

Love and Money

Excerpted from the
Athletic Business Journal
January 2009
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Summary

Passion is no substitute for business acumen when launching a successful indoor sports center.

Too often the successes and failures of owners and operators of indoor sports facilities are tied to abstract concepts such as drive, determination and resiliency. But those are only minor ingredients, say industry experts; what the recipe for success really demands is keen skills in the game of business.

"I've seen so many good people who thought they had a handle on their business get their personal savings wiped out," laments Norm Nowell, part of the minority of entrepreneurs who have managed to find prolonged success opening and operating one or more sports centers. Yet even that success is relatively modest within the private sector. "This is not the kind of business that will ever be the next Google," he says. "You're not going to make a whole lot of money."

So, given the notions that many new sports centers are destined for failure and that those that aren't are only marginally profitable, what is it that drives new indoor sports center projects? Typically, it's a passion for community sports combined with the recognition — or, at

least, the perception — of a glaring demand in a local marketplace.

Nowell, along with his associate Mike Gallups, founded American Sports Centers (ASC), one of the largest indoor sports centers in the country, in Anaheim, Calif., only after they recognized a need for indoor facilities while coaching their sons' youth teams. "We had gone to a youth tournament at what used to be called International University down in San Diego where they had a facility with six basketball courts," recalls Nowell. "We thought to ourselves, 'We could really improve on this model.'"

ASC Anaheim opened its doors in 2004 with 22 volleyball courts, 16 basketball courts and nine indoor soccer fields. But Nowell and Gallups credit the facility's sustained success to the research, fundraising and other time-and-knowledge-intensive work that took place over several years between the plan's conception and the building's grand opening.

"You cannot do enough homework before opening," says Gallups. "You need to know the area you're going into, where the existing facilities are, who the existing court or field users are in that community and what their price points are."

While feasibility studies and other market analyses will most certainly help inform decisions surrounding a new for-profit venture, Gallups says he and Nowell were less concerned with macro-level data than they were with cultivating relationships with a handful of local youth sports groups prior to opening.

And, since surviving that first year, Gallups has noted an encouraging trend. "Almost without

exception, the people who have been here since year one or two have continued to build on the size of their tournament, their clinic, their camp or their league," he says. "We have one basketball league that started here with 25 or 30 teams four years ago; now they have 100. You want to become partners with these groups, because anything that you can do that benefits them ultimately benefits you, as well."

Nowell believes obtaining capital for a new indoor sports center is indeed the most challenging part of the venture, especially given today's economic climate. Years before the recent collapse of the U.S. banking industry, and Congress's subsequent bailout measures, Nowell was told the following when he first approached his bank about ASC: "We'd love to finance that. So, as soon as you have two years of operations, come back and we'll set you up with a line of credit," says Nowell. "It's as simple as that. And in today's market, it would be impossible."

Gallups notes a cruel paradox that also limits options for sports center development. While high-ceilinged industrial buildings are most conducive to sports programming, patrons have high standards for any for-profit facility's aesthetics. "People expect more," he says. "They expect you to be a cut above those industrial kinds of facilities, or even the local schools."

Developing an indoor sports center is in large part a real estate enterprise, but making a success of one still requires passion for sports that initially drives many entrepreneurs into the industry. "Usually, these people have a love for the sports and they put a lot of long hours into their labor of love," says Gallups. "There are easier ways to make a million dollars than by running a sports center."

But let that passion cloud your business judgment, Gallups and others warn, and you won't even sniff \$1 million. Nowell likewise suggests that zeal and energy are, unfortunately, no substitute for business acumen. "Passion is one thing, but unless you have some good business experience, your chances of success are pretty minimal," he says. "There are a lot of people who want to get into this business, and a lot of them should not."

