MLB Appears Ready To Dive into Uniform Patch Advertising

Monday, July 22, 2019

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According to MLB’s Executive and Vice President of Business and Sales Noah Garden, the MLB is considering advertising patches for players’ uniforms. Although the patches cover only a small portion of uniform space (approximately 6.25 square inches), they have been profitable for the NBA.

The NBA’s three-year pilot program to sell a corporate logo space on game day jerseys began in 2017. The program was estimated to be worth about $100 million a year. It has generated more than $150 million thus far. The NBA considers the program “an overwhelming success” and predicts new deals and renewals to be even more profitable (potentially, 20%-30% increase). Currently, NBA team deals range from $5 million to $20 million annually. The Boston Celtics, for example, was able to secure a deal worth more than $7 million with General Electric. The Golden State Warriors and Rakuten, a Japanese technology company, have a $20-million deal.

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Although MLB’s Garden describes the patches on MLB jerseys as “inevitable,” he
also notes that “there are lots of things to take into consideration.” This make sense, as it took the NBA more than three years to sort out the details of its program. **MLB will have to work out the aesthetics (size and placement) and economics, as well as a revenue-sharing formula and exposure opportunities.**

While MLB plays almost double the number of games played by the NBA, there is less movement in baseball allowing potentially more views of a patch. However, most of the value of the NBA patch is not coming from television views. Around 75% of the value of the NBA patch comes for content shared digitally and on social media. Therefore, Lebron James’ 43.2 million Twitter followers as compared to Mike Trout’s 2.6 million followers may be a necessary consideration in valuing the cost of uniform advertising for MLB.

Other considerations may include whether all teams will participate in the program and what types of advertisements will be permitted. Some MLB licensees predict “resistance from MLB’s richest and most tradition-bound teams” (the Yankees, Red Sox, and Cubs may not jump at this opportunity). As of March 2019, all 30 NBA teams participate in patch advertising.

The MLB likely will have to follow the NBA’s lead in at least one of its advertisement prohibitions. The NBA prohibits advertisements by competitors of Nike, which provides the NBA’s uniforms and will provide the MLB’s uniforms beginning next year. The NBA also prohibits advertisements from companies promoting liquor, tobacco, gambling, media concerns, and political ads.

**One of the largest concerns for MLB players is how the revenue generated from a patch program would benefit them. The players would have to approve the patches and related terms as part of the collective bargaining agreement between the 30 Major League Clubs and the Major League Baseball Players Association. The current agreement will remain in effect until December 1, 2021.**

This gives the MLB some time to iron out all the details of a patch program, but is it enough time? MLB Senior Vice President Jim Small stated,

“[E]ach sports league has a unique set of circumstances, so there is not a one-size-fits-all approach.”

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