The Evolution of Business Models in Japanese Professional Baseball

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1. PREFACE: APPLYING THE METHODS OF APPLIED BUSINESS HISTORY TO THE CHANGING WORLD OF PROFESSIONAL SPORTS

Without a doubt, professional sports have grown into a global-scale industry. Both in advanced and developing countries, hundreds of millions, perhaps even billions of people passionately follow the results of soccer matches and other sporting events on a daily basis.

On the other hand, the future of sports as a business proposition may not be so bright. In Japan, live broadcasting of professional baseball has dropped drastically with the advent of ground-wave digital broadcasting. Widespread criticism of recent scandals has seriously damaged the popularity of Sumo wrestling. Even high-school baseball, the epitome of amateur sports, is at a crossroads.

The purpose of this paper is to propose a way out of the “crisis” Japanese professional baseball is facing, using the tools and methods of applied business history. Specifically, this paper will examine the three primary business models this industry employed in the past, analyzing how one model gave way to the next and using the insights gained here to speculate about possible ways to overcome the present crisis.
Here I would like to present a simple explanation of the methods employed by applied business history. In the present environment, the raison d’être of applied business history is to propose workable plans for the reform and revitalization of specific companies, industries and economic systems, something which is difficult or impossible to do using other approaches. This may seem contradictory, because history is often thought of as being an “impractical” subject, something “useless” with regard to the “real world”. It is our assertion, however, that the history of business is important precisely because it is both “practical” and “useful”. This is made possible by extracting applied business history from the history of business itself. Applied business history is a discipline that distills the lessons to be gained from the study of the dynamism underlying past corporate and industrial growth and applies them to the dilemmas and challenges being faced by various economic entities in the present.

Generally speaking, when trying to propose fundamental solutions for the serious problems facing a certain industry or business, merely having “noble ideals” or “correct theories” does little good unless one also has a thorough grasp of the historical context in which these entities operate. Conquering big problems requires vast amounts of energy, and this energy exists in the inherent dynamism of the industry or company in question. This dynamism, however, is often in a latent state, and can only be distilled out through a careful examination of how the entity has changed and developed over a long period of time. By fleshing out exactly what this inherent dynamism is, it becomes possible to propose solutions to present dilemmas that harness this latent energy. As such, it can be said that applied business history is a discipline that attempts to pinpoint this latent dynamism in its historical context, relate it to appropriate ideals and theories, and use it to open up new pathways to solving current problems.

The methods of applied business history can be applied to the Japanese sports industry, which presently is standing at an important crossroads. In this paper, this will be demonstrated using actual examples from the world of professional baseball. In Chapter Two, we

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1. By “the dynamism underlying industrial and corporate growth”, we refer to the power that drives the development of both industries and individual companies.
will survey the history of Japanese pro baseball, detailing the successive emergence of the “main business synergy model”, the “advertisement-driven model”, and the “community-based model”. In Chapters Three through Five, we will examine each of the models in succession in greater detail. Finally, in Chapter Six, we will attempt to indicate a path leading out of the “crisis” in which Japanese pro baseball finds itself today.

II. THE HISTORY OF JAPANESE PRO BASEBALL: THREE BUSINESS MODELS

Japanese professional baseball got its start in 1936, only two months after the infamous “2.26 Incident” accelerated the incipient trend toward militarism and war.

The Sino-Japanese war began the next year, 1937, followed by the plunge into World War II two years later in 1939. An additional two years brought the advent of the Pacific War in 1941. Though Japanese baseball had only just gotten started, wartime regulations forbade the use of English on uniforms or in baseball terminology. It was even decreed that the color of uniforms and caps must conform to military practice. In 1945, it unfortunately became necessary to cancel the entire league season.

Pro baseball league games were revived in 1946, but it took quite a while before postwar baseball became a success business-wise. Prewar pioneers like Eiji Sawamura and postwar “heroes” like Tetsuharu Kawakami, Hiroshi Oshita and Tomio Fujimura all had their day in the sun, but Japanese pro baseball would have to wait until after the two-league system was formed in 1950 and Shigeo Nagashima joined the Yomiuri Giants in 1958 to become a truly popular “national sport”.

Until 1958, Japanese pro baseball tended to lag behind Tokyo’s six-team university league in terms of popularity. When Nagashima, the star of the university league, joined the pros that year, the balance began to change. Sadaharu Oh then also joined the Giants the next year (1959), ushering in the so-called “ON (Oh and Nagashima) Era” in pro baseball.

NHK, the Japanese national broadcaster, had already begun transmitting pro games on TV in 1953, five years before Nagashima joined the Giants. By 1957, the number of black-and-white TV sets in operation in Japan topped one million for the first time. Thus, the
emergence of pro baseball as a true national sport coincided with the beginning of the “era of television”, and the popularity of baseball continued to rise hand-in-hand with the growth of the television market.

The “ON Era” reached its peak with the Yomiuri Giants’ nine successive Japan Series victories between 1965 and 1973. The unprecedented, long-lasting period of high growth known as the Izanagi Boom also began in 1965, eventually bringing Japan into the league of economic superpowers. Even today, many old people still think of this era, when the Izanagi Boom was accompanied by the Giants’ overwhelming dominance of pro baseball, as one of the high points of Japan’s postwar history.

The Giants’ Japan Series winning streak came to an end in 1973, the same year as the first “oil shock”. When the Giants handed over the league pennant to the Chunichi Dragons in 1974, Shigeo Nagashima decided it was time to retire from active play. The next year, 1975, saw the humiliated Giants sink to the very bottom of the league tables. With the era of the “ever-victorious Giants” gradually becoming a distant memory, Sadaharu Oh retired from play in 1980, bringing the “ON Era” to a quiet end.

With the end of the “ON Era”, a succession of teams other than the Giants—Hiroshima, Seibu, Yakult, Orix, Daiei and Nippon Ham—proved that they had what it takes to win successive pennant race titles. These teams reformed and renewed themselves in unique, individual ways, but they all contained elements that can be said to point toward the “Local Roots” business model.

A couple of years ago, your author, (Takeo Kikkawa), together with Takashi Nara, published *From the Fans’ Perspective: A History of Pro Baseball* (Nihon Keizai Hyoronsha, 2009). In this book, the two of us (we are both scholars of management and enthusiastic baseball fans at the same time), examined the development of the three business models in the 75 years from the founding of Japanese pro baseball in 1936 until today. Specifically, what we call the “main business synergy model” manages the baseball operation in such a way as to contribute to the growth of the parent company’s main business, the “advertising model” seeks to raise the name value and enhance the brand of the parent company, while the “community-based model” aims to contribute to the development of the local community as well. Figure 1 is a breakdown of
baseball teams according to the business model which inspired their founding.

Figure 1  The Three Historical Business Models of Japanese Pro Baseball

<table>
<thead>
<tr>
<th>The &quot;Main Business Synergy Model&quot;: Contributing to the Parent Company’s Main Business</th>
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<tr>
<td>Giants (1936), Hanshin (1936), Chunichi (1936), Hankyu (1936), Daitokyo (1936), Kinko (1936), Eagles (1937), Nankai (1936), Nishitetsu (1943, 1950), Tokyo (1947), Mainichi (1950), Kitetsu (1950), Kokutetsu (1950), Sankei (1965), Seibu (1979), etc.</td>
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<tr>
<th>The &quot;Advertising Model&quot;: Raising the Profile of the Parent Company</th>
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<tr>
<th>The &quot;Community-Based Model&quot;: Contributing to both Company and Community</th>
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Note: Adapted from Figure V-2 (original by Takashi Nara) in From the Fans’ Perspective: A History of Pro Baseball (Nihon Keizai Hyoronsha, 2009). The dates in parentheses are the years in which each team (or their predecessors) participated in league play for the first time.

III. THE MAIN BUSINESS SYNERGY MODEL

The earliest business model appearing on the Japanese pro baseball scene is the “main business synergy model”, in which teams are managed to directly benefit the main businesses of their respective parent companies.

Of the seven teams that started league play in 1936, six were founded with the assistance of either newspaper or railway companies. Teams backed by news outfits included the Tokyo Giants (Yomiuri Shimbunsha), Nagoya (New Aichi Shimbunsha), Daitokyo (Kokumin Shimbunsha), and Nagoya Kinko (Nagoya Shimbunsha).\(^2\) Meanwhile,\(^2\) At this time, Kokumin Shimbunsha operated under the umbrella of the New Aichi Shimbunsha. The New Aichi Shimbunsha and the Nagoya Shimbunsha merged in 1942,
teams backed by railway companies included the Osaka Tigers (Hanshin Electric Railway) and Hankyu (Hankyu Electric Railway). The only exception to this pattern was the Tokyo Senators, which, as its name suggests, was owned by a member of the House of Peers, Yoriyasu Arima⁶. The Senators too, however, enjoyed the corporate support of the Seibu Railway group⁴.

The reason newspaper companies founded pro baseball teams was simple: It sold newspapers. Railways, meanwhile, were able to sell more train tickets by building stadiums along routes that they served. The Eagles, who joined league play in 1937, were founded by the Korakuen Baseball Club, which operated a baseball stadium. Thus, the Eagles, too provide an example of the ”main business synergy model”. Indeed, it can be said that Japan’s earliest baseball teams owed their original lease on life to this strong and direct synergy between business and baseball. Later examples of teams founded on this principle include Nishitetsu, Tokyu, Mainichi, Kintetsu, Kokutetsu, Sankei, and Seibu.

IV. THE ADVERTISING MODEL

The second business model to makes its appearance on the Japanese pro baseball scene was the so-called ”advertising model”, in which the baseball operation is intended to raise the profile of the parent company. Widespread coverage by the mass media was a primary factor behind the emergence of Japanese professional baseball as a truly popular ”national sport”. While newspaper coverage gave baseball a big push, the effect of live radio broadcasting was even bigger.

Radio broadcasting got its start in Japan in 1925, beginning a long period of rapid growth. By 1935, the year before formal league play began, only 17.9% of households had radios, but this figure rose to 50% by 1944, the year before the end of the war. 1945 saw a short-lived dip

becoming the Chunichi Shimbunsha. The leading role of the Yomiuri Shimbunsha in the early days of Japanese pro baseball is often pointed out, but we should not forget the important role played by the Chunichi Shimbunsha and its predecessor companies.

4. Regarding the above points, see Seventy Years of Chunichi Dragons History (Chunichi Shimbunsha, 2006), 41.
in radio ownership from which the market recovered rapidly, spreading to a total of 73.8% of households by 1955. The popularity of baseball, a programming favorite, was naturally enhanced as radio reached more and more Japanese homes.

Following in the footsteps of the radio boom, television broadcasting of pro baseball got its start on August 29, 1953 with the broadcasting of a game between the Giants and Hanshin. The growth of pro baseball into a national sport occurred primarily in the 1950’s and was closely related to the expansion of radio coverage, while television broadcasting became the primary agent of growth in the 1960’s and beyond.

As sports news and live broadcasting of sporting events became a staple of radio and television programming, it became obvious that owning a baseball team could be a quite effective way of enhancing the profile of its owners. Beginning in the late 1940’s, industries and companies other than the traditional newspaper and railway companies began to show keen interest in owning their own ball clubs. Not only motion picture companies (Shochiku, Daiei, Toei), and food processing companies (Taiyo Gyogyo, Lotte, Yakult, Nippon Ham) were eager to manage baseball clubs, but also companies as diverse as Tombow Pencils, Nittaku Homes, Taiheiyo Crown Gas Lighters, and the leasing firm Orix (Figure 1). The important point here is that these companies got into managing pro baseball teams based on the “advertising model”, and not the “main business synergy model” as had been the case with the railway and newspaper companies.

Another factor underlying the growth in popularity of the “advertising model” was the directive issued in the name of the director of the Tax Agency on August 10, 1954 entitled “On the Treatment of Advertising Expenditures vis-à-vis Professional Baseball Clubs”. This directive, among other things, stated that “of the total amount spent on baseball clubs by their parent companies each business year, the portion which can be said to be essentially advertising expense may be treated as such for tax accounting purposes”. It also says that “money spent to cover losses incurred by baseball clubs in a certain business year may be charged to the parent company’s books as advertising expense, provided

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that this causes no special problems, up to the amount of the annual loss.\textsuperscript{6} In other words, since losses related to running baseball clubs could be written off as part of the parent company’s advertising expenses, the more money they lost, the more the parent company could save on corporate taxes. Thus, this Tax Agency directive played a big role in bringing the “advertising model” of pro baseball club management to the forefront.

V. THE COMMUNITY-BASED MODEL

The most recent business model to appear on the Japanese pro baseball scene is the “community-based model”, which emphasizes deepening the bonds between the club and the local community in which it operates. First, I would like to review the process by which the model developed, based on Takashi Nara’s explanation appearing in the above-mentioned \textit{From the Fans’ Perspective: A History of Pro Baseball}.

The Hiroshima Carp were the pioneers of the “community-based model”. Being the only privately funded ball club, attaining financial self-sufficiency was a must. In the latter half of the 1970’s, inspired play by locally hired athletes combined with a buoyant Hiroshima economy to raise the attendance level past the break-even line. Kohei Matsuda, the owner at the time, boasted to Toru Shoriki, the then-time owner of the Giants, that “the ballpark was always full…and the udon noodles were our biggest moneymaker. With a cost of 50 yen per bowl, we were selling at 500 yen per bowl and making a 450 yen per bowl profit! Even after paying salaries, we were clearing 400 yen per bowl!”\textsuperscript{7} Making a profit also made it possible for the Carp carry out a bold recruitment strategy, engendering a situation in which more profits made a better team, which in turn made more profits possible. To put it differently, a strong local economy and the fostering of local athletes led to more aggressive scouting, which led to better play, which raised attendance levels, which bolstered the club’s balance sheet, which allowed for additional investments in the team, all of which resulted in a virtual

\textsuperscript{6} Ibid., 36-37.
\textsuperscript{7} Osamu Nagatani, \textit{Who Killed Pro Baseball?} (Shodensha, 2004), 182.
cycle that culminated in the Carp’s back-to-back Japan Series championships in 1979 and 1980.8

Following in the footsteps of the Carp of the latter half of the 1970’s, the next pioneer of the “community-based model” to come along was the Fukuoka Daiei Hawks in the 1990’s. Exploiting the new draft and free agent systems established in 1993 to their fullest, the Hawks succeeded in capturing a number of players who had been born and raised in Kyushu. As a result, the Hawks came to be dominated by players from Kyushu and Okinawa (which has deep historical ties to Kyushu). Just as the Carp had done over ten years earlier, the Hawks too succeeded in creating a virtuous cycle in which creating deep bonds with the local community resulted in superior play, which in turn improved club finances, which in turn permitted greater investment in the team. Other business ventures run by either the front office or the parent company, such as tie-ups with local shopping arcades, holding “We’re Number One!” sales at Daiei supermarkets, the operation of the so-called Hawks Town complex (consisting of shopping center, ballpark and hotel) and so forth contributed, directly and indirectly, to supporting the popularity of the Hawks, which prides itself on having the best attendance figures in the entire Pacific League.9

The Hiroshima Carp and the Fukuoka Daiei Hawks were pioneers of the “community-based model”, but the model did not really catch on until the era of the Chiba Lotte, Hokkaido Nippon Ham, Fukuoka Softbank and Tohoku Rakuten in the first decade of the twenty-first century. The most important characteristic of this model is that it attempts to turn the ball club into a “profit center”, a profitable, independently viable business entity, rather than treating it as a “cost center” operating out of the parent company’s advertising budget. One major factor pushing ball clubs to make this shift was the replacement of the 1954 directive allowing the writing off of losses on the baseball operations as advertisement expense with new rules encouraging companies to report business results on a consolidated basis, making the old way of financing ball clubs increasingly difficult to justify.

The Nippon Ham Fighters is perhaps the classic example of a team

8. Regarding the above points, see Kikkawa and Nara, 74.
9. Regarding the above points, see Kikkawa and Nara, 97.
who succeeded using the “community-based model” in the 2000’s.

Nippon Ham got its start in 1974, when Nippon Ham bought the Nittaku Homes ballclub. At the time, Nippon Ham was already the largest firm in the meat processing industry, but as it is recorded in the team’s official history, “as a company with roots in Kansai, we needed to do something to raise our brand awareness in the Tokyo area in order to sustain continued growth”.10 The decision to buy a ballclub was also supported by the fact that processed meat products such as sausage, ham and hamburgers were popular items for children’s boxed lunches, and pro baseball was a sure way to capture the hearts of young fans. Thus, at first at least, the Nippon Ham Fighters were clearly based on an “advertising model” management style.

Nippon Ham won its first league pennant in 1981, but lost the ensuing Japan Series showdown with the Tokyo Giants two to four.11 It took another 25 years for the Fighters to return to the Japan Series, but despite being in the doldrums, Nippon Ham’s finances were relatively stable in the last half on the 1980’s and the early 1990’s thanks to the “Tokyo Dome Effect” (the Dome began operation in 1988) and the burgeoning “bubble economy”. After the collapse of the bubble and the wearing off of the no-longer-novel “Dome Effect”, however, Nippon Ham’s finances went into a prolonged tailspin.12 In this situation, rumors of a new ballpark to be built in Hokkaido and a search for a home team to play in it were music to Nippon Ham’s ears. Nippon Ham made the decision to move to Hokkaido in 2001, and the actual move took place in time for the beginning of the regular season in 2004.

For Nippon Ham, the move to Hokkaido meant shifting “the definition of the operation” from that of performing an advertising

11. In the 1981 Japan Series, since both clubs’ franchises used the Korakuen Stadium (the predecessor of the Tokyo Dome) as their home field, all six games were played at the Korakuen. It can be assumed that this was welcomed by Nippon Ham’s management, which was primarily concerned with raising the brand awareness in the Tokyo metropolitan area.
12. During Nippon Ham’s “Tokyo Dome Era”, one of the Fighters’ biggest problems was having to share their home field with the Tokyo Giants. Sharing the same field meant that they could not manipulate the stadium environment, provide fan services or set game and event schedules at will.
function to that of becoming a true “sports business”. In a way, it can also be said that Nippon Ham’s move to Hokkaido was the result of its long affiliation with the New York Yankees, which lasted from 1975 to 2002. According to the official history mentioned above, “The affiliation with the Yankees showed us the ideal way a baseball operation should be managed: Forge deep, symbiotic ties with the franchises’ local community while contributing to its development, turn a profit, and then invest those profits in strengthening the baseball team. A ballpark is not just a place to play baseball; it is a place where families and members of the local community gather, a place that fosters communication through the medium of baseball. Thus, a baseball club should focus on creating a “sports community” which it maintains in perpetuity.”

After moving to Hokkaido, the Fighters put the idea of “sports community” at the core of their management philosophy, promoting concepts like “putting fan service first” and “being the ball club of the Hokkaido people”. To top it off, the Fighters even added “Hokkaido” to the official name of the club, becoming the “Hokkaido Nippon Ham Fighters”. The Fighters also developed the “730 Ticket”, giving fans half-price access to non-reserved seats in both the infield and the outfield after 7:30 in the evening. Other types of innovative ticketing practices included the use of cell phones’ QR code function to enable ticketless entry. Teaming up with the local community, the club carried out the “Fighters Eco Project”, performing all kinds of environmental protection work. The Fighters also made baseball history by being the first ball club to make their own videos for showing on the ballpark’s giant screen before games. One series, entitled “The Tale of Bêtes B212”, featured the team mascot Brisky the Bear (Bêtes B), who traveled to 212 locations around Hokkaido over the course of seven years, recording the highlights of the places he had visited. Other innovations include the creation of a club-led dance team made up of local dancers. All of these innovations served to deepen bonds with the local community and benefitted the team PR-wise.

What should be noted here is that as a result of the club’s strenuous

13. The Hokkaido Nippon Ham Corporation (cited above), 41.
14. Regarding the preceding points, see Kikkawa and Nara (cited above), 99-101, 103.
efforts to sink deep roots in the local community, the Fighters returned to profitability in 2007, only three years after their move to Hokkaido in 2004. The Rakuten Eagles, who became the first new pro baseball team to be formed in 50 years (taking the place of the Kintetsu Buffaloes, who were absorbed by Orix in 2004), used this model to turn a profit in 2005, their very first year of operation. We should also note that the Chiba Lotte Marines, who had reformed their operations under the banner of their “Ballpark Vision”, succeeded in reducing their yearly loss by 75%, (from four billion yen to one billion yen) in 2005, the year they won the Japan Series. Orix, who bought the bankrupt Osaka Dome operation in 2007, is also making steady progress toward reducing its losses.

What changed about these ball clubs? Clearly, the answer is to be found in the spread of the “community-based” management model, which encourages the diversification of income flows and the creation of related businesses. As a result of these income-enhancing trends, most ball clubs were either operating in the black by 2004 or making solid progress in paring their losses.

One other important aspect of the “community-based model” is that for it to succeed, it is necessary for a ball club to own or control its home ballpark. “The Integration of Ball Club and Ballpark” establishes a way for ball clubs to profit from ballpark operations.

In Japanese pro baseball, most stadiums are operated by local governments or so-called “third sector” corporations, to which ball clubs, as entertainment providers, have long paid user fees. This situation continues even today for those clubs that do not own their own stadiums. Teams implementing the “community-based model” (such as those mentioned above) have overcome this obstacle by paying for the rights to do business on the stadium premises.

One concrete example is that of Rakuten, which gained all commercial rights to a stadium owned by the Miyagi Prefectural Government through a deal in which Rakuten paid the bill for a 3 billion yen stadium restoration project and further agreed to pay the prefecture 50 million yen per year.\(^{15}\) Another is Chiba Lotte, which from 2005 on

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took advantage of the “designated administrator system”\textsuperscript{16} to gain the rights to sell food, drinks, and other items inside the stadium. Orix, on the other hand, obtained these rights when it bought the bankrupt Osaka Dome operation in 2007, which significantly reduced its operating losses.

To sum up, obtaining commercial rights to in-stadium sales improves profitability, which in turn allows a ball club to invest more in deepening ties with the local community. Thus, it can be said that obtaining these rights is crucial to making a “community-based” management model succeed.\textsuperscript{17}

VI. CONCLUSION: CAN JAPANESE PROFESSIONAL BASEBALL OVERCOME ITS CURRENT CRISIS?

It is often said that Japanese pro baseball is facing a crisis. Seven years ago the player’s association went on strike for the first time in history on the 18\textsuperscript{th} and 19\textsuperscript{th} of September, 2004, despite being in the middle of the regular season. This strike had its roots in the decision by the Kintetsu Buffaloes’ parent company, Kintetsu, to end its sponsorship of the loss-making team. The Osaka Kintetsu Buffaloes were eventually bought out by Orix, putting an end to the history of the only team that had never succeeded in winning a Japan Series title. At the time, many observers thought that the trials and ultimate fate of the Buffaloes were signs of a larger “crisis” is Japanese pro baseball as a whole.

The following four arguments are often offered as “proof” that Japanese pro baseball is facing a “crisis”:

(1) Among children, baseball is losing popularity vis-à-vis soccer. Japan’s children are “turning away from baseball”.
(2) Japan’s best pro ballplayers are leaving in droves to join the American Major Leagues.
(3) Television broadcasting of pro baseball is diminishing.
(4) Most pro baseball clubs are losing money.

\textsuperscript{16} The designated administrator system is a system which allows private companies to operate facilities owned by local governments or third-sector companies.
\textsuperscript{17} For the above, see Kikkawa and Nara, 191-193.
Are these arguments true? If so, does this mean that Japanese pro baseball is in a “crisis”?

As for (1), it is undeniably true that soccer has risen in popularity among children. This does not mean, however, that the popularity of baseball is in decline. According to the Japan High School Baseball Federation, the number of hardball players on registered high school teams has risen for twelve straight years starting in 1998. In 2002, this number surpassed the previous high mark of 151,437 players, a number which continued to grow until reaching 169,449 players in 2009.18 Regarding (3), while it is true that terrestrial broadcasting of pro baseball games has declined, we should not forget that the number of fans watching cable TV or satellite broadcasts is rising. It is an undeniable fact that we are witnessing the transition to an era in which fans are willing to pay to watch pro baseball, which in turn means fat royalties for ball clubs. The opportunity to watch games by teams other than the Giants has in fact been growing.

Regarding argument (4), we should not overlook the fact that more and more teams employing the “community-based” management model, especially in the Pacific League, are gradually succeeding in making the transition to profitability. As a result, the number of chronically money-losing teams has dropped to about half the total.

Considering these facts, perhaps the biggest threat to Japanese pro baseball is (2). Indeed, competing with the major leagues is a frightening proposition. Still, what I would like to stress here is that pro baseball is a team sport, not an individual sport. The most important things are records of wins and losses, the results of the pennant race, and so on. If we get back to basics, focusing of the fascination of baseball games as team endeavors and communicating the exquisite drama of the pennant race, Japanese baseball will surely be able to find a way forward. As long as baseball is based on team play, not individual play, it should be possible to convince fans to focus more on what Japanese baseball teams are doing than on what Japanese major league players are doing. Even if the flow of talented players to the major leagues

continues, as long as Japanese pro baseball games are lively and interesting and the pennant race is thrilling, Japanese pro baseball should have nothing to fear from the major leagues.

As we have seen, Japanese pro baseball got its start using the “main business synergy model”, developed further using the “advertising model”, and is presently in the process of transition to the “community-based model” of management. Having surveyed the historical background and context of Japanese pro baseball management, what is the “road to revival” that should be taken from here on out?

As explained above, the key to solving the crisis in which Japanese baseball finds itself is to make sure that games are exciting and the pennant race is a thrilling event. To realize this, the first thing that must be done is to deepen and strengthen each team’s implementation of the “community-based” management model. As shown above, the faithful implementation of this model can lead to a growth in attendance, which improves ball club finances, which permits greater investment in facilities and players, which strengthens the team, which in turn bolsters attendance, and so on in a never-ending virtuous cycle. Fukuoka Daiei, Chiba Lotte, Hokkaido Nippon Ham and others have won league and Japan Series titles by successfully employing this mechanism. If the virtuous cycle-engendering mechanism that is the “community-based model” were to spread to every corner of Japanese baseball, a vigorous competition will ensue between teams which are all constantly seeking to bolster their strength. Creating this situation will naturally result in exciting games and a white-hot pennant race.

It should not be forgotten that the first link in the chain of this “virtuous cycle mechanism” is raising attendance and thereby increasing team income. To get the virtuous cycle started, it is first of all necessary for a ball club to create a link between stadium’s income and the club’s income. With the exception of a the few ball clubs that own their own stadiums, most Japanese ball clubs, despite being entertainment providers, continue to pay high user fees to their stadium owners, which include local governments, third-sector corporations, or other private corporations. Unless this situation is remedied, the link between increased attendance and increased ball club income will be too weak to get the “virtuous cycle” going. “Community-based” clubs who have solved this problem include Tohoku Rakuten and Chiba Lotte, which
have gained control of the rights to do business on their stadium premises by various devices, including exploiting the designated administrator system.

In conclusion, therefore, I think it is possible to say that the “royal road” leading to the revival of Japanese baseball lies in deepening and strengthening the implementation of the “community-based” management model, creating a virtuous cycle in which raising attendance ultimately results in the strengthening of the team itself. It can also be said that the first, crucial step in this direction is for each team to create a strong link between stadium income and team income.

Taking this “royal road”, however, is not necessarily an easy journey. Whether using the “community-based model”, or one of its predecessors, the “main business synergy model” or the “advertising model”, Japanese baseball has developed through borrowing the strength of private business (parent companies). This basic fact will not, I believe, change in the future. While I think is not incorrect to say that the way forward lies in the strengthened implementation of the “community-based model”, the big issue remaining is what kind of “community-based model” should be pursued, while continuing to both augment and borrow from the parent company’s strength.

REFERENCES


