

# Preface

Pacific Rim sports institutions are not well understood and academic research on sports business in the Pacific Rim appears only occasionally. Thus, academically, the sports business in the Pacific Rim presents an extremely fertile yet relatively untouched area of analysis. But there is also a growing (and we believe pressing) need for understanding the sports business in this portion of the world based on the rapid growth of the sports business sector in these economies. Following consistent and rapid general economic growth, Pacific Rim countries have grown and joined other major international forces in sports.

For example, four countries (Australia, China, Japan, Korea) populated the top ten medals list at the 2012 London Olympics. Moreover, Pacific Rim countries are major consumers of international sports and domestic professional sports have expanded continuously over time. Nippon Professional Baseball and the Korean Baseball Organization are the second and third largest baseball leagues, measured by attendance and revenue, behind Major League Baseball in the USA. This growth in size and stature assures that there is already demand for the types of comprehensive study of the sports business in the Pacific Rim in this volume.

This volume of collected industry studies, *The Sports Business in the Pacific Rim* is the first comprehensive effort in this direction. It covers sports industries in five different countries (Australia, China, Japan, South Korea, and Taiwan) and it was our express purpose to cover a wide variety of sports. Industry studies of well-known team sports (baseball, soccer, and basketball) comprise part of this book. However, sport is just as varied (and at times unique) in the Pacific Rim as in the rest of the world and other chapters will also cover horse racing, bowling, and rugby. Sports unique to this region are also special features—Sumo and Australian Rules football. At the same time, the volume does not shirk on the issues of highest interest to those studying sports, from competitive balance in Pacific Rim leagues to sports governance structure.

The studies in this volume use economic and business analysis to examine the institutions that exist in the Pacific Rim sporting world. These include descriptive analyses of professional sports leagues that discuss history, regulations, attendance, competitive balance, and revenue. In addition, there are chapters containing in-depth analysis of the relationship between attendance and competitive balance,

the components of fan demand in common the world over, and business decisions concerning attendance and pricing. There are overviews of the different ownership models in Pacific Rim sports and the interaction between business and government. There also are event studies of team ownership, assessment of human capital markets, sports participation, and community impacts of sports. Of course, the international championship component, shared with the rest of the non-American world, is covered as well.

Specifically, Part I includes studies on competitive balance, attendance and revenue. Humphreys and Watanabe kick off the volume with a comprehensive introduction that includes the foundation and growth of professional sports leagues in East Asia, their hybrid use of North American and European methods of business, and their regulation of sport leagues. Hirata and Szymanski examine the impact of World Cup on league attendance in European countries compared with the 2002 Cup held in Japan and Korea. Joo and Oh overview the history of Korean Basketball League (KBL) and analyze the impact of influx of foreign players on fan demand and competitive balance in KBL. Jang and Lee consider the attendance determinants of the Korean Professional Football League. They examine the heterogeneity of governance structure, dynamic changes in territorial definition, and competitive balance and their effects on attendance. Kim and Lee explore the evolution of the sports broadcast market in Korea, identifying both common and unique features of the Korean case and others around the world. Jane considers television viewership of the World Baseball Classic held recently in Taiwan. In particular, Jane assesses empirical evidence of Taiwanese consumer discrimination and the uncertainty outcome hypothesis in that international competition. The Zheng and Fort chapter focuses on the highest-level professional basketball league in China. In addition to providing an economic characterization of the evolution of that league, they also track the behavior of competitive balance, with and without promotion and relegation. Watanabe and Soebbing analyze attendance for professional football in China. The Chinese Super League has introduced pricing structures unique in China and the empirical analysis investigates how that pricing strategy affects attendance.

Part II focuses on sports governance structures in the Pacific Rim, which vary dramatically from their counterparts around the rest of the world. Generally speaking, major corporations support most professional sports teams in the Pacific Rim; only a few teams operate business independently. In addition, international competition is of growing importance and government oversight is often in play. This heterogeneity provides some “natural experiments” for studying the relationship between governance structure and fan demand. Leeds and Sakata estimates the advertising value of teams for parent companies by evaluating the impact of purchase and sale of Japanese baseball teams on the profits of their parent companies. Fort, Kang, and Lee provide an overview of the economic and business evolution of professional baseball in Korea, with highlight comparisons to Major League Baseball. They cover the state of revenues, costs, profits, team values, and the player labor market as well as the state of competitive balance. Chen and Chen provide event studies on Taiwanese sports leagues, as well as regression analysis, to analyze the effect of sports teams on the value of parent companies. Macdonald and Burton

provide the legal and economic evolution of sports governance for the Australian National Basketball League (NBL). They argue that continual financial instability, along with power struggles between powerful individuals in the Australian sports scene, has produced ineffective governance to date. Booth, Gilligan, de Zwart, and Gordon-Brown move the analysis of sports governance in Australia to the level of generic models, concluding that sports do not really provide a “special case” for these models but that specific governance forms have had more influence in that country’s sports non-profits.

Part III assesses human capital markets. Saito considers the effect of educational background on players’ careers in Japanese professional baseball. A Mincer-type salary regression provides evidence that educational background influences not only player salary, but also eventual coaching careers for those players that move on to that occupation. Lee and La Croix attempt to draw implications relevant to human capital development from sumo wrestling. Their analysis supports labor market theories on the relationship between worker performance and their portfolio of skills; sumo wrestlers possessing a diverse portfolio of techniques that utilize those techniques in unpredictable ways win more matches. Nakamuro, Yamasaki, and Inui are interested in the question of whether investment in sports and athletics matter for adulthood outcomes. Using a sample of Japanese twins to control for innate ability and family environment, they find that sports participation during childhood and adolescence can enhance likelihood of future employment, reduce adulthood obesity, and improve health status. The Dabscheck chapter examines the labor market environment for jockeys in Australia. Dabscheck offers two quite different contributions. In the first, Dabscheck shows how the labor market institutions governing jockeys in Australia harm both jockeys and the evolution of the sport, suggesting that jockeys should be employees rather than independent contractors. In the second, the evolution and impacts of collective bargaining are presented for two different Australian leagues in soccer and rugby; the soccer bargaining agreement evolved before rugby, providing a historical panorama of learning by one league from another.

Part IV on Sports and Community contains two chapters. The Yamamura contribution compares two professional sports leagues (one with a short history and another with a long history) for their enhancement of social capital formation. Even though it was formed decades later, Yamamura’s bivariate probit regression suggests that the Japanese Professional Football League (JPFL) has contributed more to social capital formation than has the Japanese Professional Baseball League (JPBL); people in the home city of JPFL teams play football with their neighbors more than people in the home city of JPBL teams play baseball. Kim and Kwak provide the history of the Korean professional football league (K-League) and a case study focusing on the first supporter-owned club, Daejeon Citizen. The chapter presents how local and regional identity helps construct team identification and team loyalty from a social identity perspective.

Covering a novel sports business geographic location, a wide variety of governance structures, from a wide variety of academic perspectives, for a wide variety of sports proved challenging. We hope that the reader new to this area is treated

to quick and easy access to sports business in a fascinating part of the world and that old hands to the analysis of sports find that stimulates additional interesting research questions, expanding their analytical horizons. In any event, we had fun collating the work of so many esteemed colleagues and learned much in the process.

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Economics and Policy

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