THE MERGING OF MARKETING AND SPORTS:
A CASE STUDY

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The New York Yankees are a perfect example of the merging of marketing and professional sports. But why are the Yankees such a financial and secular success? Why does this team generate more revenue from ticket sales, merchandising, advertising and other sources than any other American sports franchise? Indeed, the Yankees, whether wittingly or unwittingly, appear to be a perfect example of effective marketing management. This paper examines how the Yankees, and their principal owner George Steinbrenner, utilized the 4Ps and, as a result, developed a highly successful global marketing program.

INTRODUCTION

A brand, as marketers know, is a name, term, symbol, sign or combination intended to identify or differentiate it from its competitors. Linked to the brand is its assets and liabilities called “brand equity.” It is the prime responsibility of management to enhance brand equity through their domestic and/or international marketing efforts.

Global branding and sports marketing have always been intertwined. There are many organizations in the sports arena (i.e., Nike, Wilson, Reebok, Manchester United to name a few) that market their product internationally. The recent Olympics so vividly brought together sports, business organizations and brands.

This paper highlights a sports organization in the process of expanding its well-regarded domestic brand into the international marketplace.

This same organization has enjoyed success long before the terms “global branding” and “sports marketing” came into vogue. Its product has a reputation for excellence; its pricing has added considerably to its profitability; its promotion and distribution efforts, both nationally and internationally, have allowed it to gain considerable attention and loyalty. This organization has had a global marketing orientation for a long time now. It’s the New York Yankees. This paper attempts to explain this success and will show that if an organization, any kind of organization, truly understands classic marketing principles it, too, can emulate the success of the Yankees and expand their brand globally.

HISTORICAL PERSPECTIVE

New York Yankee owners have been “savvy” marketers since Col. Jacob Rupert purchased Babe Ruth from the Boston Red Sox in 1920. Though the Yankees typically have had very good management on the field, we must not minimize the role of ownership in their success. The Yankee organization has been a highly marketing-oriented one since that eventful day when Ruth put on pinstripes. During the 1940s 1950s and 1960s ownership consisted of a partnership between Dan Topping and Del Webb. These men created the “Yankee Dynasty”, teams that never seemed to lose a World Series. In fact, Del Webb continued to prove his marketing skill by building a multi-billion dollar real estate business. Apparently, George Steinbrenner inherited the genes of previous owners who have exhibited great “marketing savvy”. This paper attempts to explain the success of
the Yankees and the role of George Steinbrenner in its success. This paper will also show that if an organization, any kind of organization, truly understands classic marketing principles, it, too, can emulate the success of the Yankees.

GEORGE STEINBRENNER AND MARKETING

Marketing can be studied in college or graduate school, and then successfully applied in the business world. Still many people who may not have learned the “4Ps” in academia are accomplished marketers.

George Steinbrenner is just such an example. It is our feeling, based on extensive research, that much of the Yankee’s success can be attributed to Steinbrenner’s innate sense of marketing. There are precious few other answers to explain his achievements. For example, Steinbrenner was the first to use “free agents”, once free agency was established; there was the phenomenon known as the “Bronx Zoo” of the late 70s and early 80s; the manipulations of Billy Martin; there was the Seinfeld TV show; the MSG cable deal and the creation of the YES Network. Let’s review these events in more detail.

Once free agency was established, George Steinbrenner saw it as a marketing tool. The enormous publicity surrounding the acquisition of famous and “high-priced” ball players like Reggie Jackson and Jim “Catfish” Hunter helped George Steinbrenner off the field (in terms of PR) and the Yankees on the field. His free agents catapulted the Yankees to three World Series in the late 70s, winning two of them (1977 and 1978).

The “Bronx Zoo” was a phase coined by ballplayer Sparky Lyle in the late 1970s to label the internal dissension caused mainly by Steinbrenner’s hirings and firings. Still, the Yankees won five division titles, four pennants and two World Series between 1976 and 1981, and helped themselves to enormous portions of free publicity through widespread media attention (Allen 2000; Linn 1982; Lyle and Golenbock 1979).


To fill the ballpark in this modern age takes both winning and publicity, which no owner, even George Steinbrenner, can easily afford. As one can see, Steinbrenner was clever enough to generate unusual amounts of free publicity for the first fifteen years of his tenure, to keep the Yankees in the New York (if not American) media nearly on a daily basis. Again, it was his use of free agents, The Bronx Zoo and the Billy Martin episodes that showed that Steinbrenner knew how to keep the Yankees on the “back pages.” The “back pages” refers to the newspaper tabloids such as, The New York Daily News, The New York Post and The Chicago Sun Times. It is on these pages where most fans obtain their sport news. It was this constant turmoil within the Yankees organization that made those back pages. It was also such consistent attention paid to the Yankees that enabled Steinbrenner to secure the lucrative MSG Cable deal in 1988, even though it had been ten years since the Yankees won a World Series. MSG Cable “signed” the Yankees, rather than their successful cross-town rivals, the Mets, because of this year-round media and fan attention.

Another example of Steinbrenner’s marketing savvy related to the most popular program on TV during the 1990s -- The Seinfeld Show. An unseen Steinbrenner character appeared in the show between 1994 and 1998. One of the stars of this series was Jason Alexander, who played George Costanza. Costanza was also employed by the Yankees. Thus, you have the promotion of both Steinbrenner himself and the New York
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Yankees. In addition, Steinbrenner has personally appeared on many other TV shows as well (TVTome 2004).

The $486 million dollar deal with the MSG cable network in 1988 came at an opportune time as the Yankees’ on-field fortunes had waned. This deal broadened their media exposure to now include cable as well as broadcast TV, and it gave Steinbrenner the financial means to recruit the ball players that field management wanted. When the MSG agreement expired in 2001, Steinbrenner was already thinking of expanding his media reach. He reasoned that if Ted Turner, then owner of the Atlanta Braves, could control his own media network, so could he and the Yankees. Thus, the Yankees Entertainment and Sports Network (YES) was born. In short, it was a way to directly benefit from all the sponsorship and advertising revenues that had eluded Steinbrenner in his earlier deals. This YES Network has become very popular since its introduction in 2002. In addition to broadcasting Yankee games, the YES Network airs shows on Yankee history, including interviews with present and past Yankees as well as other prominent sports figures. Other teams such as The New Jersey Nets, New Jersey Devils, University of Oregon, Manchester United and the Yomiuri Giants are, or will be, broadcast via the YES Network (McMains 2002). It has become a comprehensive new marketing tool for George Steinbrenner.

When hurricanes raged over Florida late in the summer of 2004, they also played havoc with the major league baseball schedule. The New York Yankees and the Tampa Bay Devil Rays needed to play a “make-up” game before the end of the regular season. A game was hurriedly rescheduled for Thursday, September 23rd in New York. There was barely enough time to organize the appropriate publicity for this game. In addition, Tampa Bay was not exactly a strong drawing card in New York. So management developed a plan that would benefit the fans, the residents of Florida and the Yankees themselves. Admission would be on a “first come, first served” basis for five dollars. Hot dogs and soft drinks would be half-price. All of the net proceeds of the game ($150,000) would benefit the Red Cross Relief Fund. The game was played to a standing room only crowd of 55,000 fans. This event garnered nation-wide attention.

The above events were not created because George Steinbrenner was trained in the 4Ps; rather, Steinbrenner had the marketing savvy to use various situations as opportunities to be capitalized upon. In fact, whether he knew it or not, Steinbrenner followed classic marketing principles. The result was that he now owns the most successful sports franchise in history.

The following sections will detail how George Steinbrenner was able to blend the four components of the marketing mix into a meaningful, and very successful, marketing program.

PRODUCT

The Yankees have, for the majority of their history, been a team that has been able to achieve success because of the product they have put on the field.

It is believed that the team brings in around $330 million in total revenue, although this number is just an estimate, as baseball does not report its revenues (Sandomir 2004). According to George Steinbrenner (the Yankees CEO), the Yankees are able to make such large profits because his team wins games. According to Steinbrenner, you need to spend money to make money. When Steinbrenner bought the team in 1973, the Yankees were struggling both on and off the field, and through his business and marketing programs, he has turned the Yankees into the most valuable baseball team, and possibly one of the most profitable sports teams in the world.

What makes the Yankees different from other Major League teams? It’s the product. The Yankees face a huge advantage in that they have a storied history and solid brand image. While new teams emerge and try to create fan
interest and loyalty, the Yankees have established brand loyalty. In a recent study, it appears that four factors were correlated with loyalty to a team: pure entertainment value, authenticity, fan bonding, and history and tradition (Passikoff 2000). The Yankees placed first when it came to pure entertainment value (they know how to satisfy a customer) and history and tradition (Passikoff 2000). Indeed, there is something to be said for a team’s history. For example, a new fad in the Major Leagues is to market new uniforms and new merchandise to maximize a team’s retail profits (Walker 1999). After all, if a team now markets three different uniforms, a fan might be inclined to purchase all the caps for that uniform. Therefore many clubs have introduced these new caps (while dropping the old ones with little ceremony); yet the Yankee players themselves wear only one style - a dark blue cap. It is also important to note that this dark blue one-cap-for-all occasions ranks as one of the best selling in all of baseball, even though several other style Yankee caps are on the market (Walker 1999). The Yankees don’t need to use merchandising gimmicks because it is their history and tradition that sells the cap. In other words, the product is well-regarded in the marketplace.

In 2002, the New York Yankees consummated a marketing alliance with the Yomiuri Giants of Japan (Kepner 2004). The deal included the Yankees receiving scouting reports on Japanese and American players as well as support in scouting activities in Latin America and the Pacific Rim, the promoting of exchanges of coaches and club personnel as well as an exchange of information on conditioning and rehabilitation for players (Japan Economic Newswire 2002).

It is this kind of arrangement that has added value to the Yankees as a product. They are constantly improving “the goods”, with information gleaned from a variety of sources. In addition, the Yankees’ CEO, George Steinbrenner, has also improved the product through his trading activities or through his acquisition of high-powered free agents--the Johnsons, the Giambis, theRodriguezs and the Matsuis of this world.

**PRICE**

Currently, the Yankees receive about $100 million in revenues from the 3.5 million fans that have been filling the stadium regularly since the team began winning in 1996.

The Yankees have also been fortunate enough, for the most part, to stay away from a new tactic used in baseball: tier ticket pricing. Under this system of flexible pricing, teams charge different prices for the same seat, depending upon the game (Fatsis 2002). In most cases, tickets for either weekend games or games the team considered “premiere” cost the most, while other games, with “sub-par” opponents, might be less expensive (Fatsis 2002). Many teams are implementing this new way of pricing to drive up both attendance and revenue. While most teams are raising ticket prices for those games with guaranteed high attendance, the Yankees are generally charging the same price for most opponents, with eight weekday games having a special $5 promotion for upper-deck seats (Fatsis 2002).

Price competition is not the issue here, but price sensitivity is. The Yankees are not out to “gouge” their fans as some teams may be doing. But they, like other organizations, also know that “discounts” work when sales are disappointing or perhaps in the off season (e.g., playing against weak or uninteresting teams).

**PROMOTION AND DISTRIBUTION**

The most prominent activity that the Yankees have taken to promote themselves both nationally and globally is to form exclusive alliances with other teams. Such actions are aimed at boosting the Yankees recognition and thereby their popularity.

In 1999, The New York Yankees and The New Jersey Nets merged; thus the two teams became part of one company. Under the deal, the own-
ership groups for the Yankees and the Nets would hold 50 percent of the new entity but would continue to run their own existing teams. The newly merged holding company was called YankeesNets LLC (Fatsis 1999). Together, the two teams were now able to offer about 190 games for telecast on cable; this led to the formatting the YES Network (Fatsis 1999). The Yankees and the Nets also would gain marketing and sponsorship strength in the New York region. They offered joint advertising packages to companies and combined their ticket-sales efforts (see below). Soon after this merger, the New Jersey Devils joined YankeesNets (Fatsis 1999). Although YankeesNets was dissolved with the sale of the Nets to Bruce Ratner and Brooklyn Basketball LLC in 2003, both teams have remained equal partners in the YES Network. In fact, the YES Network has proved to be a major marketing success for the Yankees.

The station has proved profitable. In the first year of existence, the YES Network brought in $170 million in revenue, $130 million of that being in Yankee-related revenue (Ozanian and Fluke 2003). After subtracting profits that would go to the investment banker, Goldman Sachs, that still leaves the Yankees with $120 million, which is $68 million more than the $52 million they would have gained in their Cablevision deal (Ozanian and Fluke 2003). The YES Network ended their inaugural year with an estimated market value of $850 million (Ozanian and Fluke 2003).

In 2001, The New York Yankees reached an agreement with English Soccer’s Manchester United to share market information, develop joint promotional programs and sell each other’s licensed merchandise globally (MacDonald 2001). The deal assured that Manchester United would have greater presence in the United States, where soccer has had a small but loyal following. At the same time, the Yankees would gain a new presence in England, and potentially around the globe, since Man-U’s reputation and reach is considerable. Excellent revenue potential now exists because of the worldwide sponsorship rights granted the Yankees, in joint television programming opportunities, and the simple union of two powerful international brand names (Copetas and Fatsis 2001).

The only sport that has struggled more than soccer in trying to crack America has been baseball trying to gain acceptance anywhere beyond Japan and a few Latin American countries (Lasswell 2001). While people wear Yankee caps all around the globe, many of them do so because they think the NY logo stands for New York City, not the Yankees. What this deal does is brings the Yankee name out of the United States and into homes from England to Singapore. The Yankees will be able to broadcast more games overseas under the Man-U agreement, and they will also be able to use Man-U’s worldwide chain of retail outlets to cash in on baseball’s global popularity while capitalizing on the demand for anything “American” (Lasswell 2001). This new merger is about brand extension, not just short-term revenues. In addition, with the signing of Japanese baseball star Hideki Matsui by the Yankees, they increased their promotion and distribution because they were now able to broadcast all Yankee games on National Japanese television.

BUILDING BRAND EQUITY IN THE GLOBAL MARKETPLACE

Building brand equity in the global marketplace is behind many of the marketing decisions, both historically and recently, made by the Yankees. An article by Keller in *The Harvard Business Review* (2000) suggests that the following are some of the criteria of brand strength:

- The brand excels at delivering the benefits customers truly desire.
- The brand stays relevant.
- The pricing strategy is based on consumers’ perceptions of value.
- The brand makes use and coordinates a full repertoire of marketing activities to build brand equity.
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Do the Yankees meet these criteria? Based on evidence in this paper, it appears that they do, certainly in the domestic marketplace. But now as the Yankees seek to expand their visibility and, hence, their equity, they have been, and are, exploiting many market opportunities abroad. The development of a global brand like the Yankees is supported by increasingly cosmopolitan consumers in many countries with similar tastes drawn from exposure to similar media and communications. In fact, several factors exist favoring globalization of the New York Yankees (Cravens and Piercy 2003):

- Economics of scale exist. Going global for the Yankees requires a minimum financial investment. Indeed, through its various marketing alliances, it has been able to “distribute” its service rather easily.
- Customers operate globally. Indeed, baseball is enjoyed on a worldwide basis. The Yankees’ customer base is multinational.
- Home country image is valuable. The USA is known, on a worldwide basis, as having some of the finest sports products, i.e., baseball and basketball just to name two.
- Government policy. There are no laws or entry barriers known that obstruct the “importation” of the Yankees, or their product.

It appears the Yankees know how to capitalize upon these factors. With this in mind, let’s examine more carefully some of the international moves made by the Yankees.

As noted, the New York Yankees, during George Steinbrenner’s tenure, have become a powerful domestic brand. But it is their recent international marketing alliances and business deals that have made them a global brand. Marketing certainly has played a prominent, if not a dominant role in the growth and success of this organization (brand). Historically, the Yankees have always been internationally-minded. Long before George Steinbrenner, the Yankees traveled abroad. The Yankees of 1931 visited Japan, a nation that embraced baseball much as America, where Babe Ruth and Lou Gehrig, among others, were very warmly greeted. Three years later, in 1934, several of the Yankees were back in Japan with a cast of Major League all-stars. Ruth who hit 13 home runs in 16 games on this “road trip” completely won over the Japanese fans. This was tremendous “PR” not only for American baseball, but for the Yankees name as well. The tour made such an impact on Japan, that their first professional team, the Yomiuri Giants, was founded shortly after their departure. The first professional league was founded just two years later in 1936 (Obojski 1975).

Prior to 1951 the Yankees played spring training games in Cuba, Bermuda, Venezuela and Panama. After the 1955 World Series, the Yankees embarked on a pacific tour including Japan, Philippines, Guam and Hawaii. Apparently, the Yankee organization has never neglected the international aspect of baseball. They were (and still are) the most recognized sport brand in the United States and to a lesser extent, worldwide (Neilson 1995; Solomon 2001).

International marketing has assumed a more important role for the Yankees and George Steinbrenner within the past ten years. With players’ salaries escalating, and the quality of baseball improving abroad, it has made good sense to consider using foreign players, especially from Japan. A major international initiative recently occurred with adidas, a German manufacturer, and the world’s second largest manufacturer of athletic equipment, footwear and apparel. Adidas believed that in order to gain market share it would join with one of America’s most notable sports brands, the New York Yankees. Adidas, the brand, was looking for visibility, and a Yankee deal would more than satisfy that goal. Not only did this deal strengthen both the Yankees and adidas’ bottom-line, but people now
associated the adidas brand with the Yankees (Lefton 1997).

The adidas deal struck in March 1997, was a 10 year marketing agreement whereby adidas would pay the Yankees $91.3 million, making it the largest sponsorship of a United States sports franchise up to that time. As part of the deal, adidas was afforded signage at Yankee Stadium, allowed to advertise on Yankee broadcasts and in team publications, and allowed to receive charitable and other promotional opportunities. They were not allowed to license the Yankee’s classic pinstripes nationally, although they may sell Yankee logo paraphernalia in the New York market, and manufacture the team’s on-field uniforms (Fatsis 1997; Hyman 1998).

While this deal proved very beneficial to the team both in terms of revenues and international exposure, there were significant reservations when it came to Major League Baseball’s (MLB’s) stance on the deal (up until this time MLB made all such deals on behalf of all teams). The main problem MLB had was the fact that now the Yankees had found their own licensee; thus, what would stop other teams from doing the same thing? MLB also had a baseball-wide uniform deal with another manufacturer. What about that deal? How would all of this impact revenue sharing with the other teams? After several years of court appearances and squabbling, the Yankees and Major League Baseball came to a formal agreement, the specifics not released to the public, which allowed the Yankees to keep their deal (Krasner 1997).

On Friday, February 9, 2001 the headlines read, “Yankees Team Up with Man Utd --The Top Two Sports Teams in the World Want More Wins and More Money.” “The New York Yankees, the franchise of Babe Ruth, Lou Gehrig and Joe DiMaggio, forged an alliance Wednesday with Manchester United, the franchise of Bobby Chanton, George Best and Eric Cantona” (The Namibian 2001). Manchester United is simply more than a football (soccer) club, providing a network of services through four divisions: Football, Merchandising, Catering and Interactive. The Man U Ltd. brand offers hospitality services, pubs and restaurants, audiovisual rights, clothing, accessories, local and global social programs, conferences, and financial savings. Manchester United has supporters’ clubs throughout the world including the Hong Kong Reds, the Japan Reds, the Malaysia Reds, and the Singapore and South East Asia Reds (Pride of Manchester 2004). Once again, the Yankee’s reach has expanded.

In 2002, as Hideki Matsui’s (of Japan’s Yomiuri Giants) contract neared fulfillment, speculation mounted that he was headed to the “big leagues”. Some worried that Japan’s baseball tradition would be swept away by the U.S. teams. “We do have concerns about a decrease in interest in Japanese baseball (as a result of the Matsui signing by the Yankees),” said Atsushi Ihara, Director of International Relations for the Yomiuri Giants. “We see it seriously.” But, Ihara, also pointed to data that shows a widening level of overall interest in the baseball -- particularly among women -- a trend he figures results from the glamour coverage of Matsui. “We see a new market being created,” Ihara said. The Giants are trying to capture it with a new magazine aimed at women, featuring profiles and photos of players wearing stylish clothes. On the streets of Tokyo, fashion is increasingly suffused with Yankees’ pinstripes, though many wear the uniform more in homage to Matsui than the team as a whole. Interest in other Yankees team members builds with exposure -- Derek Jeter and Manager Joe Torre are widely recognized (Goodman 2004).

As a result of the alliance between the Giants and Yankees, and the signing of Hideki Matsui, the Japanese advertising agency Dentsu agreed to pay Major League Baseball an estimated $275 million for the rights to broadcast games in Japan over the next five years. This is approximately 15 times the previous agreement that MLB had with Dentsu (Isidore 2003).
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The following headline appeared in March, 2004: “Yankees outfielder and New York City Tourism Ambassador to Japan Hideki Matsui today joined NYC & Company President Cristyne Nicholas to unveil a new tourism marketing campaign to strengthen the Japanese tourism market to New York. The campaign kicks off in mid-March and features Hideki Matsui in radio advertisements, a Yankee sweepstakes in print and online outlets, and a New York promotional video that will be broadcast in more than 300 travel retail outlets and on multiple outdoor screens in public spaces throughout Tokyo.” The campaign will have a multimillion dollar total marketing value and takes place during the month-long booking period for “Golden Week,” Japan’s most popular vacation period (Connolly 2004).

Travelers from Japan represent New York City’s third most lucrative visitor market behind the UK and Canada. At its peak (in 2000), 425,000 Japanese visitors spent more than $466 million directly into New York City’s economy. Due to recent economic and global challenges, the Japanese visitor market slowed to 297,000 visitors and spending levels dropped close to 50% in 2002. Still the popularity of baseball in Japan mirrors the sport’s vast appeal in the United States. Major Japanese tour operators report that Hideki Matsui’s appeal helped generate an increase of package travel to New York City of more than 118% during the 2003 baseball season (Connolly 2004).

The most recent thrust in the Yankee’s international effort occurred on March 31, 2004. It was the opening of the 2004 Major League Baseball season in the Tokyo Dome before 55,000 Japanese fans. It marked the homecoming of their native superstar Hideki Matsui. His team, the Yankees, played the Tampa Bay Devil Rays. The Yankees are now so well known in Japan that even though it was an “away game” for them, they wore the famous home “pinstripes” uniform. “Japanese fans … now divide their allegiances between the Yomiuri Giants-Matsui’s old team, and the New York Yankees, his new one” (Herman 2004).

This was clearly a first rate marketing effort. Tremendous publicity preceded the event, and it was watched by millions on both sides of the Pacific. This kind of event was the pinnacle of a very long global effort begun with The Babe, Lou and their teammates.

CONCLUSION

Despite Yankee salaries being at an all-time high (over $200 million), revenues from attendance, concessions, merchandising, licensing, media sales and other revenue sources have allowed the Yankees to reach record profits. And, most interestingly, the Yankees have set attendance records at home and on the road. Talk about nationwide interest in this “local” product.

The New York Yankees as a sports organization is practicing global marketing. They are standardizing their marketing programs across different countries using the same brand and logo. They are participating in major world markets to gain competitive leverage and have effectively integrated their promotional campaigns across those markets to expand their brand globally and, thereby, increase their global brand equity.

The Yankees have performed many basic marketing activities so very well. Indeed the twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction (Armstrong and Kotler 2005). This goal has been well understood by Yankee management.

So, while endorsements, billboards, and commercials can do wonders in terms of “marketing” the team (or any product or service for that matter), the real reason for the Yankees success is that their CEO (George Steinbrenner) understands the meaning of the word “marketing” and knows how to meld the 4Ps into a coherent, sensible and creative marketing program. The Yankees have paid continuous attention to building their brand, value and worth.
To conclude with a quote from the renowned Yankee Hall of Fame broadcaster, Mel Allen, “How about that!”

REFERENCES