Eddie Jou, Moneyball Case, Competitive Strategy - Thursday 8:30-11:30 Section

If I only cared about profits, I would need to do a cost benefit analysis between the extra cost I incur from brining in players that help me win more games against the extra revenues I earn from being able to charge higher prices for seats at games and for being able to fill up the stadium (due to having a team that wins more games). Given that both teams exist in the market, it seems both are making money but I would likely prefer to buy the Yankees. First, it seems there is a connection between winning more games and greater revenue. The connection comes from the fact that more people will want to watch a winning team, driving up the prices one can charge at a stadium – from food, to merchandise, to seats. Second, there are more people in New York, meaning there will likely be more competition to watch games – further driving prices higher.

No, I don't think the A's owners earned excess returns with Billy Beane. According to one of the readings, "attendance increased sharply while average ticket prices rose as on-field success improved." However, this increased revenue had to be weighed against Billy Beane hiring other people to dig through the statistics. And just as it took time before the A's began to win more games, eventually earning more revenue, the statisticians likely began to realize their worth and began to ask for more money - eventually being lured away to other teams.

The A's used the fact that on-base percentage was worth more than batting average to outperform other teams. However, the broader principal that Billy Beane used was to rethink how to best get a baseball team to win. For instance, the GM became the person who decided what plays players should use instead of the manager in the dugout. Another tactic that Beane used was to buy players on the eve of the season's trading deadline when the price of players was typically cheapest. While other teams could perform the same tricks during this time, Beane had placed a dollar value on every asset for a baseball player and was therefore pursuing players which other teams might undervalue because they did not have the statistical analysis which Beane had. This is what allowed Beane to exploit something which all GMs had access to. The process that Beane used is easily replicable by other teams because anyone can buy players on the cheap during the last deadline. It is Beane's approach to baseball that seems to be hardest to replicate. Other teams may not have analyzed baseball to the degree Beane had and therefore undervalued important aspects of players which could help teams win.

Beane's tactics were likely not possible since the beginning of baseball because players and games were not recorded and computers with a large amount of processing capacity were not around. In the 90s, with advances in data technology and digital replay and recording, each aspect and decision of a baseball team could be analyzed by a few people and made the work that Beane was doing, possible. For example, the distance that a single player traveled in making a catch is something that could be tracked by the 90s, but would be very hard to analyze in the earliest days of baseball.

An alternative explanation is that Beane's connection between winning games and higher profits is not as sound as he believes. Playoff games are typically the most revenue generating games and if the A's are not winning those games, then winning more regular season games isn't as profitable. Additionally, it may be that winning playoff games requires camaraderie, which is harder to develop when players are being traded and added 3 months before playoffs begin. Lastly, it may be that star power of players develops customer loyalty to a team and draws in larger crowds better than an additional game won. For instance, someone may be more willing to watch the Yankees play and buy Yankees gear because they develop a loyalty for Jeter and not because the Yankees win 10 more games.