



Sports

Major League Baseball Goes Global

Tom Van Riper, 12.20.05, 4:00 PM ET

For Major League Baseball, the basic business model hasn't really changed since 1869.

Even as changing times broadened the sport's base of paying customers from America's Eastern Seaboard, across North America and on to the other side of the Pacific, moving the business ahead has always been about one smart, overriding strategy—keeping the cartel going by squashing the competition in its tracks. Developing new markets on its own has never really been on the agenda; it's been more of a matter of eyeing the landscape and then muscling competitors aside.

And in today's global village, some think Latin America, Japan and Korea are due to follow the myriad U.S. cities that the league has spread its wings to throughout its history.

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In March, Major League Baseball will unveil the inaugural World Baseball Classic, a 16-nation tournament pitting top professionals playing for their native countries in a prelude to the 2006 season. It's being trumpeted as the league's greatest global-marketing initiative ever, far more ambitious than the scheduled game in Tokyo or Monterrey, Mexico.

"This gathering of baseball's brightest stars will be an outstanding platform to grow the game internationally," said Commissioner Bud Selig of a tournament that will in fact include such top names as Barry Bonds, Roger Clemens and Mike Piazza. And many think the tournament itself will be big. Stanford University sports economist Roger Noll says the willingness of top stars to participate, along with the light sports calendar of early March, will net baseball \$100 million in tickets, merchandise and television dollars from **Walt Disney Co.** (nyse: [DIS](#) - [news](#) - [people](#)) unit ESPN.

The tournament, though, isn't really about growing the *game* internationally. It's mostly about growing the reach of Major League Baseball to markets where the game is already big, namely Asia and Latin America. And sports business experts think that to extend its powerful arm overseas, the league may soon be ready to ramp up its initiatives in those markets, from individual player agreements and overseas TV deals to the implanting of MLB franchises.

Dominating the tournament field are baseball-rich countries in Latin America (Puerto Rico, the Dominican Republic, Mexico, Panama and Venezuela) and Asia (Japan and South Korea). Japan represents MLB's biggest non-U.S. market for TV and merchandise revenue, according to Senior Vice President for International Business Paul Archey.

In contrast to the National Basketball Association, a strong European presence that counts players from 34 countries on its teams, over 80% of MLB's 241 foreign-born players hail from Latin America or Asia, including 91 from the Dominican Republic, according to figures from the league. Consumers in those regions account for a combined \$13.5 billion in sports television and merchandise, according to PriceWaterhouseCoopers.

"Advertisers are looking to penetrate these markets. We are getting close to saturation [in the U.S.]," said sports business consultant David Carter.

And sports economist Rodney Fort of Washington State University thinks it could be just a matter of time before the league has its own franchises in the Pacific Rim, now that the talent pool there has grown.

Indeed, anyone using history as a guide would view the upcoming tournament as a 21st-century version of what MLB has been doing for decades. Consider the growth of the U.S. Negro Leagues during the first half of the 20th century into major cities like Kansas City and Baltimore. Beginning with Jackie Robinson in 1947, MLB began signing away Negro League players in droves; a plan hailed as a victory for racial integration but which put the Negro Leagues out of business by the mid-1950s. Meanwhile, MLB had taken over Kansas City and Baltimore by 1955.

Then there's America's postwar migration to the West Coast, which ultimately led to the demise of baseball's Pacific Coast League, then an independent entity some 2,000 miles from the nearest major league city. With that league sowing the seeds in

growing cities like Los Angeles and San Francisco, it wasn't long before the majors jumped. MLB shifted both the Dodgers and Giants out of New York and into those cities in 1958, eventually building up its business on the left coast to six franchises by 1977. The Pacific Coast League is now a MLB farm league with franchises in smaller cities like Albuquerque, N.M., and Tucson, Ariz.

And in the early 1960s, MLB quashed the upstart Continental league before it even got started by quickly expanding into Houston and New York and shifting a team to Minneapolis a few years later.

The next frontier is international in scope, especially with 17 Japanese and Korean pros now lining major league rosters. Just as the signing of Jackie Robinson turned many Negro League fans into Brooklyn Dodgers fans in the 1940s, Japanese fans in 1995 so took to the Los Angeles Dodgers after the team signed pitching icon Hideo Nomo that the club started its own Japanese TV network.

Economist Fort likens the potential expansion of Major League Baseball to the Asia-Pacific market to its move to the West Coast in the 1950s. Proximity issues stuck the Giants and Dodgers with long road trips back then, similar to the realities faced by any potential 21st-century Japanese or Korean club. But today's 11-hour junkets from San Francisco to Tokyo eclipse the DC-7-era's San Francisco-New York routes by just three hours, and come with a lot more comfort (though no doubt the players' union would have plenty to say about such trips). Like the California expansion of that time, at least two clubs would need to be added to make trips there by other teams worthwhile.

"We could well see history repeat itself," Fort said, while noting that South Korea's professional league was forced to reschedule a big load of games last year where times conflicted with Major League games in America--fans were home watching Korean players on television. Likewise, Japanese attendance and television ratings have dropped during the past few years, as star players like Ichiro Suzuki and Hideki Matsui have moved stateside.

MLB's Archey said that while a foreign franchise is always a future possibility, it's not the immediate goal of the World Baseball Classic.

"My hope is for it to be operationally good enough to have a second one, then a third, and so on," he said, indicating that the next World Baseball Classic is tentatively scheduled for 2009.

Estimates put baseball's overall international operation, which includes television deals in 75 countries, in excess of \$100 million annually. Not bad, but still under 5% of all revenue (estimated by Forbes at \$4.3 billion), leaving plenty of room for growth.

But the World Baseball Classic is not about helping the sport compete with the NBA for European cap and T-shirt dollars. Basketball is big there; baseball isn't. And Major League Baseball isn't into force-feeding its product into unenthusiastic markets, even a deep-pocketed one like Europe, where sports merchandise and television rights are projected to grow about 10% per year to \$14.5 billion by 2009, according to PriceWaterhouseCoopers.

Some of baseball's big sponsors feel the same way, especially since advertising dollars can be easily shifted to whatever consumers are watching.

"It's not our initiative to help grow the sport where it's underdeveloped," said Tony Ponturo, vice president of global media and sports for **Anheuser-Busch** (nyse: [BUD](#) - news - people).

Similarly, **General Motors** (nyse: [GM](#) - news - people) leaves overseas advertising decisions to local executives rather than get involved in baseball's international strategy at the corporate level, a spokesman said

Stanford's Noll concurred with those who say MLB is running low on viable domestic expansion sites, though he differs with Fort on the location of the next frontier. He said Latin America, with its rapidly stabilizing economy, is the logical choice due to its closer proximity and time zones.

Fort, on the other hand, thinks Mexico, Puerto Rico and Cuba are *too* proximate, explaining that any of eight existing clubs in Southern California, Arizona, Texas and Florida have the wherewithal to service those growing markets.

"Arte Moreno paid a fortune for the [Los Angeles] Angels because he thinks he can make them Mexico's team," Fort said, alluding to radio rights Moreno has already secured there.

While metros like Monterrey and Mexico City have sizable enough populations and rabid fan interest, it's the pace of NAFTA-driven income acceleration that will no doubt determine if and when Mexico comes into the MLB fold.

But both Noll and Fort agree the momentum is in place for MLB to spread its wings.

"The sport has been on a 20-year run to raise MLB's profile in countries where the sport is popular," Noll said.

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