

## ACCORDING TO...

# An Interview w/ Vince Gennaro

Vince Gennaro is a consultant, whose client list includes an MLB team. Over his 30-year business career he served as a CEO of a public company, was President of a billion dollar Division of Pepsico, and owned a women's pro basketball team. His innovative analytical work on the business of baseball has been featured in *The Sporting News* and *The New York Times*, and he has written for *The Hardball Times*, *Boston Baseball*, *Maple Street Press Red Sox Annual 2006 and 2007*, and *Bombers Broadside 2007*.

He has an MBA from the University of Chicago and lives in Purchase, NY with his wife and daughter. In *Diamond Dollars: The Economics of Winning in Baseball* (published by Maple Street Press), winning is a numerical pursuit.

**Your book seems mainly to be advice on how to run an MLB operation. What are the best and worst run operations in MLB today and why?** I'm not in position to understand the inner workings of every team. However, it's impossible not to notice the great job by the Red Sox. Today, they are the premier organization in MLB. The baseball operations function has a great balance between analytics and scouting, their player development system is emerging as best-in-class and their business organization is aggressive in their pursuit of revenues.

One key is a mindset that the primary reason the business organization exists is to maximize revenues to fund baseball operations. The irony is that they were no doubt inspired to rewrite the script for running an MLB team because of their need to compete with the Yankees, yet they've blown by the Yankees in their level of excellence in the way they run the business.

I would also single out the Tampa

Bay Rays, the Tigers, Padres, Brewers, and Indians as teams that are progressive and forward thinking in the way they operate. (Disclosure Note: I currently work closely with the Indians, both business and baseball operations)

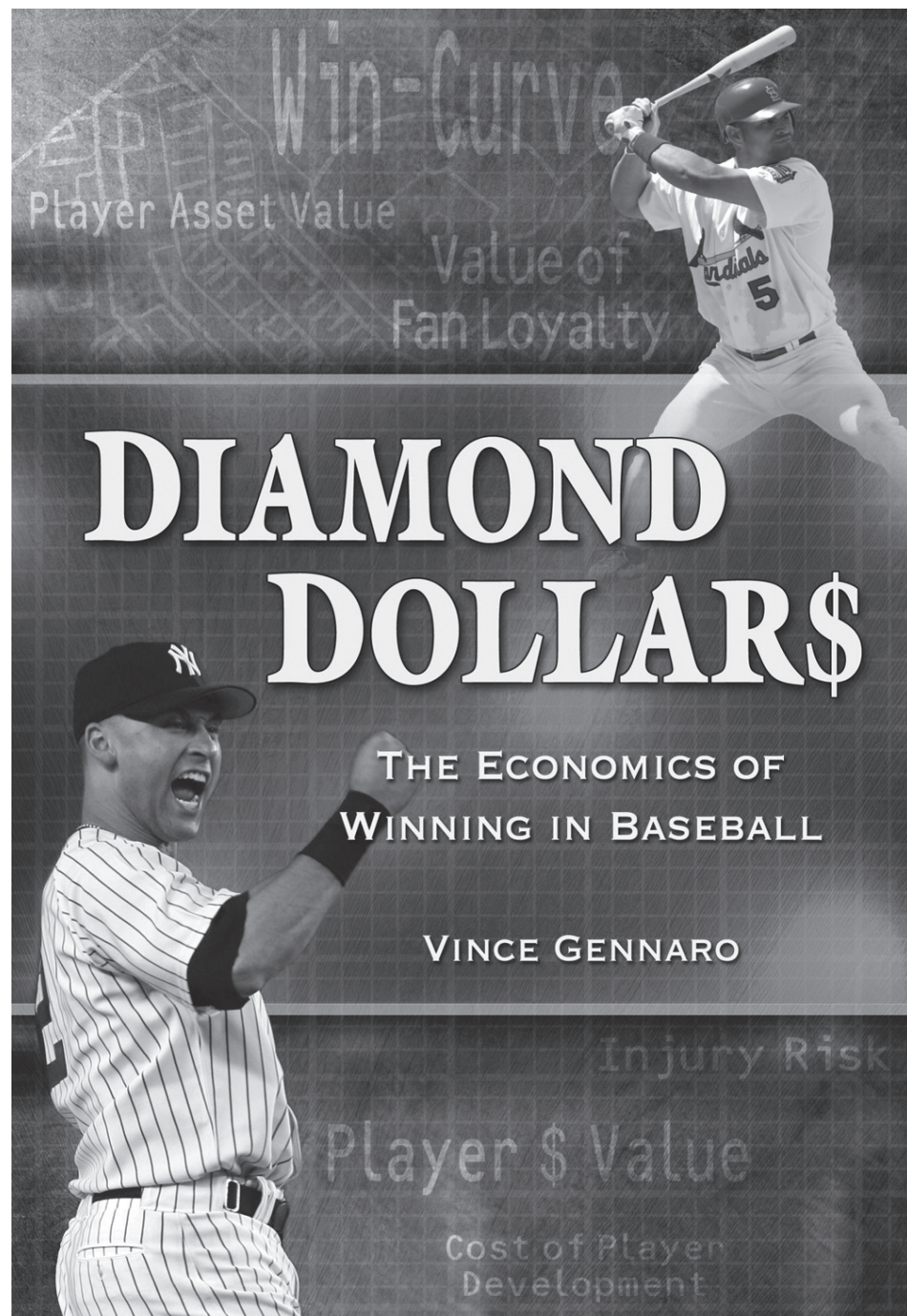
**How big is the small market/big market problem in baseball?** The problem of competitive balance is significant. It's not purely small vs. big market lines, but that's a reasonable approximation. The Yankees have a resource base that is significantly larger than any other large market team, including the Mets.

Part of the issue is the ownership stakes some teams have in regional sports networks (NESN, YES, etc.) The YES Network is valued at nearly \$3 billion and the Yankees own 36 percent of it. The value of their stake in the network is more than the value of any other MLB team. This allows the Yankees to sign A-Rod to a \$300 million, 10-year deal and generate the "value" to make the contract a good business decision. No other team is close to the Yankees' level of revenue generation.

Another issue is people's (media and fans) focus on payroll rather than player development spending. I'm impressed with what the Rays did last season—their spending in the amateur draft was equivalent to about one-third of their ML team payroll. That's a very sound approach for a team that has a low revenue opportunity.

**Can you explain a little about why you said Derek Jeter was the most valuable player in 2006 in dollar terms? Does he have the most marquee value?**

Jeter was the beneficiary of the perfect storm of player value—a high-impact key player, on a team that is likely to return to the postseason, on the highest revenue team in MLB.



If you measure value as the incremental revenue a player can contribute to his team via his performance and his "marquee" value, then five of the top 15 "value" players will likely be Yankees. Jeter does have value that transcends his contribution to the Yankees' win total. He has become part of the Yankees brand, much the way Mantle had become a mark of the Yankees identity late in his career and for years beyond. I think Alex Rodriguez has a chance to eclipse Jeter's marquee value. That is not to say that he will be more popular than Jeter, but his high profile, combined with the milestones he's likely to surpass will provide tremendous value to the Yankees, possibly even more than Jeter.

**Would you ever tell your daughter that Derek Jeter is not a clutch hitter?** I'm still working on convincing my daughter that Jeter has many defensive shortcomings, mostly driven by his limited range.

**In percentage terms, how much do you think baseball revenue will increase in the next five years? What will be the biggest sources of that increase?** I believe baseball revenues will grow at about 10 percent per year for the next several years, mainly fueled by MLB.com, which has done a great job in bringing MLB into the digital world. It's quite ironic that the most conservative, long established, "traditional" professional sport has done the most effective job of marketing using "new" forms of media, such as the internet.

“Today, [the Red Sox] are the premier organization in MLB. The baseball operations function has a great balance between analytics and scouting, their player development system is emerging as best-in-class and their business organization is aggressive in their pursuit of revenues.”

▶ ▶ ▶ ▶ ▶



**“From where we sit today, I would expect the Cubs to win about 88 games and the White Sox to win about 75 games in 2008.”**

**Any prediction on how many games the Cubs and White Sox will each win this year?** The Cubs and White Sox are arguably headed in different directions. The Cubs and Brewers should contend for the NL Central, although I would not expect the loser to be the wildcard.

The Sox seem to be searching for the “right” way to turn over their roster. Most successful teams that don’t have the budget of the Yankees need to move (trade, release, or allow attrition when contracts expire) some of their older players before they become too expensive relative to their performance, or else run the risk of having these players become a burden. While the 2005 World Championship bought the Sox some time with fans, they have not used the time wisely. Keep in mind, many

things can still happen as rosters evolve, however, from where we sit today, I would expect the Cubs to win about 88 games and the White Sox to win about 75 games in 2008.

**What kind of contract do you think Johan Santana will get if and when he becomes a free agent?** Santana will likely be signed to a 6 or 7 year deal at \$24 to \$27 million per year. Over the last several months, I’ve analyzed the factors that influence free agent compensation. Besides the obvious factors, player quality (recent historical performance) and age, starting pitchers tend to earn more than other position players of comparable ability. Another factor that seems to affect compensation is the player’s injury risk, as measured by the variability in the number of games a player has

appeared in for the last five years. Santana has all the factors going for him—age, quality, a left-handed starting pitcher, reliability—which should add up to a healthy compensation package.

**You mention holding scouts accountable for the success or failure of the players selected in drafts. How would that work?**

A team could hold scouts available for the ultimate outcome of the scout’s draft recommendations, even if the player was drafted by an-

other team. If a scout recommends a player as a second round draft pick, but he’s selected by another team, the scout’s team could still measure the player’s progress and evaluate their scout’s judgment accordingly. A team could compensate scouts with variable compensation based on the success of their recommendations, but the problem is the lag time. It can take five or six years to determine if a draft recommendation is a success.

*Interviewed by Cyril Morong*

## HealthBOX

### PAIN MANAGEMENT AND NATURAL MEDICINE CENTER

- ✓ Neck and shoulder pain
- ✓ Upper and lower back pain
- ✓ Headache
- ✓ Arthritis
- ✓ Sexual disorders
- ✓ Digestion disorders
- ✓ Smoking cessation
- ✓ Fatigue

3633 W. Lake Ave. Suite 303 | Glenview, IL 60025 | 847.724.1777



**The only publication  
exclusively dedicated  
to your Chicago Bears**

# BEARREPORT

**In-Depth Coverage**  
features on players, coaches, and  
issues surrounding the Bears  
**\$39.95 when ordering online at**  
**BearReport.com**

**scout.com**

## SUBSCRIBE TODAY

- 10 Monthly issues including**
- Bears Draft Preview
  - Bears Season Preview



- Scout.com Draft Preview
- Scout.com Fantasy Football/Preview

**2 Bonus Scout.com  
Issues (\$20 Value)**