



How Major League Baseball Clubs Have Commercialized Their Investment in Japanese Top Stars

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Abstract

When a Major League Baseball club signs a Japanese star player, it obviously tries to commercialize its investment in the player. The initial focus is on home attendance (ticket sales) and television audiences, plus merchandise sales. These elements are similar to those considered for any high-performing players. However, for Japanese stars, there is also the potential to attract significant fandom from the local Japanese community. This represents an opportunity for truly incremental local revenue for the team. In addition, teams try to attract revenue from Japan—such as from corporate sponsors, advertising signage at the home field, and visiting Japanese fans traveling to the U.S. to see these stars perform. In addition to treating team efforts at growing local Japanese community support, this paper examines seven factors for success in attracting revenues from Japanese companies and fans: pitcher or position player, player's popularity, non-stop flights from Japan, distance from Japan, non-sport tourist attractions in a city, size of Japanese community in the city and player's and team's performance. The most important factor, however, is the player's talent and popularity in terms of performance in both Japan and the U.S. and his media exposure in Japan including endorsement contracts. In addition, if a MLB club signs a Japanese position star player and is based in a city which is endowed with a variety of non-baseball tourist attractions, this would have a further advantage for the team.

The field-based research reported here is derived largely from analysis of team experiences with five principal Japanese baseball stars—Hideo Nomo, Ichiro Suzuki, Hideki Matsui, Daisuke Matsuzaka, and Kosuke Fukudome.

The paper's "2013 Reflections" (pp. 15-17) includes analysis of Yu Darvish of the Texas Rangers.

Introduction

After the Boston Red Sox signed Daisuke Matsuzaka in December 2006, the team executives expected that they would attract a significant amount of Japanese corporate sponsors easily. That was because of the successful experiences of the Seattle Mariners which had obtained outfielder Ichiro Suzuki and the New York Yankees which had obtained outfielder Hideki Matsui.

Japanese money flowing through broadcasting rights, sponsorships and merchandise contributes substantially to the prosperity of Major League Baseball (MLB). According to a

knowledgeable MLB executive, the amount is over \$300 million among the total MLB revenues of \$6.2 billion in 2006 (Okada, 2010). The market growth depends on big exposure and good performance of Japanese major leaguers. Acquiring and signing these stars can become a passport to get in touch with the Japanese market directly.

How have the MLB clubs tried to commercialize their investment in Japanese top stars? Did the clubs succeed? And what are the key factors for success? We would like to examine it here.

We chose five Japanese major leaguers with strong player performance prior to entering MLB: Nomo, Ichiro, Matsui, Matsuzaka and Fukudome. They, except Fukudome, have made a big impact on Japanese society beyond sports alone.

Obviously, Nomo is a pioneer who opened the gate of MLB for followers. Nomo signed a one-year contract with the Los Angeles Dodgers for \$2.1 million (including a \$2 million signing fee) for 1995. This took place after the cancellation of the latter part of the 1994 MLB season and the World Series. In Nomo's first season, he was selected as the first Japanese All-Star game player, and also was the league's strikeout king and earned the National League Rookie of the Year Award. Every game Nomo pitched was televised live in Japan and his performance caused a great sensation in Japan.

He pitched for the Dodgers until mid-1998, and then played for several other teams; the New York Mets (1998), the Milwaukee Brewers (1999), the Detroit Tigers (2000), the Boston Red Sox (2001), the Dodgers again (2002-2004), the Tampa Bay Devil Rays (2005) and the Kansas City Royals (2008).¹ However, his brief stays, except for his times with the Dodgers were too short to allow evaluation of his economic impacts. In addition, Nomo's latter time with the Dodgers from 2002 to 2004 was not significant because Ichiro and Matsui had already become the focus of public interest in Japan. Therefore, our analysis below refers only to the first time when Nomo was with the Dodgers, from 1995 to mid-1998.

Ichiro led the second big MLB boom in Japan. He joined the Mariners through the posting system in 2001.² He was the first Japanese position player (non-pitcher) to sign with a MLB club. In his first year, he performed so incredibly that he won both the Rookie of the Year Award and the MVP in the American League. This had been done only once before, in 1975 by Fred Lynn of the Boston Red Sox. He also became the No. 1 vote-getter

¹ Hideo Nomo was released by the Kansas City Royals on April 29, 2008.

² The "Posting system" is the agreement between the Commissioner's office of MLB and Nippon Professional Baseball (NPB) about the transfer of players who do not have eligibility yet for the free agent market. It was established in 1998. Under the agreement, Japanese clubs first would post the names of players whom they are willing to make available during the off-season from November 1 to March 1. Within four days of posting, the U.S. major league clubs would bid secretly and the MLB Commissioner then determines who the highest bidder is. The major league club which submits the highest bid would be allowed to have exclusive 30-days negotiating rights to attempt to sign the player. However, if the Japanese club thinks the bid amount is unacceptable, the player's name would be removed from the list. The player would not be eligible again until the next November. On the other hand, only when the U.S. major league club achieves the signing of the player would the bid amount be paid to the Japanese club which posted the player. In the case of Ichiro, the Orix BlueWaves (now the Orix Buffaloes) posted him and the Mariners won with a \$13,125,000 bid. The Mariners finally signed a three-year \$14 million contract with Ichiro, and then they actually paid the bid money to the Orix.

for the All-Star ballot. In 2004, Ichiro broke the season record of 257 hits set by George Sisler (of the St. Louis Browns) 84 years before and extended a new record to 262. He also achieved a new record for ten-consecutive seasons with 200 hits in 2010. Beyond his Japanese stardom, he became a great historic major leaguer, considered to be destined for the Hall of Fame.

It was also big news that Matsui, a cleanup hitter for the Yomiuri Giants (the most popular team in Japan) moved to the New York Yankees in 2003. His \$21-million contract for three years was a record high for Japanese major leaguers at that time.

Both Ichiro and Matsui were very popular athletes in Japan. According to the 2004 National Sports-Life Survey conducted by Sasakawa Sports Foundation, the most favorite sports player was Matsui (14.1%), and Ichiro (12.8%) was the second. Both players have many endorsement contracts and are outstanding in media exposure compared to other Japanese major leaguers. They are still popular. The 2010 Public Opinion Survey released by *Yomiuri Shinbun* (newspaper) shows that Ichiro is the first, and Matsui is the fourth among all athletes.

Matsuzaka also made a giant impact on both Japanese and U.S. people as a result of the \$51 million bid in the posting system by the Red Sox in the 2006 off-season. Japanese media had reported the negotiation process between Matsuzaka's prominent sports agent Scott Boras and the Red Sox again and again on the front page. It was a social phenomenon beyond sports news.

Japanese media paid attention to Fukudome when he signed a 4-year contract at \$48 million with the Chicago Cubs as a free agent (no posting fee) in November, 2007. He had a solid start in 2008, was named to the All-Star team, and built fan enthusiasm for his hitting and fielding. *Sports Illustrated* magazine put him on the cover of its May 5th edition. Therefore, we want to focus on these five cases.

How Have the Teams Commercialized?

Because of MLB agreements, only some revenue streams can flow directly in full to a team seeking to commercialize its investment in players. The revenue from merchandise sold beyond the ballpark goes to MLB, not the club, although one-thirtieth of the revenue would be distributed to each club later. The MLB office controls the licensing program. It means that even though Ichiro's T-shirt, jersey and sweatshirts became hot sellers at MLB's official souvenir shop in Tokyo³, the Mariners cannot receive full benefits directly. Licensed goods sales total \$300 million at retail a year in Japan (Schoenberger, 2008) and the resulting royalty fees benefit equally all MLB teams.

The revenue from televised games in Japan is also not a direct benefit for the club. NHK (Japan Broadcasting Corporation), Japan's sole public broadcaster (government-owned and non-commercial), usually televises two games daily through its satellite broadcasting, and some private national broadcasters also televise games occasionally. Even though many games Japanese top stars play are televised in Japan, it does not mean that their specific teams receive the revenue directly; these clubs would

³ MLB's official souvenir shop in Tokyo was closed by February 1, 2009.

receive their one-thirtieth portion of total revenue from international broadcasting later, along with all other teams. That is because MLB controls national and international broadcasting rights. Of course, if the rating on local TV stations goes up from the high performance of Japanese stars, these clubs may increase their local rights revenue at the next TV contract negotiation. They may also benefit from increased rates for advertising if they own part or all of the local television channels, as the Yankees and Red Sox do.

Therefore, if the clubs try to commercialize their investment in Japanese players, they have to focus primarily on ticket sales and sponsorships.

Nomo

“In the beginning, for a couple of years, Nomo was a *tornado*. His performance was great, and attendance and merchandise (at Dodger Stadium) was also a *tornado*.” Barry Stockhamer, former Vice President of Marketing with the Dodgers at the time, looked back on 16 years ago.

Nomo’s “tornado pitch” and piles of strikeouts attracted immediate attention. Nomo not only had led the league in strikeouts in Japan, but also carried his strike-out performance to the U.S. after the 1995 season opened. He made his major league debut against the San Francisco Giants on May 2. Unfortunately, he did not win in that month, but he proved to be a true major league level pitcher soon. He was nominated to the All-Star game and finished the season with 13 wins-6 losses and 236 strikeouts. His outstanding performances led to the “Nomomania” phenomenon or “Nomo Fever” in Japanese.

According to Stockhamer, “the Dodgers already had a strong relationship with the Japanese community in Los Angeles and in Japan prior to the arrival of Nomo. This was a result of the efforts of owners Walter and Peter O’Malley dating back to the 1950’s such as goodwill tours beginning in 1956. Nomo’s exciting arrival opened the doors to a series of new marketing initiatives and community outreach efforts.” These activities were focused on the approximately 230,000 Japanese-Americans in the Los Angeles area at the time. Making sure Japanese-American fans felt comfortable, the Dogers hired interpreters, made new programs (scorecards) in Japanese and made a strong connection with Japanese business leaders and groups in order to encourage them to visit Dodger Stadium.

Package tours from Japan were planned to see the games Nomo pitched. The most popular tour was a five-day trip visiting Dodger Stadium, Disneyland and Universal Studios. The cost was approximately \$1,000 to \$2,400. Various kinds of merchandise related to Nomo appeared and generated heavy demand (Sato, 1995). The gift shop at the Dodgers’ Stadium was selling Nomo Dodger jackets, T-shirts and sweatshirts (These in-park revenues are not shared through MLB.) Attendance rose 4% to an average of 38,311 per game when Nomo took the mound (Whiting, 2004). Stockhamer also mentioned that Nomo attracted an extra 5,000 to 8,000 people to the ballpark when he pitched although it was difficult to estimate how much of the increase was from ethnic Japanese.

The Dodgers also succeeded in getting several Japanese sponsors, even though at that time major league rules allowed sponsors only within 100 miles of the home field. One of the major Japanese sponsors was Yoshinoya, which also runs beef bowl restaurants in the U.S. Yoshinoya opened a concession booth at Dodger Stadium in 1995.

Nomo’s presence in MLB also had a tremendous impact on the Japanese view of baseball. “According to a survey of Japanese viewing habits of professional baseball by

satellite television, the number of respondents who thought that American Major League Baseball was more interesting to watch is almost the same as the number of respondents who thought Japanese baseball was more interesting to watch” (Hirai, 1995).

Nomo’s salary rose gradually from \$100,000 in 1995 to \$600,000 in 1996, and \$900,000 in 1997. It jumped to \$2.8 million in 1998.

Nomo Fever lasted a few years. By 1998, attendance and merchandise became normalized at the same level as before Nomo joined. Stockhamer did not share an estimate of the exact amount of financial benefit to the team by the Nomo factor, but it must have exceeded the investment in him for his initial Dodgers years.

Ichiro

After the fall of 2000, the Mariners signed a three-year contract at \$14 million with Ichiro and also paid \$13,125,000 as the posting fee to the Orix BlueWave (now the Orix Buffaloes) to which Ichiro belonged. Kazuhiro Sasaki, a relief pitcher (and closer) acquired by the Mariners in 2000 had made his mark, so the club had high expectations of commercial success for Ichiro because an outfielder plays every game and would attract more Japanese spectators.

The Mariners were a poor performing club before Nintendo, a Japanese game maker, obtained 60% of the franchise ownership in 1992. After Safeco Field was constructed in 1999, the Mariners would make a profit (of \$10 million) in 2000, the first in the history of the franchise (Whiting, 2004). Now the Mariners have become one of the more profitable MLB clubs. According to *Forbes* estimates, the operating income of the Mariners for 2009 was \$10.5 million despite its continuous slumping performance on the field. The change has been supported by Ichiro’s popularity and presence.

In his first season of 2001, Ichiro sprayed 242 hits, batted .350 and captured the stolen base crown at 56. He was also named to the All-Star game by collecting the most fan votes in MLB history and won both the Rookie of the Year Award and the MVP in the American League. The team had a record-tying 116 wins and won the division title.

Attendance at Safeco Field jumped 11% in Ichiro’s first season. JTB Corporation, the biggest travel agency in Japan has organized the MLB tours to Seattle since 2001. The price range of a 5-7 day tour is \$1,200 to \$3,000. According to the JTB Corporation, the number of Japanese tourists who joined the MLB tour hit a peak of about 800 per year from 2002 to 2004.⁴

Economic analysis by the Consulate-General of Japan in Seattle showed many “Ichiro phenomena”. The hotel occupancy rate in downtown Seattle in April 2001 jumped 12.6% up to 77.8%. Amazon.com opened a Seattle Mariners Store on the Japanese site, where Japanese can buy Mariners’ souvenirs without shipping fees if they buy more than ¥5,000 (\$50). The sales at the Mariners Team Store in Seattle, whose revenue can go to the Mariners directly, doubled as a partial result of the increase of Japanese tourists.

The Mariners got sponsorships in the form of signage at Safeco Field from Ajinomoto

⁴ JTB Corporation added an MLB tour to New York in 2003 because Matsui joined the Yankees that year. According to Travel Vision (Japanese Travel Media), 5,000 Japanese tourists joined the MLB tour to New York in 2003.

(seasoning maker), Konami (game software maker) and Nissan (motors). Nintendo, the owner of the Mariners, also increased its advertising amount. The Mariners still get Japanese sponsorships from Nikon (camera), Nintendo (game), Sato Pharmaceutical Co., Ltd. and THK (engineering).

According to the Mariners, the *Ichiro effect* including ticket sales, souvenirs and advertising reached \$45 million in 2001, \$40 million in 2002 and 2003, and over \$55 million in 2004, when Ichiro broke the MLB hits record (Osaki, 2004). One report said that the Mariners were estimated to garner \$3 million from Japanese sponsorships because of the presence of Ichiro (Bradford, 2007).

And the Mariners have a rich cable TV deal (\$33.3 million in 2010) despite their small market because the team's television ratings have risen dramatically since Ichiro signed (Schoenberger, 2008). Separately, TV exposure for Seattle games of visiting American League teams led to an opportunity to attract Japanese (and other) fans from around the U.S. who want to make baseball trips to Seattle. In our view, the rise of TV ratings occurred because of Ichiro's star performance, while significant amounts of Japanese sponsorships for the Mariners occurred because Ichiro is a Japanese star.

On the other hand, the better Ichiro performed, the higher his salary soared. He re-signed a four-year contract (2004-2007) at \$44 million and re-signed a five-year (2008-2012) contract at \$90 million. He maintained his high level of performance in 2010, when he reached a new record of ten consecutive seasons with 200 hits.

However, team attendance has fallen below 3 million since 2004 because of struggling team performance.

Economic analysis in the 2nd quarter of 2005 pointed out, "The popularity of Ichiro is still high but the Mariners as a single major attraction cannot continue to attract Japanese tourists to Seattle when other alternatives exist. If Japanese people want to see a MLB game, they can choose Yankee Stadium in New York, where Hideki Matsui plays. Eye-catchers are necessary. Mount Rainier, Snoqualmie Falls, the first Starbucks' outlet, and the Waterfront in Seattle are less attractive than what New York City offers." (Consulate-General of Japan in Seattle, 2005)

While Seattle does not have a big Japanese community and a strong economic relationship with Japan, Delta Air Lines began daily non-stop flights from Osaka, which is the third largest city in Japan, in addition to Tokyo in June 2010. This is inseparable from the existence of Ichiro.

Matsui

"Godzilla's landing" at Yankee Stadium was big news in Japan. That is because "Godzilla" Matsui was a slugging cleanup hitter of the Yomiuri Giants, the most popular major league team in Japan. Also, the Yankees, for which Babe Ruth, Lou Gehrig, Joe DiMaggio and Mickey Mantle played in the past, are also the most popular team in Japan. Further, New York is one of the most attractive and exciting cities in the world.

After Matsui declared free agency, he signed a three-year contract at \$21 million with the Yankees. It was a record high among all Japanese major leaguers at that time. He had 179 hits, 16 home runs, 106 RBIs and finished with a .287 average in his first season. Afterward he re-signed a four-year contract at \$52 million in 2006.

YankeeNets (now Yankee Global Enterprises LLC), the parent company of the

Yankees tried to commercialize the investment in Matsui immediately. As soon as Matsui made his debut in the major leagues in April, 2003, YankeeNets established a joint venture “Yomiuri YankeeNets Marketing” in Tokyo with Yomiuri Shinbun (newspaper). The purpose was to develop Japanese sponsors at Yankee Stadium and to market sales of Yankees tickets to Japanese tour agencies. This company helped the Yankees add Japanese sponsors to Ajinomoto, Fujifilm, Komatsu and Yomiuri Shinbun in addition to Nikon and Sharp which were already sponsors.⁵ The amount was reported to be around \$6 million annually.

According to Dentsu Consumer Research Center, attendance of Japanese at Yankee Stadium was around 1,000 per game in 2002 but it went up to 5,000 in 2003 when Matsui joined the Yankees. In 2004, it increased to 6,000. The center estimated that Matsui’s overall economic effect for the New York area (including travel, hotels, restaurants, etc.) would reach \$500 million for five years. Obviously, only some of this is direct revenue for the Yankees. It was about two times what Ichiro had done for Seattle in his debut campaign (Osaki, 2004).

In 2004, the Yankees played in the opening games in Tokyo and succeeded in expanding their brand value.

After Matsui received the award of MVP in the 2009 World Series, he moved as a free agent to the Los Angeles Angels of Anaheim with a one-year contract at \$6.5 million; this was only about half of his salary with the Yankees. Some sponsors such as Komatsu and Kyocera followed him. The Angels got ten new Japanese sponsors⁶. Richard McClemmy, Vice President of Corporate sales was astonished: “Hideki moved to our team with Japanese sponsors. No other players have affected sponsor sales during my career here for 20 years. Before he signed, some Japanese companies had already inquired as to whether the signage of the right-field (which Matsui would cover) was available or not.” McClemmy refused to reveal the amount of money from Japanese sponsorships but it was estimated at several million dollars (Okada, 2010).

On the other hand, the Angels tried to increase the revenue from ticket sales, concessions and merchandise. The club offered, for groups of more than 25 people, a campaign, *Hideki Matsui Night* which distributed giveaways such as bobble-head dolls and T-shirts with Matsui’s name and his number 55; this generated nine group-sales events in 2010. Also, an event (challenging the Guinness World Record) that featured over 40,000 fans wearing red blankets with his number 55 and the Angels logo at the same time was held on April 6. These events and promotions targeted 230,000 Japanese-Americans in the Los Angeles area. However, Robert Alvarado, Vice President of Marketing and Ticket Sales lamented “The financial impact is not as big as expected except corporate sales. Actually, it is very small, compared to his times with the Yankees and the Ichiro’s first several years with the Mariners. Attendance grew only 1 to 2-percent because he is not batting very well.” Alvarado commented “Japanese fans are not different from American fans. They

⁵ The Yankees still get Japanese sponsorships from Yomiuri Shinbun, Komatsu, Kyocera, Sharp, Sony, Toyota, and Canon in 2010.

⁶ The Angels added ten new Japanese sponsors; Yokohama, Nitto, Komatsu, Kula Sushi, Kyocera, Morinaga, JACCS, THK, Nikon and Dandy House, in addition to six existing sponsors; Konica Minolta, Mazda, Yakult, Panasonic, Sharp and Sapporo.

really want to see performance, and otherwise have no interest in persons or teams.”

Even so, the Angels could earn the comparable amount of his salary (\$6.5 million) by *Matsui's Effect* (Okada, 2010).

Matsuzaka

“Unfortunately, we have not had as much commercial success.” Sam Kennedy, Executive Vice President/Chief Sales and Marketing Officer (now Chief Operating Officer) with the Boston Red Sox, looked back on the Matsuzaka’s first year at an interview on March 17, 2008. He explained the difficulties in commercializing the investment in Matsuzaka, which was \$51 million as the posting fee and \$52 million as a 6-year contract, compared to what the Yankees and the Mariners did.

When the Red Sox tried to sell advertisements to Japanese companies, they focused on three big categories in consumer electronics, automobile and film makers. They actually had many negotiations throughout the 2007 season. In spring 2007, the Red Sox gained an approximately \$900,000 annual sponsorship from Funai Electric, a Japanese electronics manufacturer. Under the agreement, if Matsuzaka or Hideki Okajima (another Japanese pitcher acquired in 2007), had an interview, the board with Funai’s logo must be put behind them. However, Funai was the only new sponsorship that the Red Sox gained from Japan. The expectation that the club would get a significant amount of sponsorship from the *Matsuzaka effect* resulted in disappointment in the first year.

Kennedy analyzed the reasons why the club could not succeed in attracting Japanese sponsors. First is that Matsuzaka is a pitcher. He does not play every game and has less daily TV exposure than Ichiro and Matsui. Second is a lack of communication within a Japanese company between the U.S. headquarters and Japanese headquarters. The Red Sox spent a lot of time trying to persuade personnel at the U.S. headquarters but the effort went for nothing eventually because there were conflicting perspectives between the U.S. headquarters and Japanese headquarters. In the case of Nikon, the Red Sox made a deal for signage before they signed Matsuzaka. The Red Sox expected to be able to generate more sponsorship revenue, but it has not occurred so far.

In terms of attendance, Japanese tourists did not contribute a lot. By phone conversation with Japanese tour agencies, Kennedy guessed that several thousand Japanese tourists came to Fenway Park in 2007. It is inevitable that the number is much smaller than those of Safeco Field or Yankee Stadium because the Red Sox did not have enough tickets to sell. Fenway Park is the most difficult ballpark to get tickets because every game is sold out prior to the 2011 season. They did not need Matsuzaka to sell tickets at home.

Kennedy emphasized “We sell the Red Sox brand, not individual players. Therefore, we stay away from selling and marketing individual players. Certainly, Japanese stars have unbelievable news coverage. That’s great. That helps the Red Sox brand grow and expand the footprint of “Red Sox Nation” in Japan and Asia; television to over 70 countries of the 2008 season-opening games (between Boston and Oakland) in Tokyo definitely helped the Red Sox brand all over the world. But we signed Matsuzaka because he is talented, not for Japanese revenue. The baseball decision was first. If Matsuzaka had been from Massachusetts, we would have tried to sign him.”

In March 2008, the Red Sox had the MLB opening game in Tokyo, as noted. But they could not make additional profit from the opening game because major league rules

stipulated that MLB controls all revenue (including ticket sales, television fees, and sponsorships) and also pays all expenses (including travel cost, player's stipends and game expenses). The Red Sox introduced EMC and State Street (sponsors of significant "named" seating sections at Fenway Park) as special sponsors for the opening game in Tokyo and players wore the EMC corporate logo. Even so, according to Kennedy, the club did not earn money from them at all. However, Fenway Sports Group, a related company of the Red Sox (a subsidiary of Red Sox' parent company "NESV"), operated the tour from Boston to Tokyo, "Red Sox Destinations." The tour cost \$4,500 per person, including the charter airplane fee, two tickets for MLB opening games in Tokyo and one exhibition game ticket with a Japanese baseball team, an autograph session with some players, some souvenirs and 4 nights accommodation in a luxury hotel. As a result, the related company might have made some profit.

Fukudome

What had to happen for the Cubs to gain meaningful financial benefits from Fukudome's presence? He had been the batting champion in the Central League in Japan two times in 2002 and 2006 and is a right fielder who therefore plays almost every game. Chicago has a non-stop flight from Tokyo and the distance from Japan is shorter than to New York. This would save some travel time. The Cubs seemed to "have a passport" to gain revenue from marketing him.

However, the most significant difference between Fukudome and the players examined above is that his "star power" in Japan was below the level of the others. His name has not appeared on the ranking of popular athletes. According to TV Sports Data Yearbook 2010, Fukudome does not have any endorsement deals with Japanese companies, while Ichiro has seven, and Matsui and Matsuzaka had three in 2009. In addition, Chicago is a less familiar and less attractive city for Japanese travelers than are New York and Los Angeles.

Unfortunately, his hitting declined in the latter part of his first season and he struggled with low levels of performance in 2009 and 2010. He had 94 hits including 2 homers and batted .263 in 2010. As a result, the Cubs failed to attract Japanese travelers and to get sponsorships from Japanese corporations, although the Mariners and Yankees could get sponsorships from Japan before Ichiro and Matsui made their MLB debuts.

What Are the Factors?

Let us now consider the seven factors that affect whether a club can succeed in commercializing its investment in Japanese stars through revenues from Japanese companies and fans: pitcher or position player; player's popularity; non-stop flights from Japan; distance from Japan; tourist attractions in a city; size of Japanese community; player's and team's performance.

1) Pitcher or Position Player

In terms of attracting Japanese spectators and corporate sponsors, signing a position player has a clear advantage for MLB clubs compared to signing a pitcher. Pitchers do not play every game. Even though the Red Sox are able to provide enough tickets to Japanese

tour agencies, it would be a high risk bet for Japanese travelers whether they could see Matsuzaka pitch at a game or not. Sponsors, in fact, also hesitated whether to place an advertisement at the stadium or not. That is because the chance of TV exposure in Japan (only when Matsuzaka pitches) is small even though the Red Sox have the No. 1 Japanese pitcher and are also one of the most popular teams in Japan.

2) Player's Popularity

It is obvious that the magnitude of impact depends on the player's popularity. Sam Kennedy, COO of the Red Sox, thought that Japan is a much more "player-oriented" market than the U.S. In Japan, baseball's top players appear in TV commercials like a popular actor. As we mentioned above, Matsui, Ichiro and Matsuzaka have several endorsements in the Japanese market but Fukudome does not. Endorsement deals in Japan are much more lucrative for the athletes than in the U.S. The U.S. corporate sponsors put a higher value on the team than on the individual players. He illustrated that a U.S. sponsor would pay for signage at \$1 million but only several hundred thousand dollars for endorsements even for Derek Jeter with the Yankees. That would be reversed for Japanese sponsors in Japan.

Therefore, high popularity for each player is a prerequisite condition. Matsui and Matsuzaka had already been stars before they entered the Japanese professional baseball world: Matsui got five consecutive intentional walks at one game of the Japanese high school baseball championship because he had been a well-known power hitter, and this developed into a social controversy; Matsuzaka threw a no-hitter in the final of the high school baseball championship. Of course, they continued to perform at a star level after they became Japanese major leaguers. (Matsui won the MVP three times in 1996, 2000 and 2002; Matsuzaka won the most victories three times from 1999 to 2001) Ichiro was also a super star before he joined the Mariners. He had been a batting champion for seven consecutive years in the Pacific League in Japan and became the first and only hitter with over 200 hits (actually 210 hits for 130 games) in Japanese baseball history.

However, Fukudome's "star power" is behind the others although he was the batting champion two times. He had joined the Chunichi Dragons, which is based in Nagoya, the fourth largest city in Japan, so that the national TV coverage unfortunately is relatively limited.

When the Oakland Athletics announced the signing of Matsui from the Angels in December, 2010, more than 100 Japanese reporters gathered at the press conference. Billy Beane, General Manager of the Athletics, saw the big crowd and joked "If I had known it was going to be like this, I would have signed you a long time ago, Hideki."⁷ Big attention shows that Matsui still has a high popularity among Japanese people.

Komatsu, a construction equipment maker, is one of the enthusiastic Japanese sponsors which have followed Matsui since his MLB debut in 2003. The person in charge revealed "We will keep a sponsorship with the MLB club which Matsui joins until he leaves the MLB in the future." We can expect to find the signage of "Komatsu" in right field at the Coliseum in 2011.

Komatsu is a B2B company, so that it does not sell products to consumers directly.

⁷ Source: The Mainichi Newspaper, December 15, 2010.

The Komatsu manager explained that the reason why the company made an endorsement deal with Matsui and a sponsorship contract with his club is to use his popularity for the improvement of corporate image and of motivation among employees, their families, and related (Komatsu Group) companies. The person also emphasized the similarities between Matsui and the company: His father used to work at the factory a long time ago. He was born near the memorable place where the company was established in 1921. The endorsement deal calls for his appearance at the factories or offices once a year. The company's magazine featured his visit with a large story every time and many employees look forward to his visit. Also, Komatsu developed original merchandise of Matsui such as T-shirts and a towel with his number 55 and the team logo.

On the other hand, Ajinomoto, a seasoning maker, had focused on the limelight of a star player. The company first put the signage at Safeco Field in 2001 when Ichiro made his MLB debut. Ajinomoto explained "our main users are mature women. In order to develop other potential users, we tried to approach the young generation with the sports sponsorship." The first trial was to become a sponsor of the Mariners which obtained the very popular player, especially for the youth, Ichiro. After the Yankees signed Matsui, Ajinomoto moved to New York in 2005 and had been a sponsor for a few years. Obviously, high popularity of athletes is closely linked with the sponsorship opportunity in Japan.

3) Non-stop Flights from Japan

In terms of attracting spectators from Japan, there is a presumed advantage for cities which have non-stop flights from Japan. Los Angeles, Seattle, Chicago, San Francisco and New York do, but Boston does not⁸. It is difficult to estimate how big an impact direct flights have.

However, we think that having non-stop flights is not an important factor. Los Angeles, Chicago and New York have non-stop flights but these flights are only from Tokyo. It does not matter much for people who live in the other big cities such as Osaka, Fukuoka and Nagoya. In addition, there are few differences in air fares between non-stop flights and connecting flights.

In terms of sponsorships, Japanese corporate sponsors would not be concerned about non-stop flights. They pay attention to the TV coverage and ratings in Japan rather than the number of spectators.

4) Distance from Japan

When Japanese travelers whose prime interest is to see a MLB game plan to visit the U.S., distance from Japan affects somewhat their willingness to make the trip. When Japanese travel to Seattle, it takes about 9 hours. If to New York, it takes more than 13 hours. It reflects on tour prices or airfares. When we looked at 5-day MLB tours by JTB Corporation in 2008, the price for New York ranged from ¥149,000 (\$1,795) to ¥298,000 (\$3,590) and that for Seattle ranges from ¥138,000 (\$1,663) to ¥267,000 (\$3,217).⁹ In the case of choosing between travel for a game with Matsui of the Yankees vs. a game with

⁸ Japan Airlines opened a daily non-stop flight from Tokyo to Boston in April, 2012.

⁹ The tour provides 3-nights accommodation at a superior hotel and 1 game ticket, but no meal. The price variation depends on the departure date.

Ichiro of the Mariners, some Japanese may find the price difference attractive. However, it would not be a crucial factor in our view.

In terms of sponsorships, sponsors also do not care about the distance from Japan.

5) Tourist Attractions in a City

New York and Los Angeles are exciting cities which attract tourists well. When Japanese tourists choose a destination to see the MLB game in the U.S., attraction points other than MLB ballparks would become an influential factor, unless they are solely fans of a specific player.

According to the 2007 survey by the International Trade Administration,¹⁰ Japanese travelers' favorite destinations are Honolulu, HI (33.4%), Los Angeles, CA (9.8%), New York, NY (8.0%), San Francisco, CA (6.2%) and Las Vegas, NV (4.4% in 2005)¹¹. The MLB clubs based in these cities have advantages to attract Japanese travelers. (There are no MLB clubs in Honolulu and in Las Vegas; the biggest attractions in the latter are gambling and entertainment.)

Corporate sponsors may consider this factor to some extent.

6) Size of Japanese Community

Obviously, the larger the local Japanese community, the larger the opportunity for a team to attract people to the ballpark for a Japanese star. This can be important for those many teams with available seating capacity. According to the 2005-2009 American Community Survey 5-year Estimate by the U.S. Census Bureau, the large Japanese American (U.S. citizen) communities are in Honolulu with 136,081, New York with 48,211, San Francisco with 39,728, and San Jose with 30,428. On the other hand, Japanese residents in the U.S. (Japanese citizen) are in Los Angeles with 41,246, New York with 38,326, San Diego with 9,019, San Jose with 8,102, and San Francisco with 7,639, according to the statistics conducted by the Foreign Ministry of Japan in 2008. In terms of attracting Japanese attendees, Japanese residents would be more interested in Japanese top stars than Japanese Americans because of the former's familiarity with them at games in TV commercials in Japan.

This factor does not meaningfully affect Japanese signage, except when Japanese executives are on international assignment. The latter would be more significant in New York City and to some degree in Los Angeles.

7) Player's and Team's Performance

If a Japanese major leaguer does not perform well in the MLB level, he would lose his luster, even though he had been a top player and very popular in Japan. And if the team's performance hovers at a low level, it will make the tendency worse. We think that is because Japanese people are paying less attention to him as the TV exposure becomes diminished. The failed investment in Fukudome by the Cubs proves this point well.

¹⁰ Source: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries; Bureau of Economic Analysis.

¹¹ The 2011 ITA survey shows the data of Honolulu (34.3%), New York (9.4%), Los Angeles (8.9%), San Francisco (5.9%) and Chicago, IL (2.7%) – that of Las Vegas is eliminated.

Furthermore, Robert Alvarado, Vice President for Marketing and Ticket Sales of the Angels said "What surprised me about Matsui was the small impact on concessions and merchandise, compared to the period when he played with the Yankees. Here, that is half of our expectation." There is little doubt that downsizing his career in recent years affected it.

On the other hand, sponsorship deals would not be influenced by the player's and team's short-term performance soon. That is because the club completes most deals before the season starts. However, in the case of single-year contracts, poor performance might damage the sponsorship deals for the next year.

Conclusion

When a MLB team signs a star player from a Japanese major league team, marketing benefits are secondary to a baseball decision about talent. Beyond the benefits in the MLB city (e.g., increased attendance and TV ratings), the marketing benefits for the team will be closely linked with a player's high popularity in Japan; this popularity becomes a prerequisite condition for whether or not the club would be able to commercialize its investment in Japanese stars.

Barry Stockhamer, former Vice President of the Dodgers also emphasized, "Japanese baseball fans are like any baseball fans. They want to see the outstanding quality ballplayer, not just a Japanese player in MLB." Therefore, another condition is that these stars will continue to perform well at the MLB level.

In addition, if the MLB team is willing to market the Japanese player, whether he would be a position player or pitcher is an important factor. If he is a pitcher, the team would struggle with its commercial mission, because he is not playing everyday. The Dodgers succeeded in commercializing the investment in Nomo, but it was an exception because he was the only Japanese major leaguer at that time, as well as being the pioneer.

Also if the team is based on New York, Los Angeles or San Francisco, the team would have an advantage because of a variety of tourist attractions and a large Japanese community. However, the other factors such as non-stop flights and distance from Japan do not seem meaningful.

On April 5, 2007, when Matsuzaka made his major league debut against the Kansas City Royals at Kauffman Stadium in Kansas City, MO, one Japanese ad behind home plate attracted big attention. It was written "Beauty salon for men—by Dandy House" in Japanese. That was an ad by Shape Up House which runs esthetic salons and esthetic schools in Japan. The company made a deal with the Toronto Blue Jays and the Tampa Bay Rays for only a few games on which Japanese top stars appear at their away games, not home games. The company can save ad costs up to ¥2 million (\$24,096) to ¥3 million (\$36,145) per game¹². This approach may become an alternative for some Japanese sponsors which do not want to buy full-season signage at the home park of the star players.

The Red Sox tried a new tactic to get Japanese sponsors. The team planned to install a new video board with a high definition liquid crystal screen in the 100th anniversary year of Fenway Park in 2012, so that they had a potential opportunity with Japanese electronics companies. Instead of receiving the revenue from sponsorships, they hoped to get an

¹² Source: Nikkei Shinbun, June 6, 2007.

expensive screen for free or for an extra-bargain price. They continued to negotiate with Japanese manufacturers since the 2008 opening game in Tokyo. In our view, it is very likely that this will be successful.¹³

Even though a MLB club based in New York, Los Angeles or San Francisco signs a contract with a Japanese star position player, this alone would not be enough to guarantee successful commercialization. The purpose of this paper is to describe and analyze the relevant factors affecting commercialization. Nonetheless, beyond the seven factors described above, the key element affecting whether or not MLB clubs will be able to commercialize the investment in Japanese top stars depends on their marketing ability and wisdom.

* * * *

2013 Reflections

A crowd of 47,714 at Yankee Stadium on July 28, 2013 gave a standing ovation to Matsui, who put on the pinstripe uniform for the first time since he left the Yankees following the 2009 season. He finished his career in the middle of the 2012 season after playing one season each with the Angels and the Oakland Athletics, then 34 games with the Rays.

The Yankees made a one-day minor league contract with him on that day, and held the pregame ceremony to announce his official retirement from baseball as a member of the Yankees. In honor of Matsui, who had worn No. 55 with the Yankees, the event took place on the Yankees' originally scheduled 55th home game of the 2013 season against the Rays.

In contrast to the flashy retirement ceremony, his career performance with the Yankees was solid but not outstanding: a batting average of .292 with 140 home runs and 597 RBIs while he played seven seasons for the Yankees from 2003 to 2009. He is obviously, however, a memorable player for Yankees' fans because he hit a home run and six RBIs in a World Series Game 6 victory over the Philadelphia Phillies on November 4, 2009¹⁴, and he was a unanimous pick for Series MVP. In addition, he is still one of the most popular athletes in Japan and received the People's Honor Award, the most prestigious award in Japan, bestowed on those who have made significant achievements in their career, in May 2013. Therefore, it is not surprising that the Yankees have tried to raise their profile further in Japan, and they earned significant revenue through the use of the ceremony.

A few Japanese tour agencies organized package tours, including a ticket for the July 28 game, airfare, and a three-night accommodation in a quality hotel in New York. In spite of the high price – at \$2,500 to \$3,500, 50 to 100 percent higher than the MLB tours to New York – hundreds of Japanese fans joined the tour to see Matsui in uniform. The Japanese media picked up the retirement ceremony as headline news. It seems that the Yankees completely achieved their goal for the event.

The other popular Japanese outfielder, Ichiro, now plays for the Yankees after leaving the Mariners in July 2012. The Yankees signed him to a two-year contract at \$13 million in

¹³ The Red Sox succeeded in installing three new high definition video screens and a scoring system supplied by Mitsubishi Electric in the 2011 off-season at Fenway Park.

¹⁴ It tied the single-game World Series RBI record (also Bobby Richardson of the Yankees in 1960 and Albert Pujols of the St. Louis Cardinals in 2011).

the 2012 off-season. 39-year-old Ichiro faces declining performance. His consecutive seasons with 200 hits came to an end in the 2011 season and the number of game appearances has slightly decreased. However, the Yankees have succeeded in commercializing their investment in Ichiro. He is still highly popular in Japan. For Japanese, to see a game at Yankee Stadium is one of the top tourist attractions in New York. At the Yankees' team store, Ichiro's T-shirts, jerseys, and sweatshirts are very popular items. When he left the Mariners, one of their Japanese sponsors, Sato Pharmaceutical Co., Ltd., followed him.

On the other hand, losing the big sales of Ichiro's T-shirts, jerseys, and sweatshirts at the team store and a few sponsorships, including Sato Pharmaceutical, the Mariners face difficulties in drawing Japanese money. JTB Corporation stopped organizing the MLB optional tour only in Seattle in 2013 because the attraction of the Mariners has dropped, even though Seattle has five daily non-stop flights from Japan, a twofold increase since 2010.

Pitcher Matsuzaka had only two good years in Boston – a 15-12 record in 2007 (helping the Red Sox to a championship), followed by a stellar 18-3 performance in 2008, with a respectable 2.90 earned run average. He has suffered from an injured elbow since 2009. While he has struggled to recover from a slump and his injury, media exposure and endorsement contracts in Japan have been gradually diminishing. The Red Sox did not renew a contract with him, and in 2013 he signed a minor league contract with the Indians, managed by his former Red Sox manager Terry Francona.¹⁵ It seems that the Red Sox did not significantly succeed in commercializing their investment in Matsuzaka.

To the end, outfielder Fukudome did not perform well for the Cubs. After he played for several other teams – the Cleveland Indians (2011), the Chicago White Sox (2012), and the Yankees with a minor league contract (from mid-2012) – he returned to Japan and rejoined NPB in 2013. The Cubs entirely failed to meet expectations that the club might gain meaningful financial benefits from his presence.

In the meantime, a new Japanese star, pitcher Yu Darvish, appeared in MLB in 2012. The Texas Rangers signed him to a six-year contract at \$60 million and also paid \$51,703,411 as the posting fee to his former Japanese club, the Hokkaido Nippon-Ham Fighters. The amount of the posting fee was beyond those of Ichiro and Matsuzaka. The popularity of Darvish was very high – as high as Ichiro, Matsui, and Matsuzaka when he initially joined the Red Sox – and much higher than Fukudome. The 2012 Public Opinion Survey released by Yomiuri Shinbun shows that Darvish is the fourth most popular among all athletes– Ichiro is first, and Matsui is seventh¹⁶.

Darvish finished his first year with a 16-9 record and 221 strikeouts. In the beginning of his second season, he pitched an almost perfect game until the last two outs of the ninth inning against the Houston Astros on April 2. He was also named to the American League All-Star team in both the 2012 and 2013 seasons.

Will the Rangers succeed in commercializing their investment in Darvish? The Rangers sold sponsorships with signage at Rangers Ballpark in Arlington to Life Plaza

¹⁵ Matsuzaka transferred to the New York Mets in late August 2013.

¹⁶ According to the 2013 Public Opinion Survey by Yomiuri Shinbun, Darvish dropped to twelfth, Ichiro kept first, and Matsui became ninth.

Holdings¹⁷ (insurance) and Gloops (game software maker) before Darvish made his MLB debut. Gloops added the right to expose its logo on the interview board when Darvish has an interview with Japanese media behind him. Several travel agencies have organized the MLB package tours to Arlington since 2012. It was a solid start for the Rangers. Joe Januszewski, Executive Vice President of Business Partnerships & Development of the Rangers, said in an interview, “From my experience working for the Red Sox for eight years until 2010, I think the financial impact on the Rangers is bigger than that of the Red Sox, which acquired Matsuzaka in 2007.”¹⁸

Nevertheless, we think the Rangers have big disadvantages compared to the Mariners with Ichiro and the Yankees with Matsui.

Most important, Darvish is a pitcher who does not play every game, the same as Matsuzaka. Also, Dallas (Arlington) is a less familiar and less attractive tourist place for Japanese travelers than are New York and Los Angeles, or even Boston and Chicago. Neither Dallas nor Texas appears in the principal U.S. destinations for Japanese visitors in the 2011 Market Profile (Japan), according to the International Trade Administration¹⁹. If Japanese travelers want to see Darvish throw a pitch live, they would prefer to visit Yankee Stadium in New York as an away game, not Rangers Ballpark in Arlington as a home game. Dallas also does not have a big local Japanese community to tempt people to go to the ballpark to see a Japanese star. On the other hand, Dallas has two non-stop flights from Tokyo. As mentioned before, however, this is not an important factor. Of course, the distance from Japan, which is further than the West Coast, is another disadvantage.

However, this does not mean *game over*. If Darvish continues to perform well, and particularly if the Rangers continue to perform very well as a team, the Rangers would be able to draw greater attention back in Japan. It would provide an opportunity for the Rangers to have a Japanese presence, and would gain further financial benefits from Darvish. It could also make the Rangers one of the contending teams for future Japanese players seeking MLB careers.

Newer Japanese notable players are emerging, such as 2013 star Red Sox relief pitcher Koji Uehara. And Masahiro Tanaka, another star pitcher with an outstanding 2013 record in Japan’s Pacific League, may be the next significant prospect for a large posting fee. Inevitably, the same questions of team commercialization will arise, especially when large posting fees are paid. We believe the seven factors articulated in this paper will continue to be relevant in analyzing the potential for clubs to commercialize their investments.

¹⁷ Life Plaza Holdings changed its corporate name to Hoken No Madoguchi Group Inc. The sponsorship contract with the Rangers expired in 2013.

¹⁸ Source: Nikkei Shinbun, April 20, 2012.

¹⁹ Source: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries; Bureau of Economic Analysis.

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