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## Baseball Cards as an Investment

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## BASEBALL CARDS AS AN INVESTMENT

Baseball card manufacturing began in the late 19th century. Collecting these cards soon followed. This child's hobby continued largely unnoticed until the late 1970's. At that time the hobby started a period of exponential growth. In 1979 there was one baseball card manufacturer, in 1989 there are six. Because of this extra demand, baseball cards became an investment vehicle.

This project will examine baseball cards as an investment. It will attempt to discover what motivates those involved with the hobby, why they entered the hobby, their present activity in the hobby and their opinions about baseball cards as an investment tool will hopefully be revealed.

David L. Jackson, B. S.

The reader will be familiarized with the history of baseball cards. It will also illustrate the investment performance of baseball cards and compare it to the more established forms of investments.

After the reader is set up to date, the author will attempt to analyze the results of two surveys, to test a series of hypotheses. There have been some of the major issues of the hobby. These issues are always being debated but have not to be studied at the



An Abstract Presented to the Faculty of the Graduate School of Lindenwood College in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

Thesis  
J133b  
1989

BASEBALL INVESTMENT Abstract

Baseball card manufacturing began in the late 19th century. Collecting those cards soon followed. This child's hobby continued largely unnoticed until the late 1970's. At that time the hobby started a period of exponential growth. In 1979 there was one baseball card manufacturer, in 1989 there are six. Because of this extra demand, baseball cards became an investment vehicle.

This project will examine baseball cards as an investment. It will attempt to discover what motivates those involved with the hobby, why they entered the hobby, their present activity in the hobby and their opinions about baseball cards as an investment tool will hopefully be revealed.

The reader will be familiarized with the history of baseball cards. It will also illustrate the investment performance of baseball cards and compare it to the more established forms of investments.

After the reader has been brought up to date, the author will attempt, through the use of two surveys, to test a series of hypotheses that have been some of the major issues of the hobby. These topics are always being debated but have yet to be studied at the nationwide level. It is the author's intent to answer these questions.

BASEBALL CARDS AS AN INVESTMENT

David L. Jackson, B. S.

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A Culminating Project Presented to the Faculty of the  
Graduate School of Lindenwood College in Partial  
Fulfillment of the Requirements for the Degree of  
Master of Business Administration

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## Dedication

This study is dedicated to my wife Angela, and our children Mark and Michele. Without their patience it would not have been possible to complete.

Bob Carr, Jennie Foreman, Tom Gaby, Bill Gardner, Jerry Woods, Jim Hardy, Steve Harvick, Warren Hertz, Tim Howell, Bill and Ruth Jackson, Dave Kruse, Barry Krieger, Dan Levin, Tom Morrison of Spice Collections Library, Anne Nichols and Barbara Townsend.

## Acknowledgements

Many people gave their assistance to help complete this project, they include the readers, Arlene Taich, Don Fuller and Ed Harrick. Others that assisted were Bob Carr, Dennis Foreman, Tom Gaby, Bill Goodwin, Scott Groce, Jim Hardy, Steve Harrick, Warren Hertel, Tim Howell, Bill and Ruth Jackson, Dave Krause, Barry Krizan, Dan Lavin, Tom Mortenson of Sports Collectors Digest, Renee Rachals and Barbara Townsend.

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## CHAPTER 1

Introduction

Since 1981 the baseball card industry has experienced rapid growth. What was once a child's hobby is now a \$1 billion industry; compare that to only \$350 million per year spent on tickets to Major League Baseball games (Smith, 1988, 23). Of this \$1 billion, \$780 million is spent at shows and shops specializing in baseball cards. Estimates have the number of shows held annually at over 10,000.

One of the main reasons that baseball card sales have increased so dramatically is that many people are now looking at baseball cards as a legitimate investment, similar to stocks, bonds and precious metals. Cash transactions of five figures are not uncommon at card shows. This has caused baseball cards to rapidly increase in value. From 1980 to 1987 complete sets of Topps baseball cards increased in price an average of 35.6 percent annually (Krause, June 1988, 141).

All aspects of the baseball environment have benefited from the boom in card purchasers. Items such as player bats and uniforms, plastic statues, hobby supplies and autographed items are found for sale at card shows. These shows have expanded to the point that promoters are paying upwards of \$20,000 for ballplayers to appear and sign autographs. Persons



attending these shows must then pay an additional fee for the autograph.

The interest generated by the investment potential of baseball cards has raised the following question: Will the trend continue? The author does not believe that such rapid increases will continue for all cards. Therefore the basic thesis of this study is: Investing in baseball cards will change from a strategic investment to a tactical investment. This statement implies that instead of buying all the baseball cards available and holding them for a long term investment, the buyers must be selective in their purchases and hold those investments for a short time before reselling the cards at a profit. The author believes that it will be determined that the buyer's perceptions are, prices of baseball cards as a group have peaked. This is an important premise that should be investigated since many new investors have started buying baseball cards with hopes of obtaining a large profit upon resale. There are also many people leaving their present jobs to become full time baseball card dealers. Since many people consider baseball cards a legitimate investment, they are obviously spending large amounts of money on baseball cards; with over \$780 million spent annually. This research is important because the hobby can be examined at its apex (Krause Interview, 1988). The author may be able to

determine why large amounts of money are spent on baseball cards. If the card market falls, thousands of investors stand to lose a great deal of their money. Both investors and sellers are facing the risk of holding baseball cards that were once valuable, with little chance of selling them if prices decline.

If the premise is proven to be true, then investors will have to modify their purchases. They will be investing for the tactical, short term gain on certain cards, rather than the present strategic, long term gain on all cards that is now realized. In other words, instead of buying all of the cards that an investor can obtain with hopes of making a profit, the investor will need to be selective, purchasing only the cards of certain players believed to become popular. When a player becomes popular, his card will be in demand and the price of that card rises; the investor can sell those cards for a profit.

Table 1, Investment Comparisons from 1980 -1987, illustrates why so many investors have become involved in baseball cards.

It is easy to see why many investors have entered the baseball card business. An important feature of investing in baseball cards, when compared to stocks and bonds, is that there is no interest or dividends that are paid. Baseball cards are sometimes not a liquid asset and a buyer must be found before a card

Table 1

## Investment Comparisons from 1980-1987

<u>Investment</u>	<u>Compound Annual Return (%)</u>
Topps R.O.Y. Portfolio *	44.4
Selected Future H.O.F. Type Rookie Cards **	42.5
Complete Topps Sets	35.6
Corporate Bonds	14.0
Common Stock	12.7
Treasury Bills	7.2
U.S. Coins	3.5
Diamonds	3.4
Stamps	2.9
Chinese Ceramics	1.5
Gold	-2.6
Silver	-8.2

Source: Krause, June 1988: 141.

\* Players that were selected by the Sporting News as the Rookie of the Year, R.O.Y., (a player and a pitcher were chosen from each league). This assumes that the cards were purchased at the end of each season.

\*\* Rookie cards of selected future potential Hall of Fame, H.O.F., players -George Brett, Steve Garvey, Reggie Jackson, Jim Rice, Mike Schmidt and Carl Yastremski.



can be sold and a profit is realized.

In Table 1, all of the Topps sets and R.O.Y. cards were purchased in the year that they were printed, when the prices were low. The H.O.F. players were purchased in 1980, the first year of the survey, when the prices were low. When cards are purchased at a low price, a profit can be obtained on almost any card. Today a mania exists. Many believe that a card purchased, at almost any price, will increase in value. The author's premise is if selected cards are purchased at a reasonable price, then a profit can be realized. A reasonable price is a purchase price where a profit can be realized immediately. For example, if a card has a book price of \$50 and is purchased for \$25.00, then it is likely that the card could still be sold below book price, say \$40; a good profit, then, will be realized. In this case the profit would be 60 percent. If the present buying pattern of "buying it all" continues, many people will lose their investments. They will have funds invested in baseball cards that they cannot sell because the book value has risen beyond the point of affordability.

The research methodology for this paper will involve a mail survey of 750 dealers that advertise in the hobby publications. A survey published in the hobby's leading publication, Sports Collectors Digest, (SCD), will reach the collectors. Personal interviews

among dealers will be conducted. The author intends to use the surveys and interviews to support the following hypotheses which are related to the premise of the thesis:

1. More baseball cards are being purchased for investment rather than as collector's items. This accounts for the increase in prices as investors buy and sell cards. As more people become investors, there will be additional buyers for cards and the price will increase.

2. Dealers, collectors and investors expect that the prices of cards as a whole will not increase at the rate that they have recently. Since early 1987 many buyers have been using the 'shotgun' approach. It is their belief that regardless of what is bought, a profit can be realized (due to ever increasing prices). As prices increase, collectors will reach a point where they will refuse to purchase the product. This is important because as collectors and investors stop competing for the same item, the price will decline due to the decreased demand. If the survey results support this hypothesis, then investments should be made on cards of selected players rather than in all baseball cards in general.

3. For investments, cards of current players will be purchased. Card price and player popularity

are directly related. The survey may reveal that for the most part the popularity of retired players has subsided and the prices of their cards will be expected to remain constant or decline. When a player is still playing, until he has a good year, the price of his card is usually affordable. If the investor can predict who will have a good year, then the investor can realize a profit from the sale of that card after that player's good season. For this reason, many people evaluate the performance of minor league ballplayers. Players who perform exceptionally in the minors are considered good investments when they appear on a baseball card and their cards are purchased in large quantities. The 1988 season will be remembered for the price increase in Jose Canseco's rookie card. His rookie card increased to over \$65 based on his performance during the 1988 baseball season (Howell, 9/20/89). The cards of Pete Rose support this example. When Rose was close to breaking Ty Cobb's all-time hit record, the price of his cards increased dramatically. However, since April of 1987 his cards have not increased (Amano, 1988, 13). There have been exceptions to this rule. When Roger Maris died in December 1985, his cards increased faster than the other cards of his era. In late 1987 a wave of nostalgia swept the hobby and the cards of Mickey Mantle rose 300 percent from October 1987 to mid-summer



of 1988 (Barrons, 6/27/88, 9). Another exception involves older cards in mint condition; buyers are willing to pay a premium for an older card in mint condition. As the supply of these cards decreases, the price will increase.

4. The survey responses from Pennsylvania, New York, New Jersey and California will differ from the rest of the country. For years these regions have sustained the highest volume of sales in the industry because of their higher population density. With nine of the twenty-six major league baseball teams in these areas, the interest in baseball is higher. Thus, purchasing trends start in these areas and then 'trickle down' to the rest of the country. This is important because, for example, if the surveys show that buyers from these states are not buying cards of Jose Canseco, it is likely that the price of his cards will go down.

5. Dealers may specialize in a certain area of the hobby, for example, cards from the 1950's. They may be considering selling other items to maintain their sales volume as specialty sales decline. Different cards, hobby supplies, periodicals, photos, autographs and baseball memorabilia are examples of other items that dealers may sell. The author believes that the survey will reveal the need for



diversification. As buyers become increasingly selective with their purchases, the dealers will have to widen the variety of material to offer their potential customers.

6. The survey will reveal that because prices are increasing so rapidly, collectors are being pushed out of the hobby. This can cause the prices of certain cards to decline. Rapid price increases are frustrating for collectors. Buyers are generally reluctant to purchase cards at a high price if those cards are intended as a collectible. Investors are generally willing to pay a higher price because it is their belief that the card will appreciate and be sold for a profit. Normally a collector does not view the purchase as an investment, that is why collectors usually try to pay less for their items. For example, the price of a card of a common player in the 1956 card set sold for 20 cents in 1976, in April 1989 they were selling for as high as \$8.00 (Andrews, 1977, 32; Beckett Monthly #49, April, 1989, 31). Price increases such as this are driving the collector away from making these purchases. It is believed that once the collectors stop buying certain cards the lower demand will cause a price decline.

7. More than 50 percent of the dealers and investors have entered the hobby since 1984. This was

a period when a large number of people believed that there was a great deal of money to be made in the hobby. This will be explained further in the background section. Because some buyers who answer the survey may have been too young to buy baseball cards in 1984, only respondents over the age of 16 will be considered.

8. It is expected the survey will reveal that mail order sales by dealers have decreased over the past few years. This author believes that this will be true because many unscrupulous dealers have entered the industry looking for some easy money by taking advantage of mail order customers. Sports Collectors Digest, the hobby's leading publication, has performed a good job of effectively screening prospective advertisers. If cards are not purchased through the mail, buyers have to use local card shops or card shows to obtain the desired materials. If the item cannot be found locally many buyers will go without the product because of their distrust of the mail order system.

9. Collector survey respondents involved with the hobby before 1984 will agree with the author's beliefs more than those hobbyists that entered later. Those beliefs are that baseball card collecting is a satisfying hobby, cards should be purchased for

enjoyment primarily with any profit potential being secondary. As stated earlier, the prices in 1984 increased substantially and the buyers that entered the hobby after 1984 are likely to be investors that will disagree with the author.

There are many terms that are specific to this paper and the industry. They are placed in Appendix 1, Glossary of Terms.

There will be some limitations with the proposed research. One limitation is that there is little historic information available in books. There is little information available other than which appears in periodicals and newspapers. Most of these have been the materials of the trade. There is little academic literature that exists, thus, limiting the background material.

Because the survey will reach the investors and collectors by being published in the Sports Collectors Digest, collectors and investors will have to initiate their responses by cutting the survey from the magazine and use their own postage to mail the survey.

Another limitation may be with the response rate from dealers to the survey. A baseball card dealer is involved in a labor intensive industry and time is at a premium. It may be difficult to get a satisfactory response level because many dealers complain about a



lack of time to devote to their business.

The survey that will be sent to dealers will contain a self addressed, stamped envelope to assist the dealer in responding to the survey. Follow-up letters will also be sent to the dealers to remind them about answering the survey.

of issues were drawings, printed on heavy cardboard and were of poor quality, with the drawing, photograph and printing all being today's standards (Beckett #8, 1966, 17).

Goodwin and Co. of New York, the makers of Gypsy Queen, Old Judge and other cigarette brands are considered to be the first issuers of baseball cards. Their issues consisted of photographs of baseball players, boxers, wrestlers and other subjects mounted on stiff cardboard stock. Over 2000 different photos of baseball players have been identified. These Old Judge, issued from 1886 to 1890, are a treasured and valuable addition to today's collections. Common cards from this series can sell for over \$100 each (Beckett #11, 1968, 602). Several other cigarette manufacturers issued baseball cards with their product during this period. By 1891 the American Tobacco Company so dominated the market that they were able to mass card production without fear of the competition. This marked the end of the first era of baseball cards (Beckett #8, 1966, 17).

Until World War I cards were issued sporadically.

## Chapter 2

### Background

#### History of Baseball Cards

The institution of baseball cards dates back to the mid 1880's. Early card issues were drawings, printed on heavy cardboard and were of poor quality, with the drawing, photography and printing far below today's standards (Beckett #8, 1986, 2).

Goodwin and Co. of New York, the makers of Gypsy Queen, Old Judge and other cigarette brands are considered to be the first issuers of baseball cards. Their issues consisted of photographs of baseball players, boxers, wrestlers and other subjects mounted on stiff cardboard stock. Over 2000 different photos of baseball players have been identified. These Old Judges, issued from 1886 to 1890, are a treasured and valuable addition to today's collections. Common cards from this series can sell for over \$300 each (Beckett #11, 1989, 602). Several other cigarette manufacturers issued baseball cards with their product during this period. By 1895 the American Tobacco Company so dominated the market that they were able to cease card production without fear of the competition. This marked the end of the first era of baseball cards (Beckett #8, 1986, 2).

Until World War I cards were issued sporadically.

Those that were issued were made by the American Tobacco Company and a few candy companies. There are several very valuable cards from these issues. The value of some of these cards will be discussed later (Beckett #8, 1986, 2).

After World War I a few candy companies began making baseball cards. These manufacturers were primarily National Carmel, American Carmel and York Carmel. These companies issued baseball cards sporadically from 1920 until 1932 (Beckett #8, 1986, 4).

In 1933, at the height of the depression, a new era of baseball cards started. The Goudey Gum Company of Boston began issuing its Big League Gum series. In 1933 it issued 239 cards with bubble gum. Goudey issued an attractive card, with full color drawings on a thick card stock. While other candy and gum companies issued baseball cards during this time, Goudey dominated the marketplace. In the thirties, and until 1941, Goudey manufactured these attractive cards (Beckett #8, 1986, 6). These cards are popular collectibles today.

World War II brought an end to this popular era of card collecting. Paper and rubber shortages curtailed the production of baseball cards until 1948. The Bowman Gum Company resurrected the tradition. This marked the beginning of the modern era of baseball



cards (Beckett #8, 1986, 8).

In 1948 Bowman issued a 48 card set in black and white consisting of one card and one piece of gum in a one cent pack. Also in 1948, the Leaf Gum Company issued a set of cards. These cards were issued in color, however, they were of poor quality. In 1948 a major development occurred; each company signed the ballplayers to exclusive contracts; i.e., if a player signed with Leaf, then he could not appear on a Bowman card. Because of the legal squabble over the rights to use players, and Leaf's poor quality, Leaf stopped making baseball cards after 1949. In 1950, Bowman had a year long monopoly in baseball cards. It began producing a very high quality card and continued to do so until its demise in 1955 (Beckett #8, 1986, 8).

The year 1951 marked the beginning of the most competitive period of baseball card production. It was the year that Topps Chewing Gum of Brooklyn entered the market. The two Topps issues of 1951 were unattractive and paled in comparison to the Bowman issue of that same year. In 1952, Topps issued a larger and much more attractive card. Topps, then, became an established card manufacturer. To this day they print cards and are the industry leader in both sales and quality.

As with Bowman and Leaf in the late 1940's, competition over players' rights arose. Court battles



ensued due to each company's use of exclusive contracts with ballplayers. It appears that the court battles took place mainly in 1952-53, and by 1954 the exclusive contracts were being enforced.

Mickey Mantle and Ted Williams are good examples of the use of exclusive contracts. In 1952 and 1953 both Topps and Bowman issued cards of Mickey Mantle. Instances such as these (both companies issuing a card of a popular player), caused most of the court battles. In 1954 and 1955 Mantle appeared on a Bowman card, but not on Topps, indicating that Bowman had won the rights to an exclusive contract with Mantle. Ted Williams did not appear on a baseball card in 1952 or 1953. In 1954 apparently both companies thought they had exclusive contracts with Williams and printed his card, but Bowman had to drop his card early in the press run. As a result, a 1954 Ted Williams from Bowman is worth \$2,100 compared with \$500 for the Williams #1 Topps card of the same year (Beckett #11, 1989, 393).

In January of 1956, Topps purchased Bowman and became the sole producer of baseball cards. With a few exceptions, Topps had a virtual monopoly until 1981. About the only serious competition came from the Fleer Company of Philadelphia between the years of 1959 to 1963. In 1959, Fleer produced a set of cards entirely of Ted Williams because they had obtained an exclusive

contract with him. In 1960 and 1961 the cards produced were of retired ballplayers. After ceasing production for a year, Fleer produced a set of cards of current players in 1963, competing directly with Topps.

Because of the exclusive contracts, Topps had Fleer's presses shut down that year and in 1965 the Federal Trade Commission dismissed a suit that Fleer filed in response to Topps' actions (Wall Street Journal, 12/18/80, 31). Fleer did not reenter the baseball card market again until 1981, and then not without a fight from Topps.

In 1975 Fleer went back to the court to try to obtain the right to print baseball cards of current players. Lower courts decided that Fleer could pursue a private antitrust suit charging that Topps had monopolized the then \$6 million market (Wall Street Journal, 4/18/78, 8). Through a series of legal proceedings, the case wound up in a Philadelphia Federal Court where the court decided that Topps had indeed violated federal antitrust laws by monopolizing the manufacture and sale of baseball cards. The judge, Clarence D. Newcome, awarded treble damages of only \$3.00 plus attorney's fees because Fleer's actual damages could not be calculated (Wall Street Journal, 7/2/80, 20). With the path apparently cleared for anyone to manufacture baseball cards, in December of 1980 General Mills announced that it would start

manufacturing baseball cards through its gum manufacturer, Donruss (Wall Street Journal, 12/18/80, 31).

So in 1981 there were three manufacturers of baseball cards, all with gum. In August of that same year a Federal Appeals Court judge in Philadelphia ruled that Topps could indeed exercise its exclusive contracts with the ballplayers. The court stated that if Fleer and Donruss wished to enter the Baseball card market, then they too had to get exclusive contracts with the ballplayers (Guyon, 1981, 13). This seemed to be a death blow for both Fleer and Donruss. In October of 1981, Fleer announced that it had signed an agreement with the Major League Baseball Players Association, thereby avoiding the exclusive contract, to print baseball cards and print a team logo card to replace the gum that Fleer had previously put into the card packs. Shortly thereafter, Donruss announced that it would place puzzle pieces in its packs of cards instead of gum (Yermack, 1984, 37).

The gum market is highly competitive. Manufacturers of gum are always looking for new avenues to market their product. Fleer and Donruss wanted to insert gum in their packs of cards. Doing so would increase their gum sales (Lehren, 1987, 3).

Meanwhile, Fleer appealed to the Supreme Court to allow it to continue to produce baseball cards, but



with gum. The court refused to hear the case, which meant that the companies could continue to operate as they had been: Fler with logo stickers and Donruss with puzzle pieces (Wermiel, 1982, 10).

While Topps still had the exclusive rights to print cards with gum, it still did not want any competition. So in March of 1983 Topps filed suit in Federal Court in Brooklyn seeking to prevent Fler from printing baseball cards. It charged that Fler's product was a 'sham' and Topps requested \$3 million in punitive damages plus all of Fler's profits from 1981 to 1983 (Wall Street Journal, 3/30/83, 56). Because Fler is a private company, it was difficult to determine the sales or profit figures. Fler's president, Donald Peck, did admit that Fler's baseball card sales were \$4 million in 1981 and \$20 million in 1982. Peck also said that baseball cards were Fler's third most profitable item behind its gum and candy products (Lehren, 1987, 32). Topps was requesting the profits from the baseball portion of Fler's profits. The last available mention of this lawsuit stated that as of February 1987 the case was in Delaware Court of the Chancery. Both Topps and Fler stated that they expected an appeal (Lehren, 1987, 3).

Donruss and Fler seemed to pick the perfect time to enter the baseball card business. Collector interest was at an all-time high, and many investors

began to enter the market. From 1980 to 1981, prices of complete sets from 1970 to 1980 rose 71 percent (Beckett #2, 1980; Beckett #3, 1981). For some reason, in 1981, the year that Fleer and Donruss entered the market, those same products rose only 13 percent (Beckett #3, 1981; Beckett #4, 1982). Perhaps because collectors had to purchase three new sets instead of one they had less money to spend on the older sets, or perhaps the investors decided to sell their purchases and collect their gains.

Despite the slower price increases, 1981 was a banner year for collectors. For the first time in recent collecting history there were three nationally released sets available to choose from. Collectors never had that luxury. Hobby publications started taking polls of their readers to see which set was the most attractive. That was not the end of new sets to be released. In 1986 Major League Marketing issued a set of cards called Sportflics, and in 1988 it also introduced another card set named Score. In 1989, a card called Upper Deck was released. Thus as of 1989, there are six nationally issued card sets available to buyers.

#### Prices of Cards

There is good reason that the baseball card

hobby has been appealing to investors. Table 2, Prices of Popular Cards, shows some examples of selected card prices from 1980 to 1988. The cards picked for Table 2 were a group of cards that have increased in price. While nearly all cards have risen in value, these cards are a representative example of the price increases that the card industry has experienced. The first three cards listed are not readily available to the public. The T206 Honus Wagoner was originally issued in 1909 without Mr. Wagoner's permission. It is said that Mr. Wagoner did not smoke and he did not want his picture placed on a card that was issued with cigarettes. Because he did not give his permission to the sixteen cigarette brands that used his card, he threatened to sue the card manufacturers unless the cards were recalled. The manufacturers retrieved all but about fifty of the cards. Because of this extreme shortage, the high price can be commanded. The latest reported selling price is believed to be in excess of \$100,000, but this has not been confirmed (Ellingboe, 10/28/88, 16).

The reason why the T206 Plank card is so scarce is uncertain, but the most common belief is that while manufacturing this card a printing plate was broken and not replaced, creating a shortage (Goodwin, 1988). The 1933 Goudey card of Napoleon Lajoie was not even printed in 1933. Its number (106 out of 240) was not



Table 2

## Prices of Popular Cards

	1980(1)	1984(2)	1989(3)
T206 Honus Wagoner	\$8,000.00	\$20,000.00	\$90,000.00
T206 Plank	3,500.00	5,500.00	9,000.00
1933 Goudey Lajoie	4,500.00	6,500.00	10,000.00
1948 Bowman Musial	52.00	55.00	425.00
1951 Bowman Mantle	375.00	350.00	5,500.00
1952 Topps Mantle	2,500.00	1,250.00	6,500.00
1952 Topps Mays	350.00	275.00	1,000.00
1954 Topps Williams	35.00	50.00	500.00
1954 Topps Aaron	185.00	140.00	800.00
1954 Topps Banks	30.00	47.00	500.00
1955 Topps Koufax	25.00	42.00	450.00
1955 Topps Clemente	90.00	85.00	750.00
1956 Topps Mantle	40.00	65.00	700.00
1959 Topps Gibson	9.00	24.00	225.00
1963 Topps Rose	35.00	300.00	600.00
1967 Topps Seaver	45.00	75.00	550.00
1968 Topps Ryan	4.00	24.00	200.00
1969 Topps R. Jackson	4.00	50.00	250.00
1973 Topps Schmidt	.65	56.00	200.00
1975 Topps Brett	.60	18.00	60.00

## Sources:

1. (Beckett #2)
2. (Beckett #6)
3. (Beckett #11)



filled during the initial printing period so that people would continue buying packs of cards in hopes of finding the #106 card to complete their set. Goudey intentionally left that space blank in order to stimulate its sales during the height of the depression. The card was not printed until 1934, and then only after several collectors complained about not being able to find the card. Even after the card was printed it was distributed only to those collectors that wrote the Goudey Company to complain. The rest of the cards listed in Table 2 are readily available and can be purchased at nearly any card show of a normal size, approximately 75 tables or more.

All the cards listed in Table 2 aggregately increased 76 percent from 1980 to 1984 and increased 267 percent from 1984 to 1989. When the cards that are not readily available, Wagoner, Lajoie and Plank, are excluded from the list an interesting aspect is revealed. From 1980 to 1984 these remaining cards actually dropped 23 percent, but from 1984 to 1989 those same cards rose an astonishing 561 percent, indicating the increased buying pressure that was created by investors getting into the market. The reason investors entered the hobby in 1984 will be discussed in the marketing strategy portion of this section.

## Price Guides

This section explains how the prices of baseball cards are computed. While there are several price guides available, two of those are the two leaders: Beckett Publications and Sports Collectors Digest. Beckett issues an annual guide of over 625 pages that covers nearly all baseball cards printed. It also publishes a monthly guide that lists the cards from 1948 to present. Beckett solicits responses from its readers, both dealers and buyers, and receives responses from over 2000 people per month. This provides a foundation from which a price for cards may be established.

Sports Collectors Digest also issues an annual guide. It publishes an updated price list in its weekly magazine. SCD gets its prices from both advertised prices and approximately 20 full time dealers.

A price guide is only a tool for buyers and sellers to use when prices are established. The prices stated are simply a ball park price from which to start. A card may be sold at a higher or lower price than that listed in the guide.

The fact that Beckett issues a monthly guide and SCD issues a weekly guide is indicative of the ever changing prices in the hobby. Most of the rapid price changes occur with the cards of current players who are

having a good year. A good example of this is the price of Jose Canseco's 1986 Donruss rookie card. At the start of 1988 it was priced at \$11.00, in September it was \$15.00, and in November the book price was \$40.00. But even those listed prices were too low, as dealers were reportedly selling the card for \$65.00 (Beckett #10, 1988; Beckett Monthly #42, September 1988; Beckett Monthly #44, November 1988; Howell, November 1988).

These publications provide a valuable service for both the buyers and the dealers. Because of the ever changing prices, it is essential to have a guide to assist people in pricing their transactions.

#### Marketing Strategies

Topps has always sold all of the cards that it produced with little difficulty. Its printing presses start during the World Series and stop in July, when football cards are printed. During this printing period there is a demand for Topps material.

In the early years of Fleer and Donruss printing, the quality was very poor; this resulted in slow sales. Fleer and Donruss could not reproduce the Topps marketing policy of selling at retail everything it made. Fleer's president, Donald Peck, admitted that it had problems determining how many cards to manufacture without overestimating demand (Lehren, 1987, 32). Even



though Fleer admitted the difficulty in 1981, the problem still existed in 1982 and 1983. That resulted in an abundance of inventory at season's end that was liquidated at greatly reduced prices.

In December of 1983 General Mills sold its Donruss division to a Helsinki based firm, Huhtamaki. At the same time, Huhtamaki bought the candy division of Beatrice, Leaf. Huhtamaki then merged Leaf and Donruss, forming Leaf-Donruss, Inc. Paul Mullan, former president of Donruss was retained by Huhtamaki as president of Leaf-Donruss (Cox, 1983, 5). As stated earlier the manufacturers start printing cards for the next season shortly after the World Series. At the same time, the manufacturers send out the initial offer sheet to the customers; so by Christmas the companies know what the initial sales are. Because Fleer and Donruss would discount the cards at the end of the season, dealers and wholesalers would order in small quantities at first and then buy heavily when the discounted material became available.

By keeping Paul Mullan president of Leaf-Donruss, it is believed that he was able to implement his theory on how to stimulate sales, changing baseball card marketing from 1984 on. Many people in the hobby believe his moves caused investors to enter the baseball card market. After the sale by the publicly held General Mills to the privately held Huhtamaki,

Donruss was able to dramatically reduce the printing to the point where 25 percent of the already printed stock was destroyed. It is believed that the cards that were already printed were burned in an incinerator. As a result Donruss did not completely fill all of the initial orders and a panic among the hobbyists ensued because the product was scarce.

Table 3, 1989 Prices For Complete Sets, shows how this short printing affected the resale of all complete sets. The price of the Donruss set skyrocketed, while Fleer, who also shortened its press run, also increased to the price level of Topps. It should be noted that from 1984 to 1988 the prices of Fleer and Donruss are artificially inflated due to the short printing runs that created a demand for the product. In 1985 Donruss gradually started printing more cards, because now buyers would place larger initial orders. However Donruss would not honor all of the purchase requests, thus driving up the prices. Starting in 1987 Donruss created a 'Dealer's Network'. This network consisted of allowing qualified dealers to buy a specified amount of each product. In other words, Donruss would tell its customers how much of its product they could purchase. By keeping this illusion of a shortage, Donruss was able to raise its wholesale prices from \$9 per set in 1983 to \$15.67 in 1989.

Beginning with the 1988 season, Donruss started



Table 3

## Prices for Complete Sets, April 1989

	<u>Topps</u>	<u>Fleer</u>	<u>Donruss</u>	<u>Sport- flics</u>	<u>Score</u>	<u>Upper Deck</u>
1981	\$ 85.00	\$ 30.00	\$ 28.00			
1982	85.00	30.00	30.00			
1983	90.00	45.00	45.00			
1984	100.00	100.00	225.00			
1985	100.00	100.00	135.00			
1986	28.00	90.00	110.00	\$36.00		
1987	27.00	45.00	40.00	32.00		
1988	24.00	28.00	28.00	33.00	\$24.00	
1989	24.00	25.00	24.00	33.00	23.00	\$38.00

Source: Beckett #11, 1989.

increasing its supply of cards for the hobby. Because the public was accustomed to the demand for the limited product, buyers bought all that was offered to them in 1988 and Donruss printed continuously. To illustrate just how many cards were produced in 1988, the Venture Stores in the St. Louis area, for example, received 2,000 cases of Donruss cards and only 66 cases of Fleer product, which meant only one case of Fleer for each store (Hartge, 1988).

In 1984 Fleer also changed its selling policies. It printed only enough cards for its initial order, and had no cards to 'dump' at the end of the season. As

the years progressed, Fleer 'shortened' its initial offering period to the point where dealers had to send their orders back to Fleer overnight by Federal Express to get them in on time. For the 1988 season, Fleer was sold out in five days. Notice in Table 3 that by 1987 Fleer, by printing fewer cards than Donruss, had driven the price higher. With Fleer cards being very scarce in 1988, it is expected that Fleer will dump on the market in 1989, similar to what Donruss did in 1988.

Fleer and Donruss have an advantage by being privately held companies. If they were public companies, neither could have developed this type of policy of limited sales to create a future demand for the product. The corporate 'gadflys' would have a field day with that. It is during this time of limited printing by Fleer and Donruss that Topps really benefited. During the period from 1984 to 1988 Topps' sales increased 133 percent (Topps Annual Report, 1988).

The impact of the marketing strategies on the investors will be discussed in the next section, Literature Review.

## Chapter 3

Literature Review

Before further discussion of the hobby, we will now examine The Topps Company. As stated earlier Topps had a virtual monopoly in baseball card manufacturing from 1956 to 1980.

While their total sales have increased 133 percent from 1984 to 1988, there has been a lot of turmoil inside the company. Topps first became a publicly held company in 1972 (Guttman, 1988). In January, 1984, Topps was involved in a leveraged buy-out (LBO) that was organized by Frostman, Little and Company (a New York investment firm) and ten of the Topps' executive officers. They bought all of Topps' outstanding shares at \$26.25 per share for a total price of \$96,000,000 (Wall Street Journal, 1/12/84, 16).

Immediately before the buy out announcement, the stock was selling at 16 3/8 (Glassman, 1988). This was a 'textbook' leveraged buy-out, financed by long term debt, which for fiscal 1984 was \$42,198,000. Because of the extra debt incurred with the LBO, the total debt soared to \$104,062,000 in fiscal 1985. The Topps' officers then strengthened the firm to the extent that its 1987 earnings per share were \$1.33, after experiencing a loss of \$.48 per share in 1985. After Topps was fully strengthened, it offered 10 percent of



its shares to the public in May 1987 at \$13.00 per share (Lindley, 1987, 18; Guttman, 1988).

By September 1987 Topps' stock had reached \$20.00 per share. At that time Topps announced that it would offer an additional 2.5 million shares to the public, but by October 13, 1987 the stock had dropped to \$17.50. At this point the Topps' board of directors decided that it would not sell the stock at that low price and the offer was withdrawn (Monroe, 1987, 16). The day after the withdrawal announcement, Topps' stock rose to \$19.38. On Black Monday, October 19, 1987, its stock closed at \$16.75 (Guttman, 1988).

In December 1987, Topps announced a special dividend of \$10.00 per share. It appeared to be a way for its officers to obtain the funds that they had originally wanted when the stock was offered in September (Gilman, 1987). What makes this dividend interesting is that it was financed entirely by debt. On January 5, 1988 Topps announced that Hanover Trust would finance the dividend. Through Hanover Trust, Topps borrowed \$140 million and also obtained a line of credit for an additional \$35 million (Wall Street Journal, 1/5/88, 33). Another interesting feature of this dividend was that the primary beneficiaries were the Topps' officers along with Frostman, Little and Company. Their share of this dividend was \$96 million, the same price they had purchased Topps for in 1984



(Wall Street Journal, 1/5/88).

The rationale for this dividend was puzzling to many. Because of this added debt, Topps had a negative net worth of over \$88 million for fiscal 1988. This also put all of Topps' solvency ratios well beyond the industry norms. Table 4, Topps Solvency Ratios, illustrates how the added debt affected the financial ratios.

For the fiscal year 1987, many of Topps' ratios were already in poor standing when compared to the other companies within the SIC code 2067, chewing gum manufacturers. Because this special dividend was so puzzling, the author called Topps headquarters and was told that Topps' management was not concerned about financial ratios and that with no sales growth the entire loan could be retired in five to six years, or in less time with normal growth (Guttman, 1988). Apparently others are not concerned about the debt either. Wall Street analyst Franklin Morton said, "Topps is basically a cash machine, the message is that this company has an excess cash flow that is not needed and that they could leverage up the business again and give the shareholders some liquidity" (Gilman, 1988, 49). Another theory for the large dividend was that the drastic capital restructuring would assure shareholders that management would not become complacent, that the efficiencies obtained in the past

Table 4

## Topps Solvency Ratios 1987 - 1988

	1987		1988	
	Topps	Industry Average	Topps	Industry Average
Quick Ratio (Times)	.57	.50	.39	.50
Current Ratio (Times)	.99	1.40	.83	1.10
Current Liabilities to Net Worth (%)	187.00	61.90	-60.00	75.60
Current Liabilities to Inventory (%)	239.22	137.00	229.93	140.80
Total Liabilities to Net Worth (%)	405.00	153.20	-233.00	127.00
Fixed Assets to Net Worth (%)	140.31	93.00	-35.72	84.00

Sources: Dun & Bradstreet, 1988; The Topps Company, April 1988.

[Quick ratio = (Current assets - Inventories) / Current liabilities]

[Current ratio = Current assets / current liabilities]

few years would have to be preserved to meet the debt service commitments (Glassman, 1988).

Apparently Topps is performing better than many analysts predicted. Some estimates for fiscal 1989 earnings were \$1.00 to \$1.75 per share, because of Topps nearly fivefold increase in interest expense (Baldo, 1988, 18). For the fiscal year 1989 Topps exceeded the analysts' expectations. Its sales and earning per share each increased 6 1/2 percent. Sales were \$199 million and earnings per share were \$2.01. On March 31, 1989, Topps issued a three-for-two stock split. Topps also prepaid \$10 million of the debt incurred to pay its special dividend (Topps, 1989).

This is an important progression of events because it shows Topps confidence in the hobby. Apparently they feel that their increased sales will continue and the new debt can be easily retired.

The intentional product shortages created by Fleer and Donruss since 1984 have had some varying results. Many investors became attracted to baseball cards, especially those of Fleer and Donruss, because their shortages created the price increases in their cards. Topps was affected by the actions of Fleer and Donruss because many buyers bought Topps products after they became frustrated by not being able to purchase the Fleer and Donruss products. Both collectors and investors bought Topps cards when they could not get



the cards made by Fleer and Donruss.

Investors felt that the products offered by Topps would experience a price increase for two reasons. For one, there would be an added demand for Topps products because of the extra demand created by not being able to buy Fleer and Donruss cards. Secondly, because it was felt that Topps cards would increase as part of the 'bandwagon' effect created when the price of Fleer and Donruss cards rose. Collectors returned to Topps because they felt betrayed at not being able to buy Fleer and Donruss cards at a price comparable to Topps. Many of the true collectors felt that any new product should be available at the retail level anywhere, including the corner store. This tradition started with the Goudey cards in the 1930's and continues today. Starting in 1984 Fleer and Donruss have been available only sporadically, if at all, at the local retail level.

The Topps' court battles did not stop with Fleer and Donruss. Topps has always contended that since it signed the ballplayers to exclusive contracts, it is the only company that can print baseball cards. It was this exclusive clause that prevented Fleer from continuing production in 1963. In April 1985, Topps filed suit against the Major League Baseball Players Association (MLBPA), because it felt that the MLBPA was urging its members not to sign or renew their exclusive



contracts with Topps (Wall Street Journal, 4/8/85, 13). Topps lost the decision but it still maintains that their exclusive contracts are valid. In addition to the exclusive contracts, Topps also pays royalties to the MLBPA so that the players who are not under contract can appear on cards. As a result Topps paid \$16,700,000 in licensing fees and royalties in fiscal 1988 (Topps 10K, 1988, 8). This is over half of the total sales of Fleer and Major League Marketing, the makers of Score baseball cards.

Topps has been discussed extensively because of the availability of information, its involvement in the industry and its continued role as a sales leader. Also most price comparisons in this paper involve Topps cards.

The market shares and sales of all the card manufacturers are difficult to formulate because the companies are privately held, excepting Topps, who publish their sales figures. Table 5, 1988 Sales and Market Shares, shows the total sales and market share assumptions (after interviews with representatives of Topps and Major League Marketing).

Because of the limited access to sales figures, a telephone interview was conducted with both Topps and Major League Marketing for further information. The author had his own estimations for market share

Table 5

## 1988 Sales and Market Shares

	<u>Author's</u> <u>Estimations(%)</u>	<u>MLM (Kling)</u>	<u>Topps(%)</u>	<u>(Kossoff)</u>
Topps	55	\$110mm	55	127mm
Donruss	15	30mm	23	53mm
Fleer	10	30mm	12	27mm
MLM	20	30mm	10	23mm

percentages of each company.

When Jack Kling from MLM was interviewed, all he would say was that industry sales were \$200 million per year with Topps selling \$110 million and the remaining companies each grossing \$30 million. The author assumes that the figures were not accurate because Topps' annual report shows that it grossed \$127 million in baseball cards for fiscal year 1988. It did, however, confirm the 55 percent market share for Topps.

When the author called Topps about the ambiguity between their reported sales figures and market share they were vague. The interview did result in this valuable information:

- 1.) Topps' sales figures were higher than all of its competitors combined.
- 2.) The sales figures given by MLM concerning Donruss were very low and the sale of Donruss was greater than Fleer and MLM combined.
- 3.) The sales figures for Fleer and MLM were

both inflated with MLM sales less than Fleer. Using this information (vague as it is) the author used the 55 percent sales figures that MLM confirmed to obtain the data on Table 5.

Today the baseball card industry has reached levels of sophistication that were unimaginable only a few years ago. One example is a computer network named 'Card Net' that ties dealers together. For \$49.00 per month dealers and buyers can enter this computer network and subscribers can advertise for items they want, and for items they would like to sell. This instant access to dealers nationwide enables subscribers to react immediately to current price trends. The rookie cards of Mark McGwire and Jose Canseco increased hourly during the period of peak interest in these cards. This occurred in June of 1987 for McGwire and September of 1988 for Canseco. Because the computers are connected via telephone it is not financially feasible to be on line at all times. Most users monitor the system once a day or obtain a printout twice a week. Every Saturday the system is purged so that no item can be displayed for more than a week unless it is resubmitted (Fultz, 1988). With this network it is now possible for people to buy and sell cards without leaving their home or office.

A wide variety of periodicals are available to hobbyists today. There are at least five nationally



released publications with issues ranging from weekly to monthly. Each has a wide variety of articles and advertisements. The articles offer interviews with dealers and ballplayers, articles on new and old issues and discussions on a broad range of topics from editorial comments to uniforms.

The author examined a recent issue of Sports Collectors Digest. There was a wide assortment of items offered for sale. Besides single cards and sets from all years, the following were also advertised:

Autographs, hobby supplies, uniforms, equipment, programs, clocks, watches, rings, minor league cards, shows, auctions, non-sports items, football cards, hockey cards, basketball cards, baseball videos, baseball games, figurine statues, books, boxing memorabilia, records, a variety of unopened cases, over 25 offers to buy items. One dealer even placed an ad telling everyone that he would be on vacation. These products or offers were advertised by 374 dealers. There were also over 1100 future card shows listed (Sports Collectors Digest, 11/18/18).

Since there are so many dealers, many try to find their own advertising gimmick or sales niche. Examples of gimmicks used are "America's Favorite Dealer", "Top Gun", "America's Most Handsome Dealer" and for the investors, "Executive Investments" and "Investables". Many of the leading dealers have been very successful



at finding a sales niche and have become recognized for selling certain items, including:

Larry Fritsch	Sets (35 million cards)
Bill Henderson	Commons
Bill Goodwin	Mint Cards
Kit Young	Mint '30's to '80's cards.
Howard's Sports Collectibles	Supplies
Brian Morris	Unusual memorabilia
Dave's Sportscards	Minor League sets
Scott Bradshaw	Unopened material
Steve Myland	Surplus and closeout material
Gary Walter	New single cards

This is a brief example of how dealers have become successful by specializing in certain items. The best example, however, is "Mr. Mint", Alan Rosen. Mr. Rosen has used both the gimmick and sales niche to his advantage like no other dealer. Other dealers may have more cards, but few, if any, can claim to meet his annual sales. Mr. Rosen deals strictly in mint cards and memorabilia and has also advertised continuously that he will pay more for your cards. Through this he has established a reputation for buying items for the highest prices.

Mr. Rosen has called himself by many names: "The Sultan of Scratch", "Baron of Big Bucks", "Crowned Head of Lettuce", "The Marquis de Wad", "King of Cards",

"Million Dollar Dealer", "Duke of Dough", the "Buying Machine" and finally "Mr. Mint" (Geringer 1988, 79). He feels that he is the best buyer, the most influential dealer in the hobby and he makes it known to everyone. He has appeared on ESPN, the NBC Game of the Week, ABC's Nightline and Good Morning America (Sports Collectors Digest, 11/25/88, 84).

Mr. Rosen entered the hobby as a buyer in 1979. At that time he was a copy machine salesman. He started buying complete sets of cards in quantity for the years 1976 to 1979. He states that when he got back to 1975 he could not find complete mint sets. He found a need in the hobby for mint cards and sets from the earlier years and started buying them whenever he could because he knew that a truly mint card could demand a price above the established book price. Early in 1983 he quit his full time job so that he could devote more time to selling cards (Green, 7/22/88, 136). Today he spends over \$150,000 per year in advertising in trade publications. In these ads, some believe that he borders on being abrasive with his techniques. As mentioned earlier, he gave himself a series of nicknames that imply that he likes to spend money freely. He states that in 1987 he spent \$3,000,000 and sold \$4,000,000 (Geringer, 1988, 82). He flaunts the fact that he is a millionaire. Mr. Rosen says that he frequently takes \$100,000 in cash to

card shows to buy cards and to impress on people that he is 'for real'. He also proudly admits that he has played a large part in the rapid price increases (Green, 7/22/88, 136).

While he tells everyone that he spends the most money, 100 percent of book price or more on mint items, sometimes that is not true. His most famous purchase was described in the July 4, 1988 issue of Sports Illustrated. In 1986 a truck driver from Boston called him saying that he found a case of 1952 Topps unopened packs in his late father's attic. The caller said that his cards were all 1952 high numbers, truly a remarkable find. When Mr. Rosen viewed the cards he found 57 Mickey Mantles (then a \$3,000 value) 140 Willie Mays (\$425) and 50 to 60 of every card, over 5,500 total, with none valued at less than \$20.00. Because the cards were sealed for 24 years, they were in perfect condition and the seller could easily have obtained a price above book value.

Mr. Rosen says that he took \$100,000 to Boston to purchase the cards. When he looked at the case he told the seller that he could not pay even 70 percent, that he had to discount more deeply. He paid \$80,000 for the case (Geringer, 1988, 84). Nobody will deny that \$80,000 is a large sum of money, but when a person advertises that he pays 100 percent of book price for mint cards and he then states that he bought a \$400,000



collection for 20 percent then an observer can see a discrepancy between his advertising and his actual buying practices.

Many people feel this exposure in Sports Illustrated gave the hobby dealers a bad image. Dealers provide a service for card buyers and sellers for a profit but should be fair to both parties. With Mr. Rosen's description of the 1952 find it is obvious that he took advantage and he, hopefully unwittingly, broadcast it to the public.

There has been very little statistical and academic review of the hobby until 1988. Former Marquette University professor David Krause has tried to change that situation. In 1988 Mr. Krause published articles in Money Magazine, American Association of Individual Investors Journal and he had a very insightful two part interview in Sports Collectors Digest. He has explained why people collect and invest in baseball cards along with a statistical analysis of the return performance of baseball cards and other collectibles as an investment.

Mr. Krause states that people buy baseball cards as a collectible because:

A good collectible has to have certain unique features that make people want to collect them. They need to remind people of a period in time that is favorable, or maybe even unfavorable.



It has to have some important contribution to measuring culture at that point in time...they reflect culture and history. A lot of people are interested in this American sport. It is very interesting to look at cards through the last 60 years. You can see clothing, hair styles and can get a complete flavor cross-sectionally from our society by looking at them. What makes cards a really interesting collectible is that you do not have to become an incredible expert to be able to transact, to buy, sell or trade this particular collectible. (Dobrovitz, 9/16/88, 116, 118)

This is a insightful observation.

When comparing other collectibles to the description, none would meet all of the criteria listed in Mr. Krause's definition. This is not to imply that coins, stamps, gold, furniture and paintings are not good collectibles. A good collectible may be anything that appeals to a potential collector although Mr. Krause's definition implies that baseball cards appeal to a great many collectors for the variety of reasons that he has listed.

Many collectors buy their items as an investment in addition to being put in a collection. This is true with almost any collectable, as well as baseball cards. There are also many people who have entered the baseball card market solely as an investment, with

little regard for the collecting aspect. The market for a great many collectibles is very stable, with many collectable items holding their value following the stock market crash in October 1987. Table 6, Annual Return of Collectibles, shows the annual average price growth of some popular collectibles from 1979 to 1987. Many investors have turned to collectibles because it is likely that an investor will get a greater degree of satisfaction showing a friend a fine painting or a Mickey Mantle baseball card than showing friends his stock certificates. An investment in baseball cards can give the investor pleasure as well as a good profit on his investment (Krause, October 1988, 7). There have been people who have soured on the stock market since the crash. Many are putting their money into real assets (cars, housing and collectibles) items that they can enjoy and hopefully realize a profit (Dobrovitz 9/30/88, 66).

Mr. Krause has performed extensive research on the investment aspect of baseball cards, he has divided baseball card performance into segments of stars, complete sets, rookies of the year and rookie cards of emerging stars who were listed on Table 1. Anyone familiar with baseball cards would not be surprised to learn that rookie cards provide the best return on investment. Mr. Krause describes how investing in new rookie cards is based upon the present value theory

Table 6

## Annual Return of Collectibles

<u>Collectible</u>	<u>Average Annual Price Growth (%)</u>
Baseball Cards	32.58
Modern Paintings	19.70
Impressionist and Post-Impressionist Paintings	19.50
Coins	18.58
Stamps	14.98
American Furniture	14.46
American Painting	13.37
English Furniture	13.17
English Silver	12.18
Chinese Ceramics	9.60
Continental Furniture	8.91
Gold	8.69
Old Master Paintings	8.11
19th Century European Paintings	7.35
Continental Silver	6.61
Continental Ceramics	4.63

Source: Krause April 1988; Beckett #2-11; Beckett Monthly # 49



with the current price being based upon expected future performance.

When observing the baseball card market a player's rookie card price rises or falls based upon how that player performs, on and off the field throughout his career (Krause April 1988, 8). The better a player performs the higher the price for his cards. Table 7, Price Performance of R.O.Y. Winners, lists these players and the price changes that their rookie cards experienced. One note of interest about these R.O.Y. picks; many times these players do not live up to expectations after the awards are earned. In 1979 Pat Putnam of the Texas Rangers won the award after hitting .277 with 18 home runs. In 1989 his rookie card brings 20 cents. That same year a rookie for the Oakland A's named Rickey Henderson hit .274 with 33 stolen bases. In the spring of 1989 his rookie card is worth \$27.00 (Reichler, 1985; Beckett #11, 1989). This comparison can be continued through almost every year. It means that if an investor buys other rookie cards in addition to the R.O.Y. winners, he can make substantial gains.

A player's off-the-field performance also has an effect on his card prices. In 1985 Dwight Gooden's rookie card started on the market at \$3.00, by early 1987 it was bringing \$9.00. In the spring of 1987 Mr. Gooden entered a drug rehabilitation center. That season his price slipped to \$7.00, but it was difficult

Table 7

## Price Performance of R.O.Y. Winners

<u>Year</u>	<u>R.O.Y.</u>	<u>R.O.Y. Portfolio Price</u> <u>After Season</u>	<u>Price</u> <u>Year End 1988</u>
1979	Clear, Leonard, Putman, Sutcliff	\$ .12	\$ 4.65
1980	Burns, Charboneau, Gullickson, Smith	.24	.95
1981	Gedman, Raines, Righetti, Valenzuela	1.32	17.25
1982	Bedrosian, Ray, Ripken, Vande Berg	1.95	13.90
1983	Boddicker, Kitle, McMurtry, Strawberry	7.15	52.25
1984	Davis, Gooden, Langston, Samuel	8.50	50.50
1985	Browning, Coleman, Guillen, Higuera	4.30	9.40
1986	Canseco, Eichhorn Thompson, Worrell	5.40	8.95
1987	Dunne, Henneman McGuire, Santiago	24.05	19.20
1988	Belcher, Grace Harvey, Weiss	3.65	3.95*

\* Price in April 1989

Source: Krause 4-88.



to sell at that price. Beginning in January of 1988, the price of the rookie card started to rise again and in December 1988 the card is worth \$9.00 (Beckett #7, 1985; Beckett Monthly #24, January 1987; #37, April 1988; #45, December 1988).

Beginning with the 1983 rookies, the initial cost for the R.O.Y. winners started to rise substantially. One reason is that investors became more aware of the potential profit and they started investing heavily in these cards. In most cases the player's rookie card is issued the year after his rookie season. The cards are printed a year late because the photographs are taken in spring training for the next season's cards. The cards for the following season are printed starting in October so they can be issued in February. For that reason the cards are usually a season behind the current roster of each team.

It is difficult to tell which rookie will make the team, especially one year in advance. So the card companies usually release the player's rookie card the year after his rookie season. When the investor sees who the R.O.Y. winners are, the demand for his yet unprinted card is very high. This is why Dwight Gooden's 1985 Topps rookie card entered the market at \$3.00. Because of the past price performance of the previous R.O.Y. winners, the investors are anxious to purchase the rookie card of the current winners, thus



driving the price up.

Another reason that the initial investment in R.O.Y. winners' cards increased in 1983 is because Darryl Strawberry was one of the winners that year. As mentioned in hypothesis 4, the lower New England area is one of the price leaders of the card industry. They are the driving force behind price increases. Since a great many of the buyers are from the New York City area, there was tremendous interest in the New York Mets outfielder Darryl Strawberry's rookie card, thus driving the price higher.

The price decline of the 1987 R.O.Y. is a good example of the investment mania that exists. Two of the 1987 R.O.Y., Mike Dunne and Mark McGuire, had their rookie cards issued in 1985. These cards were issued in 1985 as participants in the 1984 United States Olympic Baseball Team. Topps issued cards in their honor. By having their cards issued two years prior to their reaching the major leagues, buyers could follow their minor league records. In 1987, his first full year in the major league, Mark McGuire hit 49 home runs. His rookie card was selling for \$20 at the end of the season. In 1988 he hit 32 home runs, still a good record by most standards. His card price declined to \$17 because investors felt he had a sub-par year when compared to his rookie year. Mike Dunne had a similar experience in his first two years in the

majors. His card prices had similar results (Beckett #10, 1988; Beckett #11, 1989).

Complete sets are also a good investment. Many investors are turning to complete sets as a safe method of making a profit. While the average annual return is impressive, Table 8, Return Comparisons, reveals that it is not as good as the R.O.Y. investments. Again, imagine what the return would be if other rookies were purchased instead of or in addition to the R.O.Y. recipients. While the returns for both the R.O.Y. winners and complete sets are impressive, Table 8 shows that the R.O.Y. winner is outperforming the complete sets by 21 percent. This supports the hypothesis, with the rookies being the tactical investment and the complete sets being the strategic investment.

Investing in older rookie cards has also had very good results. Although the original investment is higher there is still the potential for large profit. Table 9, Prices of Selected Rookie Cards, illustrates the average annual rate of return for selected rookie cards.

Table 9 illustrates how the Mantle, Mays and Aaron baseball cards all performed well, but it must be remembered that the initial investment is substantially higher. With the Rose and Schmidt rookies, the

Table 8

Return Comparisons  
R.O.Y. Portfolios vs. Complete Sets

Issue Year of Cards in Portfolio	R.O.Y.	Compound Annual Return Portfolio (%)	Complete Sets (%)
1979		50.50	26.90
1980		46.70	24.00
1981		107.10	27.20
1982		34.20	36.10
1983		32.80	49.40
1984		71.00	79.90
1985		<u>86.00</u>	<u>37.10</u>
Average:		61.80	40.08

Source: Krause April 1988, 11.



Table 9

Prices and Rate of Return  
On Selected Rookie Cards

<u>Year Ended</u>	<u>Mantle</u> <u>1952</u>	<u>Mays</u> <u>1952</u>	<u>Aaron</u> <u>1954</u>	<u>Rose</u> <u>1963</u>	<u>Schmidt</u> <u>1973</u>
1978	\$ 500	\$ 80	\$ 55	\$ 5	\$ .12
1988	6500	1000	750	550	180.00
Average Rate of return:	57.6%	47.5%	42.8%	97.5%	187.4%

Sources: Krause Dissertation, Beckett #1-10, Beckett Monthly #45.

investment was much lower and they had a tremendous average annual rate of return. By looking at Tables 7 and 9 one should assume that the cards were purchased as early as possible, when the prices were the lowest, for the maximum return on the investment.

As in all investments some items do better than others. With baseball cards it is safe to assume that the highest rate of return is with rookie cards purchased when their price is low. Mr. Krause found that common cards had the lowest return of all baseball cards. They rose in value in the low 20 percent range (Dobrovitz, 9/16/88, 110).

Mr. Krause has also performed an extensive study on the effect of diversification of investments with collectibles. Table 10, Diversification with Collectibles, illustrates his results. Baseball cards not only provided the highest growth rate, but they

Table 10

## Diversification With Collectibles (1978-1987)

	Percent Growth Rate		
	<u>Average</u>	<u>Variation</u> ***	<u>Risk Per Unit</u> ****
Financial Asset Portfolio*	5.89	11.32	1.92
Financial Asset Portfolio with:**			
Baseball Cards	17.96	11.97	0.67
Modern Paintings	10.80	10.67	0.99
Impressionist & Post Impres. Paintings	10.71	10.08	0.94
Coins	10.29	12.33	1.20
Stamps	8.79	7.98	0.91
American Furniture	8.59	8.81	1.03
American Paintings	8.18	6.19	0.76
English Furniture	8.11	9.43	1.16
English Silver	7.76	10.56	1.36
Chinese Ceramics	6.92	6.98	1.01
Continental Furniture	6.71	8.06	1.20
Gold	6.65	15.19	2.29
Old Master Paintings	6.48	9.95	1.53
19th Century Euro- pean Paintings	6.27	10.22	1.63
Continental Silver	6.08	9.84	1.62
Continental Ceramics	5.59	8.46	1.51

\* Equally weighted portfolio of common stocks, long term bonds and short term bonds.

\*\* Equally weighted portfolio of common stocks, long term bonds, short term bonds and collectable items.

\*\*\* Amount by which most growth rates varied around the average.

\*\*\*\* Variation divided by growth.

Source: Krause October 1988, 11.

also provided the lowest risk. This demonstrates the massive growth and appeal that baseball cards have. Findings such as these are bringing more people into the hobby.

Table 10 shows that by placing 25 percent of an investment portfolio in baseball cards an investor could have turned a 5.89 percent yield into a 17.96 percent yearly return. Along with this rise in the return it also stabilizes the portfolio by lowering its overall risk. Baseball cards in the portfolio carried a unit risk of 0.67 while gold, added to the portfolio had the greatest risk of 2.29 per unit of growth.

Along these same lines, Mr. Krause developed a BETA rating for baseball cards which, along with these other investments, he compared to the stock market. If an investment has a BETA of 1.50, that means whenever the stock market rises or falls by 10 percent the investment would react in the same direction by 15 percent. The lower the BETA, the lower risk. Collectable coins had a BETA of 1.07, stamps 0.07, gold 1.89 and baseball cards 1.29. Mr. Krause interpreted the very low BETA for stamps as having very little relationship to stock market variations. Gold is the most volatile in its reactions to moves in the stock market (Dobrovitz, 9/30/88, 66).

Mr. Krause has also performed a study of how prices are compiled in the price guide. He states that



the prices listed in the guides are historical prices. The price data is obtained by the price guide authors from dealers' recent transactions. Two problems arise: ( 1.) The prices given are intended to be the actual, not desired prices, and ( 2.) There is a time lag due to the author's computations, printing and distribution (Dobrovitz, 9/30/88, 64). This means that if there is no buyer interest in a card listed at \$10 then that dealer should report that the card is not selling at that price. Then the price guide should reflect the lack of interest and thus the lower price. The price guides seem reluctant to reflect price decreases in cards. Only the authors of those guides know why, but it may be because the dealers do not want to lower their price. The dealer may have purchased the cards for a high price, when the demand was high, and then they were reluctant to sell the card for an acceptable price. The dealer may then not want to see the price lower because they do not want to lose money. Don Mattingly's rookie card is a good example of this. In October 1986 his '84 Topps rookie card sold for \$6.50. By February 1987 his card had climbed to \$35 with no end in sight (Beckett Monthly, #22, October 1986; #24, February 1987). Many dealers were buying his card for \$30 knowing that they could sell it for \$35. The market for his card became saturated and the demand deminished. In April 1989 the card lists at \$27

(Beckett Monthly #49, April 1989). It took 20 months for the card to adjust down 23 percent.

The printing delay can be detrimental to a fast moving card. The Jose Canseco '86 Donruss rookie card in 1988 is a good example. His card was selling for over \$65 in November but the December price guide had it listed at only \$50 (Howell, November 1988; Beckett Monthly #45, December 1988).

Mr. Krause also points out one aspect of investing in baseball cards that does not occur with stocks and bonds. Baseball cards have to be stored, protected and insured (Krause, October 1988, 8). These are added costs, but the enjoyment derived from the cards along with the above average profit make the added costs worthwhile.

The studies by Mr. Krause have been very beneficial to investors who have been considering investing in baseball cards. He has put into print what many people have always thought about baseball cards, that they are a good investment. He has published excellent comparisons of baseball cards to other collectibles. Only time will tell what changes Mr. Krause has had on the hobby.

There is a difference of opinion among investors pertaining to what cards are the best investment. There are 'old card verses new card' disagreements at all shows. This is one reason why many dealers



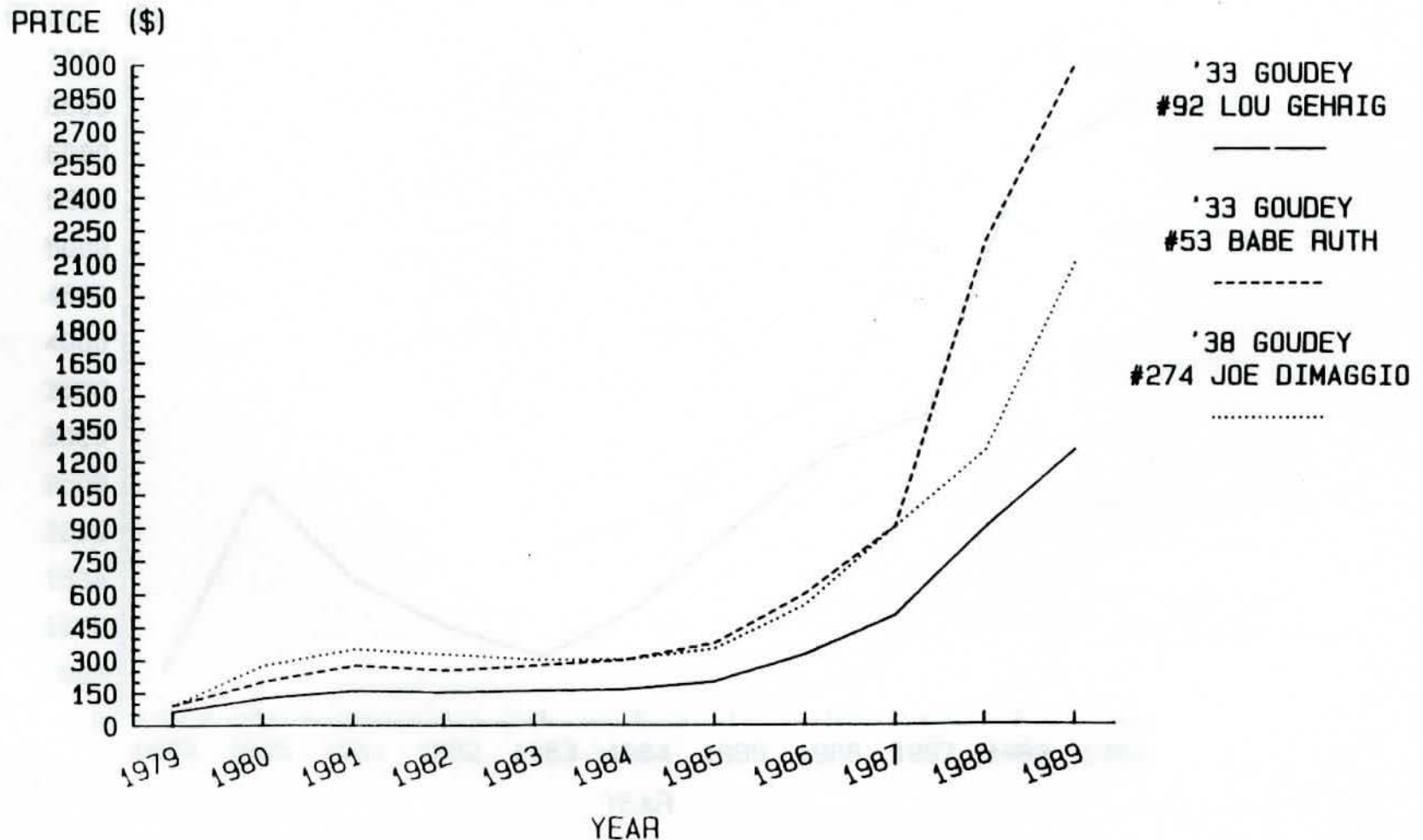
specialize in certain cards. Tables 11 through 16 compare prices and returns of rookie cards from various decades. This is a non-scientific grouping with Stan Musial being placed in the 50's group and Don Drysdale and Bob Gibson in the 60's group. These cards were picked by the author to be a representative sample from each decade. Players such as Hank Aaron and Pete Rose were not included because the price of these rookie cards was discussed earlier. In each decade other players could have been easily added. This was intended to be a representative sample only.

Tables 11 through 14 show a price decrease in 1982 and little growth in 1983. There are two reasons that account for this. First, there was a recession in 1982. Whenever the economy slows down, spending on collectibles is less as well, because disposable income is lower. Secondly, due to the recession and high prices many people sold their cards, lowering both the demand and the price.

Mickey Mantle's rookie card price, shown on Table 12, is cause for discussion. His card appears to be the trend setter for all prices. From 1979 to 1980 the price of his card rose 400 percent, the sample group rose 315 percent. From 1981 to 1983 the price of his rookie card decreased, as did the sample group. His card rose steadily from 1984 to 1987. After the stock market crash of October 1987 there was tremendous

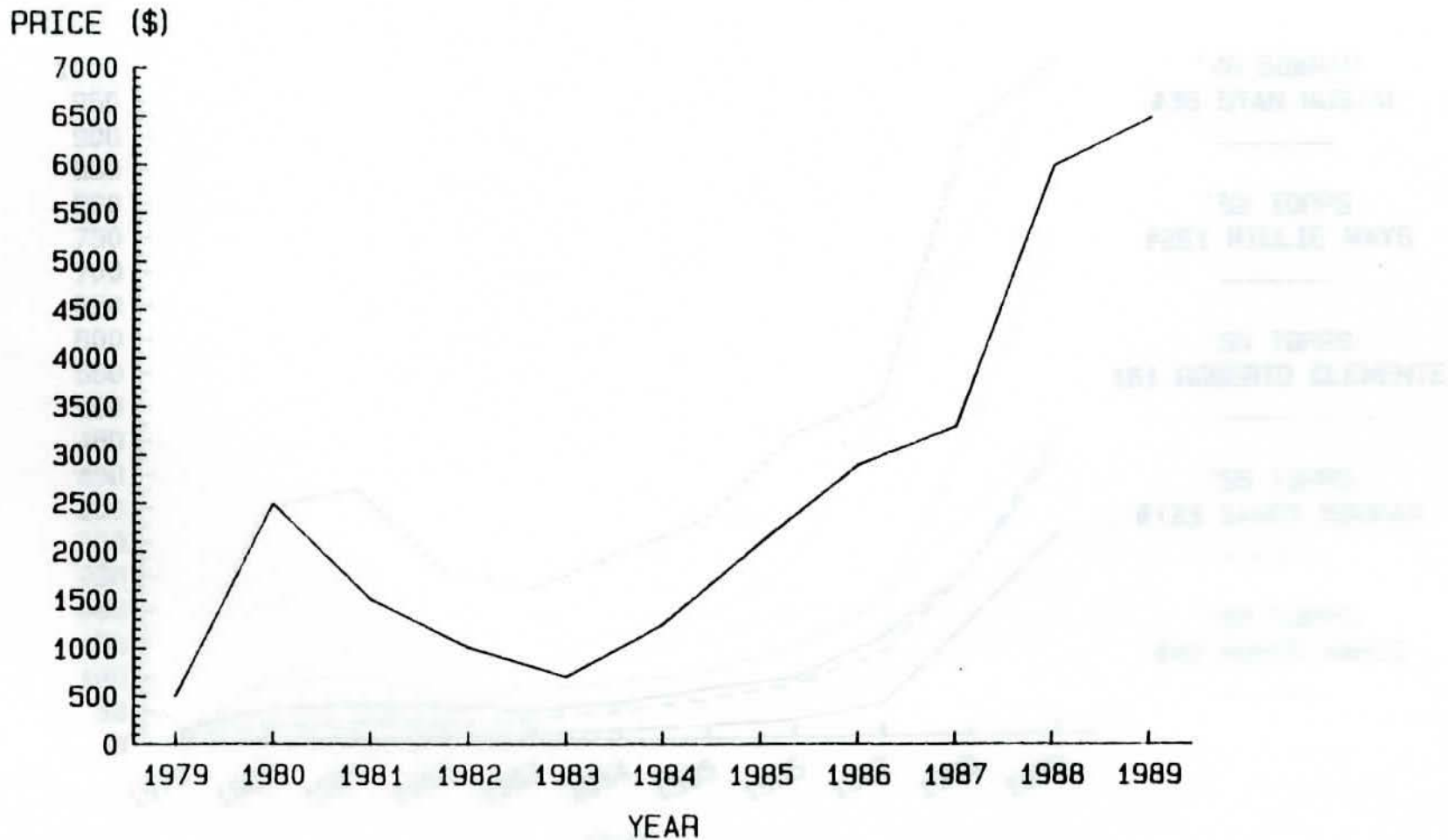


TABLE 11  
 PRICE COMPARISONS OF 1930'S STARS



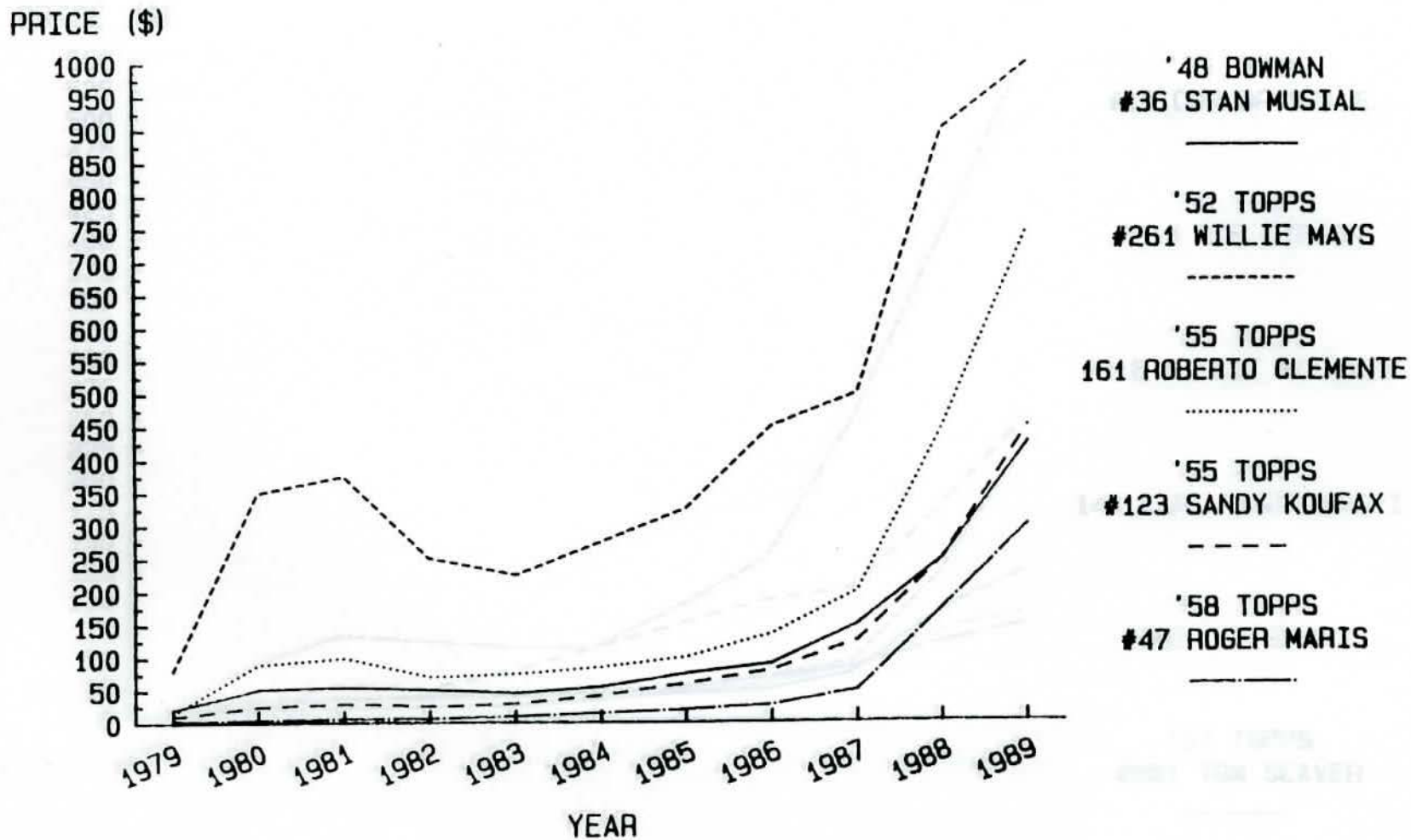
SOURCE: BECKETT #1-#11

TABLE 12  
 PRICE COMPARISONS OF MICKEY MANTLE  
 1952 TOPPS ROOKIE CARD



SOURCE: BECKETT #1-#11

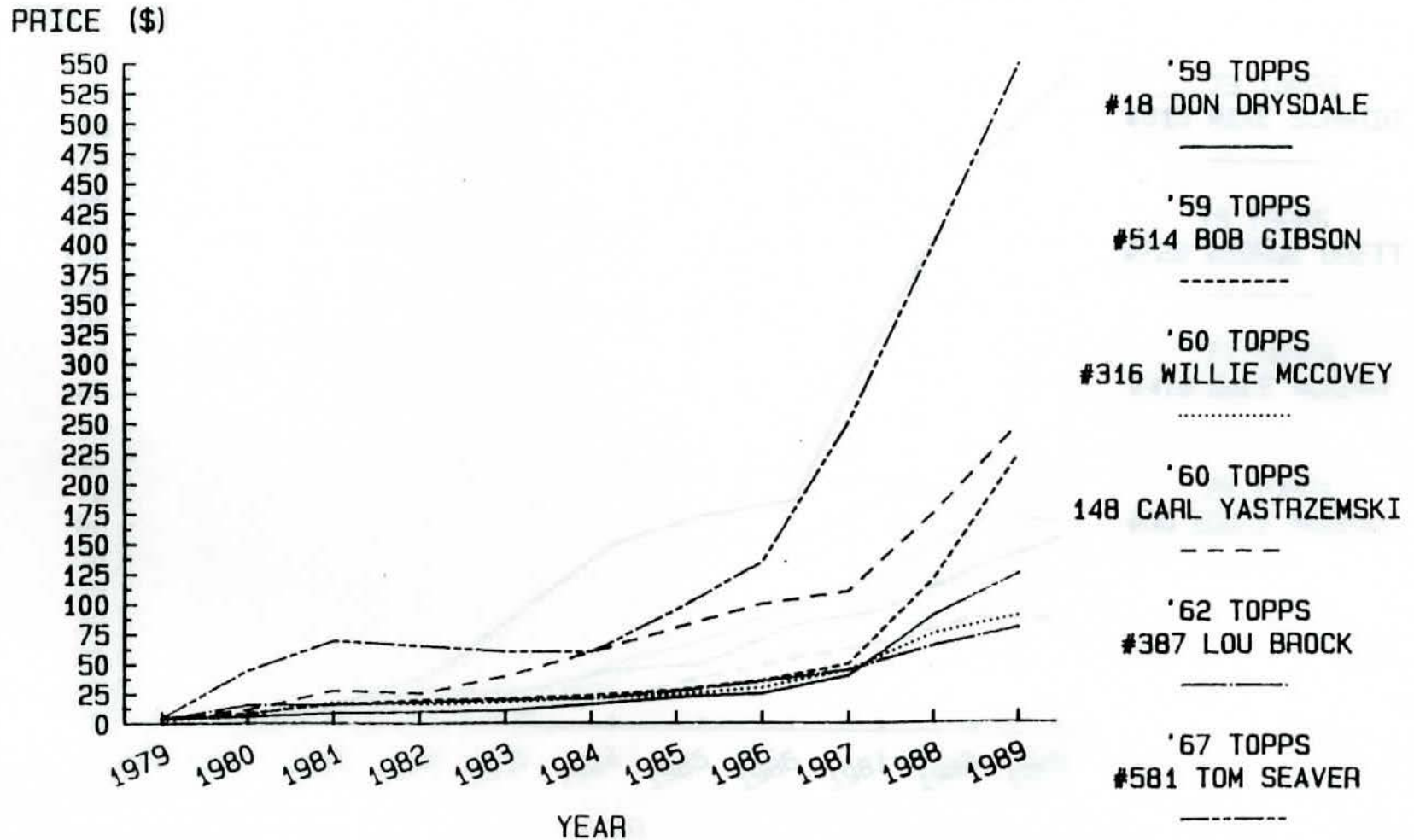
**TABLE 13**  
**PRICE COMPARISONS OF 1950'S STARS**



SOURCE: BECKETT #1-#11

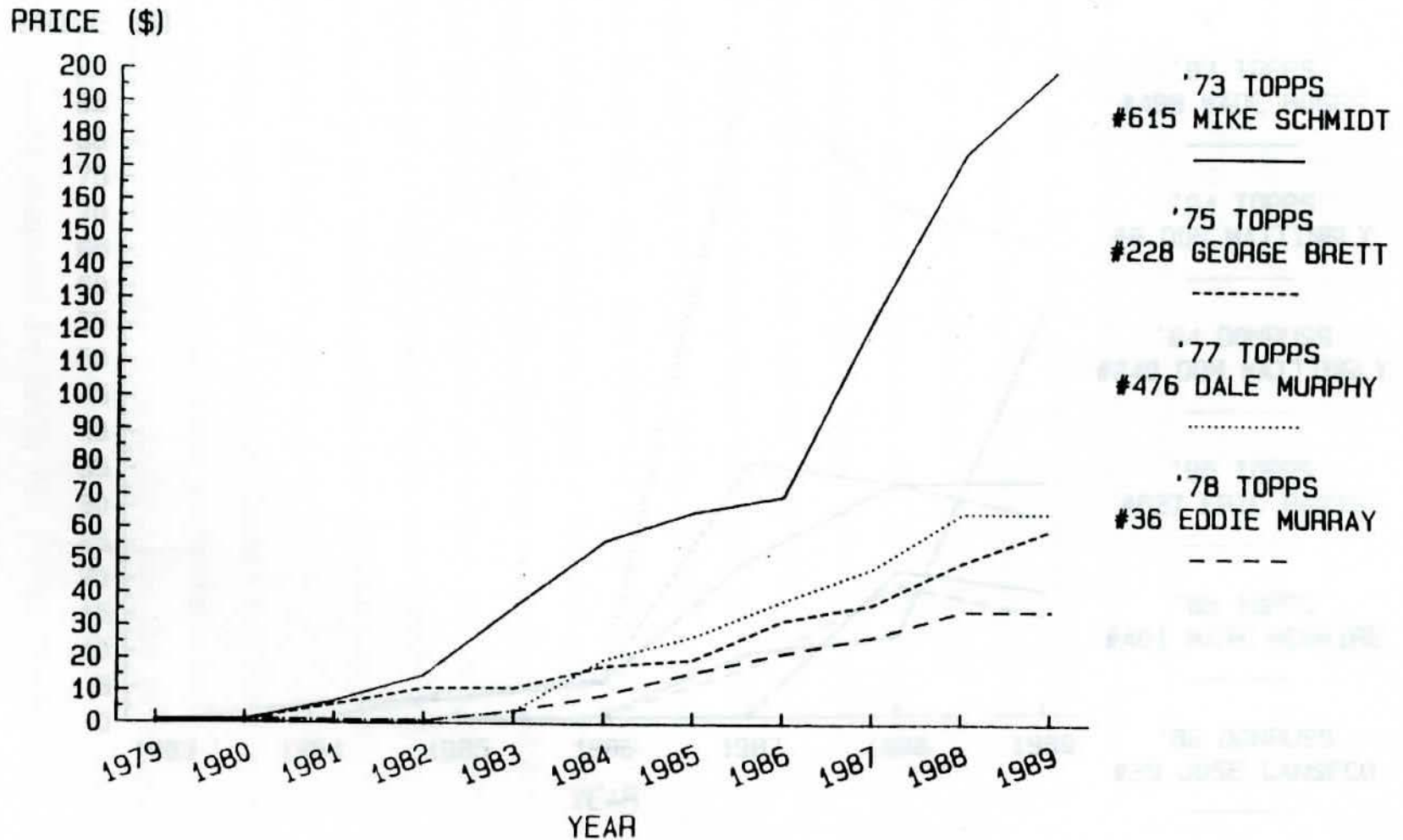


**TABLE 14**  
**PRICE COMPARISONS OF 1960'S STARS**



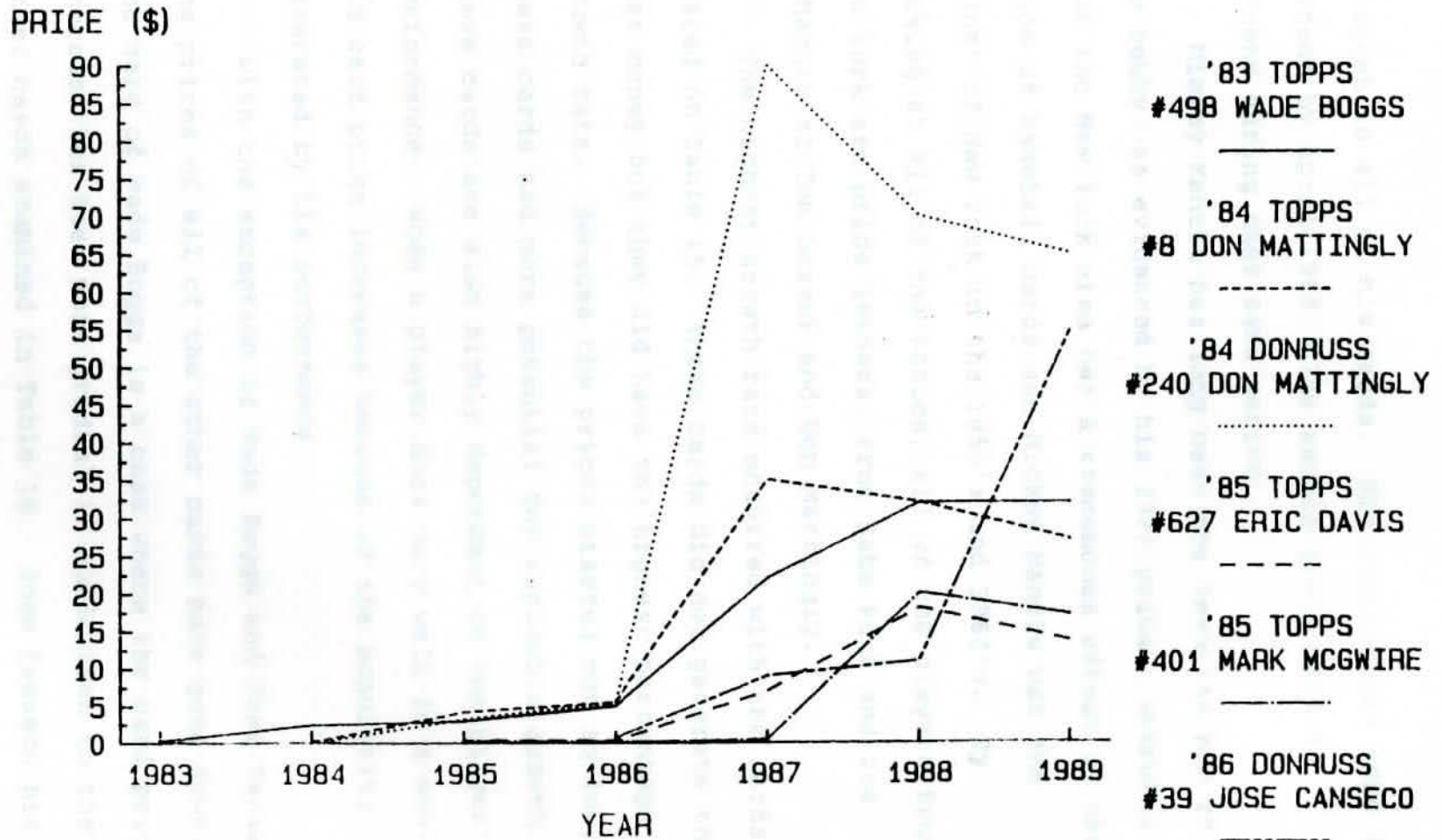
SOURCE: BECKETT #1-#11

TABLE 15  
PRICE COMPARISONS OF 1970'S STARS



SOURCE: BECKETT #1-#11

**TABLE 16**  
**PRICE COMPARISONS OF 1980'S STARS**



SOURCE: BECKETT #5-#11



interest in all of his cards. His rookie card rose 82 percent by April 1988. The sample group rose 83 percent during that same period.

Mickey Mantle has long been the favorite son of the hobby, as evidenced by his 1979 price. Remember that the New York area has a tremendous effect on the price of baseball cards and Mickey Mantle was the 'king' of New York in the 1950's and 1960's. By looking at all of the tables, all of the players from New York are price leaders, from Babe Ruth and Joe DiMaggio to Tom Seaver and Don Mattingly.

The highest growth rate occurred with the cards listed on Table 16. These cards did not generate the most money but they did have the highest percentage growth rate. Because the prices started out so low, these cards had more potential for explosive growth. These cards are also highly dependent on the player's performance. When a player does very well in a season his card price increases because of the popularity generated by his performance.

With the exception of Wade Boggs and Jose Canseco, the prices of all of the other cards have gone down. The card of Wade Boggs is a case where the card price increase has been more gradual in comparison to the other cards examined in Table 16. Jose Canseco hit 40 home runs and stole 40 bases in 1988, becoming the first player to do so. The price of his card is at

its apex in December of 1988. It is almost certain that he will not be able to accomplish this feat twice and his rookie card price is sure to decline.

Another word of caution about investing in new baseball cards. The cards from Tables 11 through 15 have all been affected by the recession of 1982. The cards in Table 16 have yet to experience a price adjustment due to a recession.

Table 16 shows that whenever one of the players (other than Boggs and Canseco) has an excellent year, his card price has increased. When that player did not repeat his performance the next year, the price started to go down. In 1986 when Eric Davis hit 27 home runs, his rookie card rose to \$7. In 1987 he hit 37 home runs and his card rose to \$18. In comparison his 1988 season was below par and his card dropped to \$15 by December. Mark McGwire hit 47 home runs in 1987 and his card rose 3900 percent to \$20. After he could not repeat that fine performance in 1988, his card dropped 10 percent to \$18. The same was true for Don Mattingly, after hitting .343, .324 and .352 from 1984 to 1986, his Topps rookie card rose from 25 cents to \$35. His rookie card reached the market saturation point around the same time that he had less than 200 hits in a season for three years. His card dropped 23 percent to \$27.00. This analogy holds true for almost every card of a young, current player who has had a



good season. The card prices of these rookie cards increase rapidly for a short time, then steadily thereafter. Table 15 is an example of this.

Other older, more established players may have fine performances that make their price increase. Buyers recognized the fact that while these players may not repeat their on-the-field heroics, they may someday reach the Hall of Fame. George Brett hit .390 in 1980. Mike Schmidt was voted Most Valuable Player in 1980, 1981 and 1986. Dale Murphy was MVP in 1982 and 1983. In the early 1980's Eddie Murray was a steady 30 home run, 100 RBI hitter (Reichler, 1985). All of the rookie cards of these players continued to rise after their good performances.

When comparing the prices of old and new cards, one variable to consider is that of volume, or supply. It is feared by many people that the prices of cards made in the 1980's will fall because of the vast numbers that have been printed. Today it is not uncommon to find an investor possessing thousands of cards of a certain player. It is estimated that there are 5 million cards of each player printed today, compared to 200,000 cards per player in the '50's and '60's (Krause, June 1988, 142; Dobrovitz, 9/30/88, 66). As if this disparity is not enough, one must remember that in the earlier years baseball cards were not saved for investment purposes. Nearly half were damaged,



lost or destroyed. Today nearly all are kept as an investment. This is a concern to many investors who fear they will be unable to sell their cards because of the volume already on the market. When a 1984 Donruss card of Don Mattingly is worth more than a rookie card of Lou Brock or Willie McCovey, many people may wonder how long the price of the new cards will remain at this high level. One rumor circulating among card dealers is that some of the publishers of the price guides also have invested in the cards of new players. This is one theory of why the new card prices rise so rapidly and drop so slowly.

Over the past few years many coin dealers have entered the baseball card market. They did so for several reasons: both items are collectibles, cards can be easily added to an existing coin shop, and coin purchases were declining at the same time that baseball card sales were on the rise. Many of these dealers have noticed some similarities with the coin hobby when it was at its peak and the present state of the baseball card hobby.

Jack Fultz, owner of the St. Louis area coin shop, Rare Coin Galleries, said that the coin hobby was at its peak from 1979 to 1982. Mr. Fultz believes that an over abundance of coins entered the hobby starting in 1982 and this surplus damaged the hobby. He also stated that in his opinion the excess supply of coins

came not only from people selling their coin collections, but from other sources as well. In 1988 it was discovered that beginning in 1982 Continental Illinois Bank of Chicago sold 1,500,000 common date silver dollars. These silver dollars were sold through several different coin brokers in an attempt to recoup losses from loans that became delinquent during the recession of 1982. It is Mr. Fultz's opinion that this flooding of the silver dollar market had an effect on the entire coin collecting hobby (Fultz, 1988). There are people associated with the card hobby that fear there will not be enough buyers for the volume of cards being printed today. There is a fear that there are too many manufacturers and that they are increasing production so rapidly that they will go beyond the saturation point (Krause, June 1988; Barrons, June 1988, 9).

Dan Josten, owner of a southern Illinois coin shop, is another coin dealer who has become involved in baseball cards. Mr. Josten has noticed two similarities between coins and baseball cards. One is that when coin prices were at their peak, there was a lot of buying and selling between dealers. These dealers were responsible for the escalating prices because each time the coins changed hands, the price went up. Finally, the last dealer to purchase the coins would sell them to a customer at a price which



was greatly inflated when compared to the original selling price. In 1981 he sold a set of 3 cent 'nickel' coins at a show to another dealer for \$6,000. Other dealers bought and sold that same set driving the price up to \$19,000 before it was offered to the public. Mr. Josten gave an example of this same occurrence with a 1949 Bowman card of Satchel Paige which he owned. While at a card show in 1984, Mr. Josten sold this card for \$25 (which he admits was a bargain) to a dealer; this card changed hands among dealers until the price was \$700. The book price on that card was \$325 at the time of these transactions (Josten, 1988).

Mr. Josten is also deeply concerned about counterfeiting. He feels that this played a large part in the downfall of the coin market (Josten, 1988). In 1981 collectors bought counterfeit coins and currency with a face value of \$6 million to \$7 million, and another \$52 million was seized before the items could be circulated (Changing Times, 1982, 22). A Forbes writer, John Train, stated that when he decided to sell the gold coins from his collection it was discovered that he had counterfeit \$1, \$5 and \$10 gold coins (Train, 1981, 113). Mr. Josten said that with baseball cards the problem will occur not when someone counterfeits a \$550 Pete Rose rookie card but when the \$5 to \$10 cards are counterfeited. When a buyer is



reluctant to spend \$9 for a Dwight Gooden rookie card due to the fear that it may be a counterfeit, the hobby will suffer (Josten, 1988).

Fortunately, to help curb the problem of counterfeits, the baseball card hobby has an expert, Jack Petruzzelli, a Fullerton, California police officer. In 1982 the Pete Rose rookie card was selling for \$125 and steadily climbing because it was obvious that he would break Ty Cobb's all-time hit record. There had been rumors of some Pete Rose counterfeit rookie cards having been sold at a card show in Philadelphia. Shortly thereafter, Mr. Petruzzelli sponsored a show in Los Angeles. At that show he spotted one of the counterfeits. He could identify it because it was grainy and thin to the extent that one could hold it up to a light and see the image of the reverse side. Mr. Petruzzelli located the person selling the cards for \$40 each. He contacted the FBI, but they did not want to get involved. He then contacted Topps, but they also did not want to get involved. Finally, his police captain gave him permission to arrest the seller and his three partners and to charge them with grand theft.

Mr. Petruzzelli discovered that these four people had sponsored a card show that featured Los Angeles Dodgers' outfielder Jay Johnstone and had paid Mr. Johnstone for his autograph appearance with some of the

counterfeit Pete Rose cards. Mr. Johnstone filed charges. After their arrest, the four cooperated with Mr. Petruzzelli. He was told that 20,000 cards had been printed and about 15,000 were recovered. All involved were placed on probation. Mr. Petruzzelli gained a great deal of publicity from this episode, and he has since become the expert of the hobby. He has been successful in identifying counterfeit cards of Don Mattingly, Mark McGwire, Rod Carew, Steve Garvey and Dwight Gooden, among others (Petruzzelli, 1988). Through Mr. Petruzzelli's efforts the hobby has been relatively free of counterfeits.

As the hobby becomes increasingly more sophisticated, several potential problems have surfaced: errors, scarce issues, card grading and card restoration.

Nearly all collectors are consumed with the desire to own at least one of each card issued. When an error or variation is produced and corrected, a great deal of interest is created. The corrected errors and variations are generally more scarce than the other cards of the same issue. Since collector interest in these cards is greater, investor interest is also increased, driving the price higher.

Most of the errors or variations have been printing errors - an incorrect term, a statistical error or a spelling mistake. During the 1989 card



season the error and variation craze reached a new low. Fleer issued a card of Billy Ripken that had an obscenity written on the knob of his bat. The error was brought to Fleer's attention on January 17, 1989. On January 19, it was reported in USA Today, giving it national attention (Antoner, 1/19/89, 1C; Ellingboe, 2/10/89, 26). Buyers swarmed shows and shops with hopes of obtaining this "rare" variation. The price fluctuated wildly, reaching a high of \$125 (Ellingboe, 2/10/89, 26). What many people failed to realize was that Fleer had been printing the card since October 1988. The hobby received a great deal of negative publicity because of this card. Collectors of all ages started searching for this card. Many youngsters were observed opening packs with their parents, hoping to find the card displaying the obscenity. An absurd attempt to capitalize on this card occurred in a Boston newspaper want-ad. A person was selling the card for "\$1000 or best offer" (Mortenson, 2/24/89, 16). Hopefully, no one was foolish enough to pay that price. All cards printed after January 17, 1989 had the obscenity removed.

As stated earlier, most collectors wish to own all issues. If an issue is sold as scarce or a limited edition, then most buyers want to own it. Because of the demand, they believe the price of that issue will rise. This is the strategy that Donruss used to market



its product starting in 1984. Donruss created the image of being a scarce issue, thus increasing a demand for its cards.

In 1982, Topps produced a limited edition card set for K-Mart. The initial retail price of that set was \$2.00 with a limit of two sets per customer. There were rumors of dealers obtaining cases by bribing store managers. These dealers then tried to sell the sets through the hobby publications for as high as \$5.00. Topps printed so many of these cards that K-Mart had to lower the price to 10 cents a set (Lemke 1989, 251).

For a product to be truly scarce it must have a limited production. Because of the Topps/K-Mart fiasco, many manufacturers of limited edition sets now disclose the number of sets that it intends to produce. That is the only way to protect the manufacturers and the consumer. The manufacturer's integrity is preserved, and the consumer's financial interest is protected, because the product is truly a limited edition.

Card grading is a topic that will get more attention in the future. It is a system that has been used in the coin hobby for years. Coin grading operations provide the service of objectively examining a coin. After the coin is examined by three graders, it is assigned a numeric value between 1 and 75. The coin is then placed in a tamper proof holder. The

charge for this service ranges for \$20 to \$100. A grading system gives the coin collector the security of having a coin assigned a grade that most dealers will agree with. A major drawback of this service is that the grading is inconsistent. In many cases the same coin is given different grades when submitted at different times (Green, 4/7/89, 150).

A card grading service has now started in Salt Lake City, Utah. It is trying to emulate the process of the coin grading service and partake in the success it has enjoyed. It operates on a grading scale of 1 to 100. For \$7 a hobbyist can get a card graded and sealed in a protective case. Like the coin grading service, it is being criticized for inconsistent grading. Many dealers stated they were not impressed by the grading quality of the service. If people continue to purchase cards for investment purposes, card grading is expected to gain in popularity and become an established feature of the hobby (Green, 4/7/89, 150; Goodwin 1989).

Another topic of conversation is the science of card restoration. As the hobby expands, the demand for mint cards is growing. A segment of the hobby has begun repairing damaged cards. This is a common and accepted practice in the comic book hobby. Tom Faith, a chemist from California, works on Goudey's and tobacco cards. To repair rounded corners, he uses



pieces of cardboard from other cards from that era; he then attaches the pieces to the card that is being repaired. Mr. Faith also uses a chemical to enhance the colors on faded cards. When completed, his cards look perfect. It is said that his cards look too nice for cards that could be over 50 years old. Because his work is so good, Mr. Faith places a blue dot on the back of the card. The dot is placed on the card to inform the consumer that the card has been restored. Because his cards are sold as a restored item, Mr. Faith feels that he is doing no wrong (Goodwin, 1989). Many dealers agree with his philosophy. If the cards are passed through the hobby as a restored item, then the practice may be accepted by the public.

There are some restorers that are not as ethical as Mr. Faith. Several entrepreneur's are marketing touch-up ink for cards along with a video tape on how to restore cards (Goodwin, 1989). This is where fraud enters the hobby. To survive, buyers must become knowledgeable on the content of the card they are going to purchase.

People associated with the hobby have varying opinions on the future of the hobby. Most are optimistic, but offer some words of caution. David Krause has supplied the only published academic information. Mr. Krause states that if baseball cards' overall current growth rate of 35 percent is compounded



each year, by the year 2010 baseball cards will be the majority of the United States Gross National Product. This just cannot happen. Mr. Krause has also studied what he calls 'speculative manias' or bubbles. He offers examples of past manias such as Florida real estate in the '50's, oil stock and Texas condos in the late '70's, high-tech stocks in the early '80's and even tulip bulbs in Holland during the 16th and 17th centuries. In each case, everyone purchased the items because the prices were increasing. Then, when the saturation point is reached, the bubble bursts and everyone wishes to sell. Baseball cards are no different than any other asset, they are only cardboard (Krause, June 1988; Dobrovitz, 9/30/88).

Philadelphia dealer Don Flynn had some interesting remarks. He feels the greed of dealers is what damaged the gold and silver market. Mr. Flynn feels that there are too many baseball card dealers for any segment to corner the market and become as greedy as the gold and silver dealers. He also feels the variety of new items will keep the interest level high. He said that with, for example, Texas condos, the same properties were being bought and sold. With baseball cards the sheer volume of different material will keep buyers' interest fresh (Flynn, 1988).

Dealer Brian Goldner feels that there will be a great deal of growth in pre-World War II issues. He

feels that these cards are underpriced when compared to cards from the '50's to '70's (Green, 10/14/88, 168).

Los Angeles dealer, Tony Galovich says that counterfeiting and over grading can damage the hobby. While he says that counterfeiting has not been a serious problem as yet, he feels that many new dealers are not knowledgeable enough in the hobby to grade their cards properly. He is very optimistic about the future of the hobby. He states that a depression would hurt the investment side of the market but he reminds people that the hobby has already survived a recession in the early 1980's (Green, 9/30/88, 153).

William Hughes of Executive Investments feels that there is great investment potential in baseball related items as well as basketball, hockey and football cards. Limited edition lithographs are examples of related items that have potential to expand. Mr. Hughes has also expressed caution about a process of card restoration (Green, 11/18/88, 167). This involves literally transforming a damaged card into a mint card.

Wisconsin dealer Tom Daniels feels that there are too many sets being printed other than the regular issues of Topps, Fleer and Donruss. He says that the demand for the regular issues is getting stronger each year and that even though some dealers are concerned about a downturn, he has yet to see any indication of a sales decline. When the kids stop buying cards it will

be time to get worried (Green, 11/4/88, 157).

Finally, "Mr. Mint", Alan Rosen, has expressed a great deal of common sense with regards to the hobby. He says "I never had money before in my life. You know what it's like to make the money I'm making now on a lark? A card is not gold. It is not a coin. It's not legal tender. It's only paper. It's a lark. In my heart, I can't see sitting on 'em. I gotta blow 'em out" (Geringer, 1988, 84). This is important because he realizes that the product he deals in is a tangible asset only to the person who wants to buy that item. Concerning the future of the hobby, he says that he cannot see it "falling to nothing" (Geringer, 1988, 84). He states that the hobby is in it's infancy, and that it will continue to grow, but at a rational rate. He says "I don't believe anyone will lose money if they are just sensible and don't buy some 1988 product because the company tells them that they're scarce" (Green, 7/22/88, 138).

Comments from other dealers as well as collectors will be mentioned when the survey results are discussed.



## CHAPTER 4

Research Methodology

With the exception of the material written by David Krause, no academic study of the investment potential of baseball cards exists. However, there have been several articles written expressing the historical price data on certain cards. Nearly all articles on price performance have been of a positive nature. The reasons for this are:

1. The price results have been favorable,
2. Articles in hobby publications are not likely to print negative comments,
3. Many articles are written by dealers that have a vested interest in the topic, and
4. Many authors appear to be caught in the bandwagon effect.

This research is intended to be the first unbiased academic study of the baseball card hobby. The researcher's intent is to get into the minds of dealers and collectors, to try and collect their thoughts and perceptions, and to find out why they buy and sell cards, along with their predictions for the future.

Because there has been no study pertaining to the perceptions of the people most involved in the hobby, the most attractive research method appears to be the survey. The intent of this study is to obtain information from collectors and dealers, along with

their opinions of the future of the hobby.

The research for this study has been of an exploratory nature. Since the study is of a relatively new academic topic, the research possibilities were nearly infinite. As the research continued the focus had to be narrowed. It became obvious that this research would necessarily be of an exploratory nature. The book, Business Research Methods, by William Zikmund defines exploratory research as:

... a progressive narrowing of the scope of the research topic and a transformation of the discovered problems into defined ones, incorporating specific research objectives. By analyzing any existing studies on the subject, by talking with knowledgeable individuals, and by informally investigating the situation, the researchers can progressively sharpen the concepts. After such exploration the researchers should know exactly what data to collect during the formal project and how the project will be conducted (Zikmund, 381, 1988).

The early focal point of the research was to study baseball cards as a legitimate form of investment. Because this is the first nationwide study of the people involved with the hobby, it was discovered that several other topics could be studied simultaneously,



without losing track of the initial research topic. These additional topics did not alter the group of potential survey recipients.

Surveys were chosen as the method best suited for the information gathering that is necessary for this type of research. Since there has been so little published data on the subject, a survey will provide most of the information necessary to test the hypotheses listed in Chapter 1.

The surveys provide the ability to question dealers and collectors throughout the United States and Canada. The survey seems the most economical method for gathering the necessary information of such a diverse population. It also allows respondents the opportunity to be candid since the questionnaires are returned anonymously. Interviews are another method that will be used to collect the data but cost and logistics will make this method less viable.

With the cooperation of Tom Mortenson at Sports Collectors Digest, it was extremely easy to gain access to the sample population of collectors. He was kind enough to print the survey to collectors in that publication. This is a form of purposive, or judgmental sampling (Babbie, 106, 1973). Persons familiar with the card collecting business are usually subscribers to a hobby publication. SCD has the largest subscription rate of any hobby publication.



When it consented to publish the survey it meant that approximately 50,000 hobbyists will have the potential to read and respond to the survey. A purposive sampling is deemed necessary due to the need of an informed survey respondent. Only an informed respondent will provide the information that a survey of this type requires.

Another factor that will aid in the selection of a sample population for the dealer survey is the fact that many dealers sell their items through mail order sales. Some sell entirely through the mail while others use mail order to supplement their store income. These dealers advertise consistently in hobby publications to sell their goods, and obtaining a list of these dealers was facilitated. The advertisers in the SCD issues dated July 22, August 2, October 28, December 9 and December 16, 1988, will be sent surveys. The advertisers in the December 1988 Beckett Baseball Card Monthly and the September and October issues of Tuff Stuff will also be sent surveys. The Beckett and Tuff Stuff advertisers have also been chosen because of their popularity; a wider variety of dealers will be surveyed. Some dealers advertise only in certain publications, and so choosing various publications will allow for a more diverse sample group of respondents.

Only the dealers that advertise will be chosen for the sample group. They are truly active in the hobby.

Being a card dealer can require only minimal effort if so desired. To be successful as a card dealer, one must be active and advertise. By choosing only dealers that advertise the author is choosing a form of stratified sample. With regards to a stratified sample, Earl Babbie states in the book Survey Research Methods, "Rather than selecting his sample from the total population at large, the researcher insures that appropriate number of elements are drawn from homogeneous subsets of that population" (Babbie, 94, 1973). For example, in this case the total population might be all dealers while a homogeneous subset is the dealers who advertise. A form of random sample was also used when the author selected only certain issues of the hobby publications for the survey. Copies of the dealers' and collectors' surveys can be found in Appendix 2 and 3 respectively.

After the dealers sample group has been determined they will be sent a survey, along with a cover letter and a self-addressed, stamped envelope (SASE). The cover letter will mention that, as a bonus to the respondent, they can receive a copy of the survey results. They will be encouraged to request the results in a separate letter, to retain their anonymity. Within fourteen days of the initial mailing a follow-up letter will be sent to all potential respondents. This being an anonymous survey, it will



be difficult to determine who has sent in an answer.

It is difficult to determine what the response rate will be. Both Zikmund and Babbie state that a 50 percent response is desirable for analysis and reporting (Zikmund, 123, 1988; Babbie, 65, 1973). The dealer response will hopefully reach that 50 percent level. This may be attainable because of the SASE enclosure and the fact that the research covers new territory.

An estimation of the response rate to the collectors' survey is impossible to predict. With 50,000 subscribers to SCD it is not realistic to expect a 50 percent response rate. Since the survey respondent must go through several steps to send in the survey, it will lower the number of respondents drastically. The respondent to the collectors' survey must initiate the response. They must have self motivation and feel a need to answer. The reader should remember that to answer the collectors' survey one must cut it out of the magazine and then use their own postage and envelope to return the survey. Looking at sheer numbers, a response of 200 to 500 surveys should be adequate.

When studying survey research, Babbie and Zikmund list possible errors that may arise. Babbie mentioned several ethics violations that can theoretically occur. The ethics violations are errors that may occur when



the researcher gathers the information. While it is the author's intention to avoid these problems, they should be reviewed.

Voluntary Participation - Babbie states that there should be no forced participation in a survey. He also states that "volunteers are motivated by the belief that they will personally benefit from their cooperation" (Babbie, 348, 1973). The author has tried to accommodate both of these beliefs. There is no way that this mail survey can be a forced item. The same holds true with the collectors' survey, because it is published. The mail survey cover letter asks the potential respondents for their cooperation to make them feel that they are an important part of the survey. They can personally benefit by asking for the survey results.

No Harm To Respondent - "Survey research should never injure the respondents who have volunteered to cooperate with the researcher" (Babbie, 349, 1973). To many, this is a common sense approach to the handling of the information gathered. The surveys used will be anonymous, this will assure confidentiality.

Identifying Purpose and Sponsor - another ethic violation mentioned by Babbie is that of the researcher revealing the survey's purpose and sponsor; this could affect the respondents answers (Babbie, 352, 1973). This potential violation has hopefully been avoided.

The survey request states that the survey is to obtain information about baseball cards as an investment, and the results are to be used as part of a thesis project. This is a very general statement that does not reveal much about the aim of the survey.

Zikmund also mentioned several possible respondent errors that are possible with surveys.

A non-response error occurs when a potential respondent does not answer the survey (Zikmund, 145, 1988). It is impossible to say that the non-respondents will be representative of the respondents to the survey. The potential for this error will be reduced in that all potential respondents have been selected in the random mode mentioned earlier.

Another error mentioned by Zikmund is self-selection. This has the potential of being a problem. Zikmund states that self-selection may bias a survey because "it allows extreme positions to be overrepresented while those who are indifferent are underrepresented" (Zikmund, 145, 1988). The author interprets this as a potentially serious problem with the collectors' survey. One must remember that to answer the collectors' survey, the respondent must initiate their own response. The survey must be removed from the magazine and the reader's own postage must be used to answer the survey. This would be an attractive opportunity for someone with an extreme



position to answer the survey. It is assumed that this potential problem will not be as great in regards to the dealers' survey. The dealers chosen are considered to be the professionals of the industry and they take pride in their profession. It will be assumed that they will take a great deal of pride in being chosen for the survey and therefore will take a thoughtful approach in giving their answers. To reduce the chance of this error Zikmund suggests trying to increase the response rate of the surveys (Zikmund, 146, 1988). The dealers will have their postage paid and receive a follow-up letter reminding them to answer. It is hoped that the collectors will be encouraged to respond because this is the first type of research on a nationwide level on this topic. This should motivate the collectors enough to respond impartially to the survey.

There are several response biases that may occur. According to Zikmund, "A response bias occurs when respondents tend to answer in a certain direction. People may consciously misrepresent the truth" (Zikmund, 146, 1988).

One type of a response bias is deliberate falsification. This occurs when a respondent intentionally gives false answers (Zikmund, 146, 1988). It will be assumed that this error will not be present because both surveys will be anonymous. One cannot



imagine why someone would intentionally be dishonest when answering the survey because it would not serve any purpose to do so.

Unconscious Misrepresentation can occur when a respondent does not give the answer full thought or if the question is 'sprung' on him (Zikmund, 147, 1988). It is doubtful that this error will occur. Almost every question has a space for comments that will require more thought than a normal multiple choice question. Also each respondent will answer the survey at his own leisure, at a convenient time. This should reduce the chance of an unconscious misrepresentation bias.

Acquiescence Bias can occur when respondents tend to agree with most questions, especially in research on new ideas (Zikmund, 148, 1988). The idea of baseball cards as a legitimate investment is relatively new. It is possible that since this is a new and popular approach to investments, the bandwagon effect may slant some answers. To reduce the possibility of this bias occurring, nearly every question will have a spot for comments. By having this feature the respondents will be able to answer the question after it has been thought out thoroughly.

Finally, Social Desirability Bias may occur. This can happen when the respondent answers the questions in a manner that makes them look 'respectable' or to 'gain

prestige' (Zikmund, 149, 1988). Investing in baseball cards has been gaining in popularity. Many potential respondents have an interest in the results of the survey because of their personal investments in baseball cards. It may be the belief that a response can affect the results of the survey by giving false information. The wide variety of questions will reduce the risk of a social desirability bias.

Zikmund mentions several administrative errors. In each case, they will be avoided.

Data Processing Error will be avoided by using a D Base III computer program for data handling and analysis. While it is possible to enter incorrect information into the program, D Base has a feature that sometimes detects information being entered that is not valid for a question.

"Sample Selection Error is a systematic error that results in an unrepresentative sample because of an error in either the sample design or execution of the sampling procedure" (Zikmund, 150, 1988). As stated earlier, the dealers will be chosen in a random method in that the periodicals chosen for dealers lists were selected at random. The collectors will be completely random because all subscribers to SCD will have the option of answering the survey.

It is a difficult proposition to formulate a survey on a topic that has never been researched.



Because this is the first nationwide survey for dealers and collectors, many questions were asked that do not relate to any hypothesis. However, the results could be valuable for future research within the hobby.

Since dealing with two surveys and nine hypotheses the researcher decided to explain the framework of how each survey question was formulated and how it relates to a hypothesis. This method was chosen as opposed to listing each hypothesis and jumping between surveys and questions.

Three appendices have been inserted to assist the reader in relating the survey questions to a hypothesis. Appendix 4 is a copy of the dealer survey questions with the hypothesis that it is associated with written to the left of the question. For example if an "H1" is placed next to the question then it is used for the test of hypothesis 1. If an "I" appears, that question is for general information and not directly related to any hypothesis. This also holds true for the collectors' survey located in Appendix 5. Appendix 6 is an illustrated chart that the reader can use as a cross reference to questions and hypotheses.

A copy of the dealer survey is inserted as Appendix 2. Dealer question 1 asks if the dealer is a full-time baseball card dealer or a part-time dealer with a full-time job. This was asked to find the ratio of full-time dealers to the sample population. A large



ratio would indicate dealer confidence in the hobby. The question of occupation has little, if any, value to this study. It is an example of information that may be useful in future research. Question 1 is not directly associated with any of the hypotheses, but the information revealed will be valuable, especially when comparing the attitudes of full-time and part-time dealers.

Question 2, the year that the dealer started business will be helpful with hypothesis 7. That hypothesis states that greater than 50 percent of the dealers and investors have entered the hobby since 1984, when investing in baseball cards gained in popularity. This question is also useful when comparing dealers of varying lengths of service.

Dealer question 3 is asked to discover the "type" of dealer that is responding to the survey. The dealer's level of involvement often has a direct relationship with how he markets his product. Dealers who own their own stores or mail order operations are more involved with the hobby than those who sell only at shows and flea markets. Dealers involved in shops and mail order are more available to the consumers than dealers who sell only at shows and flea markets. Because these people have daily contact with customers, the researcher feels these individuals have a better understanding of the trends within the hobby.

Question 4, satisfaction of mail order sales, is designed to test hypothesis 8. That hypothesis states that mail order sales have decreased over the last few years. There is stiff competition with mail order sales. Many dealers use a different price structure in their mail order ads. In many cases dealers alter their price structure to the point where a large volume of an item must be sold to make a profit. This question can be compared with a similar question asked on the collectors' survey. This should exhibit some interesting results and may exhibit some relationships between the buyers and sellers.

Dealer questions 5 and 6, satisfaction with show sales and the need for autograph guests at shows, are not directly related to any hypothesis. They will be used to help answer some of the debates that exist within the hobby.

Question 7, which relates to sales items, will be used in part to help test hypothesis 3. That hypothesis states that current cards are bought primarily for investment. If a dealer's main sales items are cards of current players and he also feels that most of his sales are to investors, then this is a successful test of that hypothesis. It can also be compared to other responses to help arrive at some interesting conclusions. For example, if a dealer's primary sales are individual cards of current players,



and he is not satisfied with his mail order sales, this indicates that his prices may be too high for this competitive sales item. The answers to this question can be used for comparisons to nearly all other questions.

Dealer question 8, inventory changes, is designed as a test for hypothesis 5, the possible expansion of sales items. If a dealer is considering expanding the variety of items for sale, then it is a safe assumption that he is confident about the future of the hobby.

Question 9, sales to investors or collectors, is one of the most important questions in the dealer survey. Hypothesis 1, the belief that cards are purchased for investments, will be tested with this question. If questions 7 and 9 are compared it can reveal what investors are purchasing. This question is also important for hypothesis 6, if collectors are able to keep pace with the price increases. If this question is answered impartially it will reveal some interesting results.

Question 10, price prediction, will be used to test hypothesis 2, expectations of slower increases in the prices of cards. This question is a straightforward test of that hypothesis. Also, when compared to the dealers who answered that their sales were to collectors in question 9, this too will then help test hypothesis 6.



Questions 11 and 12, if cards are good investments and hobby satisfaction, are not directly connected with any hypothesis. They are merely indicators of dealer attitudes. They can however, be used to compare with other questions to assist with testing various other hypotheses.

Dealer question 13, what would you do differently, along with the comments after question 16, are places where the respondents can address specific topics. These also are not connected with a hypothesis, but are placed in the survey as an information gathering mechanism.

Question 14, year of birth, serves a dual purpose. It will assist with hypothesis 7, when people entered the hobby, because only respondents over the age of 16 will be considered for that hypothesis. It also serves as a general information gathering question, to assess the age variation that exists among dealers.

Question 15, sex of respondent, has no connection with any hypothesis. It is placed in the survey for classification purposes only.

Question 16, state of residence, is used to assist in the test of hypothesis 4, response differences from different regions. The researcher is of the belief that the responses from California, New York, New Jersey and Pennsylvania will differ from the remainder of the country. This will also be useful for

general classification purposes.

In addition to the uses mentioned above, the researcher believes that most responses can be compared to establish trends.

The collectors' survey will be used to establish its own answers to the hypothesis. The responses will also be compared with the answers from the dealers to see if both sides agree on the issues concerning the baseball card hobby. A copy of the collectors' survey can be found in Appendix 3.

Collectors' question 1, length of time in the hobby, will serve as a test for hypotheses 7 and 9. Hypothesis 7 states the belief that 50 percent have entered the hobby since 1984 and hypothesis 9, those involved before 1984, will agree with the researcher. The four categories were chosen because they are important dates. Option one, 1987 to present, represents the newest collector. It is the author's belief that these new collectors have entered the hobby primarily as an investment. Options two and three, 1984-86 and 1980-83, contains periods of explosive growth, specifically 1980 and 1984. Those years were selected to represent the investment potential that buyers may have been aware of during those periods. People involved in the hobby before 1980 are considered to be long time hobbyists. For the most part it seems that the majority of buyers who have been



involved in the hobby are collectors, more so than investors. This question, like most of the others, will be used for comparisons with other questions to see if any trends develop.

Question 2 of the collectors' survey, initial motivation for buying cards, is basically an information gathering question. It can be used with hypothesis 1, baseball cards being purchased for investment; but the main purpose is basically to discover why they entered the hobby.

Collectors' question 3, items purchased, has a dual purpose. When a respondent states that current cards are purchased, that response can be compared with collectors' questions 4 and 5 to test hypothesis 3, current cards are purchased for investment. Secondly, the answers to this question can be compared with the dealers' survey results to discover if the dealers are providing the necessary merchandise for the collectors. This question was worded identically with the dealers' question so that the results could be compared.

Question 4, why cards are purchased, will be used to test hypotheses 1 and 6. Hypothesis 1 states that more cards are purchased for investment and hypothesis 6 states that collectors are being pushed out of the hobby because of the rapid price increases. This question is a direct test of hypothesis 1 because of the straightforward way that it asks why cards are



purchased. When the results from question 4 are compared with the results from collectors' questions 5 and 6, the test for hypothesis 6 can be performed. Questions 5 and 6 ask if the recent price increases have affected purchases and what affect it has had on the industry.

Question 7, where items are purchased, and 8, are autograph guests necessary, are not related to any hypothesis. They serve as an extra information gathering tool.

Question 9, number of shows attended each year, is yet another question that is not designed to test a hypothesis. It can, however, be used to assess collectors' attitudes towards the hobby. For example, if a hobbyist responds that he has been involved in the hobby since before 1980 and he attends over ten shows a year, then that collector is still active in the hobby.

Question 10, mail order satisfaction, will test hypothesis 8, dealer mail order sales have decreased. Along with dealer question 4, dealer satisfaction of mail order sales, this will give an accurate description of the buyers' and sellers' feelings towards mail order sales. There have been problems with mail order dealers changing prices or not delivering ordered products. A great deal of collector distrust has been building concerning mail order sales. Hopefully this question will reveal some interesting

results.

Question 11, monthly expenditures on cards, is another question designed to find out how active the respondents are in the hobby. Also, when compared to collectors' question 1 it can reveal how long the interest in the hobby has continued.

Collectors' question 12, price prediction, is the same as dealers' question 10. When these questions are compared, they can be a test for hypothesis 2, a slower rate of price increases, and 6, collectors are being pushed out of the hobby. The test for hypothesis 2 will be straightforward. To test hypothesis 6, collectors' question 12 will have to be compared with questions 4, 5, and 6 also possibly 13 and 14.

Question 13 and 14, cards as a good investment, and hobby satisfaction, are data gathering questions. As stated earlier, it can assist with the test for hypothesis 6. Interesting information may also be revealed when the results from these questions are compared with the results of the similar dealer questions.

Question 15, advise for friends, is yet another data gathering question. It is designed so that the respondent must formulate his own answer to express his true feelings about the hobby.

Collectors' survey questions 16, 17 and 18 serve the exact same purpose as dealers' questions 14, 15 and

16. Question 16, year of birth, will assist with the test of hypothesis 7, when people entered the hobby. It will also serve as a general information gathering question to determine the age variance that exists among dealers.

Question 17, respondent's sex, is placed for classification purposes only.

Collectors' question 18, state of residence, will be used to test hypothesis 4. That hypothesis states that the results from California, New York, New Jersey and Pennsylvania will differ from the remainder of the country.

The returns from the collector's survey were not quite as encouraging. The researcher received 11 answered surveys. This equates to slightly less than one half of one percent of *Stamp Collector's Digest* subscribers.

There are several reasons for the low response. The article that the respondents had to initiate mailing postage has already been discussed. This certainly lowered the number of potential respondents. Another possible reason for the low response rate is



## CHAPTER 5

Conclusion

There was an excellent response to the dealers' survey. A total of 764 surveys were mailed in early December 1988. Of those, nine were returned as undeliverable and 357 answers were returned. This equates to a 47.28 percent response rate. That is very close to the 50 percent figure that both Babbie and Zikmund suggest, as mentioned in Chapter 4. This is an acceptable response to assure accurate results.

Some demographics of the respondents are as follows. Surveys were sent to all 50 states and four Canadian provinces. Answered responses arrived from 47 states and two Canadian provinces. The average age of the dealer respondent was 38 years old and 97.2 percent were male.

The returns from the collectors' survey were not quite as encouraging. The researcher received 227 answered surveys. This equates to slightly less than one half of one percent of Sports Collectors Digest's subscribers.

There are several reasons for the low response. The action that the respondents had to initiate (cutting, postage) has already been discussed. This certainly lowered the number of potential respondents. Another possible reason for the low response rate was

that it was published in the SCD issue dated December 30, 1988. It was received during the Christmas holiday period, a time when people are generally very busy. Many subscribers may not have had enough time to read that particular issue.

An interesting feature about the respondents is that the average age of those answering the survey was 37 years old. It is believed by many that baseball card collecting is a hobby of the young. Sports Collectors Digest has a subscription price of \$29.95 per year. This cost may be prohibitive for many younger collectors. The author assumed initially that the responses from collectors would be from a much younger, more active age group. Perhaps because of these reasons, the response rate was lower than expected.

For a complete listing of all answers, see Appendix 7, Complete Results of the Dealer Survey, and Appendix 8, Complete Results of the Collectors Survey.

When comparing the actual numbers, however, one can assume that an acceptable response level was reached. Of the 227 responses received, 95 percent of the respondents were male and 40 states were represented. Because neither Babbie or Zikmund addressed the issue of published surveys, the researcher will assume that an acceptable response rate has been achieved.



At this point each hypothesis will be analyzed, with the results discussed. Hypothesis 1, found on page 6, states that more cards are purchased for investment than collectors items. The survey results did not support this hypothesis. The dealers responded on question 9 of their survey, sales to investors or collectors, that only 18 percent of their sales were to investors. They also state that 19 percent of their sales were to persons who had investing in mind, but were primarily collectors. By totaling the two together, dealers believe that 36 percent of their sales are solely to investors or to people that have the investment aspect of the cards in mind. One note of interest from the dealers' survey is that 55 percent of the full-time dealers feel that their sales are to investors. This is the only figure that supporting hypothesis 1.

The collectors' survey also yielded similar results. In collector survey question 2, initial motivation for buying cards, only 10 percent of the respondents stated that they entered the hobby solely for investment purposes. The response to collectors' question 4, why purchases are made now, also followed the pattern set by the previous answers. Only 2 percent responded that they buy cards for investment only. By comparing collectors' questions 2 and 4, one can assume that some of the people that entered the



hobby for investment became enamored with the hobby. They then switched from a pure investor to one who bought with their collection in mind also. Thirty percent of the respondents indicated that investing was at least half of the motivation for purchasing cards.

While the author was of the belief that the baseball card market was becoming an avenue for investors and speculators, the data did not support those beliefs. The only support for this came from the full-time dealers. It should be remembered that their responses are only an opinion, because they cannot read the minds of their customers. The unsuccessful test of this hypothesis will be welcome news to the longtime collector (pre-1980). They, as a group, have been of the belief that the hobby has become more of an investment vehicle.

Hypothesis 2, the belief that the price of cards will not increase at the recent rapid rate, can be found on page 6. The results from this hypothesis are somewhat vague, but the author will assume that the data does not support this hypothesis. Dealer question 10 and collector question 12 were worded identically. Both asked for a prediction of prices for the next three years. The results of the dealers' and collectors' surveys are similar, 45 percent of the dealers and 49 percent of the collectors responded that they believed the prices of most cards will continue to

increase.

Dealers reported in 21 percent of the surveys that certain cards would increase in value while 17 percent of the collectors believed the same. When the dealers were specific on which cards they felt would increase, 81 percent stated mint cards from before 1975 would appreciate the most. The collectors agreed with the dealers, but to a lesser extent. Collectors mentioned 56 percent of the time that those same cards will rise. The collectors mentioned cards of present players more often than the dealers as cards that will increase in value. This will be discussed with hypothesis 3.

The results for hypothesis 2 are considered vague because the author feels that a fault existed with the survey questions and the hypothesis statement. The hypothesis and question did not state the rate of increase. Reflecting back, the author believes that the questions could have been more specific in terms of projected percentage increases as opposed to past percentage increases. However, it is not possible to rewrite the surveys.

Looking at the information available, the author assumes that hypothesis 2 did not have a successful test. A total of 66 percent of the dealers and collectors feel that at least certain cards will increase in price. Both dealers and collectors, as a group, expect price increases. The author failed to



ask for specific increases.

The researcher believes that hypothesis 3, found on pages 6 thru 8, had a successful test. Briefly, hypothesis 3 states that for investment, cards of current players and older mint cards will be purchased. The dealer survey data did not appear to support the hypothesis. Those dealers that sold new cards felt in 38 percent of the cases that their sales were to investors. Dealers who sold cards made before 1975 stated that 35 percent of their sales were to investors. As stated earlier, many questions for the dealers pertained to opinions of their customer's motives. Since this is merely an opinion, the collector's response must carry more weight. Therefore, the answers from collectors were considered to be the primary source of data for this hypothesis test.

The collectors stated that 56 percent of the cards purchased for the sole motive of a profit are new cards of current players. Of the collectors that purchase cards with even minimal investment potential in mind, 78 percent purchased new cards.

When asked which cards might be expected to further increase in value, both old mint cards and cards of current players were mentioned. The mint cards were discussed in hypothesis 2. There was a clear discrepancy between dealers and collectors in regards



to the cards of current players. Only 22 percent of the dealers predicted further price increases on cards of current players while 49 percent of the collectors predicted price increases on those same cards. This could be considered a segment of the market where the consumer would require extra product, and dealers may have to consider expanding into this product line to satisfy the consumer demand.

New cards of current players are considered by some to be similar to penny stocks. Buyers speculate on young players hoping that they will be the next young superstar. If they can purchase a card at a low price, for example three cents, and that player has a very good year, his card value could rise rapidly. If the price of that player's card reaches the price of 50 cents, again an example, then the owner can realize a tremendous percentage profit. This low cost and growth potential are the reasons that new cards are often purchased as investments.

Hypothesis 4, located on page 8, says that the results from California, Pennsylvania, New York and New Jersey (test states) will differ from the rest of the country. The data did not support this hypothesis.

Thirty four percent of the dealer survey respondents and 40 percent of the collector responses were from the test states. Table 17, Regional Comparisons, has been assembled to illustrate the

TABLE 17

## Regional Comparisons

	<u>Test Region</u>	<u>Rest of Country</u>
<u>Dealer Responses</u>		
Safe investment	83%	84%
Sales to investors	33	34
Satisfied with hobby	73	76
Expanding inventory	61	61
<u>Collectors Responses</u>		
Initially entered to invest	14	8
Buy now solely to invest	3	2
Buy with investment in mind	76	78
Expect price increases	63	61
Safe investment	71	66
Satisfied with hobby	75	70

similarity of the responses. This data is so close that it does not support the hypothesis. The author believes that the percentages are so close because the people in the hobby have become a homogeneous group. It is not uncommon for a major dealer to travel the country 40 weekends a year to card shows. It is also not uncommon for collectors to travel hundreds of miles to attend shows. This travel has reduced the segmentation that once existed in the different geographic regions.

A very straightforward test of a hypothesis

occurred with hypothesis 5, located on page 8, which states that dealers will be considering expanding their inventory mix. Dealer question 8 asked if the dealers expected inventory changes. This hypothesis tested favorably with 62 percent of the dealers stating that they planned on expanding inventory, while only 14 percent intend to decrease or consolidate their inventory. Of those respondents who commented on the products that they planned on expanding into, most frequently mentioned were complete sets, autographs and memorabilia.

A successful test was performed on hypothesis 6, found on page 9. It states that collectors are being pushed out of the hobby by the price increases. Collectors' question 5 asked if the price increases affected their purchase pattern. Of those that stated the price increases have had an affect on their purchases, 74 percent stated that they are purchasing fewer cards because of the higher cost. To carry this a step further, of those that answered in question 4 that they purchased cards solely to collect, 76 percent are affected by the increases and as a result 89 percent of those pure collectors are buying fewer cards.

This is a clear cut successful test of the hypothesis. The pure collectors are being driven out of the hobby by the increased prices. While this may



not be a deathblow to the industry, it can have an affect on the prices if fewer people are competing for the same product.

Hypothesis 7, which states that greater than 50 percent of the dealers and investors have entered the hobby since 1984, can be found on pages 9 and 10. This was a very close tabulation, but the data supports the hypothesis. Of the dealers, 50.28 percent have entered the hobby since 1984. Of the collectors that answered that they initially entered the hobby to invest, 61 percent have entered the hobby since 1984. Of those collectors that now purchase cards solely for investment, 50 percent have become involved in the hobby since 1984.

While in the strictest of terms the test for hypothesis 7 was successful, the fact that the percentages were so close is meaningful. It is possible that too much emphasis was placed on the year 1984. It may not have been as influential a year as had been previously believed. A much large percentage had been anticipated.

Perhaps the greatest defeat of a hypothesis occurred with hypothesis 8, which states that mail order sales have decreased over the last few years. If there has been a decrease, not many are complaining, since 72 percent of dealers are satisfied with their mail order

sales. The collectors reported a satisfaction rate of 82 percent with their mail order purchases. In this case a dissatisfied minority helped shape the researcher's opinion when the hypothesis was formulated. Some of the negative comments from dealers were that their sales were too low and that display advertisements were too expensive. Some of the complaints from the collectors were that dishonest dealers were not grading the condition of their cards properly. Slow response was another common complaint. These few complaints were far outweighed by the favorable response from both the collectors and dealers. This is a definite vote of confidence for the large mail order business that exists within the hobby.

As stated in hypothesis 7, the year 1984 was not as significant as the researcher had predicted. This is not quite true for hypothesis 9, located on pages 10 and 11. It states that the collectors responding will agree with the author's feelings towards the hobby. This hypothesis had a successful test. Of the collectors who entered the hobby before 1984, only 6 percent did so with the intention of investing for a profit and 20 percent of those who entered the hobby since 1984 did so for that same reason. The same holds true for those who purchase cards solely as an investment. One percent of those entered the hobby before 1984 while 4 percent entered in 1984 or later.



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Both figures are low but there is a marked difference. Of those who purchase cards with some type of investment in mind, the percentages are 23 percent for the pre-1984 group and 43 percent for the 1984-to-date group.

One interesting ratio appeared when comparing the respondents who believed cards were a safe investment. The people involved in the hobby before 1984 stated in 73 percent of the surveys that ball cards were a safe investment. The hobbyists involved since 1984 had a lower percentage, 65 percent. The author is of the belief that because more of these people entered the hobby as investors, greed may have driven some of them to make some bad investments.

In conclusion, the results of this study should be good news for the dealers, collectors and investors. The collector will be reassured that investors have not overrun the hobby. Baseball card collecting is alive and well. While some collectors state that they have had to adjust their buying patterns, this happens in any market where price increases occur. Among the longtime hobbyists, there were very few doomsday predictions. The vast majority of the respondents with comments were positive. An encouraging note for collectors was shown in hypothesis 1. It was revealed that 74 percent of those who entered the hobby solely as investors now buy their items with at least some

type of collecting in mind.

The investor can be reassured that baseball cards are a viable investment based upon the figures returned in hypothesis 2. Sixty-six percent of the dealers and collectors predict price increases in the future. Most indications given in the comment section were optimistic to investors. Most believe that prices have yet to reach their apex.

With 62 percent of the dealers planning on expanding their inventory and 72 percent satisfied with their mail order sales, it appears that the dealers are happy with the market.

Baseball card collecting is a wholesome hobby. It brings families together; it is a hobby for both the young and old. The youngest respondent was 11 years of age while the oldest was 79.

If the prices of products are increasing too fast for the collector, the best advice given by respondents is to limit the scope of what to collect. Many new hobbyists feel the need to literally own it all. This is not practical. If the collector limits his purchases to certain years, players or teams, a collector can obtain endless enjoyment.

As an investment, it is doubtful that ball cards will continue to increase at 30 to 40 percent annual growth. All indicators, however, point to a healthy return for those who buy selectively. Older mint cards

and rookie cards of current players still appear to be the best investment vehicle.

The baseball card hobby appears to be one of the few avenues that can be used for collectors and investors that does not require a large expenditure. The future is bright for baseball cards.



## Appendix 1

## Glossary of Terms

**Beckett** - This refers to the author of one of the leading price guides in the hobby, Dr. James Beckett. In many cases people will use the word "Beckett" instead of price guide.

**Book value or book price** - The selling price of a card that has been determined by one of the many publications that specialize in determining the market price of baseball cards. Beckett Baseball Card Monthly and Sports Collectors Digest are the leaders in this service. The price is determined by surveying dealers and collectors nationwide to obtain information about price increases or decreases in card prices.

**Bowman** - A baseball card manufacturer that operated from 1948 to 1955. This company was purchased by Topps Chewing Gum in 1955.

**Buyers** - A collector, investor or a dealer, anyone that purchases baseball cards for any reason.

**Card show** - A gathering of dealers, collectors and investors for the purpose of buying and selling cards.

**Cello pack** - A method of packaging cards for retail sale. Although the specific number of cards may

vary each year, each pack contains about 31 cards. It is priced higher than a wax pack and less than a rack pack. The cards are wrapped in clear cellophane.

Collector - An individual that engages in the hobby of collecting cards for his own enjoyment, with any profit motive being secondary (Beckett #10, 1988, 24).

Common card - A typical card of any set. A card of a player that has not reached, or is not likely to reach, star status. These cards carry the lowest book value of the cards in the set (Beckett #10, 1988, 24).

Complete set - One each of every card, from the same company produced by a specific manufacturer during a single year. For example, a complete set of Topps 1988 would contain 792 different cards. The cards would be numbered 1 to 792.

Dealer - A person who engages in buying and selling cards, collectibles or supplies. A dealer may be a collector, but as a dealer a profit is expected (Beckett #10, 1988, 26).

Donruss - A baseball card manufacturer since 1981. A Memphis based, wholly owned subsidiary of Huhtamaki of Finland.

Double print - A card printed double the number as other cards from that series. During the printing of a series of cards, cards are printed on a sheet, today it is 132 cards per sheet. If there are not enough different players to fill a sheet, then a player's card is printed in two different places on that sheet. Cards of players who are double printed appear twice as frequently as cards of players printed in the normal manner.

Error - A card with erroneous information, spelling, or depiction on either side of the card. Not all errors are corrected by the manufacturer (Beckett #11, 1989, 26).

Fleer - Manufactured baseball cards from 1958 to 1961, 1963 and 1981 to present. This Philadelphia based candy company also makes Double-Bubble gum.

Grading - A system of classification for evaluating conditions of cards. This grading systems ranges from "Mint" to "Poor." Mint condition is a perfect card. There is no allowance for the age of a card. Poor is a very abused card; creases, rounded corners and missing portions are common characteristics of a card in poor condition. All prices mentioned in this paper are prices of mint condition cards.



H.O.F. - A card of a player that is in the Hall of Fame.

Investor - A person that purchases a baseball card with an anticipated profit as the sole motive in purchasing the card.

Rack pack - A method of packaging cards for retail sale. The number of cards in a rack pack may vary from year to year. A rack pack contains about 50 cards per pack. A rack pack is priced higher than a wax or cello pack and is considered the most economical of the three packs because it contains the greater number of cards. It is a cellophane wrapped package designed to hang on a display rack in a store.

Restoration - The practice of repairing the damaged card to make it appear mint.

Rookie card - A player's first appearance on a card that is a regular issue from a manufacturer. A regular issue card is one that is easily obtainable from the company's initial set. Traditionally the rookie card of a player has the most appeal and carries the highest price.

R.O.Y. - The card of a player who was voted as Rookie of the Year.

Scarce issue - A card or series of cards that

have limited availability.

Score - Baseball cards manufactured starting in 1988 by Major League Marketing.

Series - Until 1973 card companies would issue cards in a series of approximately 100 to 132 cards about every four weeks starting in the spring of each year. To get a complete set, a buyer had to wait until the last series was issued. Usually the cards from the last series are priced at a premium because the supply of these cards is less than cards produced throughout the season. Starting in 1974 all cards were produced and distributed at the same time. It became much easier to obtain a complete set early in the year.

Short printing - When a card manufacturer produces a set of cards in smaller quantities than the public believed would be produced. Because of the smaller quantities produced, the price increases due to the extra demand for the product when the public discovers the limited availability.

Sportflics - Baseball cards manufactured since 1986 by Major League Marketing.

Star card - A card of a very good or a popular player. This card may be of a future Hall of Fame player. The value of these cards is based strictly by supply and demand. Each card commands

its own price, unrelated to the other cards in the set.

Topps - The leading card manufacturer. This Brooklyn based manufacturer of Bazooka bubble gum has manufactured baseball cards since 1951.

Unopened pack, box, set or case - Any type of card packaging that is sealed. If it remains unopened, it is more appealing to buyers and commands a higher price.

Upper deck - A card manufactured starting in 1989.

Variation - One of two or more cards from the same series with the same number differing from one another by some aspect. This can be caused when the manufacturer notices an error in one of the cards, makes the change, then resumes the print run. In this case, there will be two variations of the same card. Sometimes one of the variations is scarce (Beckett #11, 1989, 29).

Vending case - A method of packaging that is available only to dealers at the wholesale level. The cards are packed in boxes of 500 cards, 12,000 cards in a vending case. The cards are packaged for easy access which makes this a popular item for people who obtain the cases to make complete sets or have single cards.



Wax pack - A method of packaging cards for retail sale. The number of cards in a wax pack changes each year, but it is usually about 15 cards per pack. It is priced lower than a cello or rack pack but is considered the least economical because it contains the fewest number of cards and the cost per card is higher than the other packs. It is called a wax pack because the wrapper has a wax coating, similar to the wax paper used in kitchens.

1. Other - please explain \_\_\_\_\_
2. Concerning your wax pack sales, are you satisfied?  
 a. Yes  
 b. No - please explain \_\_\_\_\_
3. Are you satisfied with the sales of the packs you sell?  
 a. Yes  
 b. No - please explain \_\_\_\_\_
4. Do you feel that our group places too an important value on card sales?  
 a. Yes  
 b. No - please explain \_\_\_\_\_
5. What are your primary sales items?  
 a. Complete sets - list year \_\_\_\_\_  
 b. Commons - list year \_\_\_\_\_  
 c. Single star cards 1970 - 1979  
 d. Single star cards 1980 - 1989  
 e. Single star cards 1990 - 1999  
 f. Yearly sets  
 g. Micrographs  
 h. Series Supplies  
 i. Miscellanea  
 j. Other \_\_\_\_\_
6. Given your present inventory size, do you expect any important changes in the next three years?  
 a. Yes  
 b. No

## Appendix 2

## Dealer's Survey

1. Are you a full time or a part-time dealer? (circle one)
  1. Full time - please list prior profession \_\_\_\_\_
  2. Part-time - please list your full time profession \_\_\_\_\_
2. What year did you become a dealer? \_\_\_\_\_
3. How do you sell your product? (please circle all that apply)
  1. Flea markets
  2. Mail order
  3. Shop
  4. Show
  5. Other - please explain \_\_\_\_\_
4. Concerning your mail order sales, are you satisfied?
  1. Yes
  2. No - Please explain \_\_\_\_\_
5. Are you satisfied with the sales at the shows you attend? Skip this question if it does not apply. (circle one)
  1. yes
  2. No - please explain \_\_\_\_\_
6. Do you feel that autograph guests are an important asset to card shows? (circle one)
  1. Yes
  2. No - please explain \_\_\_\_\_
7. What are your primary sales items? (please circle all that apply)
  1. Individual cards of current players
  2. Complete sets - list years \_\_\_\_\_
  3. Commons - list years \_\_\_\_\_
  4. Single star cards 1970 - 1979
  5. Single star cards 1960 - 1969
  6. Single star cards 1948 - 1959
  7. Pre-1948 cards
  8. Autographs
  9. Hobby Supplies
  10. Memorabilia
  11. Other \_\_\_\_\_
8. Given your current inventory mix, do you expect any inventory changes in the next three years? (circle

one)

1. Increase or expand inventory
2. Remain at a constant level
3. Decrease or consolidate inventory
4. Other \_\_\_\_\_

9. In your opinion, is the greater portion of your sales to - (circle one)
1. Investors
  2. Collectors
  3. Others - Please explain \_\_\_\_\_
10. Concerning baseball cards, what do you predict for the prices of cards over the next three years? (circle one)
1. Prices of most cards will increase.
  2. Only certain cards will increase - which cards?  
\_\_\_\_\_
  3. Prices will stabilize.
  4. Some prices will decline - which cards?  
\_\_\_\_\_
  5. Prices of most cards will decline.
11. Do you feel that baseball cards are a good investment? (circle one)
1. Yes
  2. No
12. Overall, are you satisfied with the hobby? (circle one)
1. Yes
  2. No - Please explain \_\_\_\_\_
13. If it were 3 years ago, knowing then what you know now, what would you do different?  
\_\_\_\_\_  
\_\_\_\_\_

Demographic characteristics - these will be used for classification purposes only.

14. Year of birth \_\_\_\_\_
15. Your sex
1. Male
  2. Female
16. State of residence \_\_\_\_\_

Comments - Feel free to use the space below or a separate sheet of paper for any additional comments that you may have.



## Appendix 3

## Collectors Survey

1. When did you start buying baseball cards? (circle one)
  1. 1987 - 1988
  2. 1984 - 1986
  3. 1980 - 1983
  4. Before 1980
  
2. What was your initial motivation when you started buying cards? (circle one)
  1. Became reinterested through children
  2. Collecting sets or favorite players
  3. Investing for a profit
  4. Nostalgia
  5. Other \_\_\_\_\_
  
3. What items do you purchase? (circle all that apply)
  1. Individual cards of current players
  2. Complete sets - list years \_\_\_\_\_
  3. Commons - list years \_\_\_\_\_
  4. Single star cards 1970 - 1979
  5. Single star cards 1960 - 1969
  6. Single star cards 1948 - 1959
  7. Pre-1948 cards
  8. Autographs
  9. Hobby supplies
  10. Memorabilia
  11. Other \_\_\_\_\_
  
4. Why do you now make your purchases? (circle one)
  1. Solely to collect
  2. Primarily to collect but with investments in mind
  3. Even split between collecting and investing
  4. Primarily to invest but with collecting in mind
  5. Solely as an investment
  
5. Have the recent price increases affected your purchases over the last twelve months? (circle one)
  1. Yes
  2. No - skip question 6 and go to question 7
  
6. If you answered yes to question 5, do you (circle one)
  1. Purchase less because the prices are too high
  2. Purchase more because of the profit potential
  3. Other \_\_\_\_\_

7. Where do you purchase your items? (circle all that apply)
1. Card shows
  2. Flea markets
  3. Mail order
  4. Shops
  5. Other \_\_\_\_\_
8. When attending a card show, is an autograph guest an important factor for you to attend the show? (circle one)
1. Yes
  2. No
9. How many card shows do you attend each year? (circle one)
1. 0 - 2
  2. 3 - 5
  3. 6 - 10
  4. Over 10
10. Are you satisfied with your mail order purchases? (circle one)
1. Yes
  2. No - explain \_\_\_\_\_
11. How much do you spend monthly on baseball cards? (circle one)
1. Up to \$25.00
  2. \$26.00 to \$50.00
  3. \$51.00 to \$100.00
  4. Over \$100.00
12. Concerning card prices - what do you predict for prices over the next three years? (circle one)
1. Prices of all cards will increase
  2. Only certain cards will increase - please explain \_\_\_\_\_
  3. Prices will stabilize
  4. Some prices will decline - please explain \_\_\_\_\_
  5. Prices of all cards will decline
13. Do you feel that baseball cards are a good investment? (circle one)
1. Yes
  2. No
14. Overall, are you satisfied with the hobby? (circle one)
1. Yes
  2. No - please explain \_\_\_\_\_

15. What advice would you give to a friend starting a collection?

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Demographic characteristics - these will be used for classification purposes only.

16. Year of birth \_\_\_\_\_

17. Your sex

1. Male
2. Female

18. State of residence \_\_\_\_\_

Comments - feel free to use this space for any additional comments that you may have.



## Appendix 4

Dealer Survey Questions and the  
Hypothesis That it Tests

- |        |     |   |
|--------|-----|---|
| I      | 1.  | Are you a full time or a part time dealer?  |
| H7     | 2.  | What year did you become a dealer?  |
| I      | 3.  | How do you sell your product?   |
| H8     | 4.  | Concerning your mail order sales. Are you satisfied with your sales?                              |
| I      | 5.  | Are you satisfied with the sales at the shows you attend?   |
| I      | 6.  | Do you feel that autograph guests are an important asset to card shows?                           |
| H3     | 7.  | What are your primary sales items?  |
| H5     | 8.  | Given your current inventory mix, do you expect any inventory changes in the next three years?    |
| H1,5,6 | 9.  | In your opinion, is the greater portion of your sales to investors, collectors or other persons?  |
| H2,6   | 10. | Concerning baseball cards, what do you predict for the prices of cards over the next three years? |
| I      | 11. | Do you feel that baseball cards are a good investment?  |
| I      | 12. | Overall, are you satisfied with the hobby?  |
| I      | 13. | If it were 3 years ago, knowing then what you know now, what would you do different?              |
| H7     | 14. | Year of birth?  |

- I 15. Your sex?
- H4 16. State of residence?
- H7.0 1. When did you start buying cards?
- H1 2. What was your initial motivation for stated buying habits?
- H3 3. What items do you purchase?
- H4.0 4. How do you use your purchases?
- H5 5. Have the recent price increases affected your purchases over the last twelve months?
- H6 6. If answered yes to question 5, do you purchase less because the prices are the sign of purchases more because of the inflation potential?
- I 7. Where do you purchase your items?
- I 8. When attending a card show, is an autograph quest an important factor for you to attend the show?
- I 9. How many card shows do you attend each year?
- H8 10. Are you satisfied with your mail order purchases?
- I 11. How much do you spend monthly on business cards?
- H9.0 12. Concerning card prices - what do you predict for prices over the next three years?

## Appendix 5

Collector Survey Questions  
and Hypothesis That it Tests

- |      |     |   |
|------|-----|---|
| H7,9 | 1.  | When did you start buying baseball cards?   |
| H1   | 2.  | What was your initial motivation when you started buying cards?   |
| H3   | 3.  | What items do you purchase?   |
| H1,6 | 4.  | Why do you now make your purchases?   |
| H6   | 5.  | Have the recent price increases affected your purchases over the last twelve months?  |
| H6   | 6.  | If answered yes to question 5, do you purchase less because the prices are too high or purchase more because of the profit potential? |
| I    | 7.  | Where do you purchase your items?   |
| I    | 8.  | When attending a card show, is an auto-graph guest an important factor for you to attend the show?                                    |
| I    | 9.  | How many card shows do you attend each year?  |
| H8   | 10. | Are you satisfied with your mail order purchases?   |
| I    | 11. | How much do you spend monthly on baseball cards?  |
| H2,6 | 12. | Concerning card prices - what do you predict for prices over the next three years?  |



- I 13. Do you feel that baseball cards are a good investment?
- I 14. Overall, are you satisfied with the hobby?
- I 15. What advice would you give to a friend starting a collection?
- H7 16. Year of Birth?
- I 17. Your sex?
- H4 18. State of residence?

## Appendix 6

## Reference Comparisons of Hypotheses and Questions

Hypothesis	Dealer Survey Question	Collector Survey Question
1	9	2,4
2	10	12
3	7	3,4,5
4	16	18
5	7,8,9	
6	9,10	4,5,6,12
7	2,14	1,16
8	4	10
9		1

## Appendix 7

Complete Results of the  
Dealer's Survey

1. Are you a full time or a part-time dealer? (circle one)
  1. Full time = 164
  2. Part-time = 193
2. What year did you become a dealer?
3. How do you sell your product? (please circle all that apply)
  1. Flea markets = 22
  2. Mail order = 312
  3. Shop = 131
  4. Show = 244
  5. Other-please = 28
4. Concerning your mail order sales, are you satisfied?
  1. Yes = 258
  2. No = 38
5. Are you satisfied with the sales at the shows you attend? Skip this question if it does not apply. (circle one)
  1. Yes = 196
  2. No = 22
6. Do you feel that autograph guests are an important asset to card shows? (circle one)
  1. Yes = 192
  2. No = 13
7. What are your primary sales items? (please circle all that apply)
  1. Individual cards of current players = 214
  2. Complete sets - list years = 204
  3. Commons - list years = 124
  4. Single star cards 1970 - 1979 = 150
  5. Single star cards 1960 - 1969 = 179
  6. Single star cards 1948 - 1959 = 170
  7. Pre-1948 cards = 71
  8. Autographs = 88
  9. Hobby Supplies = 136
  10. Memorabilia = 119
  11. Other = 103
8. Given your current inventory mix, do you expect any inventory changes in the next three years? (circle one)



1. Increase or expand inventory = 217
  2. Remain at a constant level = 80
  3. Decrease or consolidate inventory = 50
  4. Other = 4
9. In your opinion, is the greater portion of your sales to - (circle one)
1. Investors = 59
  2. Collectors = 214
  3. Others = 63
10. Concerning baseball cards, what do you predict for the prices of cards over the next three years? (circle one)
1. Prices of most cards will increase. = 137
  2. Only certain cards will increase = 64
  3. Prices will stabilize. = 64
  4. Some prices will decline - which cards? = 17
  5. Prices of most cards will decline. = 24
11. Do you feel that baseball cards are a good investment? (circle one)
1. Yes = 299
  2. No = 31
12. Overall, are you satisfied with the hobby? (circle one)
1. Yes = 269
  2. No = 35
13. If it were 3 years ago, knowing then what you know now, what would you do different?

Demographic characteristics - these will be used for classification purposes only.

14. Year of birth
15. Your sex
  1. Male = 338
  2. Female = 8
16. State of residence

Comments - Feel free to use the space below or a separate sheet of paper for any additional comments that you may have.

## Appendix 8

Complete Results of the  
Collectors Survey

1. When did you start buying baseball cards? (circle one)
  1. 1987 - 1988 = 30
  2. 1984 - 1986 = 37
  3. 1980 - 1983 = 33
  4. Before 1980 = 129
  
2. What was your initial motivation when you started buying cards? (circle one)
  1. Became reinterested through children = 45
  2. Collecting sets or favorite players = 37
  3. Investing for a profit = 23
  4. Nostalgia = 79
  5. Other = 43
  
3. What items do you purchase? (circle all that apply)
  1. Individual cards of current players = 130
  2. Complete sets - list years = 174
  3. Commons - list years = 68
  4. Single star cards 1970 - 1979 = 93
  5. Single star cards 1960 - 1969 = 106
  6. Single star cards 1948 - 1959 = 84
  7. Pre-1948 cards = 34
  8. Autographs = 91
  9. Hobby supplies = 103
  10. Memorabilia = 108
  11. Other = 59
  
4. Why do you now make your purchases? (circle one)
  1. Solely to collect = 58
  2. Primarily to collect but with investments in mind = 104
  3. Even split between collecting and investing = 41
  4. Primarily to invest but with collecting in mind = 20
  5. Solely as an investment = 6
  
5. Have the recent price increases affected your purchases over the last twelve months? (circle one)
  1. Yes = 163
  2. No - skip question 6 and go to question 7
  
6. If you answered yes to question 5, do you (circle one)
  1. Purchase less because the prices are too

- high = 120
2. Purchase more because of the profit potential = 22
  3. Other = 17
7. Where do you purchase your items? (circle all that apply)
    1. Card shows = 201
    2. Flea markets = 67
    3. Mail order = 181
    4. Shops = 157
    5. Other = 55
  8. When attending a card show, is an autograph guest an important factor for you to attend the show? (circle one)
    1. Yes = 42
    2. No = 184
  9. How many card shows do you attend each year? (circle one)
    1. 0 - 2 = 38
    2. 3 - 5 = 61
    3. 6 - 10 = 52
    4. Over 10 = 78
  10. Are you satisfied with your mail order purchases? (circle one)
    1. Yes = 187
    2. No = 25
  11. How much do you spend monthly on baseball cards? (circle one)
    1. Up to \$25.00 = 50
    2. \$26.00 to \$50.00 = 60
    3. \$51.00 to \$100.00 = 36
    4. Over \$100.00 = 81
  12. Concerning card prices - what do you predict for prices over the next three years? (circle one)
    1. Prices of all cards will increase = 109
    2. Only certain cards will increase = 39
    3. Prices will stabilize = 43
    4. Some prices will decline = 15
    5. Prices of all cards will decline = 18
  13. Do you feel that baseball cards are a good investment? (circle one)
    1. Yes = 162
    2. No = 65
  14. Overall, are you satisfied with the hobby? (circle one)
    1. Yes = 171



2. No = 50

15. What advice would you give to a friend starting a collection?

Demographic characteristics - these will be used for classification purposes only.

16. Year of birth

17. Your sex

- 1. Male = 214
- 2. Female = 12

18. State of residence

Comments - feel free to use this space for any additional comments that you may have.

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