



## **Organizational Report**

In a continuation of [The Biz of Baseball's Organizational Reports](#) , we are now featuring the franchise that has been one of the most successful in all of baseball:

### **The Boston Red Sox**

After years of heartbreak, the [Boston Red Sox](#) are quite arguably the crown jewel of Major League Baseball, the epitome of the way a team can be run. Building through the draft, and a vision of excellence in the front office, the Red Sox Nation has been continuously growing in the past five years. Why have the Red Sox been able to sustain excellence while one set of teams continue to struggle despite brief success; Detroit Tigers, and others have put together a historic streak of losing; Pittsburgh Pirates.

A level of success was born when former Florida Marlins owner John Henry teamed up with Tom Werner and Larry Lucchino. They, along with other investors, purchased the team from the Jean R. Yawkey trust, for \$700 million in 2002. Since the merger, the Red Sox have four post-season appearances in the last five years and two World Series Championships; 2004 defeating the St. Louis Cardinals and in 2007 defeating the Colorado Rockies.

However, what specifically is it that the Red Sox do that set them apart from the rest of the teams. If you dissect the team, they do three things very well, Player Development, Office and Field Management and a strong fan base.

Select [Read More](#) to see details such as Opening Day player payroll, the impact of FSG, improvements to Fenway Park, and more

### The Impact of Theo Epstein

In terms of player development, the head honcho these days is [Theo Epstein](#). Epstein, who is a Yale graduate and earned a law degree from the University of San Diego got his start in baseball in 1992 as a summer media relations intern with the Baltimore Orioles. Two years later, he moved on to the Padres Organization where he spent three more years in Media Relations. Fast forward to 1998, he became the baseball operations assistant and in 2000, baseball operations director.

*In 2002 Epstein became General Manager for the Red Sox, not to anyone's surprise. "It will be clear to you over time that this is a gifted person with a real opportunity to have a profound impact on this franchise," Lucchino said. One of Epstein's' great gifts is his ability to sift through an immense number of details, details that include statistics, salaries, and any type of information that could help an organization determine if a certain player is worth a draft pick, a trade or a salary increase. "Epstein immerses himself in details. With the Padres, one of his tasks was to learn every team's depth chart of prospects from top to bottom. He would scout hundreds of games and put in countless hours of work. With the Red Sox, he encourages input. He'll get plenty from a group of experienced aides, including former GMs. He already has helped develop a plan to build the farm system, add players to the major-league roster and proceed aggressively — but, at times, cautiously if the price for a player is too high"*

A profound impact, possibly a great understatement. His most productive deal brought Josh Beckett and Mike Lowell from the Florida Marlins. The Marlins received numerous prospects in the deal including Hanley Ramirez, star shortstop of the Florida Marlins. That was a deal done through a trade, but what about the Red Sox farm system. In recent years, they have produced players through their farm system that could be an all-star team. Jon Lester, Jacoby Ellsbury, Clay Buchholz, Jonathan Papelbon, who is now one of the game's elite closers, "the Greek god of walks" Kevin Youklis, reigning American League MVP, Dustin Pedroia, and centerfielder Jacoby Ellsbury.

Are Theo Epstein and his staff extremely lucky when it comes to drafting their players and manager Terry Francona, is just in the right place at the right time? If it could only be so simple. Ellsbury and Jed Lowrie were first round picks in the 2005 draft and Justin Masterson was a second rounder in 2006. The Red Sox have developed a system where they can pinpoint the

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right players for their team, a system that can propel them through the minor leagues and be prepared when reaching the majors, with managers and coaches who have created an environment where any prospect can succeed. "We were confident that with time and resources committed to scouting and player development that we could improve the farm system," said Epstein. "I'm not sure that we would have what's being called the second best farm system five years into it." According to Epstein the links in the chain are a vital cog of the machine, "Without any of those three links in the chain," said Epstein, "this wouldn't have happened."

The development team consists of Epstein and Senior Vice President/Assistant General Manager Jed Hoyer. They are in constant contact with the vice president of Player Personnel Ben Cherington, and Senior Vice President/International Scouting, Craig Shipley. The final piece to this whole puzzle was the hiring of sabermetric guru and quite possibly the most famous sports statistician, [Bill James](#). James was brought on board by Henry in 2003. Since 1977, James has written more the two dozen books, which are specifically dedicated to baseball and statistics. His approach; [sabermetrics](#), analyzes baseball data through scientific and mathematical formula to determine why a baseball team wins and loses.

### 2009 Opening Day Payroll □

The Red Sox started the season with player payroll on Opening Day ranked 4th in the league at \$122,696,000, a decline of 8.05 percent from 2008's Opening Day payroll of \$133,440,037 ([see player salaries for all 818 players on Opening Day payroll across the league](#)). Below is a break down of salaries for each player on Opening Day:

- J.D. Drew - \$14,000,000
- David Ortiz - \$13,000,000
- Mike Lowell - \$12,500,000
- Josh Beckett - \$11,166,667
- dl-Julio Lugo - \$9,250,000
- Daisuke Matsuzaka - \$8,333,333
- Jason Bay - \$7,750,000
- Jonathan Papelbon - \$6,250,000
- Kevin Youkilis - \$6,250,000
- dl-John Smoltz - \$5,500,000
- Brad Penny - \$5,000,000
- Jason Varitek - \$5,000,000
- Tim Wakefield - \$4,000,000
- Takashi Saito - \$2,500,000
- Hideki Okajima - \$1,750,000
- Dustin Pedroia - \$1,750,000

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- dl-Mark Kotsay - \$1,500,000
- Javier Lopez - \$1,350,000
- Jon Lester - \$1,000,000
- Nick Green - \$550,000
- Rocco Baldelli - \$500,000
- Manny Delcarmen - \$476,000
- Jacoby Ellsbury - \$449,500
- Ramon Ramirez - \$441,000
- Justin Masterson - \$415,500
- Jed Lowrie - \$414,000
- Chris Carter - \$400,000
- dl-Miguel Gonzalez - \$400,000
- George Kottaras - \$400,000
- dl-John Van Every - \$400,000

Total - \$122,696,000

Avg. - \$4,089,867

### New England Sports Ventures

We can see the Red Sox can develop players, but where is the revenue stream, how are the Red Sox able to sign a Jason Bay, to let go of a Manny Ramirez, and be confident that they can develop a superstar or sign one. That question is based solely on their sponsors and the owners of the team. As mentioned previously, when the Red Sox merged in 2002, their access to additional funds vastly improved. The team is owned by New England Sports Ventures (NESV), has opened the Red Sox to areas beyond the New England area. NESV is the parent company of the Boston Red Sox. This Limited Liability company also owns Fenway Park, Fenway Sports Group (FSG) (which owns 50% of NASCAR's Roush Fenway Racing) and 80% of the New England Sports Network (NESN). What Henry and Werner have done with NASCAR is expanded the visibility of the Red Sox, to the rest of the world. Baseball and NASCAR are beginning a cross-brand sports conglomerate that can propel the Red Sox into the same stratosphere as the New York teams.

According to [Mike Dee](#) , Chief Operating Officer of the Boston Red Sox, baseball will always be the core priority of the business, but baseball has been around for a very long time and new and compelling ideas are hard to come by, but with the new businesses, he is involved with, new opportunities are plentiful.

*"Baseball's always going to be our core*

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*business, but it's a mature business. It's going to be harder to squeeze more juice from the orange," said Dee, who has a dual role as the Red Sox chief operating officer and the president of Fenway Sports Group. "I tell people, 'I spend 80 percent of my time with the Red Sox, and the other 80 percent of my time with the Fenway Sports Group."*

According the Forbes, The Red Sox value has nearly doubled since Lucchino and his team arrived on the scene in 2002. The value then was \$426 million, in 2008; the value was approximately \$816 million ( [see historical Forbes franchise valuations](#) ). Sounds great but when a team is valued this high, a luxury tax kicks in. When the limit has been breached, it breaks down to about 40 cents on the dollar, which is given to teams that cannot compete. To replenish its funds the organization had to look outside of the sport.

*"With revenue sharing, we were looking at trying to draw revenue from other areas that are untaxed. We really had to leave the sport of baseball to do that,"*

Henry said this summer after unveiling a baseball-themed NASCAR entry at Fenway Park.

*"We've sold out about everything we can sell here. But we have tremendously creative people looking for additional challenges." What makes this a tremendous opportunity is the fact that Fenway Sports Group does not have to spend countless hours on marketing and trying to brand itself. The "Red Sox" is the calling card. It is the best promotion you could ask for. "It's a door-opener," said Sam Kennedy, who like Dee has a role with both the Red Sox and FSG.*

*"Just because you represent the Red Sox doesn't mean someone's going to buy a BostonCollege sponsorship. And just because your office is in Fenway Park doesn't mean somebody's going to buy a Devil Rays sponsorship."*

During the past three years, NESV has inked some very impressive marketing deals; Bank of America and CVS, and has signed supermarket chain Shaw's as Red Sox Radio's first naming-rights sponsor. Their major corporate sponsors are, Bank of America, Anheuser-Busch, W.B. Mason, EMC, Coca-Cola and Ford Motor.

Marketing can only go so far. When it comes down to it, the Red Sox product is what brings the fans to the field and their fans have taken on a life of its own. The Yankees may have the Evil Empire, but the Red Sox have "Red Sox Nation". In 2004 the Red Sox officially began offering membership to the nation, for a price, fans received a membership card with the words "Official Red Sox Nation Citizen" and access to additional Red Sox merchandise offers and newsletters. More recently, there are four levels of membership; Fan Pack \$14.95, Hat Pack \$29.95, Ultimate Fan Pack \$119.95 and the Monster Pack for \$299.99. The benefits of the Monster pack are as follows;

- Easy online entry for the [2009 Red Sox Nation Jets to Spring Training Sweepstakes](#) .

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- Early ballpark entrance via Gate C to watch Red Sox Batting Practice from atop the Green Monster (with valid game ticket) - NEW FOR 2009
- Personalized photograph of Fenway Park scoreboard - NEW FOR 2009
- Eligibility for ticket upgrades and prizes - NEW FOR 2009
- Eligibility for Red Sox Nation Season Tickets - NEW FOR 2009
- Eligibility for regular ticket giveaways for dugout, EMC Club and GREEN MONSTER SEATS™ - NEW FOR 2009
- Receive 10% off when you [book a Wally appearance](#) - NEW FOR 2009
- Commemorative Citizenship Card
- Red Sox Nation decal
- Complimentary 2009 MLB.com(R) Gameday Audio subscription
- 10% discount at the Red Sox Team Store
- Special redsox.com Shop offers throughout the season
- Exclusive entry to Fenway Park via Gate C on game days (with valid game ticket)
- Red Sox baseball hat - a \$25 value (Hat Pack, Ultimate Fan Pack and Monster Pack only)
- Fenway Park tour for two (Ultimate Fan Pack and Monster Pack only)
- Two Outfield Grandstand tickets (Ultimate Fan Pack only)
- Chance to purchase two Green Monster tickets (Monster Pack only)
- Fenway Park Authenticated Brick (Monster Pack only)

## Fenway Park Renovations

One of the biggest changes that took place when Henry, Werner, and Lucchino purchased the Red Sox was to focus on the renovation of Fenway Park. After eight years, Fenway Park has undergone a series of annual improvements since the Henry-Werner Group purchased the team in 2002. Most visible among them are the addition of the Green Monster Seats in 2003, the Right Field Roof Seats in 2004, the EMC Club and State Street Pavilion in 2006, the Jordan's Third Base Deck in 2007, and an expansion of the State Street

Pavilion seating with the addition of more than 800 new seats and the unveiling of the new Coca-Cola Corner in 2008. Another new addition in 2008 was 'The Bleacher Bar,' a restaurant located under the center field bleachers that gives patrons a view of centerfield from a special two-way glass paneled retractable door, which remains open year-round.

This past year, the debut of the expanded Right Field Roof Box area signifies the completion of improvements and repairs in the upper sections of Fenway Park, including foundation reinforcements and the use of steel and precast construction, which is consistent with the standards of the new construction projects of the past seven years.

Other repairs include a large portion of the lower seating bowl, between Sections 14 and 28, was repaired and waterproofed during the off-season. Originally constructed in 1912, this is the oldest part of Fenway Park and this project was undertaken to successfully prolong the life of the ballpark.

The 383 Right Field Roof Box seats that previously existed have been replaced by 574 new seats, and 100 dedicated standing room spaces with drink rails have been added.

## Conclusions

Whatever happens this season the Red Sox are now among the upper echelon of sport franchises, with the likes of Yankees, Mets, Knicks, Celtics. The Red Sox, for years were used to bitter defeats and game ending homeruns from the likes of Dent and Boone, now it is their turn to take the lead not only in the game they have most recently dominated, but also in the sports industry as a whole.

*Maury Brown contributed to this article*

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