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COVER STORY

Conquistador in Cleats

In what may be a stroke of sports marketing genius, businessman Jorge Vergara will bring professional Mexican fútbol to Los Angeles on April 2 with the debut of Chivas USA. 'We're taking the U.S.'

By David Davis

David Davis last wrote for the magazine about track star Allyson Felix.

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You'd think a nasty winter storm—and multiple SigAlerts on the 405—would keep them away. Or that the \$10 to \$15 parking fee would stop them. But no, the fanatical followers of Chivas Rayadas de Guadalajara, one of Mexico's most popular soccer teams, aren't anything like the leave-after-the-seventh-inning Dodger fans or the negotiate-a-deal-sitting-in-the-luxury-suite Laker supporters. On this January evening, some 18,113 of them have braved rain, traffic and exorbitant prices to watch their beloved Goats play a tournament game at the 27,000-seat Home Depot Center in Carson.

Hours before kickoff, the stadium parking lot is a shimmering mosaic of red-and-white striped jerseys, flags and painted faces. After the gates open, a group of spectators seeking shelter beneath the stands glimpses a portly gentleman in a stylish dark suit ducking into the owner's box. "Vergara!" one man yelps, and his companions immediately descend upon Chivas owner Jorge Vergara. Taking it in stride, Vergara wraps an arm around a wet pair of shoulders as one fan takes a photograph with a camera phone and another pumps his hand.

The 50-year-old Vergara makes several new best friends before retreating to the suite. Inside, he rests a plastic bottle filled with a yellowish tea on the table and loosens a red-and-white Chivas scarf. Assistants scurry as he peers at the sodden field and, in a deeply accented purr, does what he does best: Sell his product.

"The U.S. is one of the few emerging markets [for] soccer in the world," he says. With more than 4 million Hispanics in Los Angeles County, according to the 2000 census, L.A. is "the closest city to Mexico, and I'm not talking about distance. So Chivas has to be here."

Call it globalization with a *fútbol* kick. Vergara and his partner Antonio Cue, a Mexican real estate millionaire, have paid \$26.5 million to join Major League Soccer, the top professional league in the U.S., with a domestic off-shoot of the Mexican team. This spring, Club Deportivo Chivas USA will compete head-to-head with the Los Angeles Galaxy and 10 other MLS teams, as well as share the

Galaxy's home turf at the Home Depot Center.

This bilingual, unprecedented experiment in sports marketing—which kicks off with Chivas USA's April 2 home debut against D.C. United—seems to make sense for everyone. Vergara believes that the move will extend his already recognizable brand—and energize the Latino fan base—north of the border. For MLS, after nine seasons still beset by spotty fan support, so-so competition, limited media coverage and millions of dollars of red ink, the stakes are higher. Indeed, soccer officials are counting on Vergara to accomplish what many consider to be impossible: generate a buzz about soccer in this country.

"It's been 10 years for MLS," says sports marketing expert David Carter, principal of the Sports Business Group, "and the league must find a way to drive growth and fan interest. The fact that they've decided to do this by creating an international league within our borders is a bold move and, I think, a smart one."

Vergara is the wild card in this scenario, and not because he refuses to wear socks (even while skiing). He is, all parties agree, a consummate salesman whose favorite word is "passion." He amassed a fortune through direct-to-consumer sales of nutritional supplements, and he has peddled everything from pork to independently produced films at Cannes. And even as he preaches personal self-improvement and Mexican pride, he has gained a reputation for being fiercely independent.

"The way Jorge does business, he is distrustful of anything that is conventional," says film director Alfonso Cuarón, who produced "Y Tu Mamá También" with Vergara. "In everything he does, he has to invent his own structure."

Caught somewhere between populist and prophet—and between smooth and slick—Vergara shrugs off doubters. "They used to say the Virgin of Guadalupe is not for sale," he says, in deadpan delivery. "So I guess now we have to buy the Virgin."

To the rest of the planet, which regards soccer as the world's one true sport, the United States is a conundrum. Important international matches—such as those at the 1984 Los Angeles Olympics and the 1994 World Cup—play to capacity crowds. With legions of parents ferrying their children to weekend matches, soccer has become one of the nation's most popular participatory team sports. The U.S. women's national team has long been considered the gold standard.

But the first modern-day professional league in the U.S.—anyone remember the Los Angeles Aztecs of the North American Soccer League?—collapsed in 1984. A recent effort to kick-start a women's pro league hemorrhaged millions of dollars before it folded in 2003. Heck, with the exception of the indie import "Bend It Like Beckham," there's never been a successful soccer movie.

In part, experts say, soccer has had difficulty breaking through because the sport must appeal to three demographic groups: youth participants, core American soccer fans and multicultural soccer enthusiasts. Those groups, however, don't necessarily have a lot in common. On the one hand are the suburban types, as represented by the soccer mom whose kids participate in structured leagues such as those run by the ubiquitous American Youth Soccer Organization. On the other hand are the recent immigrants, many of whom speak Spanish at home, form and play in their own leagues and continue to root for teams from their homeland.

"Soccer is segmented, including a large following among the white middle class," says Jose Alamillo, a Washington State University professor of comparative ethnic studies. "Among

immigrants, loyalty to soccer is more than being a hard-core fan. It's a way to resist assimilation into American culture."

The mission for executives who run Major League Soccer, which began play in 1996, is to market professional soccer to these disparate audiences. MLS was built by some of the keenest minds in sports business: Robert Kraft, owner of the three-time Super Bowl champion New England Patriots; Lamar Hunt, who helped found the American Football League and owns the Kansas City Chiefs; and Philip Anschutz of the Anschutz Entertainment Group, which owns five of the 12 MLS teams (including the Galaxy), the Home Depot Center, Staples Center and numerous sports and entertainment entities.

In the last decade, they've spent hundreds of millions of dollars laying the groundwork for success. Their campaign to build soccer-specific stadiums has gained traction. In addition to the Home Depot Center, soccer-specific Columbus Crew Stadium now hosts the Ohio team, and another soccer stadium is scheduled to open in August near Dallas. The recent success of the men's national team indicates that the league has boosted the quality of play. With many MLS players on the roster, the U.S. reached the quarterfinals of the 2002 World Cup. Last year's debut of then-14-year-old phenom Freddy Adu, known as the LeBron James of the pitch, resulted in heavy press.

Still, MLS has not managed to seep into the American sports consciousness. According to University of Michigan political science professor Andrei Markovits, average fans—those tuning into ESPN's "SportsCenter" to watch Kobe Bryant highlights—don't "breathe, read, discuss, analyze, compare and historicize" soccer.

"MLS is burdened by the fact that, with every other sport the American consumer watches, they know that they are watching the best," says Markovits, co-author of the book "Offside: Soccer and American Exceptionalism" (Princeton University Press, 2001). "With basketball, the very best players in the world come to the NBA. The same holds true with baseball, football and hockey. This is not the case with MLS."

The league's attempts to woo Spanish-language fans have yielded some results; MLS says 50% of its fan base is Hispanic. The league also has signed quality foreign players and conducted vigorous grass-roots campaigns to attract the youth market. Sports marketing expert Carter says MLS still has work to do in attracting ethnic fans: "There isn't core attachment to the brand because that audience can just turn on the television and watch other international leagues."

"MLS wasn't thinking through the ethnic question early on," says filmmaker Tim O'Mahoney, director of a forthcoming documentary about soccer in the U.S. "They put a Guatemalan player or a Nicaraguan player on a team and then expected Mexican fans to come out and watch them."

Enter Chivas, perhaps the most storied professional sports franchise in Mexico (think the New York Yankees, but with red-and-white striped uniforms). The Guadalajara-based team dominated from the 1950s through the early 1970s. Today, Chivas is celebrated for its strict policy of using only Mexican players. According to Mexico City-based sportswriter Ricardo Castillo Mireles, many consider Chivas to be Mexico's "second national team. There is nothing more Mexican than Chivas."

Chivas endured difficult times in the late 1990s, when, says Mireles, "the club was a mess, the finances were upside down and management was in crisis." In 2002, Vergara, who also owns a soccer team in Costa Rica, took control in what the New York Times' Elisabeth Malkin described as a "hostile takeover," buying out most of Chivas' 196 investor-partners for about \$120 million.

Not everyone was pleased. "I think he is a shady man, and he does business in a shady way," former Chivas President Francisco Cardenas told Malkin.

Vergara downplays the criticism. "Cardenas was trying to make a group to buy the team, so of course he was [angry] and was against me. He wanted the team."

For Vergara, a former goalie who was born and raised in Guadalajara, the purchase of Chivas was the culmination of a remarkable entrepreneurial rise. The son of a prosperous businessman, he decided not to attend a university and to go into sales instead. His first job was selling cars, then real estate. After being laid off, he sold pork that often was made into a local hangover "cure" called *torta ahogada* (literally, "drowned sandwich"), topped with hot chile sauce.

"I became fat, sick and broke," says Vergara. "That's how I started looking for different options to be healthy."

In the mid-1980s, he joined L.A.-based Herbalife, the direct-to-consumer maker of nutritional supplements (including controversial weight-loss products). He ingested more than 100 tablets a day, shed pounds, learned how to be a distributor and says he became close to Herbalife founder Mark Hughes. Vergara claims Herbalife ran into legal trouble in Mexico, and that he helped the company untangle those problems and better understand the market. And what a market: Many Mexicans, Vergara says, don't trust doctors. Instead, they rely on herbal remedies that relatives and friends recommend.

Vergara says he tried to talk to Hughes about boosting Herbalife's presence in Mexico. He suggested that the company make powders to mix in water, not pills, because Mexicans prefer to take their supplements in liquid form. But he says Hughes, who died in 2000, refused to listen. In 1991, with an initial \$10,000 stake, Vergara struck out on his own.

His new company, Omnilife, mimicked Herbalife's multi-layered sales strategy—distributors earn money by signing up friends and relatives to work under them—but Vergara changed the products to all-natural powders. He also radically altered the incentive structure for distributors. Today the company makes 70 products with such names as Power Gain and Ego Life, and has expanded into 16 countries (most recently Russia). According to Vergara, the privately held company had revenue of more than \$1 billion in 2004. Of the company's 1.8 million representatives, about 300,000 are based in the U.S., with U.S. sales of about \$60 million last year.

Skeptics question whether Omnilife's modern-day elixirs are as effective as advertised. Vergara, who is rarely seen in public without one of his company's concoctions, claims that his products change lives by improving health and increasing energy. A gourmet, he also chugs Omnilife's dietary teas every day. He reserves special praise for the male potency product, pointing to the recent birth of his 6-month-old daughter. "I forgot and I took too much," he cracks. (When Vergara is not traveling, he lives with his four children in Guadalajara.)

Vergara uses the anti-pitch to preach how Omnilife can engender personal empowerment. "I don't sell," he says. "I don't believe in selling. The keys to being a good salesman are: Be convinced of what you take and what you do, and instead of trying to convince, you're trying to be contagious."

With Omnilife profits rolling in, Vergara turned his attention to other ventures. A movie buff since childhood, he enjoys talking about working on his uncle's "El Santo" productions. (A masked wrestler-hero, El Santo was a hugely popular star in Mexican cinema.) In 1999, Vergara formed Anhelito Productions with director Cuarón ("Harry Potter and the Prisoner of Azkaban") and

produced 2001's "Y Tu Mamá También" for less than \$3 million. After its release in the U.S., Cuarón and his brother Carlos were nominated for an Academy Award for best screenplay and a Golden Globe for best foreign film.

Last year, Anheo released "The Assassination of Richard Nixon," starring Sean Penn. This year, it will open "Crónicas," with John Leguizamo in his first Spanish-language starring role, and there are plans to produce a feature based on the student riots in Mexico City in 1968. What these films have in common, Cuarón says, is that the U.S. studio system probably wouldn't have made them. "Rather than making movies that people want to see, we're making movies that people didn't know they wanted to see," he says.

Vergara, whose company has a manufacturing plant in Spain, also became intrigued by the financial and cultural impact that the Frank Gehry-designed Guggenheim Museum in Bilbao has had on the country's Basque region. Vergara hopes to duplicate that by developing a cultural-convention-business complex on 750 acres in Guadalajara—a complex a Vergara spokesman estimates will cost \$750 million. The idea, he says, is to use great architecture to attract tourism and business to the sleepy city. (Vergara calls Guadalajara, the capitol of Jalisco and the nation's second-largest city, the "most Mexican city" because "the three most Mexican things" come from there: tequila, mariachi and Chivas.)

To date, 11 of the world's most prominent architects, including Enrique Norten, Thom Mayne, Daniel Libeskind and Toyo Ito, have designed buildings for the project. Vergara says he will break ground this year on a soccer stadium that's part of the same complex, with plans to open it in 2006, and has funding in place for three other buildings.

Gehry, who declined to take part in the Guadalajara project, told former Los Angeles Times architecture critic Nicolai Ouroussoff that "I think it's risky for the architects. I don't think they realize how participating in this kind of project can diminish what it is they do."

Says Vergara: "When I approached [Gehry], he didn't know anything about me. I didn't show him the finances or anything. We were just trying to gather the architects. Now we have all of it together and, to his regret, it's going to happen and he won't be part of it."

Vergara says he first thought about joining MLS "about two weeks after we closed the deal" for Chivas in 2002. He had observed the league's penchant for signing big-name players—including Mexican stars Jorge Campos and Luis Hernandez, both of whom played for the Galaxy—and thought that it was misguided. "We knew that the owners of MLS tried to have Mexican players to get that coverage here, but that wasn't enough. They needed the shirt—the colors, the tradition, the passion."

He had another motivation. "There's long been this idea that Mexicans are second-rate citizens," Chivas President Ivar Sisniega says. "Jorge recognizes this and wanted Chivas USA to come in and compete in an American sports league on an equal basis." Vergara always wanted to base the team in L.A. He points out that, when Chivas played Mexico City-based rival Club America at the Coliseum in 2003, the match drew nearly 40,000 spectators.

League officials were wary. MLS had shuttered two money-losing teams in Miami and Tampa Bay in 2002; expansion clubs would have to be carefully situated. And with the Galaxy ensconced at the Home Depot Center, MLS preferred to expand its "footprint" in cities outside Los Angeles. "We were pushing him to San Diego and Houston," MLS Commissioner Don Garber says. "[Jorge] kept saying that soccer in Los Angeles was a greater opportunity than we were capitalizing on."

A yearlong stalemate ensued and Vergara explored other stadium options, including the Coliseum. Meanwhile, MLS increased its stake in Mexican soccer. AEG, the Galaxy's owner, and other MLS investors founded Soccer United Marketing, which bought the rights to Mexican national team games in the U.S. The marketing concern also promotes Interliga, a tourney among Mexican clubs played on American soil.

In 2004, Vergara finally won over MLS with what Garber described as a "very, very forceful" presentation to the league's board of governors, in which he argued that an L.A.-based Chivas team would not hurt the Galaxy and the two-team, one-city rivalry would help the league. "He was able to convince us, as a young league, to do something a bit bold and unexpected," Garber says.

"Jorge's vision for what he wants to do is very creative, very thoughtful," says Alan Rothenberg, head of the 1994 World Cup effort and a member of the MLS board of governors. "The entry of Chivas USA will be a huge turning point for MLS."

It cost Chivas USA \$26.5 million to get into the league, with \$12 million paid to AEG for territorial rights and the rest for the league expansion fee. The club also entered into a partnership with AEG to sell broadcast and sponsorship rights, and the two companies will split the revenue. The deal has already paid dividends. AEG bundled the rights to 40 Galaxy and Chivas USA games in 2005 and sold the package, to be televised locally by cable station Fox Sports Network. None of the principals would disclose the amount of that deal.

"Chivas came here because it's the best market for them to be successful in," says Doug Hamilton, the Galaxy's president and general manager. "That's important to us as an MLS partner. We need franchises to be successful, and if this market gives them the best chance to be successful, then let's bring them here."

Both parties should benefit from the arrangement. Chivas USA brings a valued brand and a passionate audience that Vergara hopes will ignite the live gate both at home and on the road, as well as television ratings. AEG brings its facilities management experience, as well as corporate and media alliances and its influence within MLS. The business partnership notwithstanding, Hamilton says, the Galaxy views Chivas USA as a competitor. He noted that, with average attendance of 24,000 spectators per game, the Galaxy is the only MLS team to turn a profit, albeit a modest one. "We're in the lead," he says. "It's up to Chivas to chase us. We're not chasing Chivas."

Competition, Vergara says, is exactly the point. What MLS desperately needs, he says, is rivalry. "When Chivas plays [rival] Club America—when the Yankees play the Red Sox—that's [sports] at its best. That brings out the passion."

And, he hopes, Chivas USA will bring out fans in other MLS cities, from Columbus to San Jose. The idea is, Vergara says, "it's the Latinos versus the Gringos. And we're going to win."

One of the first public appearances of Chivas USA occurred in November, when the team held its expansion draft party at the ESPN Zone sports bar in Anaheim, next door to Disneyland. As club officials huddled in a glass-enclosed suite, scores of Chivas fans commandeered the area and shook to the cacophonous bray of plastic horns. The crowd roared its approval when Chivas USA general manager Whit Haskel made the team's first pick: Arturo Torres, a young Mexican American winger who attended high school in Wilmington and previously played with the Galaxy and at Loyola Marymount University. Four of the team's first five selections were either Mexican or Mexican American.

MLS rules make it difficult for Chivas USA to field an all-foreign team, but the players on its 18-member senior roster will be predominantly of Mexican heritage. The ploy skirts anti-discrimination laws—and probably won't attract the soccer mom crowd—but it's designed to appeal to the team's core audience in Los Angeles. "We don't follow the MLS," says Celeste Saucedo, a 24-year-old fan attending the draft. "Now we will."

Chivas USA has rolled out several marketing schemes, including a campaign that neatly sums up its Spanish-language philosophy: "*Adios Soccer, El Fútbol Esta Aquí*" (or, "Goodbye Soccer, Fútbol Is Here"). The team also launched the ChivaSocio club, with plans to sign up 5,000 members by the end of its first year. For \$30, members receive a ticket to one game, a T-shirt and other benefits.

According to owner-partner Antonio Cue, "Chivas USA is a start-up, but it's a start-up with a big difference. With a great brand and a great market, the only thing we have to do is execute."

Chivas USA has already found its answer to Laker super-fan Jack Nicholson: actor Edward James Olmos, a longtime soccer aficionado who says he has paid his deposit for season tickets. "With Chivas coming into league, what's going to happen will be monumental," he says. "This is going to be a very different league now that Chivas will be allowed to bring in their understanding of many years of playing the game."

As the team readies for its inaugural season, the world's soccer community is watching intently. Signs that the sport is, finally, becoming part of the American cultural landscape are increasingly apparent. Last fall, apparel company Adidas signed a reported 10-year, \$150-million sponsorship deal with MLS. In February, cable network Fox Sports World morphed into the Fox Soccer Channel, a 24-hour soccer-only network. And, in the next-big-thing category, several Hollywood heavyweights, including Spike Lee and Lawrence Bender, have announced plans to produce soccer movies.

Interest in soccer here is expected to build during the U.S. national team's arduous qualifying rounds en route to the 2006 World Cup in Germany. There's considerable speculation that if Chivas USA succeeds, MLS will expand by two more clubs, including one in Houston with a team from Mexico City-based Club America. Other clubs—perhaps even offshoots of storied European squads that have devoted followers here—might follow suit.

To sports marketing expert Carter, this would radically alter the MLS profile. "If they are successful with Chivas, it will open up a tremendous avenue for sponsors trying to reach the Hispanic audience," he says. "If other international teams decide to join MLS, corporate sponsors will piggyback onto these franchises as a way to brand their products in the U.S."

Vergara believes that MLS will succeed because he believes Chivas USA will succeed. "It's going to take some time to get to the point that we want to take it," he says. "But when it starts, it's going to start big."

The deadpan returns. "As someone in the ministry in Mexico put it, 'We're taking the U.S. back, little by little.' "

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