

THE ECONOMICS OF BASEBALL



Payne explains his 'customer in' technique

by Christian Morrow

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The economy has been hard on every business and the chambers of commerce that serve them. The African American Chamber of Commerce of Western Pennsylvania is no different, but the business barometer still indicates continued growth.

Despite the downturn in the economy, the chamber only realized a decrease in its net assets of \$1,899 at the end of the 2002 fiscal year, according to its 2003 annual report.

"We have created an unprecedented political impact. We have been successful with our business right in having those seeking elective office address issues that affect our economic agenda," said chamber President Doris Carson Williams during

the May 20 annual meeting luncheon. "Through strong advocacy and an outspoken demand for a level playing field, we continue to work on changing a system from one that minimized our role, to one that is moving towards maximizing our opportunities."

The superb view of PNC Park from the conference room windows of the Renaissance Pittsburgh Hotel was a fitting backdrop as the chamber welcomed home Donora native and Milwaukee Brewers President and CEO Ulice Payne Jr., who delivered the keynote address.

After welcoming remarks from chamber President Doris Carson Williams and Chairman Robert Agbede, Pittsburgh Pirates CEO and Managing Partner Kevin McClatchy introduced Payne, noting his membership on Marquette University's 1977 NCAA championship basketball team and his support for communities in his native Mon Valley.

"It would take an hour to read his whole bio. He's simply done it all,"

TEAMMATES—Doris Carson Williams, center, poses with Kevin McClatchy, left, and keynote speaker Ulice Payne.

said McClatchy. "But what I really like about him is he appreciates where he came from."

After Payne thanked the chamber and Citizens Bank for sponsoring the lunch—and the bank for employing the one of his cousins, he got down to business. First he lauded Major League Baseball's diversity record and urged chamber members to contact Wendy Lewis in the New York diversity office because she wants to do business with more minority firms.

Then Payne offered an insightful and often amusing primer on the business of baseball, because as he put it, "I'm always selling."

"Here are the economics of baseball; we run a school in the Dominican Republic another in Venezuela, six minor league teams and the Milwaukee Brewers. And we have only three 'revenue buckets' we can draw from to pay for it all," he said. "Seventy-five percent of our expenses are baseball related."

The first "bucket" is home-gate revenue which accounts for 57 percent of the teams income, he said. This includes admission, concessions, parking and sponsor signage.

"So basically, if I give you a ticket to get into the game—you're going to pay me to get out," he said. The other

"bucket," said Payne, is local broadcasting and MLB national television and licensing. These are the pieces of baseball's economic business model.

"You have to know your model, and you have to change it as conditions change," he said. "Disney just sold the reigning World Series Champion California Angels—because it fit their model."

Payne then cited examples of how he and the Brewers changed their model.

"Parking is great. You put 'Charlie' out there in a chair and he waves to you and you hand him money," he said.

"But it's a cash business. And as every bartender knows, you can have 'Charlie' out there going, 'There's \$1 for you and \$1 for me,'" he continued. "So we fanned out the parking to a company that guaranteed us a 10 percent increase in revenue."

The company put in rollers to count the cars and Payne can now calculate \$2.2 million in revenue for every 100,000 fans. Payne said his business model is "Customer in" as opposed to "product out." Rather than saying, "Here's what we do—buy it," he asks, "What flavor do you like? Of course I have it."

He cited Saturn's "design your own car" ads as an example of his philosophy.

"It's the same car. You're not designing it, but you think you are," he said. "What flavor do you like?"

That philosophy seems to be something the chamber follows.

In response to member input,

the chamber, among other things, is working on universal certification of minority-owned businesses by the city, county, state and federal government. Currently, minority busi-



HOME GAME—Donora-born Ulice Payne greets Jerry Lopes at the African American Chamber of Commerce during its annual meeting and luncheon.