

Not Just Peanuts

Minor-league baseball is more than quaint stadiums and dancing umpires. It's now a \$500 million industry with nearly 40 million fans and 176 teams.

BY ALAN SCHWARZ

Opening night was doomed a few years ago, rain was pelting down on the Boston suburb of Brockton, leaving fans of the Brockton Rox soggy and despondent. But then, out of the storm, a fellow came to the rescue. He wasn't a player, he wasn't a weather god—he was even better. He was Bill Murray. The actor commanded the dry-docked high-school marching band and led it around the stadium concourse in a raucous, 20-minute, baton-swinging rendition of Mack Rice's "Mustang Sally." "More cymbals!" Murray yelled as he high-fived and signed autographs for the fans. "More tuba!" No game was played that night, but not a single customer complained. "It was such a hoot," one observer recalls. "The effect Bill had on the crowd was just precious. That could never, ever happen in major-league baseball."

The observer was Mike Veeck, who along with Murray and former Wall Street lawyer Marvin Goldklang make up the Goldklang Group, an ownership consortium at the forefront of making minor-league baseball a major business. With Murray as unofficial director of fun, the group's four clubs have demonstrated how profitable minor-league franchises can be—to the point that major corporations like Comcast and Mandalay Entertainment, as well as major-league legends Nolan Ryan and Cal Ripken, are buying in with their

own franchises. Minor-league baseball, in terms of revenue, is now a remarkable half-billion-dollar industry.

Sure enough, as bucolic, smaller-scale ballparks are echoing with modern touches like pulsing rap music, the most notable sound in front offices is the *cha-ching* of cash registers. "I'm so sick of how everyone talks about how cute minor-league baseball is—the weird mascots and the goofy giveaways," says Dave Chase, GM of the Memphis Redbirds of the Pacific Coast League. "The days of riding rickety buses and staying at Motel 6's are over. Minor-league baseball is a real business."

Positioning themselves as an antidote to the ultraserious major leagues—and its big-league problems like labor relations and huge salaries—the minor leagues' 176 teams hosted nearly 40 million fans last year, breaking the record set in 1949. (This doesn't even include the several million more who attended games of the five major "independent" leagues, whose players are not borrowed from parent major-league organizations.) Back in '49, 448 minor-league teams were dotted all over the nation, while the then 16 major-league teams played only east of the Mississippi. But that boom gave way to bust as the spread of TV and westward expansion put major-league action all over.

Through the 1980's, the minor leagues devolved into dull player

pipelines to the parent clubs, with games played in outdated ballparks with dwindling revenue. Then, in 1990, the renaissance began. Like so much else in the fabled history of baseball, it happened by accident. Major League Baseball forced stricter standards on the minors for clubhouses, fields and such. That led to a boom in construction. More than 100 new stadiums with modern amenities (like expanded restrooms) married major-league economics-gross revenues are up 91 percent in the past 10 years, while franchise values have rocketed as high as \$20 million—with traditional minor-league whimsy. Where else can fans get massages in the stands (St. Paul Saints) or souvenir inflatable bats endorsed by Viagra (Charleston RiverDogs)?

Those and other promotions (such as Skip Work Day, when fans were encouraged to blow off their jobs and all got sunglasses to hide behind) come straight from the mind of Veeck, the idea man for the Goldklang Group's growing empire. The name should sound familiar: Mike's late father, Bill, was a Hall of Fame major-league owner known for exploding scoreboards and once sending a midget up to bat. Murray is more of a silent partner who attends about 10 games a year and delights fans with his antics—a few years ago he inspired Conehead Night at a Saints game.

Veeck, Goldklang and Murray own four of the most profitable clubs in the lower minor leagues—

the Charleston RiverDogs (Class A South Atlantic League), the Ft. Myers Miracle (Class A Florida State), the St. Paul Saints (Independent Northern) and the Hudson Valley Renegades (Class A New York-Penn)—while running the business operations of two more as consultants, including Brockton. The Goldklang Group purchased the first four between 1989 and 1993 for a combined \$2.5 million; today, they're worth close to \$30 million. "When people come into our ballparks, we view them as customers, not as fans," says the 62-year-old Goldklang, who also owns 3 percent of the New York Yankees.

Goldklang's customers are shown to their seats by "ushertainers," often moonlighting actors who engage with kids and lead cheers. With in-game haircuts, performing mascots and other distractions filling the time between (and occasionally during) innings, the actual ballgames can be an afterthought. It makes sense: most of the minor leagues are stocked with players borrowed from major-league clubs that shuttle them back and forth, caring far more about refining a prospect's skills than winning games. This leaves the minor-league clubs having to market everything beyond the on-field competition—a skill the Goldklang Group has mastered, thanks to family-friendly touches such as between-inning sack races and baby-sitting services. Like many owners, Goldklang and Veeck view the "minor-league" label as less insulting than liberating, as an opportunity to roam where the major leagues can not. "We're comfortable with who we are," Goldklang says.

Some of the new minor-league owners appear to have grander plans, though, and are bringing a bigness to the minor leagues that is transforming the industry. These groups tend to purchase clubs in sagging markets, move them to untapped ones and set up mini

major-league operations in new, mini major-league ballparks that generate cash by the bagful. Such is the case with a family with the familiar last name of Ryan. Nolan, Reid and Reese Ryan's Round Rock Express took just five years to become one of the most profitable Class AA franchises in minor-league history. Their reward? A promotion this spring to the Class AAA Pacific Coast League, just one step below the majors.

"Running a baseball team in Texas owned by Nolan Ryan," says the team's assistant general manager Derrick Grubbs, "is like running a church owned by God."

In 1998, Nolan Ryan, a Hall of Fame pitcher and the major leagues' all-time strikeout king, joined his two sons in purchasing a flailing Texas League team in Jackson, Miss. They then moved it to the booming Austin, Texas, suburb of Round Rock, which contributed \$8 million to the construction of \$25 million Dell Diamond. (Local behemoth Dell anted up \$2.5 million for 15 years of stadium naming rights.) The gorgeous, 8,600-seat ballpark features every major-league amenity, particularly its 29 cash-cow luxury suites that average \$26,000 a season to the likes of Dell, Budweiser and other local businesses. But Dell Diamond also adds what has become commonplace at minor-league stadiums—so many kiddie diversions that you wouldn't even know a baseball game is going on nearby. Beyond the outfield wall are full basketball and beach-volleyball courts, a rock climb and (gasp!) a videogame room. These areas are filled with the teenagers Major League Baseball has struggled to attract. "In the summer," Nolan Ryan, 58, says, "families that would just drop off the kids at the mall drop 'em off here because there's so much to do for three hours. And it's safe."

Round Rock's move to the PCL (where it's affiliated with the

Houston Astros), allowed the Ryans to replace it in the Texas League with their second club, the Corpus Christi Hooks. The Ryans keep their financials private, but with ticket prices ranging from \$5 to \$10, the Express generated a little more than \$3 million at the gate last season; concessions for similar teams typically match ticket revenue, so adding advertising, sponsorships, luxury suites and other sources, total revenue was closer to \$9 million. Significant expenses—including team travel costs, front-office salaries, debt service on the \$15 million the Ryans contributed to stadium construction and the 5 percent of ticket revenue that minor-league clubs funnel to Major League Baseball for on-field players and personnel—leave expert estimates of the Express's annual profits at between \$1 million and \$2 million. And of course, the overall value of the franchise the Ryans purchased seven years ago has soared. "The stakes have been raised," Reid Ryan, 32, says of the larger numbers all over minor-league balance sheets. "Old-school operators are being replaced by sophisticated business people."

No corporate owner has made a bigger splash than Mandalay, which counts among its five teams two of the minors' biggest success stories. The Frisco RoughRiders, a Texas League club based just outside Dallas, and the Dayton Dragons of the Class A Midwest League play in the shadow of the Texas Rangers and Cincinnati Reds. But they thrive as options for fans seeking cheaper, family-oriented entertainment. (Minor-league baseball has recently embraced big-city outliers: Kane County outside Chicago, and Brooklyn and Staten Island.) "Everything about minor-league baseball is great—except for the name," says Peter Guber, chairman of Mandalay Entertainment Group (which is unrelated to the Mandalay Bay Casino in Las Vegas). Guber, a

former Oscar-winning producer (“Rain Man”) and chairman of Sony Entertainment, unsuccessfully pursued buying the Oakland Athletics several years ago. Since then, he’s focused on the minors. “*Minor league* suggests something that isn’t significant or profitable,” he says. “There’s nothing minor about our operations.”

Indeed, the stadiums in Frisco and Dayton are centerpieces of larger real-estate plays involving shopping malls and office space. The teams’ games consistently sell out despite relatively high ticket prices that range from \$7 to \$18. It doesn’t hurt to have free programs, two players signing autographs before every game and an 18-member entertainment troupe. In Dayton, several mascots (including Heater, a 7-foot-2 dragon, and Wink, a Cyclops) roam the stands and conduct skits. Heater, complete with dress and feather boa, likes to try persuading a reluctant (faux) umpire to break into dance moves—the crowd loves it. “It’s the same kind of stuff you’d see at Great Adventure or Disney World,” says Howard Nuchow, Mandalay’s president of baseball business operations.

Acting like big leaguers, though, can bring on major-league problems. As local old-school ownership gets wedged out by

corporate giants focused the short-term bottom line, the top operations distort the overall health of the industry. Deep financial trouble led two franchises, the Portland Beavers of the PCL and the Bakersfield Blaze of the California League, to be taken over by their respective leagues last year. The Minor League Baseball central office reports that clubs made a \$45 million collective profit last year, but \$27 million of that belonged to the 16 “jewel” clubs like Round Rock, Dayton and the PCL’s Sacramento River Cats, while the rest split just \$18 million. “The top teams are doing great and getting richer,” says Chase of the Memphis Redbirds. “It’s very similar to major-league baseball.” And while new ballparks vastly increase revenue, fans of the old minor leagues wonder where the charm went. “What used to be a \$5 ticket behind home plate is now an \$8 ticket out by the foul pole,” says Jared Cohen, 37, of Washington, D.C., who’s pilgrimaged to more than 50 minor-league parks across the nation. “Teams are more interested in selling alternate-style road caps than making it a unique experience.”

Such is the price of growth in most industries—quaintness usually cedes to dollars. (Besides, people who claim to prefer the old days never seem to complain about air

conditioning.) And in some ways the minors are teaching the big boys a thing or two. The NBA’s Vancouver Grizzlies moved to Memphis several years ago in part due to the Redbirds’ success. The minors also provide the sports industry a technological proving ground: many clubs now use electronic, print-at-home bar-coded tickets that can be e-mailed and scanned at the turnstiles, meaning fewer unused tickets. The bar codes have other benefits: “When I know the CEO of a major corporation is coming,” Chase says, “as soon as he comes through the turnstiles a computer program calls me on my cell to tell me.”

With the minors hotter than ever, clubs that don’t make large profits still find their franchise values going up—even Class A teams routinely sell for \$4 million or more, several times what they did a few years ago. “Return in this industry comes less from cash flow than asset appreciation,” Goldklang says. Or, as the maxim goes, “You don’t make money operating a baseball team—you make money *selling* it.” Dancing umpires and mascots doing shtick are great to behold. But when winter comes and the fun stops, for even those clubs without impressive financials, it’s great to know there’s a pot of gold awaiting.