Capturing the Australian Baseball Market: Examining the Joint Venture between MLB and the ABF

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The way in which sports diffuse internationally has focussed on understanding how sports “start up” in new national contexts. For example, Lai’s (1998) study examined how the Swedish sport of Floorball as well as the US sport of gridiron (NFL) penetrated the Australian market. In both cases these sports were “start up” sports in Australia as neither had been practiced there previously. Although, sport diffusion research has been criticized for emphasising diffusion as a one-way process (Philips, 2010), it has been useful in determining the vectors required for sports to establish themselves in new foreign contexts. However, sport diffusion does not allow for understanding how sports can penetrate markets where their sports are already practiced. This research begins to fill that gap.

Large profitable sport organizations are increasingly seeking to gain benefits from growing participation in foreign markets where their sports are already practiced. However, sport organizations find it difficult to realize a return on investment in foreign markets because they often have little influence on the practice of their sport in other countries, or the ability to capture the rewards from it as many established sports are organised, governed and delivered through locally-based governing bodies. There is an emerging trend for sport organizations to develop joint ventures with international sport organizations to further develop sports internationally in ways that benefit all partners. There is little research that understands how sport organizations can tap into existing sport networks via business structures such as joint ventures to penetrate new markets for mutual benefit. This pilot research provides an examination of the joint venture created between Major League Baseball (MLB) and the Australian Baseball Federation (ABF) in order to develop the professional Australian Baseball League (ABL) and in turn, each reap benefits from the development of the sport of baseball in Australia.

Joint venture business structures have proven to be a popular and viable means for established companies to edge their way into the markets of foreign countries (Peterson, Welch & Benito, 2010) by collaborating with local partners. Joint ventures (unlike mergers or acquisitions) allow all parent companies to maintain their identity and independence. Cross-border joint ventures can allow companies to strengthen their ability to compete across a wider geographical area; to establish working relationships with local/international stakeholders (such as government officials and investors); capture economies of scale; fill knowledge gaps in new markets; and to share distribution networks. Joint venture arrangements in the sport industry are common in the sporting goods manufacturing sector. For example, Nike has entered into a range of joint ventures with foreign manufacturing companies (Wilkinson, 2009). While there is research that examines internationalisation of professional sport team brands (see for example Richelieu & Desbordes, 2009) there is little understanding of the way in which joint venture business structures can assist sports to further penetrate international markets beyond marketing and branding. This research examines the joint venture created by MLB and the ABF to develop a professional league (the ABL), and how they will each leverage the ABL to create mutual benefit.

Semi-structured interviews were held with joint venture partners (the ABF and MLB representatives), the ABL, and a representative from one ABL team. As the joint venture relies on the existing baseball infrastructure and network, focus groups were conducted with representatives from one State Sport Organisation (Baseball Victoria) as well as a sample of baseball clubs in the state of Victoria in which an ABL team is located. Interview and focus group discussions probed each stakeholder group to describe their perspective on the advantages and disadvantages of the joint venture model and its impact on the sport of baseball.

Results suggested that through a joint venture model MLB and the ABF each have the opportunity to create a return on their investment in the joint venture arrangement. For MLB, the return on investment includes the opportunity to expand into a “new” geographical market— for player development and recruitment as well as for marketing and branding of MLB to spectators through the ABL. The joint venture was perceived by MLB to provide the opportunity to grow awareness and popularity of MLB, and then to leverage this to grow interest in and then viewership of the sport, and in turn drive merchandise sales and membership in the Australian market. The joint venture arrangement also provides MLB with some economies of scale. In terms of player development, their link with ABF’s network of state sport organisations (such as Baseball Victoria in this case) offers MLB an established network (albeit small) of existing baseball clubs and associations (each with local players, coaches, officials, volunteers, and facilities) throughout all states and territories of Australia with little additional investment. The clubs and associations form the backbone of the sport development system, and results from this study indicate that Baseball
Victoria is cautiously supportive of the ABL, and the joint venture. Therefore, for MLB the cost of developing baseball in Australia, and developing athletes to play in the ABL, the joint venture with ABF provides a “ready-made” local sport delivery and sport development system complete with over 100 years of local baseball market knowledge. The development system also serves another purpose for MLB — it provides strong likelihood of a return on their investment in the ABL. The network of baseball clubs ensures that there is a primary market for the ABL—current baseball consumers want to invest as spectators or members in the ABL. By investing in the highest level of the game in Australia (the ABL), MLB has a window through which to monitor player development and therefore a pathway for recruitment into MLB professional leagues.

For the ABF, the return on investment from the joint venture is complementary. The profile of MLB involvement and support of their sport provides them with the opportunity to leverage the internationally successful brand for greater participation, funding and interest in the sport in Australia. Most importantly, it provides access to secure long term & sustainable funding which will allow ABF to showcase the game nationally and leverage that to grow the sport in Australia. For the ABF, the joint venture to establish the ABL provides a marketing and communications platform to build interest and involvement at all levels of the sport as well as the ability to adapt communications strategies and initiatives that have already proven successful in the US marketplace for implementation in Australia. The joint venture also provides the ABF with a more complete pathway to international competition for its elite athletes.

Joint ventures such as the one described here will become crucial to the ability of sports to continue to globalize and reach into new markets. In the case of the joint venture between MLB and the ABF, there is greater up-front investment from MLB. However, the critical success factor for the sustainability of all joint ventures is for the arrangement to be mutually rewarding. The ongoing evaluation of returns obtained by both organisations through the ABL will be crucial in determining business structures and arrangements that are appropriate for sports to further penetrate markets globally. It is clear from this research that sport organizations will need to create opportunities to tap into existing sport networks for creative sport development purposes For the future. Practical and research implications will be discussed.