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**Major League Baseball and Globalization: The World Baseball Classic**

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“Our world has become increasingly smaller. As a result, entertainment product – our product – is going to be worldwide. You can’t be parochial any more. It can’t just be about the United States” MLB President Bob DuPuy (King, 2006, page 1).

When Japan defeated Cuba 10-6 in finals of the inaugural World Baseball Classic (WBC), it not only completed a competitive baseball tournament, but it also ushered in a new era of globalization for Major League Baseball (MLB). The WBC was created to increase worldwide baseball participation, and more importantly, consumption of baseball and baseball-related products. The tournament was designed to mirror soccer’s World Cup – with one major structural difference. While the World Cup is governed by an independent agency called the International Federation of Association Football (FIFA), the World Baseball Classic is administered by Major League Baseball and the Major League Baseball Players Association (MLBPA) (Schwarz, 2005). In addition, while soccer is extensively played in almost every nation on earth, baseball, though firmly established in some countries, has only recently been introduced in many others, and in some countries remains relatively unknown (Foer, 2004; Szymanski & Zimbalist, 2005).

The effort by MLB to expand into untapped international markets mimics the actions of other sport and non-sport organizations as *globalization* has been a prominent topic in the recent academic and practitioner literature (Friedman, 2000; Friedman, 2005). The global world permits a greater flow of information as well as an easier exchange of human and financial capital. However, operating in diverse markets is not without challenges. Cultural barriers and customs can negatively affect production, while different levels of government intervention may impact operations. Despite these obstacles, the sports industry has noticed global trends and has begun to attract

employees from various continents and to develop new markets and delivery channels (Foster, Greyser, & Walsh, 2006).

Designing and implementing the first WBC required MLB to extensively interact within this changing global market place. This chapter details some of obstacles encountered during the creation and development of the WBC. It begins with a brief history of international baseball and then explores some of the economic, political, marketing, and legal factors regarding the first World Baseball Classic. It concludes with a discussion of future World Baseball Classics as well as the impact of other MLB globalization initiatives.

### **Baseball's Worldwide Development**

Though the sport of baseball has long been considered the American *national pastime* (Guevara & Fidler, 2002) it has enjoyed mixed success when introduced in foreign countries. In 1889, Albert Spalding organized a baseball tour to Hawaii and Australia (Szymanski & Zimbalist, 2005). While in Australia, he decided to continue the tour back to the United States via Egypt and Europe. Though the tour generated some curious observers, for the most part the sport did not become popular. However, American Horace Wilson, a history teacher working in Tokyo, had introduced baseball to Japan in 1873 with much greater success (Whiting, 1990). Shortly after its introduction, the game grew throughout the country. In 1908 the first of many American baseball tours brought major and minor league stars to Japan for an extended visit (Whiting, 2004). Later visits by star players such as Lou Gehrig and Lefty O'Doul enhanced interest in the sport. In 1934, Babe Ruth led a contingent of prominent American players who toured Japan and sparked an interest in potentially creating a professional league (Rains, 2001).

Although the exact beginnings of baseball in Cuba is unknown (Echevarria, 1999), it was likely introduced in the 1860s (“Baseball in Latin America,” n. d.). It quickly grew in popularity and eventually emerged as the sport of choice for Cubans seeking a national identity and independence from colonial ruler Spain (Echevarria). In 1880, brothers Ignacio and Ubaldo Alorma emigrated from Cuba to the Dominican Republic and brought baseball to the island where it quickly proliferated (Klein, 2006). From its roots in Cuba and the Dominican Republic, the game of baseball rapidly spread throughout the Caribbean and into South American countries such as Venezuela.

The growth of baseball’s popularity resulted in the formation of professional teams and leagues. In 1869, the Cincinnati Reds became the first professional baseball team in the world (“Cincinnati Reds,” n. d.). In 1876 the National League was established as the highest caliber baseball league in the world – both in on-field talent and financial backing. Baseball’s popularity was so prevalent throughout the United States that most cities of significant size had semi-professional or professional teams (Seymour, 1971). The sport of baseball was clearly America’s game of choice – both for participation and consumption. Among the rival leagues to emerge in the late 19<sup>th</sup> and early 20<sup>th</sup> century, the American League, established in 1901, was by far the most successful. The two leagues formed Major League Baseball and participated in the first World Series in 1903. Major League Baseball has since reshaped and organized many of the minor professional leagues in the United States (Miller, 1990; Seymour).

The creation of Nippon Professional Baseball (NPB) in 1936 rapidly increased the sports’ popularity in Japan (Rains, 2001). The NPB has clearly established itself as the second best professional baseball league in the world, with a rich tradition, successful

players, and substantial financial support from the league's owners (Whiting, 2004). Numerous American players have played in the NPB since soon after its inception (Whiting). However, despite Masanori Murakami playing for the San Francisco Giants in 1964, it was not until the last 10 years that considerable numbers of Japanese players signed contracts to play in the MLB (Edes, 2007). It is likely that many more Japanese players will come to America in the next decade (Edes).

Other countries, though less well-known than the NPB in the United States, have established professional and semi-professional leagues. The Mexican League is perhaps best known for producing pitching sensation Fernando Valenzuela, but it also has a long, rich tradition. Though not in the American spotlight, other countries such as the Dominican Republic, Cuba, South Korea, and Taiwan also developed professional leagues soon after the sport began to be played in those areas. Each of these countries' leagues has had various levels of success (Klein, 2006). Although baseball has only recently been introduced in the Netherlands, Italy, and South Africa, amateur and semi-professional leagues have recently been established (Klein).<sup>1</sup>

### **The Consumption of MLB in the United States**

Major League Baseball's popularity grew rapidly after the first World Series in 1903. Although the 1919 Chicago "Black Sox" scandal caused concerns, the sport rebounded and increased its influence – primarily because of the emergence of Babe Ruth. Later stars such as Joe DiMaggio, Ted Williams, and Stan Musial helped MLB dominate the American sports consumption landscape until the late 1950s when the National Football League (NFL) and other leagues began to erode its market share. By the 1970s, the NFL had surpassed baseball as the most watched American sport and had

likely passed baseball as the National Pastime (Harris, 1986). However, the sport continued to enjoy a strong following despite the growth of competitor sports and other entertainment options. Even though recent polls indicate that fewer and fewer people identify MLB as their favorite sport, it still remains popular among Americans (Klein, 2006).

Major League Baseball has maintained a strong fan base despite recent crises. Numerous labor stoppages have certainly hurt the sport and its popularity, but even the cancellation of the 1994 World Series did not completely destroy its popularity (Wetzel, 2006). Even though there were a few teams that had difficulty retaining many of their previous customers after the work stoppage (Foster, Greyser, & Walsh, 2006), as an industry, MLB quickly recovered. Though recent steroid scandals have generated considerable negative attention and some fan and media backlash, MLB realized record attendance numbers in 2004, 2005, and 2006 (Newman, 2007).

Although labor unrest and steroid scandals have not deterred fans from attending and watching MLB games in record numbers, there is potential cause for long-term concern among MLB owners. The number of American children playing and watching baseball has declined over the past few years (“What are today’s youth...”, 2006). There is an overall concern that traditional American consumer sports, such as MLB, are no longer holding the attention of the next generation of consumers at the same rate as emerging sports such as the X-Games or as well as non-sport activities such as video games (“What are today’s youth...”). Major League Baseball (among some other leagues) has also scheduled prominent games at times too late in the evening for young children to watch, creating the opportunity for emerging sports to attract young

consumers before they go to bed at night (Deford, 1999). If young fans are not attracted to the sport as participants or consumers, the future purchasers of tickets, media, and licensed merchandise may spend their dollar elsewhere once they have developed disposable income streams.

### **The Creation of the World Baseball Classic**

Major League Baseball has certainly been aware of its attendance successes and failures as well as the potential issues regarding its current and future fan demographics. In addition, MLB has long recognized that the United States and Canada only account for roughly 330 million of the 6.5 billion people in the world and that a key component of future growth will be exploring opportunities in foreign markets (Guevara & Fidler, 2002). Prior to contemplating a world baseball tournament, MLB had been implementing activities around the globe through MLB International, which was founded in 1989 (“MLB International,” n. d.). MLB International was designed to generate revenue for MLB franchise owners by selling broadcast rights, securing sponsorships, and staging events abroad (Guevara & Fidler). MLB International organized MLB exhibition games in Cuba in 1999, the Dominican Republic and Venezuela in 2000, and Puerto Rico and Mexico in 2001 (Guevara & Fidler). In 1999, MLB opened the regular season in Monterrey, Mexico with the Colorado Rockies defeating the San Diego Padres 8-2 (Biertempfel, 2007). Other regular season games were also played in Tokyo, Japan (2000 & 2004) with a planned 2003 set of Tokyo games cancelled due to the Iraq War (Biertempfel). San Juan, Puerto Rico hosted regular season games in 2001 and then was also the part-time home of the Montreal Expos during the 2003-2004 seasons (Guevara &



Fidler; “Historical moments,” n. d.). It is likely that future exhibition and regular season games will be played in different countries – perhaps on an annual basis.

### **Insert Sidebar 1 about here**

In addition to playing games, MLB has also implemented international activities in a variety of countries. MLB has created an Envoy program that sends coaches to teach the game in emerging baseball countries (“Development initiatives,” n. d.). In 1991, the first set of coaches went to Holland and since then instruction has been delivered in over 60 countries. MLB has also developed the Pitch, Hit, and Run (PHR) curriculum to be administered in physical education classes in developing countries around the world (“Development initiatives”). Over 3 million students in countries such as Australia, Germany, Italy, Korea, Mexico, Puerto Rico, South Africa and the United Kingdom have learned the intricacies of the game through the PHR program. In addition, MLB also sponsors baseball festivals and supports baseball academies.

Guevara and Fidler (2002) have noted that MLB international initiatives serve different purposes in various countries. Since MLB has analyzed every country and rated it based upon its recognition and understanding of the game, participation development, and ability to consume baseball and baseball-related products (Klein, 2006), MLB will seek different goals in specific areas. In some countries, such as most of those in Europe, baseball is not a popular participation sport, let alone one that customers would likely immediately consume. However, most citizens of the European countries have some potential disposable income to purchase MLB-related products, which could occur in the future if the sport can increase its popularity. In countries throughout Latin America and parts of South America, playing and watching baseball are popular pastimes, but limited

financial resources for most potential consumers constricts MLB's ability to sell extension products (licensed merchandise, media rights, etc). In Japan and Korea, baseball is popular, but MLB faces challenges to sell its products because both countries have extensive professional leagues as well as baseball cultures already established (King, 2006). Perhaps MLB's greatest but most difficult marketing opportunity is in China. Unfortunately, not only is there limited understanding of baseball, there are also generations who deny the existence of the game as a suitable pastime since Mao Zedong had once declared it illegal (Posner, 2006).

Despite the challenges unique to international markets, by 2004 MLB desired to expand its global presence by attempting to build a baseball tournament that would bring the top world competitors together much as the Olympics and World Cup do every four years. MLB hoped that it could overcome political, social, and cultural barriers and begin to build an event that would not only generate short-term revenues during a two-week tournament, but would also create profits throughout the year from other critical sport revenue streams such as the sale of sponsorships, media rights, and licensed merchandise. MLB initially planned to stage the first World Baseball Classic in 2005, but officials from Japanese baseball would not commit to a format where the control of the tournament and the majority of the profits would be retained by Major League Baseball (Szymanski & Zimbalist, 2005).

Eventually, MLB and the MLBPA decided to each take 25% of the potential profits from the tournament, with the other 50% of the profits divided among the participating teams – with 50% of each participating countries' share required to be given to the country's baseball governing body to grow the game (Fisher, 2006a). Japanese

officials agreed to the established financial and structural terms and in 2005 the World Baseball Classic was tentatively scheduled to be played in March 2006 (Schwarz, 2005).

Immediately upon announcing the March 2006 WBC schedule, critics began to note potential areas of concern. Sixteen countries representing the greatest baseball playing nations in the world were selected to compete (Table 1). Although MLB and the MLBPA had established guidelines regarding participation as well as injury prevention rules such as strict pitch counts (“World Baseball Classic FAQ,” 2006), pundits immediately noted that many of the best players in the world would not participate since the games would be played during MLB spring training<sup>ii</sup> (McGrath, 2006). In addition, the WBC would be played during the same year as the Winter Olympic Games and the World Cup, two international events that could potentially take some fan and media attention from the tournament. Despite these concerns, MLB enthusiastically implemented the plan to stage an international baseball tournament in the global marketplace.

**Insert Table 1 about here**

Despite some initial objections regarding the hosting of the various rounds, preliminary games were scheduled in Japan (Pool A - China, Chinese Taipei, Japan, & South Korea), Puerto Rico (Pool C - Cuba, Panama, Puerto Rico, & The Netherlands), and the United States (Pool B – Canada, Mexico, South Africa, & United States; Pool D – Australia, Dominican Republic, Italy, & Venezuela). In order to permit Asian teams to have time to recuperate from travel, Pool A games were completed five days prior to the completion of the other pools. To save additional time and costs, second round games were played in Puerto Rico and the United States during the second week of March, and

the final round was also played in the United States during the third week of March. The schedule enabled players from Asian professional leagues ample time to travel back across the Pacific Ocean after the WBC was completed. In addition, the contesting of the second round and final round games in North America enabled MLB players to return to their professional team almost immediately after their country was eliminated from competition.

#### Globalization: Political Problems

Despite extensive planning for logistics and attention to detail, political considerations nearly detracted from the World Baseball Classic months before the first pitch. Globalization has certainly made the world smaller and made people more aware of the cultural differences among various nations, but it has not necessarily addressed all previous disputes. For over 40 years, the United States has considered Cuba to be a rogue nation and has extended an economic embargo upon Fidel Castro's island nation (Edelman, 2005). Although American citizens are not forbidden to travel to Cuba, direct commercial flights are not available. In addition, Americans are prohibited from making direct investments on the island. Despite the creation of the WBC and the announcement of the playing schedule, on December 13, 2005, the United States Treasury Department denied a request by MLB for a waiver for the Cuban National Team to participate in games on U.S. soil (Edelman). The refusal to grant the waiver placed MLB and Cuba in a precarious position. If Cuba were to advance past the second round, it would have to forfeit its position in the final round – creating a potentially chaotic situation.

The WBC was not the first attempt by MLB to involve Cuba in an international baseball competition. In 1999 the Baltimore Orioles petitioned and received an

exemption from the embargo to play a not-for-profit home-and-home series against the Cuban National team with the proceeds going to Hurricane Mitch victims (“Political hardball,” 1999). The two-game series elicited considerable criticism due to Castro’s notorious human rights violations (Blum, 2005). MLB umpire Rich Garcia expressed the thoughts of many when he noted, “My God, you can't bring a Cuban cigar across the U.S. border yet we're going to take a baseball team over there and try to be nice to this man” (“Political hardball,” para 10). However, despite the uproar regarding the Orioles’ games, the U.S. government permitted the series, as it had previously allowed Cuba to compete in the 1996 Atlanta Olympics (Blum).

As the deliberations regarding Cuba’s participation in the WBC continued, some critics noted that the United States could be jeopardizing its opportunity to host future international sporting events – including the Olympic Games (Blum, 2005). Hoping to avoid an embarrassing situation where one of the top baseball teams was absent, MLB petitioned the Treasury department for a WBC exemption while at the same time it exerted political pressure through a variety of channels. After over a month of negotiations, on January 23, 2006 the U.S. government issued a special license for Cuba to participate (“Treasury Department allows...,” 2006). As part of the license, Cuba agreed to forgo any financial gain from the tournament by donating any profits it received to victims of Hurricane Katrina (“Treasury Department allows...”).<sup>iii</sup>

#### World Baseball Classic Revenue Sources

The organizers of any sporting event ultimately will judge their level of success by achieving financial objectives. Major League Baseball envisioned that the WBC would generate income through traditional revenue sources such as ticketing, media,

sponsorships, and licensed merchandise. These revenue streams could be evaluated as soon as the tournament was completed. In addition, MLB hoped that the WBC would instigate short and long-term increases in consumption patterns for all MLB related products and services. Measuring success in these areas is certainly more difficult, but could initially be evaluated by the reaction and attitudes of fans and by the desire of participants and participating teams to compete in future Classics.

#### Revenue Sources: Ticketing

After resolving the dispute regarding Cuba's participation, the greatest concern for the WBC was potential live attendance. During the first games held in Japan, it appeared that on-site attendance would fall woefully short of the 800,000 tournament projections (Fisher, 2006b). For the three opening games in Japan that did not involve the home team (South Korea, China, Taiwan), *total* attendance was only 13,695 (Fisher). The situation in Japan convinced many observers that few customers at any site would bother to attend games if the home team was not playing (McGrath, 2006). However, once games began in Puerto Rico and the United States, attendance increased, particularly in the United States. For the entire tournament 737,112 customers attended, with the final in San Diego between Japan and Cuba drawing 42,696 (Fisher).

One of the reasons that games in the United States were able to attract fans for non-U.S. competitions was because many recent immigrants of Hispanic decent attended games played by their home country. In addition, many fans traveled to the United States with the intent to include attendance at WBC games as part of their vacations. The initial critics of WBC attendance did not recognize that Japan and the United States have vastly different demographics. The Hispanic population in the United States is growing rapidly

and 25% of all Hispanics in the United States attended at least one MLB game in 2004, more than attended professional soccer games (Eros, 2005). The 41.4 million Hispanics living in the U.S. actually have demonstrated a passion for “American” sports which has resulted in higher consumption rates for major professional sports like football than Caucasians and African-Americans (Eros). The Hispanic enthusiasm for the WBC was noted by Bill Pearce, Chief Marketing Director at Taco Bell, “For that event to have that much credibility out of the gate for the first time was truly amazing” (Mickle, 2006, pg. 5). For most games in Puerto Rico and the United States, there was definitely a high level of energy and excitement (Fisher, 2006a). This enthusiasm bolstered MLB hopes for future tournaments and additional global marketing and revenue generating initiatives.

#### Revenue Sources: Media Coverage

Though the success of any live sporting event is initially judged by in-person attendance, media attention indicates the potential for short and long-term growth. In the case of a worldwide event like the WBC, television ratings may be even more important than on-site attendance as many potential viewers may not have the ability to travel to see a game in person. In the United States, the 12 WBC telecasts on ESPN had a 1.1 rating (1,205,600 households)<sup>iv</sup>, while the 20 telecasts on ESPN2 had a .6 rating (657,600 households) (Fisher, 2006a). Of particular interest for the future growth of the WBC in the United States was the 1.8 rating (1,972,800 households) for the WBC final as the American team had been eliminated in the second round. Though the U.S. ratings were not spectacular compared to playoff or World Series games, they greatly exceeded anticipated projections. When considering the American’s on-field performance and the

fact that the WBC was scheduled during the heart of the NCAA March Basketball Tournaments, the ratings and overall interest bodes well for the future of the Tournament.

In addition to the solid television viewership figures in the United States, the semifinal game between South Korea and Japan garnered strong ratings in Japan, despite being shown at a less than desirable time of the day (Bloom, 2006). The Japanese victory over Cuba in the finals also attracted strong ratings. Certainly, Japanese fans were primarily focused upon “their” team, but such strong ratings for an event played in the middle of the night in Japan signals the long-term interest in continuing the event. Paul Archey, MLB Vice President for International Business Operations, noted MLB’s reaction to the television ratings, “It’s important, and I don’t want to diminish its importance. ESPN is very happy with how they’ve done, and so are we, but it’s foremost about growing the game globally, and we can’t lose sight of that” (Fisher, 2006a, pg 1).

The strong media numbers generated by the WBC continued an overall increased worldwide ratings trend for MLB. In 1990, MLB generated \$10 million total from all revenue sources outside North America, while in 2005, MLB generated \$120 million (King, 2006). ESPN recently launched a version of ESPN Classic in Europe which now reaches 8 million homes in Great Britain and an additional 8 million homes on the European continent (Bernstein, 2006). ESPN’s European presence likely helped to double MLB’s European rights fees to \$20 million over five years (Bernstein). Interestingly, ESPN was outbid for those rights by Ireland based North American Sports Network (NASN), a company that initially was formed to service expatriated North Americans. However, NASN recently discovered that 70% of their subscribers were native Britons (Bernstein)!



Although television is currently the dominant media forum, in 2000, MLB established a subsidiary, Major League Baseball Advanced Media (MLBAM), to extend the presence of MLB operations across the rapidly growing Internet (Brown, 2005). Within two years of its creation, MLBAM began to generate a profit, and revenues and profits continue to rapidly increase (Moag & Company, 2006). MLBAM has not only advanced baseball related content, but it has also positioned MLB as an investor in the global sports environment. MLBAM recently purchased a 10% stake in World Championship Sports Network (WCSN) which broadcasts sports such as track and field, rowing, and wrestling (Brown). In addition, MLBAM has begun to sign agreements with numerous international companies to license baseball related content for games in countries such as Japan and South Korea (“MLB Advanced Media and Reakosys...,” 2006; “MLB Advanced Media and Tasuke...,” 2006). A significant component of MLB’s continued foray into international markets involves MLBAM delivering baseball related content in combination with MLB staging a world tournament.

#### Revenue Sources: Sponsorship

The development of on-site customers and media consumers was certainly only part of MLB’s revenue plan for the WBC. Major League Baseball also hoped to attract numerous international corporations as sponsors of the World Baseball Classic. Soon after the WBC was scheduled, Mastercard signed on as a sponsor. Tom Murphy, Vice President of Sponsorships for Mastercard noted his company’s interest in the potential of the WBC, “The Classic is a great way to extend our established ties to baseball, and its one of the very few global sports properties” (Lefton, 2006, pg. 3). In addition to Mastercard, Konami participated as the other WBC global sponsor (“Sponsorship roster

announced...”, 2006). In total, 26 companies sponsored the WBC at the national or regional level. Among the American companies were Anheuser-Busch, Gatorade, and MBNA (“Sponsorship roster announced...”). In addition, other companies such as Taco Bell who were not official sponsors bought considerable advertisement time on ESPN and ESPN Deportes in an effort to target emerging demographics in the global marketplace (Lefton). Though there were only two global sponsors for the initial WBC, MLB hopes to significantly increase that number for future tournaments. Other national and regional sponsors will also be solicited.

In addition to its activities centered upon the WBC, MLB has diligently been building its other sponsorship relationships outside of North America. Since it opened a permanent office in Asia, MLB has been able to have 60% of its sponsorships be multiyear agreements in that area, when recently it was only 20% (King, 2006). In Latin America, despite the limited disposable income of most potential consumers, total sponsorship dollars has increased 140% to \$3 million a year over the last two years (King). MLB overseas offices are an indication that they understand the value - both financial and symbolic - a daily presence in the marketplace provides for future marketing penetration.

The growth of MLB’s international sponsorship sales has, at times, encountered unique challenges. Historically, teams and leagues in the United States have discouraged or prohibited sponsor logos on uniforms, but have typically displayed logos throughout sport facilities. However, in professional sports leagues in Asia and Europe, uniform sponsorships are a common practice (Lefton, 2006). MLB has learned that sponsorships need to be tailored to the unique aspects of each potential country rather than to an area

of the world. MLB Vice President of International Marketing and Development Jim Small noted, “The thing we’ve learned is that you can’t just say we’re going to do something across a region. Strategies have to be customized, country by country (King, 2006, para 16). Paul Archey echoed Small’s comments when he specifically discussed MLB’s Asian sponsorship initiatives.

Japan and Korea are as different as two cultures can get, they just happen to be in close proximity. But they speak different languages and they have different cultures and food. Certainly we shouldn’t expect to be able to put the same strategy in Japan and take it to Korea or China and have it work just because it’s Asia. (Fisher, 2006b, pg. 62)

MLB has also had to educate some of its overseas sponsors regarding the combination of marketing activities beyond the simple sponsorship investment (“WBC silences its critics,” 2006). While American based companies such as Mastercard have been focused on sponsorship *activation* for years, companies overseas have often not moved beyond sponsorship simply being signage or an isolated advertisement. Jim Small commented on this sponsorship aspect,

They want to pay you for the marks and run an ad and that’s it. If they decide they want to run another ad next year, they do another deal. What we’re trying to do is get them to realize that it’s not just an advertising vehicle, but also a sales

tool. We're trying to change the way sports marketing is conducted here. It's difficult, but we're making progress. (King, 2006, para 39)

The development of viable sponsorships will certainly be a vital component of MLB's globalization activities. As more American-based businesses expand their operations away from North America, MLB hopes to become a viable marketing outlet for those companies to reach potential customers. In addition, companies in foreign countries can utilize MLB related events and content to grow their business. Ultimately, the sale of sponsorships will be driven by in-person attendance and media consumption of the WBC and other MLB events.

#### Revenue Sources: Licensed Merchandise

Perhaps the most important area of revenue growth for MLB and the WBC is the sale of licensed merchandise – particularly sales beyond the traditional American and Canadian landscape. Though MLB trails the NFL in licensed merchandise sales (Weisman, 2004), MLB still experienced over \$3.5 billion in total sales of licensed merchandise in 2005 (Horrow, 2005). Since more people throughout the world play and watch baseball than American football, MLB feels that there are tremendous growth opportunities in different worldwide markets.

Certainly, MLB viewed licensed merchandise sales as a key component of the WBC. The sale of licensed merchandise in Mexico and throughout Latin America was brisk during the Tournament, with vendors often running out of product before games were finished. Paul Archey was asked to assess the television ratings and the sale of licensed products south of the U.S. border. "Our business partners in Mexico...think this

may be the biggest thing to happen for baseball down there since Fernando (Valenzuela)” (King, 2006, para 45). Despite the U.S. team not making the WBC finals, merchandise sales at the championship game in San Diego generated a \$10 *per cap* (average sales per attendee) for the 42,696 attendees, which compares favorably to a typical World Series game (Fisher, 2006a). For a regular season San Diego Padres’ game, the licensed merchandise per cap was \$2 during the 2006 season (Fisher).

The tremendous sales during WBC games certainly signal a potential area of revenue growth, but there are potential challenges to conducting business in foreign markets. Many countries, particularly those in Asia as well as Central and South America, do not have the same strict intellectual property protections that businesses in the United States enjoy. On a recent trip to Venezuela, Longley and McKelvey (2006) noted the vast number of counterfeiters who were, without apparent recourse, brazenly selling pirated merchandise outside a baseball stadium. Even in countries where trademarks are protected, consumers prefer different methods of purchasing merchandise. For instance, in South Korea there are over 50 “team” stores which account for the majority of sales of all licensed sports merchandise. However, in Japan there are few team stores, and licensees simply produce and distribute merchandise through a myriad of different channels such as traditional department stores (King, 2006). If MLB hopes to maximize revenues from the vast numbers of potential consumers around the world, they likely will need to study the unique marketing and legal aspects of the different areas of the global marketplace.

Despite initial concerns regarding participants, logistics, and attendance, the World Baseball Classic was a financial success – particularly since interest remained high despite the United State’s team elimination prior to the finals. Prior to the start of the championship game between Cuba and Japan, MLB Commissioner Bud Selig noted, “Anything you do for the first time is not going to be perfect. But by any stretch of the imagination, this tournament exceeded my expectations in a myriad of ways” (Bloom, 2006, para 2). After initially worrying that the event might lose money, a \$10 million profit was realized, even though attendance fell short of the 800,000 projection (Fisher, 2006a). MLB and the MLB Players Association were certainly pleased to split \$5 million, and the remaining money distributed to the participating countries increased the likelihood that the next tournament would be expanded to include more countries and potentially additional preliminary rounds.

Rather than play in 2010, MLB has decided to stage the next World Baseball Classic in 2009 with succeeding tournaments then being contested every four years thereafter. Scheduling the tournament in 2009 will avoid any competition for the world’s attention from the Olympics or World Cup. The Olympic Games recently announced that 2012 is the last time that baseball will be contested (Goldman, 2005) – leaving MLB in a position to develop the sport and prosper from its future growth. The World Baseball Classic succeeded by attracting MLB caliber players, something the Olympics was unable to accomplish since its reintroduction as a medal sport in 1992.

Despite its initial success, one major hurdle the World Baseball Classic will need to overcome to become a truly worldwide event is the staging of later rounds outside the United States. Certainly, numerous countries have the baseball infrastructure to support a

tournament, but concerns exist that other countries would not attract significant in-game attendance if the host nation was eliminated from competition. Japan has discussed its desire to host the 2009 semifinals and finals, but given attendance at the 2006 WBC it is unlikely to be able to support those games unless Japan is playing. “Japan has to establish they can draw a non-Japanese audience” noted MLBPA chief operating officer Gene Orza when asked about moving the later rounds from the United States (Fisher, 2006b, pg 62). Even though the United States is likely to host the later rounds in the 2009 tournament, by 2013 or 2017 the globalization of baseball through the WBC might create a worldwide event that could be supported by multiple countries regardless of the participating teams. However, until that time it will likely only be the U.S., with its large population and multiple demographic groups, that can be assured of having significant numbers of fans attending games if the American team is not participating. Future tournament games held outside the United States may spur new young participants to embrace the sport. Ultimately, MLB would love to see a new generation of fans in Europe or a “Yao Ming” of baseball from China who could galvanize the most populous nation on earth.

In addition to generating initial profits, the WBC has positioned MLB to be the leader in growing the game of baseball and the commercial aspects of the sport throughout the world. As baseball grows, and more importantly as the American brand of baseball grows, it will be interesting to watch the worldwide reaction – particularly if MLB begins to generate huge profits overseas. Other prominent American brands such as Coke, Nike, Disney, and McDonalds have been both embraced and scorned as they have ventured beyond the fifty U.S. states. MLB will have unique challenges, but also

tremendous opportunities as they attempt to expand their potential marketplace from 330 million consumers to the entire world. Ultimately, the long-term impact of the initial World Baseball Classic will not be known for many years, but it appears that the initial tournament met, and in some cases, exceeded expectations.



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## Side Bar 1- Other Leagues

Major League Baseball is not the only North American professional sports league attempting to expand into international markets. The National Basketball Association (NBA), National Football League (NFL) and National Hockey League (NHL) have already implemented globalization initiatives and have focused their efforts toward future endeavors. In 1990, the NBA became the first major North American professional sports league to play outside of North America as the Utah Jazz played two games against the Phoenix Suns in Japan (“NBA international historic timeline,” n. d.). NBA Commissioner David Stern has long professed his desire to eventually have teams based in Europe. The NBA recently opened a permanent office in London, England, which may signal that expansion is likely to occur in the next 10 years (“NBA announces opening...,” 2007). The NHL, based in Canada and the United States, has been successful in attracting players from numerous European countries since the early 1980s (Lapointe, 1992). In 2007, the Anaheim Ducks and Los Angeles Kings will play the first games outside of North America when the teams meet for two games in London, England (“London calling,” 2007).

Perhaps the most interesting North American professional sports international development has involved the NFL. Although it is the dominant American consumer sport, American football has not generated nearly as strong an international audience primarily because the sport is not played extensively in most countries. The NFL has played preseason games in foreign countries since 1986, and in 2005 the San Francisco Forty-Niners and Arizona Cardinals played a regular season game in Mexico City in front of over 100,000 spectators (Wilner, 2006). NFL Europa (previously called the World

League of American Football and NFL Europe) was established in 1991 (“Turning the dream into reality,” n. d.), but a fan base sufficient to support the league never developed. NFL owners voted to close NFL Europa in 2007 (“NFL Europa closes,” n. d.). However, despite the vote to cease NFL Europa operations, the NFL later announced that up to two NFL regular season games a year would begin to be played in foreign countries (“NFL to play...,” 2006). Mexico, Canada, Britain, and Germany were among the countries likely to be included in the rotation. The first overseas regular season game was played in London between the New York Giants and Miami Dolphins.

Table 1

Countries Participating in the 2006 World Baseball Classic

Australia	Netherlands
Canada	Panama
China	Puerto Rico**
Cuba	South Africa
Dominican Republic	South Korea
Italy	Taiwan
Japan*	United States***
Mexico	Venezuela

\* Host 1<sup>st</sup> Round Games

\*\* Hosted 1<sup>st</sup> and 2<sup>nd</sup> Round games

\*\*\* Hosted 1<sup>st</sup> and 2<sup>nd</sup> Round games as well as semifinals and finals



## End Notes – Further Readings

The globalization of baseball and other sports has become a prominent topic in academic and practitioner literature. Thomas Friedman's writings for the *New York Times* and his books cited in this chapter certainly provide a solid understanding of global forces impacting all businesses throughout the world. Robert Whiting's seminal work covering the business of Japanese baseball must be read to fully understand the political, cultural and social forces at work in Japan. In addition to writing *Growing the Game*, Alan Klein has also detailed baseball in Latin America in *Sugarball: The American Game, the Dominican Dream* and *Baseball on the Border: A Tale of Two Laredos*. George Gmelch has edited a book, *Baseball without Borders*, that details the sports' growth and current status in North and South America, Europe, Australia, and Asia.

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<sup>i</sup> The operation of various amateur and professional baseball leagues throughout the world has created an interesting system for procuring playing talent for MLB teams. Though sometimes highly critical of the process of MLB player acquisition in Latin America, Guevara and Fidler's book *Stealing Lives* thoroughly details all the different mechanism by which players from throughout the various areas of the world may be signed to MLB contracts.

<sup>ii</sup> Despite concerns from managers and owners such as the New York Yankees' George Steinbrenner, significant injuries were nearly completely avoided. One player who was unfortunately lost for the 2006 MLB season was Mexican pitcher Luis Ayala of the Washington Nationals.

<sup>iii</sup> Interestingly, after the tournament Cuban Manager Higinio Velez noted that Cuba had such a positive experience that they would like to bid to host games in the 2009 WBC (Rojas, 2006). Although the U.S. government has somewhat scaled back their overall Cuban embargo, it is unlikely MLB would pursue Cuba as a potential host. Certainly, currying the disapproval of the U.S. government is always present, but a stronger consideration (maybe the only consideration?) for avoiding games in Havana is the limited disposable income most Cubans have to potentially purchase licensed merchandise and other MLB related products.

<sup>iv</sup> *Rating* represents the number of households watching a television program, while *share* measures the percentage of televisions that are on that are watching the selected show. Each rating point is roughly 1% of the total 109,600,000 households in the United States (Neilson Media Research, n. d.).