. RCA chairman David Sarnoff commented years later that “we [television makers] had to have baseball games and if they had demanded millions for the rights, we would have to give it to them” (Walker & Bellamy, 2008, p. 26). One industry report from *Broadcasting News* in 1947 found that baseball broadcasts made up more than half of the programming for stations that carried the game during the months of June and July (Walker & Bellamy, 2008). It was clear that “postwar America wanted baseball, both its major and minor league versions” (Walker & Bellamy, 2008, p. 182).

By the early 1950s, the initial postwar baseball attendance boom was ending and both the major and minor leagues began to see a steady decline in attendance for many years (Walker & Bellamy, 2008). Urban sprawl began to make its way into American culture as more citizens moved to suburban areas to escape the crowded cities and moving themselves farther from ballparks. Baseball owners, who initially gave away television broadcasts for bargain prices, if not free, began to blame television for this decline in attendance.

Research of this period differed on the effects on television’s impact on the game. While there was little to no research regarding the effect of televised baseball on ballpark

attendance, the decline in attendance was hard to ignore (Walker & Bellamy, 2008). MLB's attendance dropped from slightly under 21 million at its postwar peak in 1948 to 14.4 million in 1953 (Walker & Bellamy, 2008). League-wide attendance did not reach 20 million again until the 1960 season (Helyar, 1995). Some claimed that average Americans preferred to view the game in the confines of their own home, rationalizing the extravagant price of a new television and avoiding trips to the ballpark (Walker & Bellamy, 2008). Much like radio, many fathers saw televised sports as a key reason to purchase their first television set and baseball, the most popular sport of the time, was a likely contributor (Walker & Bellamy, 2008). Others argued that non-sports broadcasts were the reason for declining attendance, as more and more Americans became familiar with popular "family" entertainment provided by television personalities and programs (Walker & Bellamy, 2008). However, while attendance continued to fall, broadcasters were introducing a new revenue stream to the league in the form of lucrative broadcast contracts.

TV's Explosive Growth

NBC provided the first World Series television coverage in 1949 at a time when less than 12% of U.S. households had TV receivers (Zimbalist, 2003). By 1953, 15 of 16 clubs had TV contracts and ABC began the first game-of-the-week format and, by 1958, 11 of the 16 MLB teams offered weekend home games on either CBS or NBC (Walker & Bellamy, 2008). The number of television households exploded in the United States, rising from 54% (28.1 million) of homes in 1954 to 67% (34.9 million) of homes in 1955 and 87% (45.8 million) of homes in 1960 (Helyar, 1994; Zimbalist, 2003). Local

revenues varied differently amongst the clubs, but both local and national revenues experienced steady growth. National revenues grew 17 percent annually from 1960 to 1990, with local revenues rising 13 percent annually over the same time period. Television and radio revenues continued to rise steadily and rapidly since their introduction to the sport (Zimbalist, 1993).

While broadcast contracts began to emerge as a legitimate revenue stream for the league, the dated collective bargaining agreement was not properly tailored for such a large shift in revenue. Bill Veeck, owner of the St. Louis Browns, argued that television was damaging the game's competitive balance (Walker & Bellamy, 2008). While revenue sharing existed for gate receipts, no system had been established for broadcast revenue sharing and, while small-market teams like the St. Louis Browns were feeling the effects of attendance declines, large-market teams like the three New York franchises were able to negotiate their own expensive broadcast contracts that smaller markets couldn't hope to match.

This ever-growing revenue discrepancy led to large market teams "buying" the best players and controlling them indefinitely, harming the competitive balance of the league while continuing to hurt small-market team's gate revenues as the team's product continue to decline. Meanwhile, teams in larger markets continued their dominance which led to higher ratings and higher fees from broadcasters. The New York franchises alone had fourteen out of a possible twenty World Series appearances in the 1950s, illustrating the strong effects of broadcast revenues during the decade (Walker & Bellamy, 2008). This series of events helped lend credence to the belief that broadcasts

were harmful to the game. Until a more efficient system could be developed, radio and television revenues would favor large market franchises. Revenue sharing continues to be a key part of the game's fabric and this serves as one example of how broadcast revenues have altered baseball economics.

Baseball owners have a history of leveraging its local media contracts to improve the on-field product. Before the 1979 season, Bill Giles, Vice President of the Philadelphia Phillies had renegotiated the team's contract with WPHL in order to free up more money to sign free agent Pete Rose. Giles argued that the stations ratings would go up after the signing and they would be able to charge more for advertising and the station agreed to discount the team's contract \$600,000 per season. This money pushed the Phillies' offer over the top, and Rose signed a three-year, \$3.5 million deal (Helyar, 1994). Within two months, the team had sold \$2.5 million more in season tickets, and set a club attendance record of 2.8 million. The following season, the Phillies won the World Series and both the team and WPHL came out ahead. The Kansas City Royals, recognized their advantage as a regional franchise, and in the mid-70s the club aggressively expanded their radio network by 80 percent, to 110 stations. The club utilized radio not just for increased revenue, but also to create interest in the team. Soon, 45 percent of the team's crowd came from over 50 miles on weekdays, and 70 percent of the crowd coming from the same distance on weekends (Helyar, 1994).

The Sports Broadcasting Act of 1961 allowed professional sports leagues to negotiate a national television package in order to maximize the benefits to all of its franchises. Walker and Bellamy (2008, p. 192) explain that baseball in the 1960s

suffered from “weak commissioners, allowing local team interests to dominate the game’s agenda” and that successful teams “had little motivation to share their wealth or pursue a television strategy that might promote the financial health of the entire sport.” It wasn’t until football overtook baseball as the country’s most popular sport that baseball leadership turned to television to bring it back to prominence.

Period of Franchise Relocation

The landscape of the game began to change significantly. The minor leagues were going through contraction and fifty years of franchise stability was shattered, leading to five franchises relocating over a period of six years. Some teams, like the Boston Braves to Milwaukee (1953) and the Philadelphia Athletics to Kansas City (1955), moved from large markets shared with a more popular team to small Midwest markets in search of higher attendance. This is the opposite of most franchise relocations today, when owners search for the largest available media market to increase revenue and exemplifies the disregard for media during this period. Thirteen years later, both teams had relocated to Atlanta (Braves) and Oakland (A’s), but not before instilling a strong baseball culture in each of these Midwest cities. By 1970, Milwaukee and Kansas City were both rewarded expansion franchises (Walker & Bellamy, 2008).

Despite the Dodgers’ aggressive use of broadcasting, the franchise faced a number of issues. Ebbets Field housed a paltry 32,000 in a time when new stadiums, such as Milwaukee County Stadium, had increased capacity to more than 43,000 (Helyar, 1995). The Dodgers average attendance of 1.2 million paled in comparison to

Milwaukee's 2 million in 1954, the first team to eclipse the 2 million mark (Helyar, 1995). Gate revenue was still the primary source of revenue for teams, and Milwaukee's new revenue translated to more prospects, more farm teams and a more competitive big league club that threatened the Dodgers' domination. In addition, the club continued to compete with two other teams in the New York market.

Walter O'Malley recognized the immense opportunity of baseball in California. The Los Angeles area was already larger than thirteen of the sixteen major league cities, and by the mid-1950s the market was long overdue for its own club (Helyar, 1995). O'Malley, always the broadcast visionary, had tried to shift the Dodgers to Pay TV in New York through a service called Skiatron, at the cost of \$1 per game, but the competition from two other clubs in the city made it a hard sell. O'Malley saw Pay TV succeeding in Los Angeles, and paired with the promise of a new, high-capacity stadium of his own, moving the club to Los Angeles was a no brainer. O'Malley brilliantly cashed in on Phil Wrigley's frustration with his Los Angeles farm club, trading the Fort Worth farm club, which he had invested \$575,000 through the years, for the team, and broadcasting rights, in LA (Helyar, 1995). O'Malley shared his plan with Giants' owner Horace Stoneham. The Giants were in a much more desperate financial situation, and the team had already been weighing a number of options of where to move. Intrigued by the Pay TV and interested in carrying their rivalry to California, Stoneham agreed to move the Giants to San Francisco, and brought with him the support of the other owners who would be needed to approve the dual move (Helyar, 1995).

Subscription Television, Inc. (STV) was a wired version of Skiatron's pay television system in California. STV planned to use Hollywood and baseball content in order to build a new form of box office revenue. While the San Francisco Giants announced that home games would appear on STV in 1959, the service did not offer its first game until July 17, 1964 against the Chicago Cubs. Roughly fifteen hundred homes paid \$1.50 a piece to view the game, but local theater owners launched a state-wide anti-pay TV campaign and, by the end of the year, California voters passed a memorandum to ban wired pay TV. While this law was later ruled unconstitutional, the delay combined with the rise in popularity for advertiser-supported content pushed back the impact of non-traditional baseball programming another decade. Having lost out on Pay TV, Walter O'Malley put very few games on free TV, depending on Vin Scully to create demand on the radio, and drive fans to the new Dodger Stadium (Helyar, 1995). The Dodgers averaged 2.5 million their first 5 years in Los Angeles, in a time when the average team were considered lucky to draw 1 million, enabling the Dodgers to become a baseball powerhouse for years to come (Helyar, 1995).

The National Game (1953-1992)

National baseball broadcasts grew slowly but steadily, beginning with ABC's coverage of an Indians-White Sox game on Memorial Day 1953. Early national broadcasts faced opposition from minor league teams, as well as limited broadcasts areas due to blackout rules, that restricted national games from being played in markets that had its own MLB team (Walker & Bellamy, 2008). In addition, the money was shared based on the number of appearances, leading to the New York Yankees receiving two

thirds of the \$895,000 national television money (Helyar, 1994). It wasn't until another sports league, the National Football League, negotiated the largest sports broadcasting act in history that MLB owners finally saw the potential of national broadcasts.

The new commissioner of the NFL, Pete Rozelle, recognized the immense potential of television. In 1959, each team in the NFL negotiated their own TV contracts and the results ranged from \$600,000 (Baltimore Colts) to \$80,000 (Green Bay Packers) (Helyar, 1994). Empowered by the new Sports Broadcasting Act of 1961, Rozelle sought to package the league TV rights in order to increase the leagues' leverage in negotiations with broadcasters. The plan worked perfectly as CBS bid \$28.2 million for the 1965 and 1966 seasons (Helyar, 1994). This deal increased the leagues TV revenue tenfold and leapfrogged the MLB in network TV revenues (Helyar, 1994). This newfound broadcast revenue was shared evenly, in order to improve league parity; Rozelle believed that the league was only as strong as its weakest link. Large-market teams like the New York Giants and Chicago Bears willingly ceded their advantages for the overall health of the league, Rozelle's "league think" ideology, an idea that would never pass by their contemporaries in Major League Baseball. NFL attendance boomed in the 1960s, nearly doubling to a 6.1 million by 1969, as more fans began to follow the national games due to the standardized times of the two daily Sunday games each week (Helyar, 1994).

Inspired by (or in reaction to) the NFL's broadcast success, MLB allowed ABC to broadcast the *Game of the Week* in big-league cities in 1965, raising the value of the contract to \$5.7 million (Walker & Bellamy, 2008). This money was shared equally for the first time, preventing one team (the Yankees) from receiving the lion's share of the

revenue, and helped soften the blow on small-market teams, increasing the share of every non-Yankee franchise threefold, to \$300,000 for each team. However, the ratings for the *Game of the Week* were abysmal, and ABC dropped the program after one year, leading to a three year deal with NBC for *Game of the Week*, the All-Star Game and the World Series for \$11.8 million annually (Walker & Bellamy, 2008). Meanwhile, the NFL earned \$18.8 a year in national TV money, along with an additional \$2.4 million for the new championship game, the Super Bowl (Helyar, 1994). It was clear football was serious competition for the hearts and minds of Americans.

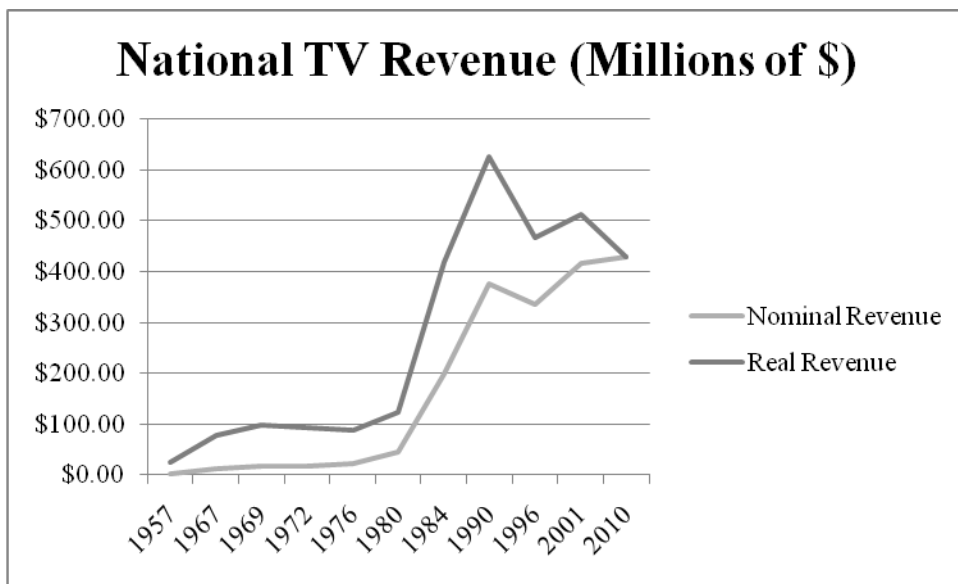


Figure 1. National TV Revenue (In Millions of \$) with real values calculated using Consumer Price Index in 2010 dollars. (Source: Walker & Bellamy, 2008)

Figure 1 outlines the growth of national TV revenue throughout baseball's history. In 1969, network TV money rose 40%, to \$16.9 million annually, as the quality of broadcasts continued to improve as networks began to employ more, higher-quality cameras, graphics, instant replay and better production techniques (Helyar, 1994; Walker & Bellamy, 2008). Multiple cameras allowed directors to cover the action more

efficiently, and capture moments previously missed in the broadcast, like Carlton Fisk waving his homerun fair in the 1975 World Series. Graphics gave directors the ability to insert statistics, trivia and other essential information to provide fans with additional information to keep them engaged with the game. Instant replay empowered the director to replay a pivotal play or a close call, allowing fans to relive key moments of the game. Perhaps the most essential production development was the adoption of the center field camera, which framed the pitcher, batter, catcher and umpire during each at bat. Now a standard shot in baseball broadcasts, it was originally used by Harry Coyle during the 1955 All-Star Game (Walker & Bellamy, 2008). The shot was so effective some owners were afraid the shot made broadcasts “too good” and would keep fans from visiting the park (Walker & Bellamy, 2008). The 1965 World Series began to utilize the center field camera significantly more and by the 1975 World Series NBC featured two center field cameras in order to fully utilize the signature shot (Walker & Bellamy, 2008). By 1971, MLB moved the World Series to prime time in order to appease the networks and to attract larger audiences for the game’s signature series (Helyar, 1994).

Baseball would be forever changed on December 23, 1975, when arbitrator Peter Seitz ruled that MLB players would become free agents after playing one year without a contract, effectively ending the reserve clause. The reserve clause had allowed team owners to perpetually renew any player’s contract, essentially keeping their best players under control until they were no longer needed. The reserve clause had been the target of Marvin Miller, executive director of Major League Baseball Players Association, since he joined in 1966. The reserve clause allowed owners to suppress players’ salary and

provided owners with tremendous leverage during contract negotiations. Low salaries helped keep teams from losing money in a period when owners had yet to fully capitalize on media revenues. The ruling was upheld by the 8th Circuit Court of Appeals in *John A. Messersmith v. The Los Angeles Dodgers*, and after all appeals were exhausted the union had won a great victory. Free agency was negotiated into the 1976 labor agreement for players with six years of experience (Helyar, 1994). Figure 2 shows the dependence on national TV revenues to pay for the rising costs of player salaries with the advent of free agency. The correlation is striking, between 1971 and 1990 the average player salary grew 1,741%, while the revenue generated from national TV grew 1,742% (Helyar, 1994).

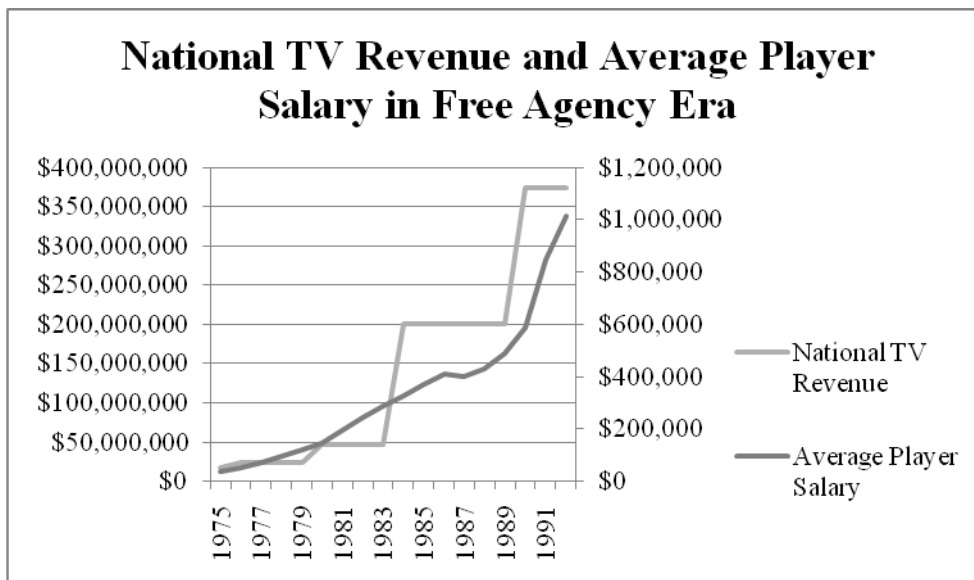


Figure 2. National TV Revenue and Average Player Salary in Free Agency Era. (Source: Helyar, 1994; Walker & Bellamy, 2008; Hauptert, 2007)

Salaries exploded in the post-*Messersmith* era. Despite the outrage and panic free agency caused, owners couldn't resist throwing money at players. Many owners believed (often incorrectly) that they were one team away from winning the pennant, with several

owners routinely overpaying for marginal players. The year before *Messersmith*, the average MLB salary was \$35,000; after the first year of free agency it increased to \$52,300 (Helyar, 1994). Over the next four years, that number would nearly triple, to \$146,500 in 1980, before doubling again to nearly \$326,000 by 1984 (Helyar, 1994; Hauptert, 2007). The effects of free agency were two-fold: not only did the price of free agents rise exponentially, but it also affected the amount players earned through arbitration, leading to an increase in salary among younger, team-controlled players. The average difference between team and player submitted salaries during the arbitration rose from \$19,000 in 1979 to \$163,000 in 1985 (Helyar, 1994).

The 1976-1979 national TV contract, which shared the package between NBC and ABC, totaled \$92.8 million for the league, increased each team's share to nearly \$1 million per team, which was desperately needed with payrolls on the rise (Walker & Bellamy, 2008; Helyar, 1994). Local TV had been an important part of MLB's revenue, but suddenly national TV had an even more important place among the teams. In 1965, local TV generated three times the revenue generated by national TV, but by 1980 the national TV package exceeded local revenues for the first time (Helyar, 1994).

Additionally, these revenues were shared equally, providing small-market teams with some much needed relief in a period of escalating salaries when they couldn't possibly post the same media revenues as teams like the Yankees and Braves. The 1980-1983 contract doubled revenues once again, netting \$190 million for the league annually, or \$1.8 million per team (Walker & Bellamy, 2008).

The biggest reason for the explosive growth in national TV revenue was clear: the beer wars of the early 1970s between Anheuser-Busch and Miller. After the purchase of Miller Brewing by Phillip Morris at the beginning of the decade, Miller went after Anheuser-Busch's crown, with the introduction of the first low-calorie beer, Miller Lite, in 1975. Anheuser-Busch quickly felt the effects of Miller Lite, as its market share dropped from 23.7 to 19.4 in 1976 while Miller leapfrogged from sixth to second in market share (Helyar, 1994). Both companies relied heavily on sports programming to get out its message. Miller was using The World Series, *Monday Night Football*, college football, the Olympics and the Indy 500, while Anheuser-Busch responded by pumping 70% of its \$400 million broadcast ad budget into sports programming (Helyar, 1994). In 1976, Anheuser-Busch sponsored the telecasts of twelve MLB teams, but by 1986 it sponsored all twenty six teams (Helyar, 1994). It was easy for broadcasters to hand over massive contracts for sports programming when they knew they could depend on the beer companies for consistent, bulk advertising. Baseball had come a long way since earlier commissioners Judge Landis and Happy Chandler had both turned down beer sponsors for early baseball broadcasts (Helyar, 1994). The networks also needed sports programming to add prestige to their networks, and often paid the massive price tag to add premiere sports events to their broadcast schedule.

Meanwhile, MLB saw its attendance soar over this period, up 50% between 1976 and 1984 (Helyar, 1994). Paired with the growth in national TV money, and the development of other revenue streams, such as licensing, revenues tripled to \$625 million (Helyar, 1994). The price tag on national contracts continued to soar as cable fueled

broadcast networks need for premium content. NBC and ABC combined to offer MLB a \$1.2 billion package for the rights to the 1984-1989 TV package, quadrupling each team's annual revenue from national broadcasts from \$1.8 million to \$7.2 million (Walker & Bellamy, 2008; Helyar, 1994). By 1986, MLB earned its first operating profits in eight years and the following year revenues increased another 15% (\$792 million), increasing profits ten-fold (\$103 million) (Helyar, 1994). Profits continued to soar, totaling \$121 million in 1988, the year gross revenues exceeded \$1 billion for the first time, before rising to \$214 million in operating profits in 1989 (Helyar, 1994). One reason for the large increase in profits was the sudden drop in players' salaries from 1985-1988, a period when owners were later found of collusion. The damages from this decision would later come back to haunt the owners.

The 1990-1994 national TV deal signed with CBS, paired with ESPN's \$400 million national contract, doubled MLB's national TV revenues once again as well as doubling each team's portion from national contracts to \$14 million annually (Helyar, 1994; Walker & Bellamy, 2008). CBS's \$1.1 billion bid was roughly \$400 million more than NBC or ABC offered (Walker & Bellamy, 2008). This national TV contract would be the final time MLB would be able to increase its national TV revenue at such an incredible rate. The owners' overdependence of national TV revenue to pay for the skyrocketing player costs (caused by their own spending habits), and the ramifications of the owners' collusion would prove to be a dangerous combination for owners in the 1990s.

Rise of the Cable Superstations

The 1970s and 1980s presented a number of changes to both baseball and television industry. Cable television began to fragment an audience dominated by the “Big 3” networks since the advent of television as well as provide some clubs with a competitive advantage through the use of Superstations and club-owned regional sports networks (RSNs).

The first of the Superstations had a very modest beginning. In 1970, Ted Turner purchased a fledgling UHF station, ranked 5th in the Atlanta market-- good for dead last, with part of his fortune from billboard advertising (Helyar, 1994). The station was hemorrhaging money (losing \$600,000 annually) and Turner’s associates begged him not to purchase it (Helyar, 1994). Turner ignored their advice, renamed the station WTCG (Watch this channel grow), and began growing the station through the effective use of “counter-programming.” This programming strategy depended on playing the opposite type of programming than the rest of the competition, in WTCG’s case it was re-runs and old movies. Turner saw the value of sports programming to go head-to-head against the networks’ primetime series, and bid \$600,000 a year for the rights to Atlanta Braves following the 1973 season, roughly three times what was being paid by Cox Enterprises (Helyar, 1994). Simultaneously, Turner was buying the rights to more popular television series, like *Leave it to Beaver*, *Andy Griiffith*, and *The Beverly Hillbillies*. Turner saw the value of programming, both sports and traditional, and leveraged everything in an attempt to build a network that extended beyond the Atlanta area. Inspired by the FCC’s deregulation of satellite transmission for television signals and the potential of satellite

carried Home Box Office (HBO), which was able to efficiently beam its programming across the country via satellite for \$10 per subscriber, per month, Turner, saw his station as a national alternative to the Big 3 networks (Helyar, 1994; Walker & Bellamy, 2008). After an abysmal 1975 season, it appeared as though the Braves would be moving to Toronto. Unable to allow a large portion of his content move out of market, Turner swooped in and purchased the team, soon becoming one of baseball's most controversial owners. The SuperStation (WTCG was later renamed to WTBS) launched in early 1977 and soon added 200,000 subscribers each month, primarily in remote parts of the U.S. without their own local TV stations, much less their own baseball team (Helyar, 1994). The station began to collect national advertising in 1978 and by the early-1980s the station had 20 million subscribers; by 1987, that number would climb to 40 million (Helyar, 1994).

WGN began its national broadcasts in 1978, featuring games from the Chicago Cubs and the NBA's Chicago Bulls (and later the White Sox) (Walker & Bellamy, 2008). WGN's ownership, the Tribune Company, took a page from the Turner playbook and purchased the Cubs from the Wrigley family in 1981 (Helyar, 1994). The Tribune Company saw the value of programming, but also the advantage of working the Cubs ownership into its vertically integrated media company. WGN saw its subscriber base soar in the 1980s, totaling 8 million at the beginning of the decade before rising to 22 million by 1987 (Helyar, 1994).

Not only did baseball provide these networks a bulk of programming, especially during the afternoon hours and summer months, but it also provided a new national

audience for the individual franchises. Superstations generally gave carriage to the station away for a small monthly fee, leaning on advertising in order to cash-in.

Television revenue was becoming more and more essential to a team's organizational health, with its percentage of total revenues climbing from 24% in 1975 to 42% by 1985, and with national TV money shared equally, a club needed to capitalize on local media rights in order to obtain a competitive advantage (Helyar, 1994). While other teams were copying the Superstation formula, including WOR (Mets), and WPIX (Yankees), not every market was able to capitalize on the format. Cable TV money was soaring for some clubs, but it also helped fuel the clear class difference that was developing by the mid-1980s. The Mets were the industry leader in local revenue (\$17 million), thanks to a new thirty year contract while the lowly Royals struggled to bring in \$3.1 million (Helyar, 1994). In 1986, the Cincinnati Reds estimated that there were 423 games on TV in their market, with only 11% being Reds games (Helyar, 1994). When Commissioner Peter Ueberroth imposed a "super-station tax" on TBS and WGN, in an attempt to level the playing field, he charged each club \$8 million, a small percentage of the estimated value of superstations, between \$75 and \$84 million (Helyar, 1994).

The late George Steinbrenner unleashed the potential of media when negotiating the newest cable contract for the Yankees in 1988. The New York Mets had signed a thirty (yes, thirty) year contract with SportsChannel, a regional sports network (RSN), in 1982 that paid the club \$17 million annually (Helyar, 1994). While the contract quickly ranked the Mets number one in local revenue, the mid-eighties saw cable revenues soar and the Mets' contract was soon dwarfed by other deals. The Yankees were the only

baseball team left in New York without a deal and the Madison Square Garden Network (MSG) desperately needed baseball programming for the spring months to supplement its other sports programming: NHL Rangers and NBA Knicks. All Steinbrenner had to do was sit back and let MSG and SportsChannel outbid each other. In the end, MSG won out with a thirteen-year, \$486 million deal, tripling the clubs local TV money that was already the highest in the league (Helyar, 1994). The role of Superstations and RSNs on the imbalance of revenues would help contribute to the series of events leading to the 1994 strike.

Events Leading to the 1994 Strike and its Aftermath

After nearly two decades of tremendous growth in the national TV contract, bad ratings and the end of the beer wars saw baseball's national TV revenues drop by nearly 50%, a loss of about \$7 million annually per club, money the small-market teams had come to depend on to make payroll (Helyar, 1994). Player salaries, however, continued to grow at an incredible rate, with the average salary rising more than 80% between 1989 and 1991, from \$489,000 to \$880,000 (Helyar, 1994). By 1993, players' salaries comprised 63% of gross revenues on the year (Helyar, 1994). In 1992, two thirds of MLB franchises lost money, with eighteen of the twenty six clubs suffering declines in attendance (Helyar, 1994).

The Superstations and new parks had effected the variance in revenues tremendously. In 1980, the largest difference in revenues was \$10 million, and by 1991 it had risen to \$80 million (Helyar, 1994). By the early 1990s, TBS had 57.6 million subscriptions and WGN 34.9 million subscriptions and some estimates had superstations

costing baseball \$250 million a year in TV revenue (Helyar, 1994). The St. Louis Cardinal's flagship station estimated that its audience fell 30% when it competed with a game on WGN, and 15-20% against TBS (Helyar, 1994). Economist Roger Noll was hired by the union to review financial statements. Despite the owners' pleas that the industry was failing, Noll declared that baseball was financially healthy, just as he had after owners' complaints in 1985 (Helyar, 1994).

Many argued MLB needed an improved system of revenue sharing to increase the overall fiscal health of the league, but such a system was unthinkable to the owners. These were the same owners that dragged their heels for years on concessions like salary arbitration and free agency. In December 1993, five NL owners refused to sign the 1994 Broadcast Agreement, and the division between "haves" and "have-nots" within ownership became abundantly clear (Helyar, 1994). When it came time for labor negotiations, the owners couldn't agree amongst themselves, much less with the Players' Association. Plans ranged from a salary cap to a luxury tax, but there was little common ground. The strike officially began on August 12, 1994 and would not end until the U.S. District Court supported the players' unfair labor practices complaint, ending the strike officially ended April 2, 1995. The shortened 1995 season began on April 25 to a number of severe consequences to the MLB and their brand image.

The popularity of the game was in severe decline after the 1994 labor strike. Until the 2004-2005 National Hockey League Lockout, the strike was the longest interruption in American sports' history (Matheson, 2006). Fans were outraged when the league cancelled the 1994 World Series for the first time since 1904. According to

Zimbalist (2003), MLB's average game attendance fell from 31,612 in early 1994 to 25,021 in 1995. The fans made their voices' clear, they were upset with the league and many fans swore away the game entirely. Matheson (2006) concluded that despite a strong drop off in attendance, MLB was able to recover due to new ballpark construction in 19 of the 30 cities in the league. Between the nostalgia visits of an old park's final season and the inaugural season of the new extravagant ballpark, attendance was able to return to pre-strike levels (Matheson, 2006).

In order to keep fan interest from dropping off after the novelty of the new parks wore off, MLB has been desperately trying to restore its fan base and the revenue they lost because of the strike. Fortunately for MLB, history was on its side. Cal Ripken Jr. broke Lou Gehrig's consecutive games-played streak at 2,131 games in 1995. In the summer of 1998, Mark McGwire and Sammy Sosa both beat Roger Maris' single season record of 61 homeruns. The league also decided to realign the teams for the 1994 season, introducing a Central Division and adding one "Wild Card" team to the playoffs. The "Wild Card" team from each league would make the playoffs without winning a division, increasing each league playoffs to two series. These events, paired with the 1990s economic expansion and stadium construction boom, helped place the spotlight on baseball once again, and fans slowly began to return to the game they had abandoned after the 1994 lockout (Zimbalist, 2003).

FOX used the purchasing of major sports to anchor its content and establish its brand image in the competitive field of television broadcasting. Between 1993 and 1995, the young network bid on rights to the NFL, NHL and MLB in order to land the critical

adult male audience. FOX paid \$115 million annually for its share of the 1996-2000 national package, before becoming the exclusive carrier of MLB in the 2001-2006 contract (for a total of \$2.5 billion) (Walker & Bellamy, 2008). This helped establish FOX as a legitimate network competitor and allowed the network to build up its programming to supplement its sports content. FOX currently shares the MLB package with TBS through 2012 for the combined price of \$3 billion (Walker & Bellamy, 2008).

FOX also aggressively pursued various RSNs to build a sports empire, Fox Sports Network (FSN). By the early 2000's, the various FSNs owned or had regional rights to 27 of the 30 MLB franchises (Walker & Bellamy, 2008). SNL Kagan (2010) estimates that the total value of RSNs increased 6.6% in 2009, to \$4.6 billion (modest compared to the 14% and 10.5% growth in 2007 and 2008, respectively). However, FOX now faces competition from Comcast SportsNet, who has negotiated partnerships with six MLB clubs. RSNs continued to fuel the vast difference in local media revenues at the turn of the century. The extraordinary growth of RSNs and their dependence on original programming is exemplified by the 20 year contract between the Texas Rangers and Fox Sports Southwest signed in September 2010 (Horn, 2010). The deal, valued between \$1.5 billion and \$1.6 billion, was signed shortly after the team won their first division title in 11 years (Horn, 2010). The roughly \$75-\$85 million annual revenue represents a significant improvement from the \$20 million former owner Tom Hicks received for broadcasts of both the Rangers and the NHL's Dallas Stars in the previous contract with Fox Sports Southwest that began in 2000 (Horn, 2010). The new deal, which begins in

2014, indicates the value broadcasters place an abundance of large market sports content, while providing a significant increase in revenue for the team.

Additionally, some of the game's biggest franchises, the New York Yankees and Boston Red Sox, own their own RSNs, which provide the clubs enormous revenue streams and additional competitive advantages. The Yankees 2001 local media revenues of \$57 million dwarfed the rest of the league, especially the lowly Expos who managed a meager \$500,000 in local broadcasting rights (Moore, 2002). SNL Kagan (2010) estimates the Yankees Entertainment and Sports Network (YES) as the industry leader in revenue, earning \$417.1 million in 2009 (SNL Kagan, 2010). Both the YES Network and NESN have tried to leverage their RSNs outside of the traditional markets, which would bring even more additional revenues (Toms, 2010). Several other clubs, including the Dodgers, Cubs and Astros appear to be eyeing the possibility of launching their own RSNs at the end of their current broadcast deals.

Zimbalist (2003) outlined several specific cases where teams manipulated media revenues for their benefit. The 2001 Cubs reported lower local revenues than the White Sox despite nearly double the local television ratings (6.8 compared to 3.6). The Cubs were able to do this by reporting additional revenues for the superstation WGN, which broadcasts Cubs games. This change allowed the Cubs to keep the additional revenues without it being susceptible to nearly 20% in revenue taxes.

Zimbalist (2003) discussed how the New York Yankees leveraged their new network, YES, into being included on basic cable by carrying all but 32 games on the new network. Cablevision, feeling spurned by its failed attempts to buy the Red Sox and

the lingering animosity from its dealings with the Yankees in the 1980s, withheld the YES Network on its basic package, keeping its 2.9 million subscribers from receiving the new network. Despite this, 3.7 million cable homes in the New York market alone paid a \$2 monthly subscription rate, earning the network \$88 million in the New York market alone. Combined with the \$40 million in outside fees, \$30 million in advertising and \$10 million in satellite and local fees, the Yankees were due to net a serious profit.

Allocating a generous \$20 million to the New Jersey Nets for their games, and \$20 million in costs, the YES Network was set to earn \$120 million in profit for their primary patron, the Yankees. Despite this, local media reports claimed that the Yankees received only \$52-\$54 million, allowing the club to shelter an additional \$60 million from the 20% revenue sharing tax.

Zimbalist (2003) discussed how the 2001 Red Sox provided a similar example of utilizing loopholes in the collective bargaining agreement (CBA). Beginning with the 2001 season, regional sports network New England Sports Network (NESN) became part of the basic cable package for residents, and ad revenue rose from \$39 million in 2000 to \$50 million in 2001. However, revenues reported by Commissioner Bud Selig to Congress said the Red Sox reported \$33 million in local revenue for the year, with \$10 million coming from the local FOX affiliate and \$5 million from WEEI for radio rights, implying NESN provided the Red Sox with \$18 million in revenue. NESN is owned by the New England Associates partnership that is co-owned by the Red Sox (80%) and the Boston Bruins (20%). But by reporting this revenue as NEA revenue rather than Red Sox

ownership, the team avoids the hefty taxing from the league to be shared with smaller-markets.

The high variances in broadcast rights were a key reason for the formation of the Major League Baseball's Blue Ribbon Panel, which was formed to analyze competitive imbalance and the overall health of the league (Levin, Mitchell, Volcker and Will, 2000). The panel found a strong correlation between team payrolls and win-percentage, concluding that small-market teams were at a significant competitive disadvantage because of the larger revenue bases of teams in more populous areas (Levin, Mitchell, Volcker and Will, 2000). This panel led to revisions of the revenue sharing formula that continues to be revised in each collective bargaining agreement.

MLB also expanded its coverage of the game to include satellite radio and satellite TV packages as well as launching its own cable network. In 2007, MLB signed a seven year deal with DirecTV to broadcast all of the league's games, excluding blackout restrictions, through the Extra Innings package, at an estimated value of \$700 million (Krazit, 2007). However, due to customer complaints and fears of an antitrust violation, the package was soon expanded to Dish Network and cable systems. MLB signed a \$650 million, eleven year deal with XM Satellite Radio (now XM-Sirius) in 2005 that placed all of its radio broadcasts on the satellite radio service (Walker & Bellamy, 2008). The MLB Network launched on New Year's Day 2009 to over 50 million homes, the largest cable launch ever (Ourand, 2010). The MLB Network was the first channel dedicated to baseball 24/7/365, featuring a variety of original programming and classic games with unprecedented resources and access. Despite the large

subscription base, the network has been unable to build its ratings, averaging 98,000 viewers in April 2010 (Ourand, 2010). The network's highest rated program, the April 6th Yankees-Red Sox match, averaged 350,000 viewers, which provided its nightly recap show "MLB Tonight" a solid lead-in, which averaged 343,000 viewers (Ourand, 2010). The young network's viewership ranks it closer to the Military Channel than ESPN, but the network provides an additional source of revenue and promotion for the league's media product portfolio (Ourand, 2010).

The evolution of High Definition Television (HDTV) has tremendously improved the quality of television broadcasts. Walker and Bellamy (2008, p. 286) described how the "larger screen combined with a much sharper picture especially benefits baseball, where a wide-angle camera view is often required to capture the basic on-the-field action once the ball is put in play." The first high-definition was broadcast by the Harris Corporation in Baltimore on September 16, 1997 between the Baltimore Orioles and Cleveland Indians (Harris Corporation, 1997). Harris Corporation CEO Phillip W. Farmer said that HDTV was "tailor-made" for baseball, allowing fans to "see a third of the playing field in every shot with more than twice the clarity" (Harris Corporation, 1997, para. 4). High Definition baseball broadcasts are now universal both on the national and local level.

Collective Bargaining Agreement 1997-2001, 2002-2006, 2006-2009

In order to understand the economic state of Major League Baseball it is imperative to understand the collective bargaining agreement (CBA). Pappas (2002a) looked at revenues from the 2001 season and outlined the role of various aspects of

baseball operations including traditional gate revenue, broadcasting, post season revenues, public funding of stadiums, player compensation and other expenses before identifying flaws in the revenue sharing that rewards poorly run teams. The author called for the league to incorporate market size into the revenue, using media dollars per resident to better evaluate how to distribute funds.

During negotiations for the 2006 CBA, MLB hired sports economist Andrew Zimbalist to change the revenue sharing formula to ensure better competitive balance. The revenue sharing system for Major League Baseball consists of taxing high-payroll teams and redistributing this tax amongst low-payroll teams. Zimbalist (2006) addressed problems from the previous CBA and outlined the changes that were made in the new agreement, signed on October 23, 2006 and expiring December 2011, to help ensure competitive balance. Overall, the amount of revenue shared is roughly the same, \$326 million in 2006 (shared revenue has since grown to roughly \$450 million in 2009), but the league has become increasingly secretive when it comes to as to how this money is distributed among the thirty franchises (Toms, 2009; Zimbalist, 2006). MLB has had enormous success since the 1994 labor strike, citing a 10% annual revenue growth from 1995 to 2006 (Zimbalist, 2006). Perhaps the most important change in the new CBA was the elimination of the split pool revenue system that was set up for sharing central fund revenues (national TV, merchandising).

The problem with using both a split pool and a straight line pool was that it led to a 8% higher tax rate for lower revenue teams, as well as a cliff problem, in which a team just above the median line before revenue sharing could end with a loss in net revenue

after revenue sharing (Zimbalist, 2006). Lower revenue teams began to realize that any additional revenue that was generated by team performance was taxed so heavily (48%) that it was not worth the risk/reward investment of free agency or raising the payroll significantly (Zimbalist, 2006). Teams often seem to compete for the lowest payroll, trading off expensive veterans and stockpiling young talent while jettisoning off a majority of their roster. Some teams have had success maintaining a low payroll, while others toil in obscurity. By moving to a two, straight-line pool system, Zimbalist eliminated these two significant problems facing small-market teams.

Zimbalist (2006) explained another key component of the new CBA was that the tax on net local revenue (after stadium expenses) (NLR) was lowered from 34% to 31%. Local revenue sharing was estimated to be roughly 65% of total shared revenues in 2006. In addition, a new fixed-revenue component was made based on each team's NLR in 2005 and 2006, as well as its projected NLR in 2007 and 2008. This, in theory, prevents the percentage shared from rising when a team's revenues grow or go down when a team's revenues fall.

Zimbalist (2006) believed that these changes promote the incentive for teams to invest in their on-field product and the best and fastest way to increase local revenues, by far the most valuable to individual franchises. The leagues' desire to promote re-investment of shared revenues into the organization is reinforced by the new exclusion of post-season revenues from the shared revenue pool. Therefore, if smaller-market teams want a piece of the postseason revenues, owners will have to continue to reinvest into their 40-man roster.

Figure 3 compares the average MLB payroll of a large market team (Yankees) to a small market team (Marlins) between 2003, the year they met in the World Series, and 2010. The Yankee's payroll figures do not include the 40% luxury tax rate the Yankees pay for every dollar above the roughly \$155 million threshold. According to the leaked financials from Deadspin, the Marlins received revenue sharing payments of nearly \$44 million in 2009, after receiving nearly \$48 million in 2008 (Craggs, 2010). Marlins owner Jeff Loria has now received more from revenue sharing than he paid for the team in 2002, when he sold his former club, the Montreal Expos to the MLB and took control of the Marlins (Ozanian & Badenhausen, 2009b).

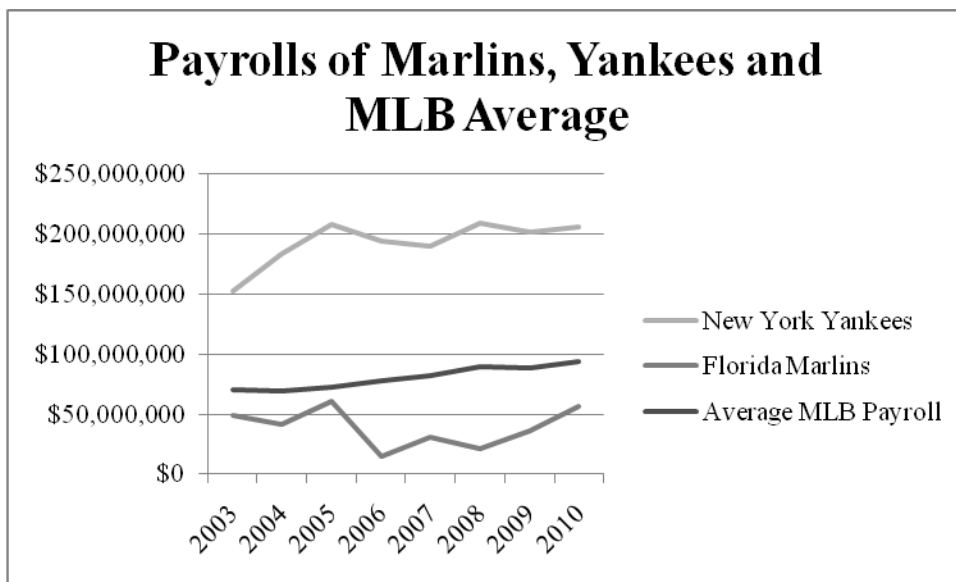


Figure 3. Payrolls of Marlins, Yankees and MLB Average. (Source: USA Today Contract Database, 2010)

In the beginning of 2010, the Florida Marlins, the MLB Players Association (MLBPA), and the Commissioner's office announced that the Marlins will make a significant effort to in each of the 2012 and 2013 seasons to increase player payroll due to the amount of shared revenues the franchise has received. MLBPA Executive Director

Michael Weiner stated that “in response to our concerns that revenue sharing proceeds have not been used as required, the Marlins have assured the Union and the Commissioner’s Office that they plan to use such proceeds to increase player payroll annually as they move toward the opening of their new ballpark” (Brown, 2010b, para 2). Shortly after the announcement, the Marlins announced they had signed Josh Johnson to a four year contract that will pay Johnson \$3.75 million in 2010, \$7.75 million in 2011 and \$13.75 million in 2012 (Crasnick, 2010b).

While some clubs, like the Marlins, are criticized for their small payrolls, lucrative long-term free agency contracts are not how small-market teams are built to succeed. More often, this money is best served invested in areas like signing bonuses, scouting and player development. These areas are vital to the long-term success of a franchise, especially those with the competitive disadvantage of being in smaller markets. The next chapter provides background on MLB’s Advanced Media division, its online broadcasting strategy as well as its role within MLB’s media product portfolio.

CHAPTER 3

MLB ADVANCED MEDIA

MLBAM Background

Since its launch in 2000, the scope of MLB's Advanced Media division has steadily evolved from a standardized website design to providing industry-leading streaming sports video online. Originally launched to unify the 30 clubs' individual web pages under one brand, MLBAM quickly expanded its operations to include live streaming audio and video, archived games, ticket sales and variety of other online content (Ortiz, 2007). Both the content and audiences (500,000 subscribers in 2010, up from 350,000 in 2009) have improved for the leagues MLB.TV package, which uses adaptive bit-rate technology, to seamlessly adjust video quality in order to avoid interrupting broadcasts due to connection fluctuations (Gilgan, 2009). While the company only represents a small percentage of league-wide revenues (roughly 6% of \$6.5 billion in league-wide revenue in 2008) the league's aggressive strategy shows a willingness to embrace the future of media after failing to recognize the potential of radio and television in its early history (Bloom, 2008; Yarow, 2008). MLB Advanced Media was awarded the 2010 "Best In Digital Sports Media" by the *Sports Business Journal* and *Sports Business Daily* (Sports Business Daily, 2010).

MLBAM Content

MLB became the first professional sports league to stream a live regular-season game on Aug. 26, 2002, when the Texas Rangers took on the New York Yankees at the old Yankee Stadium (Newman, 2010). MLB remains the first and only major professional sports league to offer live streaming online for its entire regular season schedule (Newman, 2010). Between 2003 and 2009, MLB.com delivered over 250 million live video streams, with 12,000-plus events in 2007 (Brown, 2009h; Leitch, 2008). The main component of MLBAM's broadcast strategy is the MLB.tv service, a subscription service that allows for the live-streaming of out-of-market games from anywhere in the world. This allows displaced fans to follow their home teams while allowing audiences to follow the day's best matchups. The service has added a number of new features to the service, ranging from HD quality, player tracker, home and away audio and video feeds, as well as DVR functionality and other navigation techniques, allowing the viewer to jump to an individual inning or at-bat.

MLB's Game Day feature allows fans to access scores, statistics, video highlights and much more from their computer or mobile device. When watching MLB's Gameday, you have every piece of information about the game at your disposal. Not only do you see the score, recap and statistics, but you can also see individual Pitch-f/x information, which is the location, speed and break on each pitch. When a ball is put into play, you see the location of where the ball dropped. Gameday Premium (\$19.95 for the season) offers live streaming audio and provides access to timely highlights for all of the

biggest plays, whether it's a homerun, double or a shoestring catch, in a matter of minutes.

In late 2008, MLBAM launched a new application for the Apple iPhone (Yarow, 2008; Brown 2008b). As of November 2009, the "At Bat" app for the iPhone sold over 300,000 copies at the Apple App Store (Fisher & Ourand, 2009a). This application provides the iPhone with all of the benefits of the GameDay program straight to the mobile phone. In addition, when paired with the MLB.tv service, fans can watch live, streaming, out-of-market games straight from their iPhone or iPod touch. After initially charging a onetime fee of \$4.99, At Bat 2010 cost \$19.95 at the start of the season. In April of 2010, MLBAM released the iPad version of "At Bat 2010," for \$14.95, allowing users to stream live games in HD on the 9.7 in. iPad screen (Brown, 2010c). While streaming video on the iPhone can quickly drain the battery, the iPad's battery life is quite impressive. Hoffman (2010c) found that for every hour of live streaming viewed on the iPad used about 10% of the battery life, indicating the new platform is ideal for watching live streaming on the move.

In 2009, MLB also unveiled its Postseason.TV feature, which offered 10 additional camera views for \$19.95 throughout the playoffs. These additional cameras were the "raw" feeds from the network cameras, allowing fans to follow along the traditional TV broadcast with additional camera views to see the action from different angles, giving the audience member the opportunity to become their very own director (Brown, 2009h). Johnson (2009, p. 126) describes the complementary effect online content as increasing "both [viewer's engagement] with TV and their use of it,"

indicating this feature could allow diehard fans to become even more engaged with the game. However, for fans that are away from a traditional broadcast, Postseason.TV does not offer a true simulcast online, possibly losing out on its most important audience.

MLBAM added the “At the Ballpark” to the “At-Bat” app over the 2010 All-Star Break. “At the Ballpark” adds a number of benefits to fans using the app at a ballpark including “check-in” features, directions to and at the ballpark and a profile feature that tracks the results and locations of all MLB games you have attended (Brown, 2010f). “At the Ballpark” recently expanded to include the feature to order concessions at the ballpark directly to your seat. The service is expected to expand to include paperless tickets and direct ticket offers (Brown, 2010f). This feature provides additional revenue through the halo effect on ticket sales and concessions.

MLBAM’s Audience

Jon Gibs, vice president of media analytics for Nielsen Online described readers on MLB.com as much more engaged compared to other sports, explaining that fans spend much more time on MLB.com than NFL.com or other league websites (Ortiz, 2007). It is this level of detail that makes MLB.com so engaging, leading to 11 million visits on a regular day according to Bob Bowman, CEO of MLBAM. The three million that watch video spend an astounding 37 minutes per viewing session (Brown, 2008a). Bobby Tulsiani, analyst with the market research firm Jupiter Research elaborates, “they have a passionate base that they went after in a smart way” (Yarow, 2008, para. 3). The time spent on MLB.com leads to more advertising revenue, which is another strong component to the company’s success. MLB continues to improve its advertisements for

online broadcasts and mobile devices, allowing the league to steadily improve revenue from advertisements. MLB's partnership with Yahoo has led to roughly four times the number of ads during the 2009 season, at an estimated \$20 cost-per-thousand (CPM) (Learmonth, 2009). This number is less intrusive than it sounds, considering these ads take the place of dead air that occurs during local station breaks, allowing the league to capitalize on additional advertising opportunities, creating 3 million ad impressions per day (Learmonth, 2009).

In 2008, MLB.com set new high-water marks in online ticket sales (more than 31.5 million), All-Star Game votes (262.6 million), total multimedia consumption (3.6 billion minutes at the end of August) and wireless page views (450 million) (Fisher, 2008). The first three weeks of the 2009 season again saw success for the company, as MLB.com saw 127.2 million video streams (136% increase from 2008), 2.2 billion page views (73% increase), and 381.7 million mobile page views (254% increase) (Brown, 2009c). The 2009 MLB Amateur Draft introduced an integrated Twitter feature and set a record number of page views for MLB.com, 332.5 million, which was a 75% increase from 2008 (Brown, 2009d). MLBAM surpassed the 1 million subscribers for its paid-content services in 2009, an increase of 20% from the previous year, including 500,000 for MLB.tv, 300,000 for the "At Bat" app for the iPhone and iTouch, 150,000 for Gameday Audio, 25,000 for the BlackBerry mobile app, 20,000 for Gameday Premium and 75,000 for Postseason.TV (Fisher & Ourand, 2009b).

Live In-market Streaming and MLB's Blackout Policy

Another important issue facing MLB and MLBAM is the sticky topic of blackout restrictions, rules that are in effect to protect local broadcasting interests that drastically impact its product. These rules are in place to protect the broadcasters that spend billions to acquire these rights, blacking out local broadcasts as well as nationally-carried broadcasts on weekends. However, many teams claim unreasonably large market sizes. A good example is Las Vegas, which is currently claimed by both Los Angeles teams, Arizona, Oakland, San Francisco and San Diego, despite being 4 or more drive-time hours away from each team (Passan, 2008). If you are a Giants fan in the Las Vegas area that is a serious drawback on your investment, despite the fact the Vegas strip is nearly 600 miles from AT&T Park. In addition, national broadcasts are blocked out on satellite coverage of MLB Extra Innings, preventing many fans from being able to view the game at all. Currently, only two teams (New York Yankees and San Diego Padres) have local in-market online streaming deals with the league indicating more deals would follow during the 2010 season.

The New York Yankees and their YES Network announced a deal with Major League Baseball that allowed in-market subscribers of Cablevision and the YES Network a chance to view Yankees games, in-market from their computers, the first deal of its kind (Brown, 2009i). The YES package was available for a one-time fee of \$69.95 for the 2010 season or \$19.95 for a 30-day trial (Brown, 2010e). Less than a week after the YES Network announced its in-market streaming partnership, a similar deal was announced between the San Diego Padres and Cox Communications (Brown, 2009b).

MLB estimates local streaming could be worth an additional \$40 million to the league (Fisher & Ourand, 2009a).

Meanwhile, the Sports Business Journal obtained a June 19, 2009 memo from Commissioner Selig outlining a 50-50 split between the MLBAM and local interests (Ourand & Fisher, 2009). MLBAM's portion of the revenues is to offset the "net of operating costs to participating broadband and wireless service providers," but it is clear that as more of these in-market deals are negotiated the higher the MLBAM's revenues should increase (Ourand & Fisher, 2009, para. 2). Commissioner Selig plans to review the issue in 2011 to "determine the fairness of the allocation and the impact upon industry economics," but called the 50-50 split a "fair and practical outcome to what I have called the in-market streaming logjam" (Ourand & Fisher, 2009, para. 9).

The deals signed by the Yankees and Padres appeared to indicate progress in the local-streaming stalemate, but no other teams had negotiated an in-market streaming deal during the 2010 season. However, many fans remain hesitant to pay additional fees for access to view in-market streamings, as the mighty Yankees managed a paltry 6,000 subscriptions in the second half of 2009. The demand for in-market streaming has a way to go before becoming a sizeable revenue stream (Fisher & Ourand, 2009b). Broadcasters have the right to protect their investment, with "cord-cutting" becoming more common place and traditional audiences consuming their television online. But the fact remains that many baseball fanatics are looking for an opportunity to enjoy the game from away from the confines of their living room. The mobile-streaming feature could be a tremendous value for a local consumer, providing they pay their local cable provider,

allowing the chance to view their local pennant race while stuck in line at the post office or watch the national Saturday broadcast from Bed, Bath and Beyond. MLB has claimed that it is working towards a solution, but there has been little to no news since the 2008 Winter Meetings.

Partnerships

MLBAM has employed a number of unique partnerships in its short history, having hosted events for NCAA March Madness, U.S. Figure Skating, Major League Soccer (MLS), Tiger Woods.com, amongst others (Brown, 2008a; Dachman, 2010a). In addition, the league has packaged MLB.tv with other paid content like ESPN Insider and NHL GameCenter at the start of the 2009 season (Brown, 2009f, Brown 2009g). Both of these services, like MLB.tv, are freemium services, which offer you a general service (video highlights) for free, hoping that you will pay a subscription fee for the complete package (live streaming, or in ESPN's case "Insider" articles).

MLBAM partnered with ESPN3 to host their online streaming content in early 2010, offering service to 50 million U.S. broadband homes and to another 21 million students and members of the armed service (Fisher, 2010a). ESPN3 events include the World Cup, the NBA, and college football. ESPN3 operates under the "home pass model" in that audiences have access to the content for free as long as their internet service provider (ISP) provides the traditional ESPN service. MLBAM and ESPN3 were regarded as the number one and number two paid sports video content distributors online and represents a win/win for both companies (Fisher, 2010a). The partnership with ESPN provides MLBAM further opportunities to leverage its quality distribution while

providing value to the 30 individual franchises. Fisher (2010a, para. 11) indicates this partnership is the first step in a long partnership, describing the “intended next step is a series of cross-selling and cross-marketing alignments in which advertising sales for different products such as ESPN3 and MLB.TV can be bundled together and users can be marketed to for additional content subscriptions.” Clearly the partnership with ESPN is significant alliance in the world of online streaming sports programming.

In March 2010, the Boston Red Sox became the final team to join the league’s partnership with StubHub for the secondary ticket sales market for MLB.com (Fisher, 2010b). The partnership is a tremendous opportunity for both companies as StubHub provides MLBAM with industry-leading ticket resale services while offering fans a “secure, simple and fan-friendly” method of purchasing tickets for sold out games from the industry leader in the secondary ticket market (Newman, 2007). This service is further strengthened by the recent release of “At the Ballpark,” which allows teams to offer specialized ticket offers to dedicated fans through MLB apps on their smart phones.

Bloomberg L.P. and MLB announced a partnership late in 2009, with the financial services company licensing MLB statistics, pitch f/x data and video to create fantasy baseball offerings for the general public and personnel tools to the teams themselves (Sandomir, 2009). The league hopes this new offering, complete with easy to navigate charts and graphs, will lure fantasy baseball players to MLB.com and away from sites like Yahoo and CBSSports. For \$31.95 fantasy baseball fans can receive both the draft kit (\$19.95) and in-season tools (\$24.95) (Malinowski, 2010). Bloomberg’s iPhone,

and iPod touch app is available for \$4.99, while subscribers of Bloomberg fantasy baseball web tool has access to the app for free (Malinowski, 2010).

Finally, MLBAM continues to seek additional ways to broadcast the MLB.tv service beyond the PC and mobile devices. Most notably, MLB announced a partnership with Sony, which distributes the MLB.tv package in HD through Sony's Playstation 3 platform (Brown, 2010d). Considering there were nearly 12 million Playstation 3 units sold in the United States alone as of April 2010, this provides an incredible boost to the distribution of the MLB.tv service (Reeves, 2010). Additionally, Nielsen research concluded that the Playstation's Blu-ray capabilities were the number one factor in purchasing the Playstation 3 (65% respondents citing it as a motivating factor), indicating its owners consider entertainment content beyond traditional gaming when purchasing the system (Nielsen, 2010). MLB has also formed content distribution deals with Boxee and Roku, providing fans with two other methods of viewing MLB.tv games directly to their television (Newman, 2010).

Competition

MLB's dual-revenue strategy of subscription and advertising is quite unique compared to the other sports leagues, which rely solely on advertising. ESPN claims that the U.S. - Algeria World Cup match was the most-watched online sports event in U.S. history, with 1.1 million viewers while CBS argues its double-overtime finish of BYU-Florida in the 2010 NCAA basketball tournament holds that title with 1,115,097 unique viewers (Fisher & Ourand, 2010). Both audiences are impressive, and the slight difference is purely for bragging rights, but the contest does provide unique insight on the

audience of a specific March Madness game, when CBS typically prefers to state the tournaments audience as a whole, rather than break down individual games.

NFL

The NFL remains the most popular sport in North America and the league continues to revise its online and mobile media offerings. DirecTV is due to pay the NFL \$700 million for the NFL Sunday Ticket package, which offers the complete NFL schedule (Reynolds, 2009). This amount is due to increase to \$1 billion for the 2011-2014 seasons (Reynolds, 2009). DirecTV offers this package for about \$300 a season, and offers online and mobile streams for an additional \$50. DirecTV announced it is offering online and mobile streams to nonsubscribers for the first time in the 2010 season, for the hefty price of \$350, essentially the same cost as the service over traditional TV (Leahy, 2010). Clearly, the cost of the programming is so enormous that DirecTV is not yet able to offer the online streams for a discount. With the value of the contract increasing before next season, it will be interesting to see how the company's online and mobile policy evolves over the next few seasons. The NFL and Verizon Wireless reached an agreement to offer live game footage as well as its RedZone Channel, which jumps from game to game with the latest updates. The four year deal begins in the 2010 season and is valued at \$720 million to cover rights fees and advertising (Futterman, 2010).

In addition, NFL.com offers live updates on its website as well as highlights after the completion of its games. The site is also able to utilize redistribution of content from its NFL Network, and offers live coverage online from events like the NFL Draft and

NFL Scouting Combine. NBC offers live streaming of *Sunday Night Football* through its website. The league also announced a partnership with Hulu.com, offering team-specific content as well as other programs like *Hardknocks* and *America's Game*.

NBA

The NBA's online streaming plan, *League Pass*, serves as an extension of the DirecTV service under the same name, and features up to 40 live out-of-market games each week starting at \$170 for the season and is subject to blackouts of national and local broadcasts. The service also features multiple-game viewing and DVR functions. *League Pass* also offers a mobile feature of the plan, and features archived games from the entire season.

NHL

The NHL's Gamecenter offers fans up to 40 live out-of-market games each week, DVR functionality and up to four games at once for \$159.99 for the season. In addition, fans have access to the *NHL Vault*, which features 150 classic NHL games from as far back as 1960 (NHL, 2010). The league later discounted this service to \$79 later in the 2009 season, and offered the service through the second round of the Stanley Cup playoffs. GameCenter subscriptions were up 25% for the 2009-2010 season (Seidman, 2010). Verizon is the official mobile phone provider of the NHL, and offers live NBC games, live radio, video highlights and more on its Vcast service.

NCAA College Basketball Tournament

CBS's March Madness on Demand (MMOD) service is dedicated to providing college basketball fans with live, open streams for any audience, relying on solely on advertising revenues. In 2009, MMOD attracted 7.52 million unique visitors, while providing 8.6 million total hours of live streaming video, leading to \$30 million in advertising revenue (Lawler, 2010a). In 2010, MMOD users watched 3.4 million hours of live video on the *first day* of the tournament, before generating \$37 million in advertising revenue (Litvack, 2010; Kramer, 2010). MMOD performed exceptionally well during the early days of the tournament, when the abundance of games allowed for a more interactive experience as users jump from game to game at their own pace. As the number of games decreased, and more games began to air uninterrupted in primetime, MMOD audiences began to decline while the traditional broadcast ratings increased (Lawler, 2010a; Weprin, 2010). MLBAM partnered with CBS to develop the MMOD app, providing fans with full-game video from their mobile device for \$9.99 (Weprin, 2010). Despite its success, MMOD's future is in jeopardy after the latest 14-year, \$10.8 billion television contract signed by CBS and Turner (Litvack, 2010). Under the new deal, Turner has "enhanced digital rights" for Turner and Time Warner services, indicating that the service could follow the "home pass" model adopted by ESPN3 (Litvack, 2010).

Olympics

NBC received a fair amount of criticism for the lack of live streaming content offered for the 2010 Winter Olympics in Vancouver. NBC offered 400 hours of live

programming online, and outside of ice hockey, the majority were second-tier events like bobsledding, cross-country skiing and snowboarding. This total represents a considerable drop from the 2,200 hours of live programming from the 2008 Beijing Summer Olympics (Lawler, 2010b). The rest of the premiere events, like figuring skating and alpine skiing were saved for primetime broadcasts. Clearly, NBC saw the primary value of its Olympic rights in traditional broadcasts. Additionally, NBC's online coverage required users to authenticate their cable subscription in order to access this content, a considerable headache that left many users frustrated (Lawler, 2010b).

World Cup

ESPN and Univision both set online audience records with its coverage of the 2010 World Cup. ESPN Digital Media – ESPN.com, ESPN3.com, ESPN Mobile Web, ESPN Mobile Apps and ESPN Mobile TV – accumulated nearly 82 million hours of usage of World Cup content (Dachman, 2010b). ESPN3.com brought in 7.4 million unique viewers to view nearly 16 million hours of streaming video, more than two hours per viewer (Dachman, 2010b). ESPN's mobile app had 2.5 million downloads leading to 98 million visits, with ESPN mobile TV reaching 1 million unique viewers (Dachman, 2010b).

Univision's audience totaled 34.7 million visits across its online website and mobile offering. The network streamed 10 million hours of live video on UnivisionFutball.com with an average viewing time of 90 minutes on 265,000 unique

media players (Univision, 2010). In addition, the Univision Fútbol App cleared 450,000 total downloads (Univision, 2010).

MLBAM Network Capabilities

A key component of the MLBAM is the creation of an efficient and powerful network to handle the massive exchange of data. A NetworkWorld interview with Ryan Nelson, director of operations for MLBAM, provides insight into the technical side of the company. Nelson discusses how the 180 servers can easily and efficiently be allocated to various parts of the website (Desmond, 2007). Nelson cites the MLB Draft as a specific example, explaining that in anticipation of the event, the company can easily allocate extra servers to the minor-league stats engine to ensure that it can handle the additional bandwidth it will receive during draft time (Desmond, 2007). This kind of flexibility is imperative when your network puts up 200 highlights every day during the regular season (Yarow, 2008). The massive network also allows the company to try new things without too much risk. Nelson describes a new chat client that was created quickly for the 2007 playoffs. Nelson said that if the feature had been a failure it would have been easy to reallocate those resources with little to no consequences (Desmond, 2007).

The new HD technology that launched in 2009 was three years in the making, and costs about 15 times to produce compared to standard definition (Van Riper, 2009). President and CEO of MLBAM Bob Bowman estimates that the company spends \$20 million annually on technology, roughly 4-5% of the company's revenue (Van Riper, 2009). Senior vice president of multimedia and distribution at MLB Advanced Media, Joe Inzerillo, explains the company's use of adoptive bit rate technology, which adjusts

the quality of video based on the available bandwidth, providing the viewer with the highest quality of content without interrupting the connection (Dachman, 2010a). Inzerillo states that users receive 40%-100% more bandwidth on the same connection with adaptive bit rate, which breaks data into individual file blocks, providing an overall better streaming experience (Dachman, 2010a). This is especially important for mobile streaming, when the users network connection is constantly in flux. Inzerillo also discusses the potential of HTML5, which would allow for video to play in a browser without the use of a third-party plugin like Quicktime or Adobe Flash. This would provide the industry with a universal model and avoid some of the divisions that have taken place throughout the industry (Ex: Apple and its exclusion of Flash) (Dachman, 2010a). Finally, Inzerillo discusses why there is no live streaming video for the Android mobile phone, claiming that the platform is “from 1992 as far as streaming technology goes,” (Dachman, 2010a).

Social Media

MLB had 8 million fans on Facebook as of July 2010, while the league’s Twitter account had more than a million followers as of September 2010 (Sports Business Journal, 2010). In addition, more than 300 Major League Baseball players are on Twitter, engaging with fans outside of the game (MLBlogs, 2010). Jason Yeh, director of social media for MLBAM, emphasizes the timeliness of social media allows the league to share content generated by its blog network in a timely manner with an engaged audience (Sports Business Journal, 2010). Yeh explains that MLBAM has an advantage over most sports media companies, with direct access to the players and behind-the-scenes

access not granted to most media companies. Twitter and Facebook allow MLBAM to measure what features and subjects interest its core audience and updates its strategy accordingly. The impact of social media goes beyond the league level, but down to the individual writers and players, interacting with audiences and creating a more engaged fan.

Local Strategy

Each of the 30 MLB franchises unique online strategies are based on the area's community and culture as well as the specific organizational philosophy. While the MLBAM handles game related video footage, there are a number of ways a local franchise can capitalize on their resources. Russ Olson, creative director of media for the Texas Rangers states that the organization uses video for supplementing print articles, press conferences, special initiatives and other online features (personal communication, September 20, 2010). Olson explained that features like a health initiative featuring the Rangers' mascot, Captain, provide additional ways to extend the Rangers' brand. A positive initiative, paired with area youth, enables the team to extend the Ranger brand loyalty. The organization utilized online video for a "Vote Ranger" All-Star voting campaign, rewarding fans that voted 25 times with free tickets to a future game. Kelly Calvert, assistant vice president of marketing with the Rangers, explained that the video wall introduced this year, which features instant highlights, advertisements, and promotions on the team's website, will be important as both the league and teams are evaluating the best way to utilize the wealth of online video (personal communication, September 20, 2010).

The Rangers, sold in August 2010 to the group led by Chuck Greenburg and Hall of Fame pitcher Nolan Ryan, have reached out to fans in the Dallas-Ft. Worth area, asking them to submit changes they'd like to see made within the organization. Fans requested a feature on the Rangers' website that would announce the home jersey color for the night's game, so fans could plan to dress accordingly. This example shows that sometimes the best features are also among the simplest. Greenburg has been incredibly active among the community, accepting Facebook friend requests from fans and hosting Q&A events to address the concerns of Ranger fans. Greenberg plans to be engaged with fans online, through the Rangers' website and social media, while Ryan has been a staple in the Rangers' advertising efforts on both on television and radio broadcasts.

Criticism

While MLBAM has been heralded from a number of publications and users there remains some criticism of the service. The MLB.tv service faced a number of complaints at the beginning of the 2009 due to the poor quality of the streams. While MLBAM claims that the problems affected less than 1% of its 500,000 subscribers, many fans took to YouTube and the MLB.tv forums to vent (Sandoval, 2009; SportsBusinessDaily, 2009). The NextDef plug-in remains to be a source of frustration among some users, with many users experiencing difficulties ranging from the plug-in not compatible with Internet Explorer to trouble recognizing the installed plug-in to other various video problems. MLB.tv's technical support service remains a problem, with many frustrated complaints and questions simply disappearing (SportsBusinessDaily, 2009). A search for

“MLB.tv” on the satirical dictionary site, UrbanDictionary.com, returns the result “Your feedback will be submitted,” a sarcastic take on the company’s customer service policy (Urbandictionary.com, 2010). While the MLB.tv service has been critically acclaimed, it is clear that the consistency of its streams and quality of customer service remain areas of concern.

Future of MLBAM

The MLBAM plans to continue utilizing partnerships and technological developments to grow its audience. MLBAM President and CEO Bob Bowman describes two important goals for the company. The first is to widen its coverage for mobile phones. A July 21, 2009 interview on MSNBC’s *Mad Money with Jim Cramer*, Bowman estimates that of the 100 million web hits to the MLB.com on the average day, 30 million of them are wireless. Bowman predicts that by 2011, more traffic to the MLB.com network will be wireless than wired. Bowman discussed the importance of mobile devices and the league’s focuses of expansion, including tickets offered to your mobile phone as you watch a streaming broadcast live from your smart phone. Cramer called MLBAM the “best on the mobile Internet.”

Perhaps the biggest issue that faces the MLB, and all online distribution, is online piracy. In early 2009, the “Big Four” sports leagues joined the NCAA, as well as media giants News Corp., Disney, and NBC Universal, to form the Sports Coalition. The group, formed under the leadership of the MLBAM, aims to push government and intellectual property officials for better methods to combat piracy. Despite increased efforts to combat piracy, the MLBAM saw more than 5,000 incidents of live games being pirated

in 2008, an increase of about 1,200 occurrences from the previous year. Most of the activity occurs outside of the United States, especially in China, Korea, Canada and Scandinavian countries. Efforts of fighting piracy are described as a game of “Whac-A-Mole,” with new sites popping up as soon as existing piracy efforts are shut down (Fisher, 2009).

Bowman has stressed the importance of improved vertical integration within the company, and explained that the MLBAM wants to expand its resources to minor league baseball, Hall of Fame coverage, and USA baseball and maybe even youth baseball (Brown, 2008a). The vertical integration of all things baseball will enable the MLBAM to widen its audience as well as expand its influence. Minor League Baseball offers the league another intriguing possibility, as the MLB.tv subscription could offer available broadcasts from the league’s minor league affiliates. This would appeal to local fans of the minor league clubs and engage fans of the major league franchise, providing them a chance to follow the organization’s top prospects as well as a baseball alternative on off days.

Since all online revenue is shared equally, small markets like Kansas City or Pittsburgh could begin to see the effects of online revenue if it begins to approach 20% of total league revenue. However, many large-market teams such as the New York Yankees and the Boston Red Sox could argue that the popularity of their franchises bring a majority of MLB.tv audiences and argue against sharing MLBAM revenues equally. With the expansion of online broadcasts to the local level, as well as the introduction of mobile game broadcasts, the economics of traditional broadcast revenues will continue to

change. The next chapter outlines the specific financial data, formulas and statistics used to analyze the growth in MLB's media product portfolio. This information was used to discuss changes in media revenues between 2001 and 2008. Additionally, the study analyzed the value MLBAM provides to the league in terms of equity as well as its marketing potential for promoting the league and its thirty brands.

CHAPTER 4

METHODOLOGY

Introduction

Case studies compile data from a number of sources in order to “systematically investigate individuals, groups, organizations or events” (Wimmer & Dominick, 2006, p. 136). Case studies provide an incredible amount of detail and allow the author to pull a wide range of data from a number of sources. Revenue figures are released by MLB at their discretion and, since the league has a financial incentive to keep these figures from the public, it is essential to capture as much of this information as it appears scattered across news stories, trade publications, and interviews. This case study analyzed MLB’s broadcast revenues as well as the role of MLBAM in the league’s media product portfolio by examining financial reports, interviews, trade publications, academic research and other online sources.

Sources of Data

When Commissioner Bud Selig went before Congress on December 6, 2001, baseball released the most comprehensive set of financial data in fifty years, claiming the league lost \$519 million on the year, despite \$3.5 billion in revenue (Pappas, 2001a). Pappas (2001) outlines the accounting practices of MLB in an eight article series for *Baseball Prospectus*. The author compared local media revenues to the metro population to determine the average media dollars per person, while comparing the number of games

on traditional broadcast television compared to cable (Pappas, 2001b). Pappas compared the Selig-reported figures with *Forbes* franchise values, and determined that the league was seriously undervaluing its large market franchises, indicating there were some liberties taken with media revenues. *Forbes* estimates provided a more accurate valuation of large-market teams' media revenues as well as excluding non-baseball related expenses that were often claimed by ownership. While the league claimed operating losses of \$232 million, *Forbes* estimated the 30 teams collectively earned a \$76.7 profit, a difference of \$10 million per team (Pappas, 2002b). Additionally, *Forbes* estimated that the values of the 30 franchises were worth roughly \$1.5 billion more than claimed by Selig's formula (Pappas, 2002b).

On August 23, 2010 the sports blog Deadspin leaked financial statements for six teams, the Angels, Mariners, Marlins, Pirates, Rangers and Rays (Craggs, 2010). These documents provided a number of insights ranging from revenue figures, operating costs, revenue sharing and more. Each set of documents provides a tremendous amount of insight into the economic health of each individual team. These documents, unlike the numbers submitted to Congress in 2001, show a more accurate indicator of the team's economic health. This research compared local broadcast figures of five teams from the 2001 and 2008 season by examining revenues from 3 AL and 2 NL franchises to provide insight based on their varying level of media markets, competitiveness, and payroll investment. The Rangers were excluded because the leaked data was more of a workbook than a financial statement. While the leaked documents only provide a limited

scope, the present study provides examples of both large and small market teams as well as playoff and non-playoff teams.

Newspapers like *USA Today*, *The New York Times*, and *the Wall Street Journal*, as well as trade publications like *Forbes*, *Sports Business Daily* and *Broadcasting & Cable* provided valuable information including revenues figures, salaries, television ratings, and other reporting that help explain the economics of baseball and broadcasting. Each of these publications provided trusted data in a number of areas that would otherwise be unattainable.

Interviews with MLBAM employees like CEO Bob Bowman and director of social media Jason Yeh give tremendous insight into the business practices and strategy of the company. Personal interviews with various members of the Texas Rangers offered insight on the team's strategy in marketing, online and broadcasts. The Baseball Prospectus podcast "Up and In," featuring hosts Kevin Goldstein and Jason Parks with BP author Shawn Hoffman discussed the impact of the Deadspin leaked financials and provided another source of information that exemplifies a unique 21st Century medium.

Websites such as Baseball Prospectus, Deadspin, The Biz of Baseball and Fangraphs each provide unique access with reporting, opinions and statistical information. While Deadspin is often categorized by the mainstream media as a tasteless sports blog that covers athletes' indiscretions rather than actual news, they deserve credit by landing the leaked MLB financials. Deadspin pulled off a coup in reporting classified documents that any publication would love to have scooped. Fangraphs used the

abundance of baseball statistics and game situations and translates it into graphs to help fans understand the implications of the numbers.

In addition, this research discussed ways MLB can fully utilize its vast online content, especially archived video from previous seasons, in order to expand the brand equity of the league and its franchises. This section is based on a theoretical foundation of branding and media product portfolios, with an emphasis on cross-promotion and the reuse and redistributing of original content. Major League Baseball makes a great case study of a media company that has utilized its media product portfolio to spread risk while promoting continued growth. This research discusses additional ways the league can fully optimize its content and resources, as well as utilize strategic acquisitions and partnerships to continue growth and strengthen local brands and improving the overall economic health of the league.

Sabermetrics

Bill James, who began publishing the *Bill James Historical Abstract* in 1977, is often credited as being the father of modern baseball statistics. James coined his approach “sabermetrics” in reference to the Society for American Baseball Research (SABR). The *Bill James Historical Abstract* was the leading voice in sabermetric research, which used empirical evidence to answer rhetorical questions, and inspiring a new generation of research by online publications like Baseball Prospectus, Fangraphs, and countless blogs. The surge in popularity of sabermetrics led to the development adoption of new statistics, ranging from OBP to on-base plus slugging (OPS) to walks plus hits per inning pitched (WHIP), value over replacement player (VORP), equivalent

average (EQA), and defense independent pitching statistics (DIPS). The popularity of Michael Lewis's *Moneyball* brought sabermetrics to the masses, impacting front-offices and often causing controversy between the new breed of stat-heads (often represented by bloggers) and the more traditional mainstream press. This study utilized four modern statistics to provide the most accurate representation of team performance across all three parts of the game (hitting, pitching and fielding).

Pappas (2004) first developed the Marginal Payroll/Marginal wins (MP/MW) formula in *Baseball Prospectus 2004*, which “evaluates the efficiency of a club’s front office by comparing its payroll and record to the performance it could expect to attain by fielding a roster of replacement-level players, all of whom are paid the major league minimum” (Pappas, 2004, p. 574). The formula is defined as:

$$[(winning\ percentage - .300) \times 162] / [club\ payroll - (28 \times major\ league\ minimum)]$$

deMause (2007) expanded on Pappas’ model by implementing the marginal economic value of a win formula introduced by Silver (2006). This method values wins differently based on the increased probability of reaching the playoffs; rewarding organizations for the immense value of a postseason appearance. This study used the original Pappas formula for 2001 revenues while looking at deMause’s adjusted formula for 2008 revenues.

Weighted on base average (wOBA) is a linear weights batting statistic that combines the strengths of OBP and SLG into a single statistic in order to emphasize their

strengths and level out their weaknesses. FanGraphs first began listing wOBA in 2008, which uses the following run formula:

$$(0.72xNIBB + 0.75xHBP + 0.90x1B + 0.92xRBOE + 1.24x2B + 1.56x3B + 1.95xHR) / PA$$

The formula uses plate appearances scaled to on base percentage, to provide a convenient way to evaluate the overall value of a player to a formula that the average fan can understand. These figures operate independently of game situations and are used to measure the pure hitting ability of the player (Sabermetrics Library, 2010c). The figures on Fangraphs are not adjusted for park factors, which considers the players' performance based on the benefits or disadvantages of their home ballpark.

Expected Fielding Independent Pitching (xFIP) is a pitching statistic that is designed to normalize the home run effect and park effects. xFIP uses a percentage of flyballs to estimate homerun factors, to normalize for effects of the home park and is scaled to earned run average (ERA) for easy understanding (Sabermetrics Library, 2010d). xFIP is based on Field Independent Pitching (FIP) which adjusts for the quality of defense. xFIP provides a method to evaluate a pitcher on pure performance, independent of the defense and home park.

Utility zone rating (UZR) is one of the latest defense statistics that places a defensive value on outfield arm runs, double-play runs, error runs and range runs. Outfield arm runs are the number of runs saved by the strength of the outfielder's arm. Range runs are quantified based on the ability of the defender to reach balls that may go

right past a replacement player (Sabermetrics Library, 2010a). UZR is a counting statistic so the number in the study is converted to an average based on a 150 game season.

Sabermetrics Library claims that “if you had to pick one statistic – and only one statistic – to use in evaluating players’ value to their teams, Wins Above Replacement (WAR) should be it, end of story” (Sabermetrics Library, 2010b, para 1). For hitters, WAR uses weighted runs above average (wRAA) and UZR to place a positional value based on replacement level. Pitchers’ WAR is calculated using FIP to determine runs and wins over replacement. WAR does not attempt to place a value on catcher defense, and it is league and park neutral (Sabermetrics Library, 2010b).

This study sought to use these modern statistics to provide a simple yet effective means of evaluating each team’s ability to field a successful team when analyzing media revenues. Comparing these statistics against payroll, market size and media revenue provided additional insight on the utilization of club’s resources to obtain a competitive advantage (or disadvantage). Additionally, both traditional broadcasts and MLBAM have the opportunity to communicate the value of these modern statistics in order to provide fans with a better understanding of the game and allow them to become more engaged with the game as they follow along from their PC or mobile device.

Case studies depend on a variety of information collected from a number of different sources in order to tell the complete story of a large entity. MLB’s media product portfolio ranges from the 30 local broadcasts, national broadcasts, online streaming, mobile streaming, the MLB Network and more. This case study of MLB’s

media product portfolio analyzed a variety of data to make inferential conclusions about the current state of MLB's broadcasts as well as the value of its MLB Advanced Media division as both a continuation of broadcast revenues and as its value as a promotional tool.

Chapter 5

RESULTS

Impact on Economics

The importance of media revenues on MLB's earnings has dropped significantly from the early 1990s in a period which owners depended on the millions coming in from growing national TV money just to meet payroll. Figure 4 shows the role of broadcasting compared to total MLB revenues, but these figures are subject to a number of manipulations. Zimbalist (1993) admitted that the broadcast figures are subject to creative accounting and Pappas (2001b) illustrates how the Braves recategorized media revenues to hide roughly \$35 million in its Superstation TBS. Market size, successful broadcast strategy and team performance all have a positive effect on revenues and this study sought to discuss broadcasting's impact on a team's revenue.

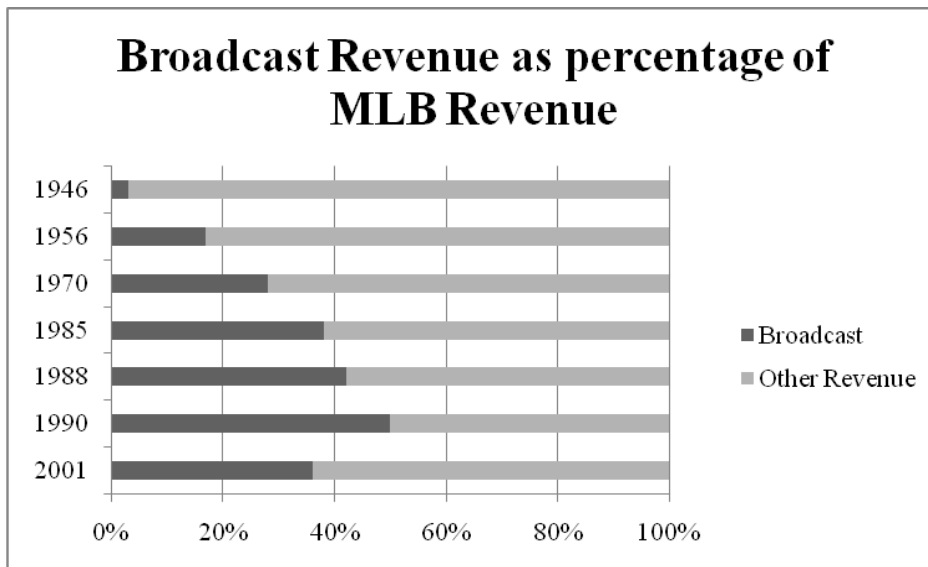


Figure 4. Broadcast Revenue as percentage of MLB Revenue. (Zimbalist, 1993; USA Today, 2001)

The Deadspin financials provided insight to a number of interesting insights beyond media revenues, ranging from revenue sharing, postseason revenues, and other spending habits. There has been a fair bit of discussion since the documents leaked, ranging from the varied spending across organizations, the financial health of the individual teams, and discussing the impact of the leaked financials on revenue sharing (Brown, 2010a; Brown, 2010g; Goldstein, 2010; Hoffman, 2010a; Slowinski, 2010).

The Florida Marlins tend to be the proverbial whipping boy when it comes to abusing the revenue sharing system, but the leaked financials didn't do them any favors. The documents revealed that the Marlins received \$48 million and \$44 million in 2009 and 2008, years in which their payroll was a mere \$21.8 and \$36.8 respectively (Craggs, 2010; USA Today, 2010). This large disparity led the Marlins to \$29.5 in net income in 2008 before falling to a much more reasonable \$3.9 million in 2009 (Craggs, 2010). While the revenue sharing system is designed to help the small-market teams, the system wasn't meant for teams to receive more than twice as much as they spend on their payroll, as was the case with the 2008 Marlins. Despite this, it is an improvement from 2001, when the team was operating at a \$9.2 million loss according to the numbers provided by Commissioner Selig (USA Today, 2001).

Another interesting example of the revenue sharing is the 2007 and 2008 seasons from the Tampa Bay Rays. Slowinski (2010) observed that the Marlins made \$30 million in profits during the 2007 season, a year that saw the team reach 84 wins. The following year, the Rays only made \$4 million due to an increased payroll, despite reaching the World Series, and earning an additional \$17 million in postseason revenue. If the

revenue sharing model is designed to help small-market teams like the Rays succeed, it should also reward those teams for attaining success despite the competitive disadvantage of operating in a smaller market. If there is one team that needs the continued benefits of revenue sharing, it is the Rays, who will continue to see its payroll increase and does not have a new stadium opening in the horizon to help boost revenues; an additional benefit the Marlins can count on over the coming years.

The 2010 season marks the 18th consecutive year that the Pirates have failed to reach postseason play. Hoffman (2010a) explained that spending an extra \$15 million in payroll would do little for the Pirates, while investing that money in scouting and player development, the amateur draft and international free agency serves the club much better in the long run. On the Baseball Prospectus podcast “Up and In,” Hoffman emphasized the fact that small-market teams are profitable means that revenue-sharing is working (Goldstein, 2010). Hoffman referenced the 2003 season, when the Pirates were forced to trade Aramis Rameriz to the division rival Cubs for next to nothing, in order to lower payroll (Goldstein, 2010). While the revenue-sharing system could use some tweaking, the fact that teams were profitable in 9 out of the 10 seasons reported in the leaked Deadspin financials indicates there has been progress in the revenue sharing formula (Craggs, 2010).

Impact on Media Product Portfolio and Branding

Historically, the majority of baseball owners have shown a poor ability to market their product (Bellamy, 1998). The 1960s-era Cincinnati Reds marketing strategy involved a 3 ft. sign at the front of Cosley Field simply reading “Game Today” (Helyar,

1995). Hall of Fame GM George Weiss showed his misconceptions in the potential of merchandising and promotion, once ironically stating “do you think I want every kid in New York City walking around in a Yankee cap?” (Helyar, 1995, p. 70).

In fact, MLB’s broadcast and marketing strategy often neglected its young audiences. Between 1989 and 1993, MLB’s viewership between ages 12-17 dropped 24%, in a time when both the NBA (31%) and NFL (16%) increased their audiences among the same demographic (Helyar, 1995). NBC Sports’ Ken Schanzer explained that while “baseball saw network TV as a means of acquiring capital, the NBA saw it as a partner and promotional tool for promoting and extending the game” (Helyar, 1995, p. 567). This research recognizes the success of MLBAM, most importantly the high-quality and variety of streaming broadcasts available, but also recognizes a number of steps the league can take in order to fully utilize MLBAM’s potential as a promotional vehicle.

This case study offers a number of steps to further promote the brand equity of MLB and the thirty individual teams by expanding archived content, embracing embedded video in order to capitalize on the free economy, and most effeciently, re-purpose content and cross-promote the rest of its media product portfolio. Broadcast revenues remain essential to the growth of MLB and the league must fully utilize its vast resources in order to further extend its brand through the embracing of a free online economy and maximize its revenues (Anderson, 2010). The promotional value alone from unleashing thousands of clips to the Internet is worth millions to the league and its clubs.

Impact on Sports Programming and New Media

MLB's competition in the 21st Century includes everything from other sports leagues, television content, and video games. Audiences have a plethora of options online when it comes to their entertainment time, whether it's Hulu, Rhapsody or *World of Warcraft*. MLB and other sports league are at an advantage, as sports programming is seen as time sensitive, making it "TiVo-proof" (Bellamy, 2006; Hoffman 2009d). It's essential that the MLB do all it can to strengthen its market share among sports fans and offer as much content as possible when competing for its fans' limited and highly fragmented entertainment time. Anderson (2010) explained that with the marginal costs of reproduction essentially zero, the barriers to free are psychological. MLB's reputation as the industry leader in live streaming broadcast provides the league a competitive advantage over the NFL, NBA and NHL.

Traditionally, baseball broadcasts have been reluctant to incorporate advanced statistics in broadcasts. Eric Nadel, radio announcer for the Texas Rangers explained that while he uses OBP to evaluate a player, "generally, on radio, I am trying to simplify things for the fan, and bogging the fan down with a bunch of new numbers defeats that purpose." (Personal communication, September 16, 2010). However, many television broadcasters have embraced more modern statistics ranging from OBP, WHIP to OPS and use them liberally within their broadcasts. Modern statistics provide fans an additional way to analyze the game, allowing them to become more involved in traditional broadcasts (Johnson, 2009).

MLB's Game Day offers real time audio, pitch f/x information and all the up to the minute statistics and highlights. The MLB At-Bat expands on those features to the iPod, iPhone and iPad while even offering live streaming games. Fangraphs offers a variety of visuals to supplement traditional statistics. Additionally, the site features daily "Win Probability" charts, which visualize the team's odds of winning the game after each event. Key plays, like a grand slam or runner caught stealing in the bottom of the 9th, will show momentum swing drastically, and educate fans on high leverage situations. Fangraphs offers their own mobile app to download, which educates fans with an easy to understand visual while heightening their involvement with the game with the use of new media. Fangraphs, along with Bloomberg's mobile app for fantasy baseball, serves in direct competition with MLB's At Bat App and provides examples of additional baseball content to engage the fan with a second screen (Real, 2006).

MLBAM has taken an active role with hosting other live streaming events which is emphasized by its 2010 partnership with ESPN. The league has shown a willingness to incorporate back-end hosting for live streams for other sports leagues and broadcasters. Expanding this strategy leads to another diverse revenue stream in the league's media product portfolio. As the industry leader in online streaming, MLB sets a precedent to other sports leagues and broadcasters with their broadcasting, mobile and online strategies.

The maturation of RSNs continued to fuel the growth of baseball's media revenues and MLB is arguably in the best financial shape of its long history. Revenue sharing has helped redistribute to small-market teams that were struggling to maintain

profitability in the early 1990s. The first research question looks at the growth in local media between five teams between 2001 and 2008. In 2001, Commissioner Bud Selig claimed MLB lost \$519 million despite earning \$3.5 billion in revenue (Pappas, 2001a). MLB Revenues grew nearly 53% between 2001 and 2008 after accounting for inflation (Consumer Price Index, 2010; Ozanian & Badenhausen, 2009a; USA Today, 2001). MLB league revenue increased 5.5% to \$5.8 billion in 2008, despite the economic recession that plagued the U.S. economy that began late in 2007, (Ozanian & Badenhausen, 2009a).

Table 1 lists the percentage of revenues derived from broadcasting in both the 2001 and 2008 season. The Mariners received the most local media revenue in both the 2001 and 2008 season, enjoying the benefits of having the entire Pacific Northwest region to themselves. The Angels local media revenues for the 2001 look fairly pedestrian considering they play in the number two media market in the country, but that is likely due to poor performance on the field, having missed the postseason every year since 1986. The (Devil) Rays saw a decrease in its media revenues between 2001 and 2008, not a common occurrence and likely due to the waning novelty of having an MLB franchise in the area (the expansion Tampa Bay Devil Rays were founded in 1997). The 2001 Marlins and 2008 Pirates received a quarter of all revenues from local broadcasting. The 2008 Marlins saw these revenues flatline while overall revenues grew while the Pirates saw tremendous growth in broadcast revenues between 2001 and 2008, likely due to the growth of its RSN, FSN Pittsburgh.

Table 1

2001/2008 MLB Revenues

<i>Team</i>	<i>2001 Rev</i>	<i>2001 Local Media</i>	<i>%</i>	<i>2008 Rev</i>	<i>2008 Local Media</i>	<i>%</i>
Angels	\$91,731,000	\$10,927,000	12%	\$237,869,000	\$42,967,000	18%
Mariners	\$202,434,000	\$37,860,000	19%	\$216,200,000	\$64,365,000	30%
Marlins	\$60,547,000	\$15,353,000	25%	\$139,647,000	\$15,900,000	11%
Pirates	\$108,706,000	\$9,097,000	8%	\$145,993,437	\$39,007,164	27%
Rays	\$80,595,000	\$15,511,000	19%	\$160,961,576	\$13,444,475	8%

Source: Craggs, 2010; USA Today, 2001

Table 2 highlights revenue figures from the 2001 season based on revenue figures submitted by Commissioner Selig. The Mariners' historic 116 win season ranked #3 in league-wide local media revenues with an astounding \$10.65 in media revenue per person. This figure does not include lucrative contracts from Japanese broadcasters following their national star, Ichiro Suzuki, who won both the American League MVP and Rookie of the Year at age 27 (Baseball Reference, 2010; Pappas, 2001b). In 1991, Seattle was well on its way to losing its second MLB team, failing to bring in 10,000 to the delapidated Kingdome, and the Mariners' \$3 million in broadcast revenues was the lowest in the league, half of what the Montreal Expos were earning (Pappas, 2001b). Seattle evolved into a serious contender in the American League, enjoying the benefits of winning baseball and playing in the 2 year old Safeco Park, leading the team to \$15.5 million in net income in a period when the industry was struggling as a whole.

The Angels, owned by the Disney Company in 2001, were not employing a vertical integration strategy in regard to their regional baseball broadcasts. The Angels had a radio partnership with Clear Channel Communications. TV station KCAL was sold

by Disney before it acquired the Angels, and the team's cable outlet was owned by Fox (Pappas, 2001b). Therefore, the lack of local media revenues is more of an indication of on-field quality rather than manipulating media revenues through ownership of the RSN and other broadcast partners.

The Marlins, Pirates and Rays each lost money in the 2001 season, with net losses ranging from \$1.2 million to \$10.5 million. It's clear that their local media revenue, each below \$16 million, did not help their case, but the flawed revenue sharing system deserves most of the blame. There would be two more CBA negotiations between the 2001 and 2008 season, allowing the revenue sharing model to be tweaked and improve the health of small market teams that were struggling to succeed.

Table 2

2001 MLB Revenues

<i>Team</i>	<i>Wins</i>	<i>Payroll</i>	<i>Local Media</i>	<i>2001 Metro</i>	<i>\$ Per person</i>	<i>2001 Net income (loss)</i>
Angels	75	\$52,239,000	\$10,927,000	8,186,823	\$1.33	\$25,000
Mariners	116	\$83,946,000	\$37,860,000	3,554,760	\$10.65	\$15,475,000
Marlins	76	\$42,084,000	\$15,353,000	3,876,380	\$3.96	-\$9,180,000
Pirates	62	\$53,227,000	\$9,097,000	2,358,695	\$3.86	-\$1,202,000
Rays	62	\$57,000,000	\$15,511,000	2,395,997	\$6.47	-\$10,459,000

Source: Pappas, 2001b; Pappas 2004, USA Today, 2001

Table 3 shows 2008 MLB revenues were much healthier than the same figures in 2001. Only one team failed to make a profit, the Seattle Mariners, who fielded a different type of historic team than their 116 win team from 2001. The dreadful 2008 Mariners became the first team in MLB history to lose 100 games with a payroll over \$100 million, creating the perfect storm that led the team to a net loss of \$4.5 million. Despite the

Mariners lack of success on the field, they still managed to bring in \$64 million in local media revenue, an impressive \$19.24 media dollars per person. The 2008 Mariners serve as an example of how media revenues are based on prior success rather than current production; as the 2008 media contract was negotiated long before the Mariners fielded their historical poor team.

The Angels' luck would begin to change after the 2001 season, winning the World Series the following year and reaching the postseason 5 of the next 7 years, leading to a 223% increase in media revenues after adjusting for inflation (Craggs, 2010; USA Today, 2001). Silver (2006) cites the importance of postseason appearances in local media contracts, with each postseason appearance worth roughly \$14 million in present value. The Angels success between 2001 and 2008 helped grow media revenues and finally realizing the potential of the second largest media market in the country. Despite the increase in media revenues, the Angels managed a meager \$3.34 media dollars per person for half of the Los Angeles metro population. Clearly, the Los Angeles market offers a number of unique entertainment options that directly competes with baseball for its citizens' viewership and media dollars.

The Rays and Marlins' media contracts decreased in present value in the seven years following 2001, but remained profitable through postseason revenue and shared revenue. The Marlins' \$29.5 in net income stands out as gratuitous, considering the team managed a pedestrian 84 wins during the regular season, but deserve credit for fielding a competitive team with such a limited payroll. The Pirates saw local revenues increase

nearly 253% after accounting for inflation, an indication of a loyal fanbase and as well as substational growth due to cable revenues.

Table 3

2008 MLB Revenues

<i>Team</i>	<i>2008 Local Media</i>	<i>% Inc 2001</i>	<i>2009 Metro</i>	<i>\$ Per person</i>	<i>2008 Net income (loss)</i>
Angels	\$42,967,000	223.45%	12,872,808	\$3.34	\$7,088,000
Mariners	\$64,365,000	39.84%	3,344,813	\$19.24	-\$4,533,000
Marlins	\$15,900,000	-14.81%	5,414,772	\$2.94	\$29,460,000
Pirates	\$39,007,164	252.71%	2,351,192	\$16.59	\$14,408,249
Rays	\$13,444,475	-28.70%	2,733,761	\$4.92	\$4,016,163

Source: Craggs, 2010; Forbes, 2010; USA Today, 2001)

Table 4 looks at a number of areas of team performance, ranging from the three aspects of onfield performance, total team performance, payroll effeciency and RSN ratings for the 2009 season, to measure the effects of the previous seasons' impact on local television ratings. Surprisingly, RSN ratings show an indirect relationship with team performance, with the 100 loss Mariners drawing a much higher rating (5.2) than the 100 win Angels (1.22).

According to WAR, the Rays had the most efficient team on the list, netting 10 extra wins above replacement than the Angels despite winning 3 fewer games. The Rays MP/MW of \$673,979 illustrates that the team was highly efficient with their \$44 million payroll, with an above average hitting lineup, a quality pitching staff and an extraordinary defensive team. One could argue that the Rays' use of an affordable, quality defense is the new market inefficiency, similar to the Oakland A's use of high OBP players (Hakes & Sauer, 2006). Meanwhile, the Angels fell just short of the Rays, with a WAR of 39.3

and MP/MW of \$2,101,485, despite a much higher payroll. The Angels relied on their pitching staff to carry them to the postseason, with help from an above average defense.

The Marlins posted an absurdly low MP/MW of \$300,466 (league average MP/MW in 2008 was \$2,625,267) by fielding a quality young team with a paltry \$22 million. The Pirates netted a mere 17 wins above replacement with a young, inexperienced team and a sub-\$50 million payroll, earning a respectable MP/MW of \$2,074,200. The Pirates struggled in all three phases of the game, and were the only team to perform significantly below average defensively, a disadvantage that is expected when fielding such a young, unseasoned team. The lowly Mariners set a new standard of payroll inefficiency, paying \$117 million in salary for a pitiful 20 wins over replacement for a MP/MW of \$8.6 million. The Mariners' woes are primarily attributed to their inability to hit, but xFIP shows that the Mariners' pitching staff struggled mightily when removing any advantages provided by playing half of their games in the pitching-friendly confines of Safeco Field.

While team performance does not directly affect media revenues of the current season, it does impact future television ratings, which in turn affect local media contracts. This study sought to identify each organization's recognition of talent in accordance to its payroll in order to gauge which clubs are most efficient with their resources. In addition, performance statistics provide an overview of the organization's strengths and weaknesses and is indicative of the quality of product both on the field and in broadcasts. While the 2009 RSN ratings showed an inverse relation to team performance, it is safe to

assume that ratings will improve with a better team, and in turn lead to higher media revenues.

Table 4

2008 Team Performance, Payroll and RSN Rating

<i>Team</i>	<i>Wins</i>	<i>Payroll</i>	<i>MP/MW</i>	<i>RSN Rating</i>	<i>wBOA</i>	<i>xFIP</i>	<i>UZR/150</i>	<i>WAR</i>
Angels	100	\$119,216,333	\$2,101,485	1.22	0.325	4.22	1.2	39.3
Mariners	61	\$117,666,482	\$8,612,418	5.20	0.310	4.70	-0.1	20.6
Marlins	84	\$21,811,500	\$300,466	3.31	0.330	4.47	0.2	33.7
Pirates	67	\$48,689,783	\$2,074,200	3.25	0.317	4.79	-4.2	17.2
Rays	97	\$43,820,597	\$673,979	3.42	0.336	4.40	11.3	49.2

Source: Craggs, 2010; Forbes, 2010; Hoffman, 2009a; Fangraphs, 2010

Since its launch, MLBAM has increased its profits every year beginning with a mere \$36 million in revenue for 2001 before increasing its revenue more than tenfold, to \$450 million in 2008 (Ortiz, 2007; Brown, 2008a) (See Figure 5). Accounting for inflation, this translates to a 928% increase in a period that saw the change in local broadcast revenues from the five selected teams range from a decrease of 29% (Rays) to a 253% increase (Pirates). The 30 clubs owners have already been paid back for their initial investment of \$80 million (roughly \$3 million each). Each club receives an annual \$2 million dividend from MLBAM (Craggs, 2010). While \$2 million has a minimal impact on the payrolls of a MLB team, the second research question looks at the relative value of MLBAM compared to other parts of the leagues media product portfolio.

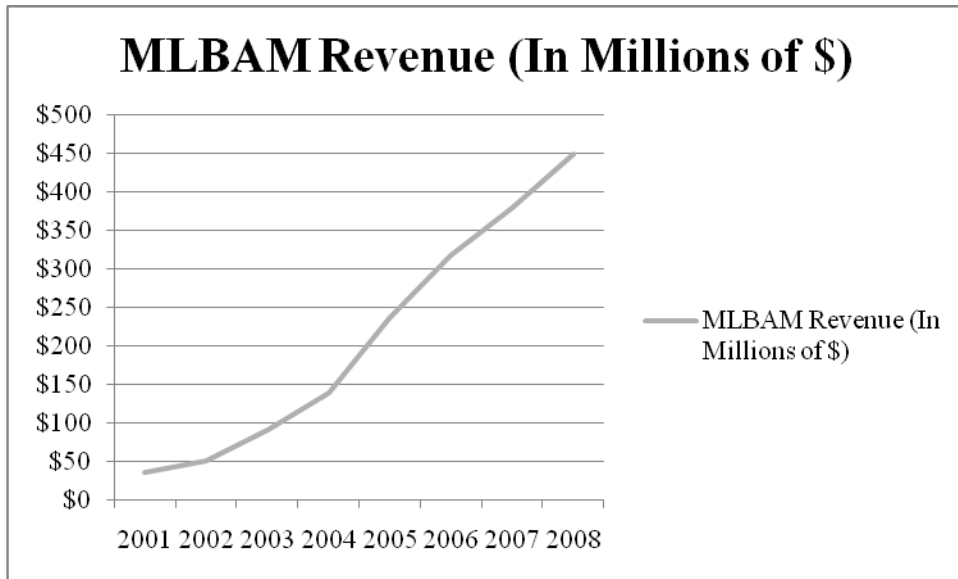


Figure 5. MLBAM Revenue (In Millions of \$). (Source: Ortiz, 2007; Brown 2008a)

There is conflicting data about how much of this revenue is provided by the online broadcast service, MLB.tv. Yarow (2008) estimates that about half of this revenue coming from the streaming online game broadcasts of MLB.tv, while Broadcasting and Cable estimates the service generated \$88 million in revenue (Weprin, 2010). Simple arithmetic tells us were 500,000 subscribers to MLB.tv in 2009 each paying roughly \$100 for the season for a total of \$50 million before advertising.

The value of the MLBAM is staggering. In 2005, J.P Morgan valued a possible IPO of MLBAM at \$2-\$2.5 billion (Brown, 2008a). As of 2007, the valuation was closer to \$5 billion (Ortiz, 2007). However, going public is no longer part of the MLBAM's plans. Bob DuPuy, MLB President and COO, says there is no plan to offer even a partial IPO, stating that "clearly this is an asset that has real value, and that's taken into account when teams are sold" (Ortiz, 2007). Table 5 below shows four recent franchise sales that

took place between 2001 and 2010 as well as MLBAM's equity at the time of the sale (Craggs, 2010).

Table 5

Recent Franchise Sale Prices and Valuations

<i>Year</i>	<i>Team</i>	<i>Metro Pop</i>	<i>Sell Price (Millions)</i>	<i>Adjusted Sell Price (Millions)</i>	<i>Forbes (Millions)</i>	<i>MLBAM Equity (Million)</i>
2010	Rangers	6,300,006	\$590	\$590	\$451	\$166.67
2009	Cubs	9,569,624	\$845	\$858.68	\$726	\$166.67
2009	Padres	3,001,072	\$500	\$508.10	\$408	\$166.67
2002	Red Sox	5,819,100	\$700	\$848.29	\$870	\$3.33

Source: Associated Press, 2009; Badenhausen, Fluke, Kump & Ozanian, 2002 ; Brown 2008a; Craggs, 2010; Forbes, 2010; Ortiz, 2007; Sandomir, 2010; Satariano, 2009

Team values increased an average of 1% over the past year to \$482 million, an all-time high (Ozanian and Badenhausen, 2009a). MLBAM's value increased 928% over this period, increasing equity from just over \$3 million per team to nearly \$167 million per team by 2008 based on a valuation of \$5 billion (Ortiz, 2007). Adjusting for inflation, the 2002 sale of the Boston Red Sox is within \$10,000 of the 2009 sale price of the Chicago Cubs. Both clubs are strong national brands with an audience that extends beyond its traditional market. Despite this, Forbes values the Red Sox nearly \$150 million than the Cubs, likely because owner John Henry enjoys a 80% interest share in NESN, while the Cubs owner Tom Ricketts received a 25% stake in Comcast Sports Network (Forbes, 2010a; Forbes, 2010b; Badenhausen, Fluke, Klump & Ozanian, 2002; Satariano, 2009). Compared the franchise sale prices, Forbes undervalued the Cubs, Padres, and Ranger franchises. While MLBAM's value is factored in to Forbes' valuations, each franchise offers unique circumstances that must be taken into account.

For example, the Rangers' new ownership believe that the franchise had not fully utilized the potential of the north Texas market, indicating its willingness to go above the perceived market value of the club (Crasnick, 2010a).

Local broadcast revenue from the five teams outlined previously totalled roughly \$175 million, or less than half of MLBAM revenues. This is a limited sample and is missing a huge franchise like the New York Yankees or Boston Red Sox. National TV revenues compare quite well to MLBAM revenues, totalling \$429 million and \$450 million respectively (Walker & Bellamy, 2008; Brown, 2008a). While both revenues are shared evenly amongst the 30 clubs, the primary difference between the two is that all national TV revenues are added to MLB's central fund in order to be shared evenly, while MLBAM distributed dividends of only \$2 million. While \$2 million is not a significant percentage on MLB payrolls, it still provides additional flexibility to both small-market teams attempting to rebuild through the draft as well as larger market teams that are trying to make a late-season push.

For small-market teams, one significant way the additional \$2 million in revenue from MLBAM can benefit the club is through signing bonuses. For example, the Pittsburgh Pirates signed number two overall pick Pedro Alvarez to a four year contract with a \$6.3 million signing bonus in September of 2008 (Kovacevic, 2008). Using Baseball Prospectus's PECOTA projection system, we can use wins above replacement player (WARP), which is similar to the WAR statistic, to estimate the player's value on the field during the four years covered by the signing bonus. PECOTA estimates Alvarez will be worth 0.7 wins in 2010, followed by years of 1.7, 1.5 and 1.8 for a total of 5.7

wins above replacement (Baseball Prospectus, 2010). Discounting these wins by 33%, based on the impact of the \$2 million on the total signing bonus, we see the impact of the MLBAM revenue translates to nearly 1.9 wins spread across four seasons. While one might argue that two wins spread across four seasons is a negligible impact, it is important to note that negotiations between Alvarez and the Pirates went down to the wire, ultimately leading to a grievance filed against the Commissioner's office. The grievance was dropped after a contract settlement was reached, but clearly the \$2 million in MLBAM revenues provided flexibility to a small market team with additional funds to secure top talent draft choices.

In July of 2008, the Los Angeles Angels of Anaheim had the best record in baseball and wanted to make a statement, trading two players for Atlanta Braves star first baseman Mark Teixeira (Stark, 2008). Discounting Teixeira's 2008 salary of \$12.5 million salary by 33% based on his playing time for the Angels indicates he had roughly \$4.1 million remaining on his contract (USA Today, 2010). Anaheim hoped to leverage the trade into a long-term contract with Teixeira, but the primary objective was to add Teixeira's bat for the 2008 postseason. The Angels lost and Teixeira ultimately signed with the New York Yankees during the offseason, but it was still a worthy risk. MLBAM's \$2 million dividend covered roughly 50% of the financial obligation to Teixeira, providing insight of how this additional revenue can benefit a large market team during a postseason push.

While \$2 million may not have a significant impact on MLB payroll, it does provide both small-market and large-market teams additional flexibility to either make

trades and sign high-ceiling draft picks based on the club's goal of either short-term or long-term success. Online revenue's impact on payrolls should increase as MLBAM increases its offerings, improves advertising and streaming video becomes more widely adopted. The next research question discusses how MLBAM can better leverage its content to promote further growth of revenues.

MLBAM has done an incredible job designing a way to watch live streaming content from a number of unique platforms. The company relies on a "Freemium" online business model by offering free services (MLB Game Day, video clips, news and statistics) as well as subscription and paid services (MLB.tv, At Batt app, and Game Day audio). This research concluded that the league must continue to expand and improve its free services in order to encourage use and consumption of its media product portfolio while increasing the brand equity of MLB and its thirty franchises. While the free economy can be difficult to monetize, it encourages mass sampling and the quality of MLBAM's online content should increase brand equity through the halo effect on other MLB revenues, such as attendance and merchandise.

Most importantly, MLBAM needs to continue to expand its use of archived videos beyond recent seasons and into each team's rich history. While MLBAM offers more recent archived games available through the MLB.tv service and older games available to download on iTunes for \$1.99, there is room for improvement in the area of archived video. Each franchise has its own unique history to draw from. For more successful franchises this serves as a reminder of the team's recent success, and can focus on the players responsible for the big plays and clutch performances that are still on the

team's current roster. For franchises with less success in recent years, this serves as an opportunity to reinforce the club's past success and long history. This is especially helpful with reaching out to the tech-savvy, 17-year old Kansas City Royals fan that was wearing diapers when George Brett took his final at-bat completely or, worse yet, is completely ignorant of the 1985 World Series Championship team. Reinforcing past success helps strengthen the brand to a generation of fans that may be clueless to the team's prior accomplishments. Archived video would allow fans to look up memorable games from their childhood, eliciting all kinds of positive feelings associated with youth. In addition to strengthening each of the thirty individual club brands, audiences would get lost in the sea of archived video, sending the time spent viewing and total media consumed soaring, which appeals to advertisers. Additionally, this footage could be compiled and edited for repurposing across any number of platforms ranging from the MLB Network to an individual RSN, fully maximizing the use of the content.

MLBAM should also improve the way in which users are allowed to share video. The league should open its online video content, allowing users to share and embed videos on social networks and other websites (Hoffman, 2009d). Currently, MLB.com only allows users to share video on Facebook by posting a link to the MLB.com video. While there are benefits to drawing users to the MLB.com portal, many users will gloss over the link without viewing. Many clips end up on services like YouTube, which allows sharing and embeds, and prevents the league from monetizing on its own product. Enabling embedded video promotes the sharing of content while promoting the MLB and local brands. As the audience for shared and embedded videos improves, the league can

monetize on the improved advertising revenue generated by the increased audiences from offering free embedded clips. The league can further improve on audiences by utilizing local, targeted advertising that appeals to its consumers on a national and local level. Long tail economics allow the league to benefit from the “max strategy” similar to Google, offering as many products under the same brand as possible, charging nothing for a majority of services, while making money on a few (MLB.tv, mobile app sales, and improved advertising).

MLB appears to be at a crossroads on the issue of local streaming broadcasts. The Yankees and Padres, who signed local streaming deals during the 2009 season, have local streaming available to their fans. However, there remains a minimum \$20 subscription rate and even the Yankees have had trouble monetizing the service. Anderson (2010, p. 61) explains that “the inconvenience to paying anything is the biggest obstacle” for consumers to try your product. Broadcasters pay significant fees for sports content and they must be convinced they are not losing value. MLB and other leagues must communicate and share this value with the traditional broadcasters in order to maximize the earnings for both entities. However, money is being left on the table for both the broadcasters and the league. MLB and its RSN partners could easily adopt the “home pass” model used by ESPN3 in order to ensure both sides are being compensated for the service. This way both sides are able to capitalize on MLB’s live streaming capabilities and fans would finally be able to watch local teams through their PC or mobile phone, circumventing MLB’s flawed blackout policies.

Another strategic opportunity for the league is to better incorporate the blogosphere within the MLBAM network, and utilize them to cross-promote each aspect of its product portfolio (Hoffman, 2010b). Many beat writers and players run blogs on MLB.com offering additional content for the blog network. This could involve partnering or acquiring successful blogs or continuing to improve its own blog network, which relies on fans to create content. MLB faces some tough competition when it comes to local sports reporting. ESPN launched regional brands for the Boston, Chicago, Dallas, New York and Los Angeles with talent often from local publishers. Baseball also faces competition from any number of sports blogs. The sports blog network SB Nation has a unique audience of 1.3 million each month. The unique audience from the entire network of 270 sites comes to an astounding 4.7 million (Rainey, 2010). MLB should consider making a strategic acquisition of a popular blog network to incorporate it into its existing portfolio. MLB enjoys the benefits from any journalism that promotes fan avidity, even if they are owned outside of the company. However, if the league can acquire and expand its blog portfolio it would improve advertising, providing a halo effect on traditional revenues like ticket sales, merchandise sales and other forms of advertising (Hoffman, 2010b).

Finally, MLBAM's efficient distribution across a number of platforms could be further utilized on the global level. Japanese broadcasts have been an additional revenue stream for franchises like the Mariners, and the Pacific Rim is a tech-savvy area that typically enjoys American sports content. However, Asian-born players made up only 1.7 percent of at bats and 2.9 percent of innings pitched in 2004 (Silver, 2005). The

number of players from Latin American and Caribbean countries has exploded in the past decade, making up more than 24% of big league players, up from 12% in 1990 (Silver, 2005). Latin America offers an intriguing future market in a part of the world where mobile technology is a key component for reaching the young population (Albarran, 2009). While Europe has minimal interest in the sport outside of countries like the Netherlands, but the interest is growing. The global marketing of baseball is much different, emphasizing individual players rather than a local team. Young Venezuelans are likely very interested in the performance of native son 21 year old shortstop Elvis Andrus, but likely aren't very concerned with the overall performance of the Texas Rangers. The player tracker feature on MLB.tv could be particularly helpful in following all of the favorite players from their country.

MLB currently offers its web content in Chinese, Japanese and Spanish, but the league must continue to expand its web content on an international level to strengthen the global brand. MLB should embrace the economics of free on a global level; offering free video highlights and streams as mobile technology continues to improve and the adoption rate of smartphones continues to rise in these countries. This would offer tremendous value to the league's global brand equity while still monetizing the product through mobile app sales. International fans are already incredibly passionate, and the ability to watch their favorite players on any of the 30 teams without blackout restrictions could help usher in a new era for Major League Baseball, and allow the game of baseball to compete with more global sports like association football, basketball and rugby.

Each of these strategies combines to strengthen the MLB brand and each of its franchises. While traditional broadcasters are concerned that online streaming cannibalizes its audience, the home pass model would help both companies profit from the service. The digital environment is continuously changed by regulation, business models and broadcast strategies and it is important for MLB to operate ahead of the curve. MLB should repurpose its content to efficiently cross-promote each of its media offerings by offering fans countless clips available to freely share across a number of online services. The free home pass model for local and national MLB.tv service would encourage the demand for its media product, while relying on premium services, like app downloads and archived footage to increase revenues. The final chapter outlines the contribution and limitations of this research while offering future research opportunities.

CHAPTER 6
CONCLUSIONS
Contribution

Major League Baseball and broadcasting have had a unique, diverse history that spans nearly one hundred years. By studying the past, researchers are able to identify missed opportunities for both the league and networks and their failure to fully-utilize its baseball content. In the digital age, content is king, and Major League Baseball provides an abundance of time-sensitive sports programming during the important summer months. This study sought to recognize the long, diverse history of academic research in baseball history and economics, seeking to address a number of the economic issues that affect the league. The study provides value to MLB franchise seeking to identify the economic impact of MLB's media product portfolio or how to better market its product through the use of MLB's online and mobile content.

This case study drew from a number of different sources to identify the success of MLB's online strategy as well as recommend as how it can improve. Case studies seek to compile information scattered across a number of sources to better understand a subject. This research sought to recognize the evolution of baseball broadcasts and the new role of MLBAM by compiling information from trade publications, leaked financials, interviews, newspapers and other online sources. This provides value to academic research by compiling facts from baseball's long broadcast history while looking forward to a league-wide marketing strategy revolved around its online resources. If MLB made

some key information available, including financial statements and media revenues, academic research would be able to have a better opportunity to analyze MLB's media assets. However, due to the financial incentive the team owners have to keep this information private, a case study makes the most sense for academic research.

Additionally, this study provides value to media companies seeking to learn how to better utilize its media product portfolio through the use of efficient delivery cross-promotion and the reuse of content. MLBAM is regarded as the industry leader in live streaming broadcasts and the league has an incredible opportunity to leverage its time-sensitive content through an efficient distribution method to a number of modern devices. MLBAM could easily grow into an online media giant that goes beyond Major League Baseball as it extends its hosting capabilities to other media companies and sports leagues.

Limitations

The primary limitation to this study was the availability of financial data provided by the league. Since MLB is not a public company the league is not obligated to provide financial statements for public review. The teams with leaked financials by Deadspin were limited to six teams, inconsistent in its classification of data and lacked a true baseball giant like the Yankees or Red Sox. Additionally, reported revenues are subject to other accounting manipulations, such as claiming additional revenue through a team-owned media company. Former MLB COO Paul Beeston once said "under generally accepted accounting principles I can turn a \$4 million profit into a \$2 million loss and I can get every national accounting firm to agree with me" (Zimbalist, 2003, p. 56-57).

This case study elaborated on a number of these accounting manipulations in order to exemplify its impact on league reported revenue figures.

Another limitation to this study stemmed from the fact that digital broadcasts were still in the early stage of its product life cycle. Considering baseball's long history with radio and television (89 years and 70 years respectively) online and mobile broadcasts were still in their infancy. While there is an intriguing 0.91 positive correlation between early MLBAM revenues (2001-2009) and national TV contracts in the Post-Messersmith era (1975-1982), there are too many variables to indicate MLBAM revenues will continue to grow at the same levels as mid-1980s national TV revenues. Future regulation, as well as the structure of the media and telecommunications industries, will have a key role in influencing the landscape of digital broadcasting over the next few decades.

Suggestions for Future Research

This study recognized a number of areas that call for the further research of Major League Baseball's media product portfolio. The Collective Bargaining Agreement expires at the end of the 2011 season, and while labor peace is arguably at an all high, areas like revenue sharing, local streaming, the possibility of an international draft and hard slotting in the amateur draft remain on the table (Brown, 2009g).

Small-market teams like the Pirates and Marlins faced some negative fallout after the club's financials were leaked on Deadspin. Many fans, including citizens of Miami and Pittsburgh that helped fund new stadiums, were upset that the teams misrepresented the financial health of the clubs. Miami Mayor Tomas Regalado asked the city attorney

to look into the possibility of reopening a parking contract with the team, part of the city's obligation to pay for three-quarters of the Marlins' \$645 million park (Belson, 2010). While revenue sharing has improved, allowing the Marlins, Rays and Pirates back to profitability, there remains areas where the current system can improve. Further research in revenue-sharing will be essential to help the league find the most effective system to ensure competitive balance while striving for Commissioner Selig's goal of true parity.

Audience research of online and mobile streaming is an important area in need of further research. While these new mediums for viewing sports content have made waves, it is important to understand the viewing habits of their audiences. Devices like the iPhone and iPad add a portability function to traditional broadcasts, but it remains to be seen if this will begin to cannabilize traditional broadcast audiences. HDTVs have become more and more affordable and HD broadcasts are now the norm. Further research should look at how sports fans prefer to consume their live streaming games.

While this research discussed the role of global online streaming, it is likely that it will take time for demand to grow in International markets. Latin American players make up a growing percentage of players in MLB, but the mobile market in those countries needs more time for Smartphones to become widely available to its youth. While there is strong interest in baseball in the Pacific Rim, the number of players from these countries remains very small. Finally, despite the growing number of players entering the league from Europe, the overall number remains negligible and there remain many cultural barriers to overcome before baseball becomes a truly global sport.

Continued research in the area of the global marketing of American sports content remains an essential area of research in the digital age.

Finally, the steady adoption of online and mobile streaming, paired with the fact that digital storage, processing power and bandwidth are all becoming “too cheap to meter,” MLB is in a unique position. The league could soon one day distribute its original sports programming worldwide, directly to the consumer while keeping the lion’s share of the revenue without sharing with a traditional broadcast network.

Understanding the changes of the telecommunications, broadcast and sports industries will continue to have a significant impact on broadcasting sports content online. The continued observation, investigation and research of MLB media revenues will be essential to understanding the success of the league’s broadcasts strategy:

- MLB’s revenue sharing system
- Audience research for online and mobile live streaming video
- Globalization of Major League Baseball
- Evolving landscape of traditional broadcasts, new media and sports content

The landscape of baseball broadcasts has changed drastically in the past ten years, including the resurgence of local media revenue and the potential of MLBAM’s variety of products. This research addressed MLB’s media product portfolio and the evolving changes in baseball broadcasting. The continued research in these areas will help shed light as to the future role of online content in MLB’s media product portfolio.

APPENDIX

DEFINITION OF TERMS

Blackouts – Restrictions on availability of games on MLB.tv. Typically due to local market or national broadcast (Ex: Fox Saturday Baseball).

Blog – Weblog of random opinions or forms of content sharing.

CBA – Collective Bargaining Agreement

Cliff problem – Problem from using two different pooling systems where teams above the median line could actually end up with lower payrolls after revenue sharing

CPM – Cost per thousand

DIPS – Defense independent pitching statistics

DMA – Designed market area

EQA – Equivalent average

ERA – Earned run average

FIP – Field Independent Pitching

FSN – Fox Sports Network

GDP – Gross domestic product

GM – General Manager

IPO – Initial Public Offering. Value when a company first goes public for the sale of stocks.

IPTV – Internet Protocol Television, which is a digital system that distributes television content through broadband.

ISP – Internet service provider

MLB – Major League Baseball

MLB.tv – Subscription service offered by MLB for PCs, laptops and certain smart phones. The service offers all out-of market games to be available for live streams.

MLBAM – Major League Baseball Advanced Media

MLBN – Major League Baseball Network

MLBPA – MLB Players Association

MLS – Major League Soccer

MMOD – March Madness on Demand

MP – Marginal payroll

MSG – Madison Square Garden Network

MW – Marginal wins

NESN – New England Sports Network; one of many RSN's (Boston)

NBA – National Basketball Association

NHL – National Hockey League

NFL – National Football League

NLR – net local revenue

OBP – On-base percentage

OPS – On-base plus slugging

PGP – probability-based measure of batting productivity

Pitch-f/x – data collected from Game Day, includes data such as pitch location, speed and break.

RSN – Regional Sports Network

SABR – Society for American Baseball Research

sabermetrics – Statistics and measurements to evaluate performance in baseball.

SBN – Sports Blog Nation

SLG – Slugging percentage.

Split pool – “pool” of revenues to share amongst the league, but taxes are levied to top half of median payrolls and redistributed to the bottom half.

Straight pool – “pool” of revenues to share amongst the league, shared evenly

STV – Subscription Television, Inc.

UZR – Ultimate zone rating

VORP – Value over replacement player

WAR – Wins above replacement

WARP – Wins above replacement player

WHIP – Walks plus hits per inning pitched

wOBA – Weighted on-base average

wRAA – Weighted runs above average

xFIP – Expected field independent pitching

YES – Yankees Entertainment and Sports Network

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