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MLB's Real Competitive Advantage

How baseball is using cutting-edge technology to rake in millions on the Internet

by Jay Yarow

It's the bottom of the eighth inning, and Jayson Werth steps into the batter's box for the Philadelphia Phillies. The bases are empty, the game tied. The right fielder faces Steven Shell, relief pitcher for the Washington Nationals. On Shell's fourth pitch, he leaves a sluggish curveball hanging over the plate. Werth smashes it into the stands for a game-winning home run.

As fans cheer, a highly sophisticated yet little-known technology operation at Major League Baseball swings into action. A team of about 60 people in downtown Manhattan slice and dice the video of Werth's hit and send clips zipping through the Internet to thousands of computers and cell phones around the world. Five minutes after the homer a commuter on the local train to Philadelphia's Main Line could watch it for free on his mobile. A visitor to MLB's Gameday could learn that Shell's pitch was a mere 74 miles per hour and that it broke 14 inches.

All the effort pays off. The tech operation, known officially as Major League Baseball Advanced Media (MLBAM), pulls in about \$450 million a year. About half of that comes from fans who pay \$120 a season to watch games live over the Internet, with the rest generated by advertising alongside free content and other extras. The business has grown into a significant revenue source for Major League Baseball, which has total revenues of about \$6 billion. "They have a passionate base that they went after in a smart way," says Bobby Tulsiani, analyst with the market research firm [JupiterResearch](#).

The league's strategy may be instructive for other sports franchises and, indeed, for other companies in the online content business. While most leagues limit what they put on the Web and avoid streaming live video online out of fear that their television ratings could be hurt, MLB's experience suggests that such concerns might be misplaced. "Rights fees are up, attendance is up, viewership is up," says Bob Bowman, chief executive at MLBAM. "Somehow the strategy of putting [baseball games] on every device that has a plug or a battery has worked for the business partners. Even more important, it's worked for our fans."

STAGGERING AMOUNT OF STATS

What draws fans to the league's online offerings are features they can't get on the plain old boob tube. At the Gameday site, they can find out that Werth's home run came on Shell's 18th pitch of the evening. They can also learn that his first and third pitches to Werth were both 89 mph fastballs, while the fateful curveball was 15 mph slower.

An obsessive fan could get lost in all the data in the MLBAM archives. There are video clips of each major event in the league's games this season. Statistics are available on how particular players have done against a starting pitcher. The site has final standings for every season back to 2001, too. "It's much more than what you can get on television," says Jupiter's Tulsiani. "It taps into the base by offering multiple camera angles, stats, and on-demand video."

MLBAM's New York offices are like an adolescent's idea of a dream job. On one recent summer day, dozens of workers sat at desks watching hour after hour of baseball live on sleek Apple ([AAPL](#)) iMacs. They chatted and joked as the day's games unfolded. There was a flurry of activity when something important happens in a game, like Werth's homer or a crucial strikeout.

NOT FOR SALE

The key to the operation's success is video editing software the league designed from scratch. The program lets employees produce highlights in just a few minutes, which is important because the group is sending out about 200 highlights a day during the regular season. It works like this: Each game plays on a computer in a small window. As soon as something important happens, an MLBAM employee rewinds the game in the computer and marks, then saves, the highlight. It's then passed along through two supervisors who send the highlight out over the Internet.

"The program took about two months to make," says MLBAM's Joe Inzerillo, senior vice-president for multimedia and distribution. Would MLBAM ever consider licensing its program? "We've had inquiries about people wanting to buy the program, but it is so tethered to our back end that we'd have to address compatibility issues. It's unlikely it would make sense to sell it."

Instead, the company uses its technological advantages to work with other sports. This year the NCAA paid between six and seven figures to run its live streaming of the men's college basketball tournament through MLBAM's servers. They also run Major League Soccer's Web operation. MLBAM thinks it's unlikely other sports will want to swallow their pride and ask baseball to run their Web operations.

BIG REVENUE OPPORTUNITY

MLBAM sees mobile phones as the next big revenue opportunity. It's already built customized applications for a number of phones, including the BlackBerry from Research In Motion ([RIMM](#)). The league plans to roll out software in early September that will let owners of Apple's iPhone tap into the statistics from the Gameday Web site. That's likely to be followed by similar applications for other phones, including those from Nokia ([NOK](#)), Motorola ([MOT](#)), and Sony-Ericsson ([SNE](#), [ERIC](#)). "The one device we all rely on is our cell phone," says Bowman. "It is with us, sadly perhaps, as many as 24 hours a day."

Four years ago, MLBAM hired a separate staff to design mobile Web sites and applications. MLB's mobile site now gets more than 10 million page views a day and it has more than 25 mobile applications. Still, in spite of the large audience, MLBAM's mobile offerings generate just a sliver of revenue for the company now. "It's a long ramp to economic nirvana for content publishers in mobile," says Bowman. "The ramp is not steep. It is much longer term." Right now, the company only makes around "10 to 12 million," from mobile, according to Bowman. "It's not a \$50 million business for us," he says. "I'm not sure it is for anyone, but those days will come."

The company could increase revenue from advertising if it figures out how to place ads on its mobile Web sites. However, MLBAM, like most companies, is still trying to figure out the best strategy. "If the 10 million page views our mobile site got was on a PC, that could be real money," says Bowman. "The advertising for wireless is not robust. How do you put an ad that is big enough to read on a small screen?"

As technology continues to improve, and streaming video becomes easier on all devices, some fear television contracts and ratings will suffer. Bowman isn't worried. He has a pretty simple strategy: "If you serve the fans, you take care of your business."

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