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A bray trust

No lie: This banker keeps two donkeys as pets.

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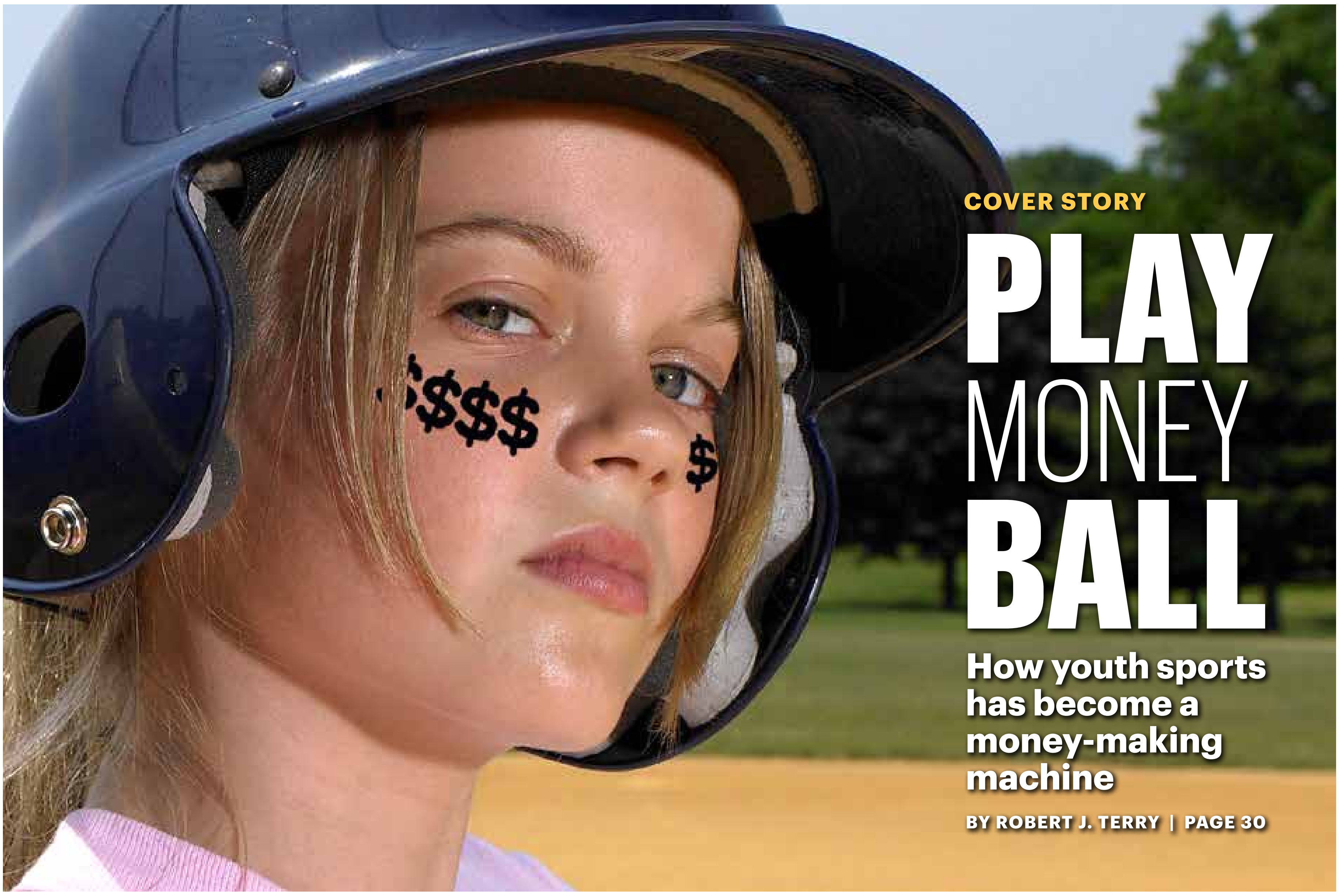

COVER STORY

PLAY MONEY BALL

How youth sports has become a money-making machine

BY ROBERT J. TERRY | PAGE 30

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New York to NoVa

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THE HUNT FOR HQ2

ARLINGTON, ALEXANDRIA AND AMAZON

In our last installment, we look at the jurisdictions' joint bid, packed with big spaces, big views and big dreams.

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“We’ve been slow to increase our prices over the years because we’re sensitive to kids being able to enjoy coming out. But the hard business lesson there, quite honestly and frankly, is that it has to wash its own face.”

CAL RIPKEN JR., the Baltimore Orioles legend who started youth baseball venture Ripken Baseball after he retired in 2001. The company, which has three stadiums across the U.S. and is eyeing more expansion, holds the Cal Ripken World Series at Ripken Stadium, shown here, in Aberdeen, Maryland, every year. Read more about the Iron Man’s company, Page 36.

COVER STORY

NOT JUST FUN AND GAMES

You think college tuition is expensive? Get a load of the new business of youth sports.

BY ROBERT J. TERRY | RTERRY@BIZJOURNALS.COM

PHOTO: RIPKEN BASEBALL / ECLIPSE SPORTSWIRE / GETTY IMAGES

COVER STORY

BY ROBERT J. TERRY | RTERRY@BIZJOURNALS.COM

Long before he was described by The New York Times as "a lanky young man who speaks softly but prolifically," E.J. Jarvis was a sprightly 5-year-old playing basketball in a Northwest D.C. rec league partly organized by his dad. ¶ E.J. would go on to swim, play tennis, even ride horses, taking part in a variety of activities "until something stuck," explains his father, commercial real estate broker Ernie Jarvis. What stuck was travel basketball. By fourth grade, E.J.'s burgeoning ability was costing his parents anywhere from $3,000 to $3,500 annually for tournaments to cover travel, lodging, meals and other expenses.

His talent blossomed, as did his height. And now the 6'8" E.J. Jarvis is a highly recruited Maret junior who plays for Team Takeover, a nationally known AAU squad sponsored by Nike. E.J. was scheduled to travel to Dallas and Indianapolis in April before heading to Hampton, Virginia, and Atlanta in May and Las Vegas and Augusta, Georgia, in July.

But Ernie and wife Debbi are the lucky ones. They're inching closer to a return on investment – a college scholarship – that most parents may not envision when they sign their son or daughter up to swim or play lacrosse or lace up a pair of soccer boots or step into the batter's box.

And while they buy into an American dream, they're helping build up a rabid business. Youth sports amount to a $1.4 billion enterprise in Greater Washington alone, up 55 percent in the last six years, according to Lexington, Massachusetts-based WinterGreen Research. The local market makes up an outsized 11.6 percent of the country's $15.3 billion youth sports economy – larger than the mighty National Football League at $14 billion.

And it's just getting bigger. U.S. travel outlays for organized youth sports teams are projected to grow from $8 billion this year to more than $26 billion in 2025. Almost 2,200 communities nationwide have projects underway to extend and upgrade youth sports facilities. In all, an estimated 60 million children annually participate in youth sports, according to the National Institutes of Health.

The numbers vividly illustrate what many of us see and experience every weekend (and plenty of weeknights) as we lug our kids and their gear to the vast array of sports on display this spring, or trek to lavish athletic complexes emblazoned with corporate sponsors to watch our grandchildren and nieces and nephews pursue athletic excellence (or just burn off some energy).

INSIDE

That ritual is getting increasingly professionalized and digitized as it moves beyond the domain of mom-and-pop nonprofits and armies of volunteers into a more fragmented sphere of entrepreneurs and investors. Even the professional finance class smells opportunity: By one estimate, as much as $1 billion in investment capital has flowed into youth sports in the past 18 months.

It's what is prompting a 22-year-old D.C. firm started out of the founder's car to add summer camps on everything from swimming to STEM. It's fueling a Major League Baseball Hall of Famer's plans to extend his brand nationally. And it's what has attracted national and even international companies to eye this region – from legendary soccer club FC Barcelona to a Dallas-based company backed with $200 million in private equity.

Greater Washington boasts the second-highest median household income in the U.S. at $95,843, leaving a lot of disposable income to spend on youth sports. We also claim more than our fair share of competitive Type-A personalities. That profile meshes well with two things to make the industry thrive: Parents who view youth sports as a necessity, not a luxury. And a predictable revenue stream, lasting 12 years or more if kids play a sport as early as 3 or 4 years old into their teens.

Just ask the Jarvises. They now have two sons competing in high-level youth sports; younger son Jacob has already competed nationally in track and field. The costs remain a barrier to entry for some families, but they have found the value proposition all too compelling.

"You do it because you want your kids to excel," Ernie Jarvis said. "You want them to learn teamwork and winning as a good sport and losing as a good sport. But I think there's recognition, especially in my household, that sports and athletics are a means to an end."

Father Ernie and mother Debbi Jarvis have spent thousands to sign up their children, E.J., left, and Jake, for youth sports teams. E.J. is now on a premier travel basketball league, while Jake played baseball and soccer.

"You do it because you want your kids to excel. ... There's recognition, especially in my household, that sports and athletics are a means to an end."

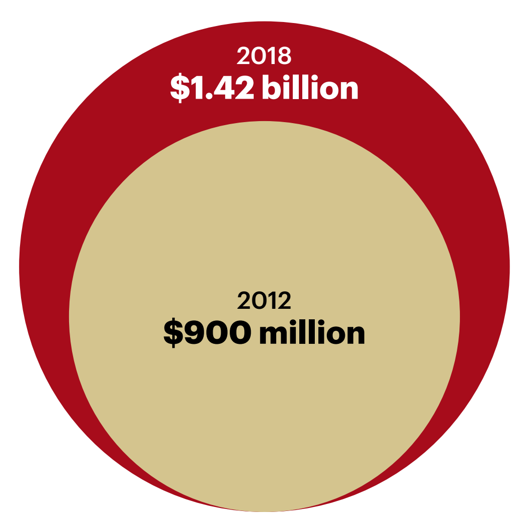
ERNIE JARVIS, a D.C. real estate broker who has two sons in youth sports

PHOTOS BY JOANNE S. LAWTON / STAFF

BEHIND THE NUMBERS

The youth sports market in Greater Washington is up 55 percent in the last six years, according to WinterGreen Research, and is one of the top six markets in the country.

LOCAL YOUTH SPORTS MARKET

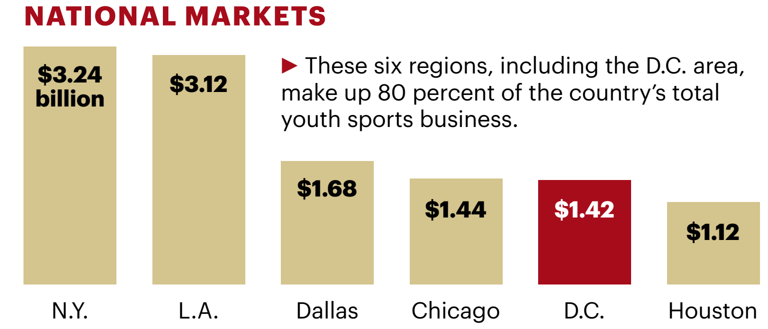


REGIONAL BREAKDOWN *Of the D.C. area's $1.42 billion market*

- ▶ **$391 million:** Facilities management and fields leasing
- ▶ **$340 million:** Travel
- ▶ **$342 million:** Facilities and fields construction
- ▶ **$256 million:** Apparel
- ▶ **$76 million:** Elite team coaching
- ▶ **$13 million:** Sports registration and analytics software

NATIONAL MARKETS

▶ These six regions, including the D.C. area, make up 80 percent of the country's total youth sports business.



COVER STORY

Katherine Quinn, MYA’s first vice president, says a dearth of facilities causes the nonprofit to turn kids away.

JOANNE S. LAWTON / STAFF

MYA offers 11 sports, including lacrosse, that attract 7,000 participants.

COURTESY MYA

MCLEAN YOUTH ATHLETICS

Nonprofit works to keeps fees as low as possible

Few parents are raising children with college or pro potential – their kids will be challenged to make the varsity, frankly.

Beyond the travel team circuit and athletic scholarship pursuit, there’s a massive customer base looking for well-run outlets that provide healthy activities and team-building skills for their children.

McLean Youth Athletics is well aware of the market demographics. The nonprofit has been around since 1954 and today counts about 7,000 participants in 11 sports, from basketball and lacrosse to field hockey and squash.

MYA works to keep its fees low to give as many kids and their families as possible an outlet to get plugged into the community and learn valuable skills, said Katherine Quinn, MYA’s first vice president who’s long worked in the fitness industry as a personal trainer and fitness counselor and today works in digital advertising.

MYA is run by volunteers. A general fund of about $30,000 covers insurance, administration, the website and other costs and to support new and existing sports when needed. The administrators running the individual sports control their own budgets and pay dues to MYA, anywhere from $10,000 at the high end, for hoops, to several hundred dollars for sports like rugby.

Despite its lower participation, the rugby offering reflects MYA’s desire to expose kids to more niche sports; squash and fencing were added in the last year.

A variety of sports also helps avoid the repetitive strain injuries, burnout and high costs that sometimes accompany the decision to specialize and hit the travel club circuit, many of which are also nonprofits but need to cover the costs of office and technical staffs as well as facilities and travel accommodations.

“I’m not anti-competition, competition’s great,” said Quinn, a former track and field athlete and coach. “But if they’re specializing and focused on getting to the next level, they’re missing out.”

Over the past few years, Quinn added, many sports – track and field, flag football and volleyball in particular – have experienced significant growth, thanks in part to a shared database of families that MYA sports can tap to get kids trying new and multiple sports.

“The biggest challenge we face is having the facilities to support all the different programs,” Quinn said. “It’s heartbreaking to have to limit participation because we can’t expand to accommodate more kids due to a lack of space.”

COVER STORY

HEADFIRST

‘Professionalized’ experience for tweens and teens

In the winter months, during his time away from the grind of professional baseball in the 1990s, Brendan Sullivan used to give pitching lessons. He had to work hard convincing families at the time “they weren’t crazy spending $35 an hour for a pitching lesson with a current pro.”

Today, he runs D.C.-based Headfirst Cos., which runs weeklong summer camps at four area schools – just one in a mind-spinning number of sports camp options across the Washington region. Headfirst also operates athletic showcases at six locations around the country for baseball and softball players looking to impress college recruiters. And it partners with six Major League Baseball teams putting on five-day camps that includes a day getting a tour of the ballpark, practicing on the field and meeting their favorite players. The cost for these, by the way? Anywhere from $375 to $995 a pop.

Sullivan’s company will host a projected 17,000 kids this summer and has seen business grow 20 percent annually. He declined to disclose revenue but some back-of-the-envelope math based on the costs of his programs puts annual sales at around $10 million. He has a full-time staff of 35 and a seasonal workforce that swells to 600.

“The shift in this space is unbelievable,” he said, describing the new era of private equity-backed enterprises that comprise the youth sports “ecosystem” and “customer lifecycle.”

Though, Sullivan has also seen his rapid growth sidetracked a bit by a nasty legal battle with his former partner, whom he accused of stealing more than $700,000 from the company. That battle lasted four years and ended up in federal court before a settlement was reached and almost $600,000 was ordered paid back to Sullivan.

The experience, in part, forced the company to professionalize its operational infrastructure, to search for “sophisticated talent” from programming to lawyers to marketers, he said. And his customers and competitors are both forcing him to further hone Headfirst’s offerings.

“Families are increasingly demanding, and will increasingly demand, a more professionalized experience for their families and their kids,” Sullivan said. “From program development that is rich, that sets out to create experiences that inspire the best in your people and delivers against that and is not just babysitting or day care – it’s that shift that I think has changed as much as anything.”

JOANNE S. LAWTON / STAFF

Headfirst owner Brendan Sullivan calls the shift in kids sports “unbelievable,” citing a private equity-backed “ecosystem.”

COVER STORY

Cal Ripken says his company is exploring expansion in Florida, California and the Midwest.

FILE PHOTO

RIPKEN BASEBALL

Orioles legend turns diamonds into dollar signs

If you think of today's marketplace as a youth sports-industrial complex of sorts, the fortunes of Major League Baseball's Iron Man offer a revealing window into the privatization taking hold.

After his 21-year career with the Baltimore Orioles ended in 2001, Cal Ripken Jr. turned his full-time attention to his business dealings and with his brother, Bill, rebranded as Ripken Baseball to teach and grow the game. Today, the company boasts three Ripken Experience complexes – in Aberdeen, Maryland; Pigeon Forge, Tennessee; and Myrtle Beach, South Carolina – that last year hosted 2,863 teams participating in 80 tournaments.

Ripken Baseball declined to disclose its revenue. But consider this: Its participating teams last year came from more than 35 states, as well as Puerto Rico, Australia, Canada, the Philippines and Qatar, and paid anywhere from roughly $700 to $1,300 apiece for a weekend tourney to $500 or more per player for a weeklong stay.

Aberdeen hosts a weekend competition, drawing teams within driving distance in the crowded Eastern Seaboard. Myrtle Beach hosts weeklong "tournications," which are popping up across the country as more and more multimillion-dollar, multisport complexes come online and generate billions in spending. And Pigeon Forge is a bit of a hybrid, according to Ripken, who's clearly a baseball coach and teacher at heart but also someone who peppers his conversation with phrases like "tighten up the working model" when talking about his venture, which he's looking to expand.

Teams pay Ripken Baseball between $700 and $1,300 for a weekend — and more than $500 more per player for a week.

RIPKEN BASEBALL / ECLIPSE SPORTSWIRE / GETTY IMAGES

"We're still in the planning phase of that. Texas, California, Florida, the Midwest – there are a lot of locations we have under consideration right now," Ripken said.

And so Ripken spends a lot time balancing the business with the baseball. That includes scheduling enough time for teaching the game and trying new ways to make the experience fun – starting each inning with a runner on first base, for example – to getting each property to have a consistent look, putting infrastructure in place, using digital technology in smart ways and improving communication with his core constituency, the parents.

"You're trying to anticipate all their needs," Ripken said of the parents who will have some say in his expansion plans. "You want to make it as easy as you can on them."

As for his price points, the Iron Man must also be a businessman.

"Some people might consider them a little more expensive, other people do not," Ripken said. "We've been slow to increase our prices over the years because we're sensitive to kids being able to enjoy coming out. But the hard business lesson there, quite honestly and frankly, is that it has to wash its own face."

BLUE STAR SPORTS

Dallas company buys 3 local kids' sports ventures

The deluge of youth sports has spawned a stream of side markets for local companies.

With so many fragmented markets and marketers, the internet is being deployed to disrupt – or bridge – disparate consumer tasks such as registrations, payments, scheduling, statistics and others into one seamless digital experience.

That's the bet Blue Star Sports is making. The Dallas-based company is backed with $200 million from private equity firms, Dallas Cowboys owner Jerry Jones and his family, and the NFL's investment arm. It has quickly swallowed 25 companies with plans to buy more.

Alt

That rollup includes three Greater Washington companies:

▶ GroupNet Solutions, a Chantilly online registration firm.

▶ Amazing Race Timing, a race event timing company based in D.C.

▶ Global Aptitude, a Frederick, Maryland, company that developed video technology to digitize playbooks and game plans to be accessed on tablet computers.

Terms weren't disclosed, but Blue Star Sports said the market for sports management software tools will grow more than 13 percent annually through 2021 – tools that will make it easier for passionate youth sports communities to focus on the players, games and competition. Just imagine as your tween daughter uses a mobile app to look up a field for practice, shares photos and videos from games, follows her friends' performance via web highlights and taps electronic advice from coaches.

"The idea is that our products and services reduce the friction of why people are really in youth sports, which is to help educate our youth on competition, winning, losing, character, physical development," said Blue Star CEO Alex Alt in an interview. "The friction is just the fragmentation of solutions that exist in the marketplace today."

Blue Star's research shows that 15 percent of U.S. households spend $1,000 or more per month on youth sports. That level has surprised Alt in his first six months running Blue Star and underscores "the glaring market need for somebody to come in here and operate and execute at scale."

Alt's vision of a youth sports future is one free of league administration by Excel spreadsheet, of handing off envelopes with cash to pay registration fees, of phoning a weather line to see if a game has been washed out by rain. All of that, he said, will be the domain of smartphone apps.

"That's what the future looks like," Alt said. "And I think we're scratching the surface in terms of growth because it's an industry that's either underserved or poorly served today, and that's why we're in business."

FLAG ON THE PLAY

THE DOWNSIDES TO THE BOOMING BUSINESS OF YOUTH SPORTS

Some trends would seem to cast the long-term sustainability of the youth sports business model in serious doubt.

We may be spending more than ever on a variety of youth sports and ancillary businesses, but some observers point out we're not producing better athletes — the system, they say, ruins more young athletes than it actually develops. Consider the U.S. team's low medal count at this year's Winter Olympics, or the failure of the U.S. men's national soccer team to even qualify for the World Cup, the result of a youth development culture that emphasizes having the wherewithal to pay to play.

Then there are participation numbers. While many kids are involved in youth sports, athletic participation for children ages 6 through 12 is down almost 8 percent over the last decade, according to the Sports Fitness Industry Association and the Aspen Institute. Almost 45 percent of kids ages 6 to 12 played a team sport regularly in 2008, but now only about 37 percent do, according to Aspen data.

The highly structured, adult-led competitions also have an negative impact, the Aspen Institute says. Tryout-based, multiseason travel teams lead to an emphasis on performance over participation "well before kids' bodies, minds, and interests mature," Aspen researchers write. "And we tend to value the child who can help win games or whose families can afford the rising fees. The risks for that child are overuse injuries, concussion and burnout."

The big four sports of baseball, basketball, soccer and football, both tackle and flag, have seen the most severe declines of any of the 15 team sports SFIA and Aspen surveyed for the age-6-to-12 set. Golf, gymnastics, ice hockey and track and field were the only sports that saw growth in the past eight years.

"There's a persistent global warming in youth sports that doesn't seem to be reversed any time soon, and every year the temperature seems to creep up a degree or two," said Mark Hyman, a sports business professor at the George Washington University School of Business and a former journalist who's written for the Baltimore Sun, the New York Times and BusinessWeek.

Hyman would know. Since 2009, he's authored three books on youth sports, their rising costs and the financial and emotional toll they take on kids and their families. He's not only studied it, though, he's lived it, as the father and coach of a son who played high-level travel baseball through high school. Hyman paid $4,000 to $5,000 annually and footed extra for a special hitting camp in Florida.

Then his son hurt his elbow and eventually needed an all-too-common elbow ligament replacement procedure known as Tommy John surgery. Hyman has fond memories of watching and coaching his son but believes the youth sports business model is teetering: An estimated 60 million kids play youth sports, but 70 percent of them drop out by age 13, according to the National Alliance of Sports.

"If 70 percent of the customers walked out of Target and looked back at the store and said, 'I'm never going in there again,' Target would probably figure out a different approach," Hyman said. "They wouldn't be doing business the same way if seven out of 10 customers vowed to never go back. But in youth sports, we seem very content with the status quo even though the customers seem to be saying, 'This is not for me.'"

So, what's driving the industry's spiraling growth in spite of declining participation numbers? The problems that experts say plague youth sports are also fueling business opportunities — as kids drop out because of burnout or waning interest, the supply is readily replenished.

"There's a persistent global warming in youth sports that doesn't seem to be reversed any time soon, and every year the temperature seems to creep up a degree or two."

MARK HYMAN, sports business professor, George Washington University School of Business

Dreams of college scholarships might feed an early emphasis on specialization and travel teams, whose price points rise as fast as their demand. Cable television and its insatiable need for programming leads to hundreds of Little League baseball games being broadcast on ESPN each summer. It's good for the Worldwide Leader, not so good for developing child psyches. The Internet and social media are equally hungry for "content," so kids and their parents start brand building in cyberspace — yes, there are websites that rank basketball players when they're in elementary school.

About $250 million in athletic aid was awarded by NCAA Division 1 and Division 2 schools in the early 1990s, a number that has grown to about $3 billion today. And yet, only 2 percent of high school athletes go on to play Division I sports, said Tom Farrey, executive director of the Aspen's Sports & Society program and a former ESPN reporter, in an interview.

"The businesses have been built up around all those parents panning for gold," Farrey said. "There's a lot of chum that's been thrown in the water and it's made the fish, the parents, a little bit crazy."