

Lead Left Interview – Jason Kelly

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This week we chat with Jason Kelly, New York bureau chief, Bloomberg. Jason has been with Bloomberg since 2002. He is the author of [Sweat Equity](#) (2016) and [The New Tycoons](#) (2012).

The Lead Left: Jason, your new book, Sweat Equity, focuses on endurance sports and the fitness industry from the entrepreneur's perspective. What was the inspiration for this project?

Jason Kelly: It was both personal and professional. I've been running marathons since 1999, I started looking at how dollars were being spent. Running is simple, not a complicated sport. You basically have shoes and clothes. I realized I was spending a lot on not just those basic items, but also the cost of races, your travel, your food, and so on. And I was spending a lot!

The original idea was exploring people's personal spending habits. I looked around at people like me, who were running, doing yoga, triathlons, or cycling. As a business journalist, I've learned about following the money. So I focused on businesses I had noticed in the race and events space, as well as the boutique fitness boom. That's exploded in the last 5-6 years. I spoke to a lot of private equity partners and bankers in the space. Those guys show up when there are dollars to be made. I knew then I was onto something.

TLL: *So how did you choose the stories in this book?*

JK: I'm always looking for characters and there are a lot in and around this business. Whether it was Barry Jay of Barry's Boot Camp or Mary Wittenberg, formerly of New York Road Runners and now Virgin Sport. I wanted to focus on passionate people with great stories to tell. My business is mixing money with good stories.

TLL: *Why now? Is it technology, the market, the focus on health? What trends have you seen?*

JK: There are number of things colliding — general awareness around healthier lifestyles, technology and some demographic and generational shifts. And once it gets going, it's hard to turn back the tide. Any meaningful experience with feeling healthy makes it hard to go back. People discovered that exercise makes them feel good. It keeps them coming back. Also, there's a deep sense of community building with these brands.

Technology plays a couple significant roles. Wearable technologies like Fitbit and the Apple Watch give us access to data about bodies and our workouts. Also, social media, whether Twitter or Instagram, plays a big part because we're able to show off a bit, to see what other people doing. And then there's an interesting aspect to technology where we're actually rejecting how much we rely on it. I think group fitness is a reaction to the superficiality of social media. Exercising together evokes something of a primal reaction — there's something appealing about being together, sweating.

TLL: *Is it a generational thing?*

JK: Millennials represent a healthier generation. They grew up more fit, so it feels more natural to them, more than those of us who are 40 years or older. This is especially true of the social aspect of exercise. People in their

40s are more likely to pursue more solitary exercise like running. For millennials, it's very much of a group and social activity. And millennials have demonstrated a willingness to spend money on experiences instead of "stuff."

TLL: What are some of the long-term trends that you noticed?

JK: Women are primary drivers of this trend. Title IX was critical because it institutionally leveled the playing field, opening opportunities for girls to play sports from a young age. Starting in the 1980s, girls were able to experience sports through their entire educational experience. And once they graduate from college, they're not just going to give that up. Then you factor in that women tend to be responsible for household spending — not just for themselves, but for families. They make the decisions around food, travel, and so forth. And now many are doing that with a healthier lens.

TLL: Jason, you have written extensively about private equity. What is their entry point into health and well-being?

JK: It's a relatively small universe of private equity firms who have gone deep or specialized in health and wellness. Firms such as L Catterton, North Castle, and Falconhead are a few examples. Amid the bigger firms, one of the more notable deals was TPG and Leonard Green's acquisition of Lifetime Fitness.

Also, with a number of bankers' help, I infiltrated into middle market and large cap firms, focusing on their sale/merger processes. It's still early days in the sector. It's still a nascent market. A good example is what I've seen with M&A activity around Equinox. Understanding the real estate piece associated with that company, their relationship with SoulCycle, and their creating their own line of hotels.

TLL: How does one distinguish between a fad and real trend in this industry?

JK: That's hard to calculate. Otherwise I'd be investing rather than writing! Smart investors are trying to make bets with exposure to mega-trends in health and wellness. These are intact. You and I in five years, for example, aren't going to say, "Let's go have a smoke."

Running is here to stay. Yoga has been around a couple thousand years. But spinning versus barre versus Pilates — who knows? It's hard to imagine 10 years from now, will we have 10 different indoor cycling competitors who are wildly successful? Or barre studios? Each have their distinctive personalities. That makes it very hard for investors.

Contact: Jason Kelly
jkelly14@bloomberg.net