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Jim Baugh: Q&A ‘Inactivity Pandemic’ 2018

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The following questions submitted to PHIT America Founder Jim Baugh and his responses are a complement to the *‘Inactivity Pandemic’ Report 2018*, published by PHIT America.

‘Inactivity Pandemic’ Report 2018 -- available at IP.PHITAmerica.org -- is a must-read report for everybody who works in the sports and fitness industry: for manufacturers, marketers, retailers and team dealers. There are two editions: (1) Impact on America and (2) Impact on the Sports & Fitness Industry.

QUESTION: You make a Rodney Dangerfield reference in your news release on physical inactivity. Why do you think the sports and fitness industry doesn’t respect the ‘Inactivity Pandemic?’

Most bigger companies are caught up in their quarter-to-quarter and ‘profits-now’ thinking and not worried about the long term. We also have some owners who only care about the short term as they plan to sell or spin off their company soon. Many companies are not looking at the ‘roots’ of physical activity. They look at what they can do to create new participants who are good customers today.

There is also a sad trend I have seen over the last 20 plus years. Years ago, we had great leaders for our industry. Now, we have leaders of brands. Look at the leaders on the boards of the trade associations. They are lawyers and not CEOs of their companies. We need people to realize we survive and grow as an industry when people are playing sports and being physically active.

And, there are a few who just don't get it. They think we will always have people participating. But, with the trends that you see in the report, it is obvious, physically inactive people don't buy sports and fitness products.

QUESTION: Why does PHIT America publish this report?

ANSWER - Jim Baugh: This 'Inactivity Pandemic' is killing the 'roots' of the sports and fitness industry. Leaders, investors and everyone must wake up. Do we really think Americans are going to put down their smart phones and tablets? Do you think the social media and electronics industry is going to start making less fun, less engaging, and less addictive products? Or, will schools suddenly start putting daily P.E. back in our schools? Hell no! The competition is going to get stronger. And, the sports and fitness industry must respond and protect the industry. They must go back and rebuild the 'roots' of the industry where kids and everyone learns basic physical activity skills in schools. When schools started to take P.E. out of our schools, that started the gradual erosion of the industry's roots...and the industry's future.

The sports and fitness industry is not driven by the professional leagues or pro athletes. Look at what you see on TV and you can't escape sports but that is entertainment. In fact, with the exception of maybe one or two sports, every sport you see on TV is declining in participation.

We have to remember every participant was a beginner one day. And, where did they learn those basic skills? At home and in schools.

The other reason that PHIT America produced this report is because someone has to expose the real story. The industry doesn't like to hear bad news and that may be because so much of the business is controlled by public companies. I feel obligated to expose trends so everyone can make decisions which will help their future.

QUESTION: You have 11 observations and 9 recommendations on the state of sports participation in the U.S. What is your biggest takeaway on the topic of sports participation?

ANSWER - Jim Baugh: We have to fix the sports participation issue with children. Things are not good with children and their future. Overall, team sports core participation is down significantly in the last five years. If children are not playing team sports, too many are now playing video games. More and more children have not developed their basic athletic skills or have the confidence to run, catch, throw, kick, or even stand on one leg. When they grow up, they will not be sports and fitness participants – mainly because of the lack of daily P.E. in our local schools. The rise of travel ball in baseball, softball, soccer, lacrosse, basketball, and volleyball has led to declining levels of interest in local recreational leagues in those six sports. We must bring revitalize local recreational team sports leagues.

I have studied this issue for 20 years and there are two places where children learn how to be physically active, how to throw, how to catch, how to run, how to kick, and how to jump. One is from their family members – mothers, fathers, brothers, sisters, and cousins. The second is at school -- through physical education programs. That is why P.E. is the 'roots of all physical

activity in America.’ Look at the research. It is conclusive, and we can rebuild these programs. We are doing it through PHIT America GO! Grants. Schools are where ‘all the kids are’ and can economically be influenced.

QUESTION: Why is PHIT America so focused on P.E. in schools?

ANSWER - Jim Baugh: I would like the sports and fitness industry to look at what has happened in schools in another way. Go back in time to about 20 or so years ago when every school had P.E. and most schools actually had daily P.E. for their students. But, today, we have seen a vast reduction in P.E. as approximately 50% of schools don’t have any P.E. That means that we have lost 50% of our ‘training grounds.’ At least 50% of today’s kids are not being taught the necessary skills or have the confidence needed to play a sport. Is it possible the ‘closure’ of our ‘training grounds’ has influenced today’s kids to be less physically active? Or has the closure of our ‘training grounds’ played a role in the closure of retailers such as The Sports Authority, City Sports, Chicks, MC Sports, etc.? I know it has.

QUESTION: What else jumps out for you?

ANSWER - Jim Baugh: The fact that there is a major switch from core (committed) sports participants to casual sports participants is devastating. Core (committed) sports participants account for 80% of all purchases and spend far more than casual participants. This switch from core to casual has cost this industry \$20.5 billion in the past five years -- almost a 2.5% drop. The industry and all the sports ‘think tanks’ must make sure there are good pathways for beginners to stay physically active while having fun. I really think travel teams, which require families to make a big investment in time and money in order to play on these teams, has hurt the industry. Many companies are feasting off these super-focused athletes, but are doing little to invest in the ‘grassroots’ of physical activity.

QUESTION: What do you think of the campaigns some of the big companies have in order to get more youngsters active or playing sports?

ANSWER - Jim Baugh: Well, someone has to ask these questions: Are they making a difference? Are they really just PR programs for their brand? What is their cost per participant? I bet it isn’t close to the PHIT America formula which is less than \$10 to get a kid physically moving while at school. If we at PHIT America had access to those funds they are spending on their campaigns, the ROI would be much better. And, I bet we could build their brand equity better with this investment, too.

QUESTION: If someone invests, what is the actual return?

ANSWER – Jim Baugh: I am glad you asked. Sports Marketing Surveys says the increase in revenue when we get one person active is \$700 per year just for apparel, footwear and equipment. With our PHIT America cost per person to get a person active at \$10, that is a great, instant ROI for the industry. Invest \$10, get \$700 in revenue in one year. For a company who has a 2% market share, the ROI is still good.

This is one of my biggest frustrations with this industry’s leadership. The industry has to invest to increase participation. It will not happen on its own. There is too much competition for

people's leisure time and sport & fitness is not a priority anymore. You have companies and organizations who have millions who *hope* things improve. But, with the proper investment, the industry can control its future. Think about it. Invest \$1,000,000, get \$700,000,000 in new industry revenue. Even if you think the increase is half that amount, it is still a great ROI.

Even the organizations who run events or shows need to help. They should have a percentage of revenue to invest in their future, participation. It is time for everyone to invest in the lifeblood of the industry, participation, and not sit back and *feast off* the industry. Let me frank again. Sport and fitness participation will not grow unless there is an investment.

QUESTION: Aren't some of the big brands doing well even in this 'Inactivity Pandemic?'

ANSWER - Jim Baugh: Yes, but take a close look at the numbers and you will see for many of these companies, they are selling more and more 'fashion' products (footwear and apparel). How much of this product is used by actual sports participants? Everyone wants to create more super athletes and kids who are potential stars. It feels OK for the short-term business opportunities, but the pool of active Americans is gradually getting smaller. We must not forget every avid sports participant started out as a beginner. Beginners learn their basic physical skills from their parents, family members or from a school P.E. program. We must go back to the 'roots.'

QUESTION: Youth baseball is doing well with its new program. Isn't that a great sign?

ANSWER - Jim Baugh: Baseball is now being introduced to children in elementary schools through Fun At Bat, which is a bat-and-ball entry level program for children with an emphasis on character development, functional movement, literacy, active play and fun. Fun At Bat, launched in 2017, is operated by USA Baseball and supported by Major League Baseball. The program will impact over one million children in 2018. I hope they look at going into schools which have no P.E. programs at all. We need to get every kid to learn the basic skills of physical activity.

While we can study what baseball is doing, I look at the 'big picture.' When you at all youth team sports core participation numbers, team sports are losing. Baseball may be doing better but it is probably taking share from another sport. Has the growth of lacrosse come from new participants in our industry...or from other team sports? This is my point. Companies or leagues may want to grow participation in a specific sport, but they have to invest in the 'roots,' as well. When we create more kids through P.E. program, this expands the pool of kids who can play football or baseball or soccer. Robbing Peter to pay Paul may be good for business, but it is not solving the 'roots' issue.

QUESTION: Everything I hear in fitness is positive. Is this the real success story?

ANSWER - Jim Baugh: Yes, fitness is doing better than most categories. Most of the top 20-growth activities are fitness-related. However, you have to look at the 'share' numbers. Even fitness activities are losing out to non-sport or non-fitness activities. Everyone is getting stung by the 'Inactivity Pandemic.'

Snow sports is another category that is doing well. The snow sports industry has invested in beginner programs and has really made them work. They allowed for the development of products that made snow skiing and snow sports more fun for the average participant. I get frustrated when I see traditional sports holding back technology and ways people can have fun playing, while sports participation is declining.

And, the snow sports industry is not tied to tradition. It has developed 'alternative forms' of ski or snow sports that children and America want. I think this sport category has the best leadership and programs. It shows in the market share.

QUESTION: Isn't the PHIT Act, when it passes, going to solve this 'physical inactivity' issue?

ANSWER - Jim Baugh: The PHIT Act will help if, and when, it passes. It will help get people physically active if they have an HSA or FSA account, which most Americans, especially low-income families, do not. I have a little warning for the sports and fitness industry. If the PHIT Act passes, much of the success the industry will have with it will be totally dependent on how the industry markets this new tool.

But, we must remember, the PHIT Act doesn't help fix the 'roots' of the industry. We need to focus on kids learning physical activity skills in schools or from family members. Nothing replaces the need for this.

QUESTION: It is obvious you have really worked hard with your PHIT America GO! Grants. What makes this program special?

ANSWER - Jim Baugh: It attacks the 'roots' of the physical activity issue -- physical education in schools. We estimate there are 40,000 schools in need. These programs have to be rebuilt or, sorry to say, the sports industry will decline.

GO! Grants get children moving in school-based programs. We have reduced the cost per child down to \$10. You can even support an entire school with a GO! Grant for approximately \$3,000 - \$4,000. Just think what happens to your business if you get, say, 300 more children physically active. The ROI is fabulous. And, these children will be consumers for life. We have worked hard to fine tune this program and there is no better way to attack the 'Inactivity Pandemic' than with our PHIT America GO! Grants program.

QUESTION: How do people get involved with PHIT America?

ANSWER - Jim Baugh: Easy. Contact me at Jim@PHITAmerica.org. We have levels of support for every size company. Be ready to invest. As a nation, we have neglected our school P.E. programs for too long. Maybe you can help us in other ways, too. Can you help distribute or sponsor our new 28-minute documercial? If you really want to help get kids physically moving, let's talk!

QUESTION: You have built a great program. What if someone wants to take this over?

ANSWER - Jim Baugh: You want to make the big investment? Contact us. We have built a fabulous program that works and can enhance a company's image. It is the perfect CSR program. It helps kids, works in communities, has been tested, rolled out, and fine-tuned through the past five years. I am really proud of our program. Contact me at Jim@PHITAmerica.org

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