

Major League Pickleball

What Happens Next - 01.14.2023

Larry Bernstein:

Welcome to What Happens Next. My name is Larry Bernstein. What Happens Next is a podcast which covers economics, finance, politics, and sports. I give the speaker just six minutes to make his opening argument.

Today's topic is Major League Pickleball.

Pickleball is the hottest sport in America. Player enthusiasm is off the charts. In my neighborhood in Miami Beach and my mothers in Sarasota, pickleball is the rage. This is becoming the norm. The game is fun to play and is open to all ages and skill level. And the people love it.

Today's guest is my close friend Steve Kuhn who founded Major League Pickleball, you know the one where Tom Brady and LeBron are team owners. Steve is incredibly creative and highly excitable. You are going to love Steve.

There is much to cover so buckle up.

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Ok, let us begin with Steve's opening six-minute remarks.

Steve Kuhn:

Hey, everybody, my name is Steve Kuhn, and I am the founder of Major League Pickleball. Larry asked me to talk about the sport of pickleball, its amazing growth and the future success of the sport, and why is there a place for a sports league in pickleball?

I first played pickleball about six years ago. My nephew Keenan told me about it. He said, "this is the perfect sport for you because it's really about hand-eye coordination and strategy." I am a big game strategy geek. So, I show up at the gym, and I was welcomed like the second coming. It was a joyous occasion that somebody had joined the pickleball flock.

I love tennis. I love table tennis. Why is pickleball so much fun? I think a big part of the reason is you get to hit the ball a lot and 10 times as much as you do as an hour of tennis. The points are quick. There is not a lot of time between them. Tennis points generally do not last exceptionally long, especially among people who are not particularly good. You serve, maybe that goes in, maybe the return goes back in, maybe there is another shot, but that is about it.

Because you get to hit the ball a lot, you are also immediately feeling you are getting better. A wide range of athletic abilities can enjoy the sport very quickly. People involved in it were the biggest proselytizers. This was not a sport; it was a mission.

I have a penchant for making bold statements. My bold statement I made to friends years ago, was that someday pickleball would be the most played sport in America. At the time I made that, I was viewed as having three heads. That was not the consensus view. But I was convinced it was true.

Pickleball is to tennis what top golf is to golf. Let me explain what I mean by that. Golf is a difficult sport to learn. It takes hours to play and thousands of hours to learn how to play well. You take that and you turn into top golf, and a wider variety of people can go to top golf, enjoy an hour with their friends, have fun. They do not have to be a great golfer. You have gamified it and democratized it. And broadened the total addressable market. Topgolf was a huge success.

When I saw the success of Top Golf, I said that Pickle Ball is the next top golf. When I started six years ago that was exponential growth from a relatively low base. The next four years, it was probably growing 40% to 50% a year was starting to get to real numbers. I said, "now it's time to invest in this."

I looked at the pickleball landscape and said, what things can be better? I thought you could do it better by creating a team format. I love the PGA Tour, but I love the Ryder Cup even more. We created basically the Ryder Cup of Pickleball. Also, we altered the scoring rules. The rules of scoring are complicated and arcane and needlessly weird. We have changed the scoring rules to make it much easier.

I set up another company called DUPR, the Dynamic Universal Pickleball Rating, which created a way for people to put in their results and get a fair and accurate rating, which is important if you want to hold tournaments at the highest level. At the time that we started DUPR, less than 1% of pickleball players had ever played one rated match. There was no way to really know how good you were. I created Major League Pickleball and DUPR a little over two years ago.

Larry Bernstein:

Let us talk about pickle ball ratings. In golf, you play against the course and there is no opponent and that is not the case in pickleball. Tennis has its own set of complexities. How did you come up with your scoring system to deal with a doubles match, particularly when your partner may have substantially different capabilities?

Steve Kuhn:

Instead of a golf handicap, I would think of it more in terms of a chess rating. Let's say you're an 1800 player and you play another 1800 player on an online chess game. You are going to know that if you win, you are going to go up five points. And if you lose, you are going to go down five points. It is completely transparent, and you understand exactly what happened.

We tend to do the same thing in pickleball. What we do that is unique at DUPR, at least unique relative to our competitors, was we look at not only whether you won the match, but also the margin of victory, which allows us to get to a more accurate rating quicker.

Let us say I'm supposed to win in that match about 30% of the points. I am a big underdog. If I end up winning 40% of the points, even though I lost the match, my rating can go up.

That has consequences that are troubling for some people. First, male and female players in pickleball are actually quite close. The difference in gender is a lot less than just about any other sport.

Our algorithm does not know whether you are a man or a woman. It just knows the scores. What is confusing to the pickleball world about this, is in the previous construct a rating was a different for men and women. In other words, a male 4.0 was different than a female 4.0. The problem with that is that it is no longer makes it predictive.

We went for predictiveness and that means that that a male 4.0 and a female 4.0 are the same. That causes some confusion and angst in the market from people who are used to the other system.

Larry Bernstein:

In most sports gender makes a big difference with performance—men are bigger and stronger than women, but that is less important in pickleball?

Steve Kuhn:

It matters a lot less. That is correct. The average difference between a male and a female is about 0.2 DUPR. Our DUPR scale goes from two to eight. The best players in the world are around a seven. Ben Johnson and JW Johnson are around a seven. Anna Lee Waters is the number one female player, who is by the way 15 years old, is a 6.4. She would be roughly the top 20, 25 of men.

Larry Bernstein:

How does that compare with the best men and women in tennis ratings?

Steve Kuhn:

There is a service called Universal Tennis rating. They have both male and female ratings. I think their top males are around a 16 in their rating system. And top females are around a 13.

What is great about pickleball is there is a lot more matches with two males playing two females, or two males playing a male-female. We have a lot more data to be able to make these cross-gender comparisons. What you need for a good rating is something we call connectivity.

We have enough connectivity to be able to confidently say that our ratings are accurate across the genders. We have connectivity for genders, we have connectivity for about 15 or 16 countries now. That's exciting because it means that means we are building really the infrastructure for a world pickleball rating, not just the US one.

Larry Bernstein:

Next topic is the popularity of pickleball.

I moved to Miami Beach recently and I live a few blocks away from the Miami Beach Public Golf Course that has two tennis courts. I was speaking with the mayor of Miami Beach, and he told me that the town decided to convert those tennis courts into pickleball courts.

Previously, I would walk by the tennis courts, and nobody was playing. But since they converted to pickleball, it is a zoo. The place is packed with people screaming and yelling at each other. I hear that soon there going to be putting lights in.

Steve Kuhn:

Some of the stories about pickleball focus on a pickleball/tennis war. I do not want to steal tennis courts from tennis players.

Larry Bernstein:

Steve did they teach you at Harvard that economics is all about scarcity.

Steve Kuhn:

Let's look at the economics of a tennis court versus a pickleball court. Tennis is generally played in singles. One tennis court is generally being used by two people. A pickle court's one third the size of a tennis court. So now you can have three pickleball courts, and pickleball's almost always doubles. You take a court that could be used by two people, and you turn it into something that could be used by 12 people.

I look at indoor tennis facilities and I think most of them will end up probably be converting to pickleball, just because you can charge the pickleball players half as much per hour and still make a lot more money. The economics of pickleball in terms of how popular it is and the fact that it costs a lot less. If you look at having a child play junior tennis versus learn to play pickleball, it probably costs about a hundredth as much.

You look at all that, and yet it is more profitable for the facility. I think we are going to see a lot more pickleball facilities built. I hope it's not at the expense of tennis. I think we will see enough purpose-built pickleball facilities where tennis court conversion will slow down. I think the market will catch up and the tennis courts will eventually survive. But some might be converted in the meantime.

Larry Bernstein:

Steve, tell us more about the pickleball league that you created. How did you think through the structural mechanics and what are your objectives?

Steve Kuhn:

Team sports are really fun. The Ryder Cup is more fun than a PGA tour stop. I wanted to create a team sport. Our structure in Major League Pickleball is teams are made up of two male and two female players. When two teams play each other, it starts off with women's doubles and then men's doubles, and then there are two mixed doubles' matches. If a score is tied, the teams go into something we call a dream breaker where they all play singles. That's super dramatic when it happens.

Part of the goal of starting Major League pickleball was to bring in successful and well-known people into this sport that would bring more attention and eyeballs and get more people to try it. That that would be a way of building the value of the sport, raising the prize money for the players. Bringing in sponsors, bringing excitement to the sport, would bring more eyeballs, would bring more money, and the virtuous circle would be built. We have had amazing owners like Brené Brown, LeBron, Tom Brady. The people that we have brought in has been exciting.

Larry Bernstein:

How did you choose the team owners?

Steve Kuhn:

How can we best bring in the owners that will help us make this league and make this sport successful? So that could be a celebrity, it could be people who have experience in starting other sports leagues, not only the US but all over the world. That was important to us.

Obviously, there was a financial commitment to joining the league and expansion, but I think that was not the biggest decision rule for us. Who is going to lean in? Who is going to help us make this sport greater? We define our mission in terms of helping the sport of pickleball grow. We wanted people who were mission aligned to that. We want to get 40 million people in America playing pickleball before 2030.

When I said that initially, that was also considered a stretch goal for the sport. I think we are going to probably achieve that earlier than 2030. 40 million players would mean that pickleball would not only be the most popular played sport in America, but it would be double the next. Tennis and golf are about 20 million. I think pickleball will be the most played sport by double before the end of this decade.

Larry Bernstein:

And where are we now?

Steve Kuhn:

There's not great data on this, but we are trying to assess that. There was an industry group that said there were 5 million players last year, and I thought that was absurdly low, based on paddle sales, ball sales, etc. My guess is we are closer to 15 or 20 million players. I have seen estimates that as many as 30 million people have at least played once already.

Larry Bernstein:

I'd like to consider the question of athleticism in pickleball compared to tennis. Obviously, the top-level players are getting a crazy workout but there does not seem to be much of an athletic workout for the average player.

Steve Kuhn:

I think this is a false narrative. So, I am going to push back.

The time between points in pickleball is typically 7 to 10 seconds. So, you play a lot more points in an hour. If you are an elite level pickleball player, you are moving a lot. It is believable that in an hour of pickleball, you burn more calories than an hour of tennis.

Larry Bernstein:

That is insane.

Steve Kuhn:

I am just saying those 60-year-old players playing pickleball, if they play tennis would burn even less calories. Per hour than they are in pickleball.

Larry Bernstein:

One thing that will determine the success of your league is viewership. Obviously, lots of people love to play pickleball, but there is a difference between playing and watching it on TV. How do you think about attracting viewers for pro matches?

Steve Kuhn:

That is the big question—what is the value of major league pickleball? There are sports that people do not play very often but watch. NFL, very few people play tackle football like ever in their life, much less regularly. And yet, NFL is the most popular sport to watch. And college football is probably number two. So, there are certainly examples of sports that people do not play themselves, but still love to watch. The reverse I think is less. Almost every sport that people play broadly is watched broadly.

The argument I make here was when MLS launched in the US, there was a lot of skepticism of whether it would be a success. I looked at the youth soccer numbers then, and I said, “yes, it might take a little while as the 10- and 12-year-olds playing now, but they're going to be consumers of this.” The criticism of soccer forever was, it is a 0-0 score, and no Americans will ever watch it. And when Americans did not play it, that was largely true. Now that people who are adults grew up playing the sport, or adults have kids that were playing the sport, they are much more likely to watch a soccer game that is 0-0.

They understand that the intricacies of the sport more.

While there are sports that people do not play and yet watch, I there is not that many sports that people play actively and do not watch. Does that mean pickleball's going to be the most watched sport in America? It does not necessarily mean that. I think if it's the most played sport that it'll be in the top 10 or top 5. The thing that pickleball needs to do, is we need to have our players' stories. We need to understand who our players are better and have a deeper connection to them.

Look what happened to Formula One. This year, in America, the Netflix series *Drive to Survive* came out. You got to understand who the drivers were, the difficulties that they face, just how incredibly challenging and amazing their abilities are. Americans viewing Formula One have gone up dramatically this year. As people get to know these player stories and their backgrounds it makes the sport more exciting for them.

Larry Bernstein:

A couple weeks ago on the podcast, we had Stefan Szymanski, a professor of economics at the University of Michigan. He did analytics on European football leagues and found that, in aggregate, these football teams were not making any money. All the revenues were basically going to the players. How do you think about the economics of your pickleball league and how might you balance players' revenue share with business profitability?

Steve Kuhn:

That is a good question. Certainly, in European soccer, there are owners and investors that just want it for psychic, for karmic reasons, for joy. It is important for prestige to own a team and that sometimes elevates the values of teams. Let's look at American sports. The NBA came up with a kind of a deal with the players that we will promote the players, we will promote the league, and the players will get a percentage of our revenues.

That has been a win-win for the players and for the league.

When we announced LeBron James becoming an owner of one of our major league pick ball teams, that story across all platforms, I think has now gotten over 4 billion impressions. That made the sport more valuable. If we can be fair to our players and give them a fair upside in that, and we continue to drive the increased value of the sport up by multiples of what it is valued now, I would like to think that that could be a win-win arrangement that both the players and the owners would benefit from.

Larry Bernstein:

How do you think about marketing the pickleball league? Historically, leagues have not brought in other sports' stars as owners. Why did you choose this route and how do you see your marketing strategy evolving?

Steve Kuhn:

Right now, some of our owners are bigger stars than our players. But I want to change that. The players are becoming bigger stars every day. Now, you have an attachment to the players, you have watched them play, you're starting to cheer for them.

In Major League Pickleball, we have a draft, and we will have general managers. Sports fans love to get mad at the general manager. They love to criticize. Look at the passion around the NFL draft. They want to yell at the GM if they make the wrong pick.

It is a unique thing in this sport where the general managers must make decisions about what player they want and which player they view as the best. That is fun content. For the true pickleball geeks, that is like candy. They want to have a debate on what players should be drafted first versus third versus fifth. That debate is getting more interesting to more people.

Larry Bernstein:

What is next for Steve Kuhn and Major League Pickleball?

Steve Kuhn:

We announced a merger with a gentleman named Tom Dundon and the PPA tour. So, we are expanding our teams faster than we thought. The day we announced that LeBron was an owner, we had 400 indications of interest for teams. We have had probably over a thousand groups approach us. The day that LeBron was announced, I got calls from 12 different countries on how they could help launch a pickleball program there. There is no shortage of interest in having a team. That has led to us to make the decision to expand more quickly than we originally planned to.

The quality of play that we are going to put out on the court this year is going to be unsurpassed. I think the future is you are going to be talking about us alongside, NFL, NBA, MLB, major League soccer, NHL. Our TV rights fees are not in that category yet, but I think that is going to change rapidly.

Larry Bernstein:

Where can we watch pickleball on television?

Steve Kuhn:

Our first two seasons we were on CBS Sports Network. This year we are still negotiating with several different parties. One thing that we have seen lately with the fracturing of streaming is that TV sports rights have done incredibly well. It is one of the few things that motivates people to watch live and to subscribe to a service if they have the content that they want. We saw Amazon pay a billion dollars for Thursday Night Football series this year to try and bring new subscribers to Amazon.

Those TV rights fees this year will not be huge for us to be honest. But trust me, we think that the future is bright.

Larry Bernstein:

Steve, 23 years ago we started working together. We shared similar passions in the financial markets. We both speculated on interest rates in the global bond markets. What are you doing in pickleball?

Steve Kuhn:

What I would say that is in financial markets, we both tried to identify undervalued securities. We tried to find mistakes in markets, we tried to find things that people just did not understand.

I saw this mistake in pickleball. People were not taking pickleball seriously. Six years ago, or even two years ago, it was a weird sport with a funny name. I thought that was just a vast market mistake. I am drawn to finding undervalued things, and then trying to tell the story of why they are undervalued.

Pickleball is the most exciting sports story in terms of its growth rate, how it is making people's lives better, how it is getting people out moving. A pickleball court, it is probably the least politicized place in America today. I have played hundreds of hours of pickleball with people, and I could not tell you whether they are red or blue or who they vote for. It is a needed thing in our country right now. This was a trade that I saw, something that I thought was undervalued, but that could be profitable hopefully for myself and my investors but also really make America and the world a better place.

Larry Bernstein:

Steve what are you optimistic about?

Steve Kuhn:

I have been famous for the phrase that pickleball will save America. America maybe needs a little bit of saving. We are not getting along with each other so well. I think pickleball brings people together to play and to hang out with people that they probably would not agree with on anything else. I think that is incredibly valuable.

I know you are familiar with the book *Bowling Alone*, saying we were no longer in organizations that got us to meet other people. We were getting more cloistered in our homes. And social media made that even worse by getting us even more divided. I think the antidote to bowling alone is playing pickleball together. I think pickleball will save America. That is my optimism. Thanks to Steve for joining us today.

Larry Bernstein

If you missed last week's show, check it out. The topic was how to write a bestselling mystery novel.

Our speaker was my close friend Scott Turow who is the author of *One L* and *Presumed Innocent*. I spoke to Scott about his new novel *Suspect*, and he explained how to construct a novel and develop characters. We also discussed the role of the editor, the rewrite process, and then in the post development how to market a novel and ways to generate excitement about the work so that booksellers can sell it.

I want to make a plug for next week's program about immigration. Our speakers will be Stanford economist Ran Abramitzky and George Mason economist Garret Jones. Both speakers are pro-immigration, but Garret wants us to focus our efforts on getting immigrants with skills. In addition, Garret thinks that immigrants' experiences from the old country will make a difference in the success of their descendants. And the social and cultural mores that the immigrants bring will impact our mores as well, so be careful.

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