

STADIA SURVIVAL GUIDE

When the world's economy began to slump, the impact on the sports' industry was initially slow in coming. Many sponsors were tied into deals lasting a season or longer, so the worst of the recession passed seemingly with minimal impact. However, the affects of the economic downturn are now being felt across the sector. A recent analysis by Sports Business Journal showed that twenty of the top 50 sports ad spenders in North America reduced their sports ad spending in 2009 against the previous year.

At the same token, focusing on the UK, overall attendances for the 2009/10 soccer season across the four English professional leagues amounted to just over thirty-million; which was actually an

increase of around 0.7% compared to attendances for the 2008/09 season. Nevertheless, twelve Premiership clubs saw attendances fall on a like-for-like basis compared to 2008/09. Many clubs chose to freeze or cut their ticket prices last season but many believe discounting can have a negative impact; which should make for some interesting stats for this coming 2010/11 season.

For stadia operators, there has never been a more important time to have a survival strategy in place to eke out the greatest value from every part of a stadium's operation, from maximising the use of advertising boards and signage, to the non-match day use of stadia, branding, and the sale of naming rights.

Feature-writer Steve Menary speaks to a select number of industry professionals involved in providing 'Survival Guide' solutions to clubs & venues, with insights as to how to maintain and indeed increase revenues, even in today's economic climate.

Consultant John Dix, who has worked for a swathe of English football clubs, including half of the sides in the Premier League, believes that in the first instance clubs can get more out of their stadia by focusing on their core use.

"A lot of clubs have CRM [Customer Relationship Management] systems but they don't necessarily segment the market," said Dix. "They treat supporters as a homogenous group. The average age of fans in the Premier League is 42 or 43 and these people generally have children so can they really make nineteen matches a season?"

SEED: Segment, Engage, Enhance & Delight

In his work with Premier League clubs, Dix has developed a system called SEED; Segment, Engage, Enhance, Delight. The model works as follows: to grow success it is essential to **Segment** the existing fan base and to understand the different profiles. Having segmented them, you need to **Engage** them through targeted market research to understand what is important to each different group. You can then develop specially targeted initiatives for each. **Enhance** the stadium to improve the overall fan experience and help to build loyalty. Finally, create opportunities to **Delight** fans, reinforcing their loyalty and cementing the long-term relationship between fan and club.

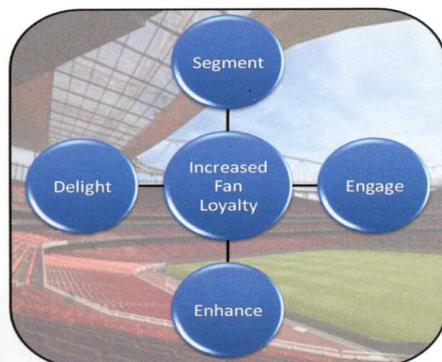
Although Dix acknowledges many venues already segment their ticket offer

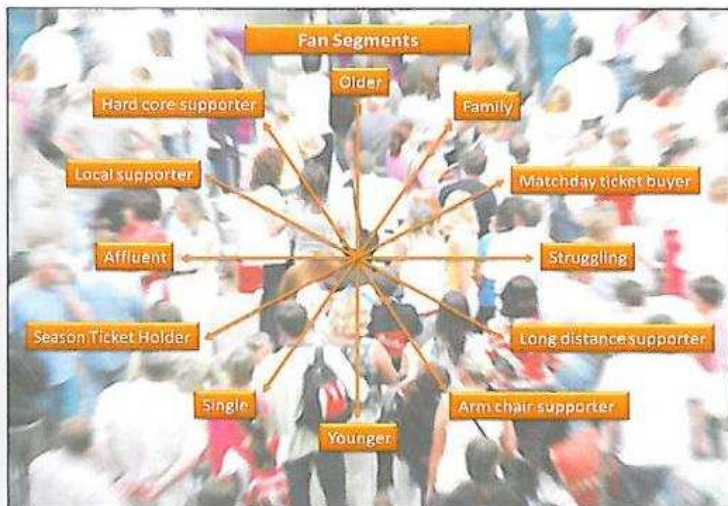


John Dix, Principal,
John Dix Consulting.

Below: The SEED System.

IMAGE: JOHN DIX CONSULTING





Differentiating between Fan Segments.

IMAGE: JOHN DIX CONSULTING

with different priced tickets, he believes not enough focus is placed on understanding the profiles of the different fan groups at each of the price levels. Fan's can be segmented as follows: older; family; match day ticket buyer; struggling; long-distance supporter; arm chair supporter; younger; single; season ticket holder; affluent; local supporter; hard core supporter. By determining how fans are segmented, may help clubs understand what the supporters value and how their loyalty may be enhanced. (See chart above.)

In regards to engaging fans, Dix states it is essential to differentiate between the levels of fan satisfaction with various components of the stadium experience and how important these are to the different fan groups. (See chart below.)

Clubs/venues should set out a chart that illustrates how fans might perceive their stadium experience; market research will then give definitive answers.

There are a multitude of ways in which the stadium experience can be enhanced, such as: staff training to improve customer service; managing the outside of the stadium to create better car parking, street entertainment, information points; improve speed of service in the bars and catering outlets; enhance washroom facilities, which will also get the fans back onto the concourses quicker to spend more money; improve seating in key areas of the ground, such as padded seats for season ticket holders; and better transport facilities for long distance fans.

As Dix pointed out, "If I'm going to spend money, I expect things for my

money, like decent toilets and decent catering. There's also the price of catering, which does not always make that much money, but can leave a bitter taste in the mouth."

As for delighting fans, Dix outlines that clubs/venues should create little moments of unexpected entertainment to help reinforce fan loyalty through simple, low-cost initiatives; such as working with sponsors on giveaways, prize draws, etc. These cost-effective and sustainable solutions can achieve greater and more long-lasting results than simply price-cutting.

Cost-Effective & Sustainable Solutions

In fact, Dix argues that not only will many supporters be left feeling that they were paying too much in the first place but that their loyalty is being 'bought' with the discount: "If people want a season ticket, they will find the money. [Instead], clubs could take a bit of money from the budget for cutting tickets to provide something extra to for the fans to enhance their experience. It's about finding something that embeds that delight in fans' minds."

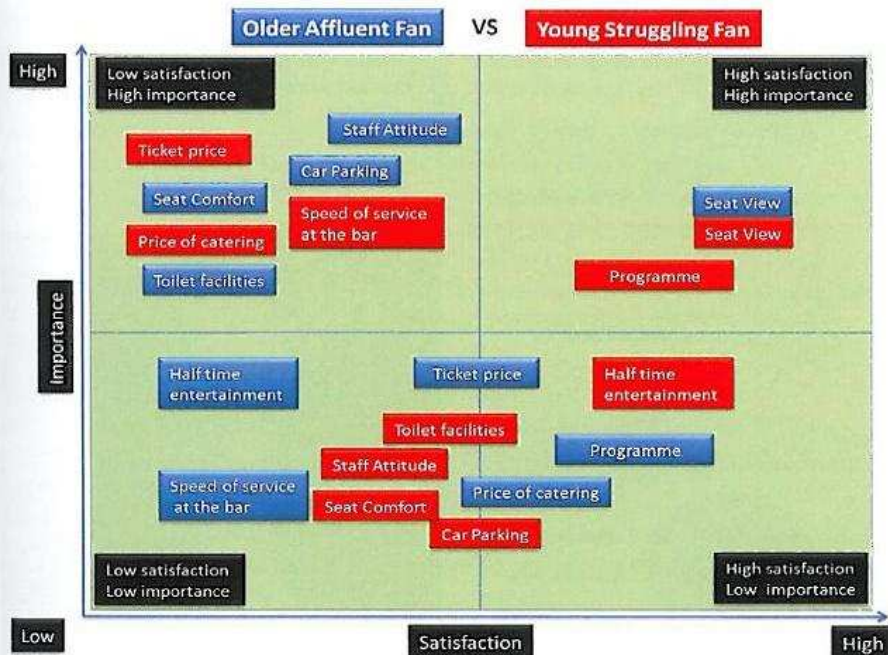
By ensuring that supporters are happy, not only will clubs bring money in through a stadium's turnstile and see those same contended fans spend on catering and merchandising, but this can also encourage sponsors to get behind a club.

"Clubs often say we're not doing well on the pitch and the corporate's won't come," said Dix. "[Whereas] I go to clubs and explain to them that you need to think about every stage in the process from when a fan buys a ticket to when they get home because, ultimately, sponsors do not want to be associated with clubs that are having problems with their fans."

Naming Rights & Other Stadia Financing Tools

Right now, finding sponsorship is more difficult than it has been for some time but it is still essential and none more so than through the sale of naming rights. For existing stadia, this is less prevalent, but for new-build projects this can provide seed-fund schemes, such as Tottenham Hotspur's proposed new stadium in north London that forms part of England's 2018 World Cup™ bid.

"Naming rights is a good additional financing tool," advised Maria Walsh,



Differentiating between Fan Satisfaction and components of the Stadium Experience.

IMAGE: JOHN DIX CONSULTING

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The new €50m MMArena in Le Mans is the only French stadium to take a sponsor's name — MM is a bank. However, SPORT+MARKT expects this to be the first in a swathe of stadia naming rights deals, due to France's recent award of the UEFA Euro 2016 finals.

Product Manager for Stadia at German-based consultants, SPORT+MARKT. "Ideally, naming rights should be for at least five years, if not ten or fifteen, as it can then work as a partnership. And the sooner a naming rights partner gets involved [in the project], the sooner they can influence things like the colour, design and interiors."

According to Walsh, there are three key strands to the financing of modern stadia: public sector grants; clubs/alternative finance; and marketing & usage. A benchmark of what the early involvement of a naming rights sponsor can achieve can be found at the Allianz Arena in Munich, where 20% of the annual expenditure is refinanced by naming rights (see 'Naming Rights' chart, below).

Most organisers of modern sporting events, such as FIFA, prohibit stadia bearing sponsors' names during tournaments such as the World Cup™ but the early involvement of Allianz Bank in Munich meant that the name was already established in the minds of fans and the media even though the stadium was referred to as the more prosaic Munich Arena during the 2006 FIFA World Cup finals.

"It's about brand building and people accepting the name from the start," added Walsh. "That's why it's so important to have a long-term agreement. From the perspective of the stadia it's a revenue

stream but for the sponsor it's about image building and acceptance from the fans."

Evaluation Models & Research

A decade ago, SPORT+MARKT developed a naming rights evaluation model that is used to help stadia operators gauge the value of their stadium's name. A modern top-class stadium can bring in an additional annual revenue of at least €7m a year, with ticketing providing half this total, hospitality and boxes another €2.5m and naming rights about €1m; the larger the stadium, the larger the income proportionally from each stream.

The company's research breaks sponsorship of a stadium down into naming rights, perimeter boards and advertising surfaces, and special advertising formats, which can also bring in income from secondary usages including concerts, other sports, entertainment events, social events and trade fairs. The other income stream in SPORT+MARKT's work covers match day operation, which is broken down into hospitality, including boxes and business seats, catering, and ticketing. The complementary usage of these income streams include hotels, a club museum, fan shops and retail, restaurants, meeting, conferences and other uses such as gymnasiums. The large number of new stadia built in

the United States in recent years has led to a more developed market for naming rights and, according to SPORT+MARKT's research in 2008, 72% of the 122 clubs in the top professional leagues play in arenas with naming rights. Naming rights contracts run on average for nineteen years and generally provide annual income of around €2.5m. In Europe, the market for this form of revenue is less established but growth has been phenomenal. In 2005, naming rights deals for stadia were worth just €13m. A year on, and the value of European naming rights deals virtually tripled to €34.1m, then rising to €43m in 2007, and €54m in 2008, before reaching a new high of €62m in 2009, with further growth predicted in 2010.

Stadia sporting a sponsor's name are most prevalent in Germany, where according to SPORT+MARKT, thirteen naming rights deals have been done as grounds were built in preparation for the 2006 FIFA World Cup™ Finals. In The Netherlands, six stadia have sponsors' names, with four in England, two in Spain and just one in France — although this is about to change. The new €50m MMArena in Le Mans, that opens November 2010, is the only French stadium to take a sponsor's name — MM is a bank. However, SPORT+MARKT expects this to be the first in a swathe of stadia naming rights deals, due to France's recent award of the UEFA Euro 2016 finals.

Naming Rights

EXAMPLE: Refinancing plan – Allianz Arena Munich

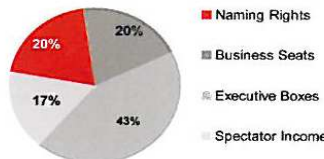
SPORT+MARKT



approx. € 340 m construction costs

Refinancing Plan
€ 30 m annual expenditure (interest / refinancing)

- € 6 m via award of naming rights to Allianz
- € 6 m via marketing of business seats
- € 13 m via rental of executive boxes
- € 5 m via 10% of spectator income



20% of the annual expenditure of the Allianz Arena is refinanced by Naming Rights. The biggest part of the refinancing comes from Hospitality.

Maria Walsh, Product Manager for Stadia, SPORT+MARKT.



Maximising Revenue

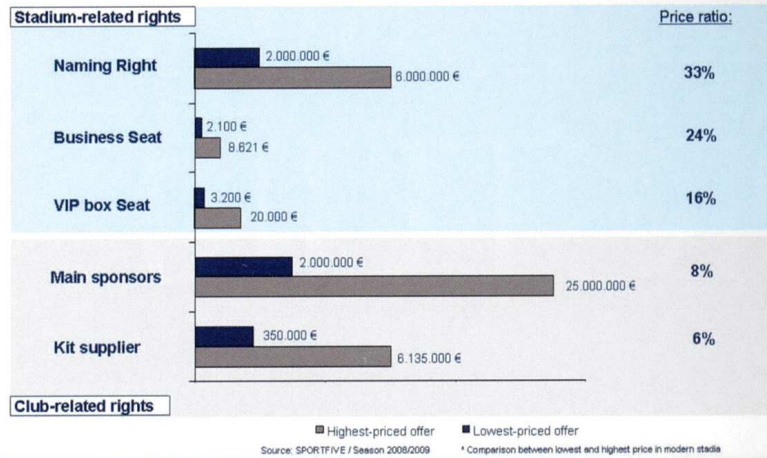
Clients building new stadia and looking to maximise revenue on existing grounds must focus on functionality, according to Ulrik Ruhnau of agency SPORTFIVE. Ruhnau argues that to maximise profits there must be a realistic valuation of the marketable assets, differentiation among hospitality products, clear catering concepts, and third party events.

“Stadia should have a clear focus on functionality rather than on architectural design. The latter is for beauty, the first for cash,” explained Ruhnau, who says that research by SPORTFIVE shows that extra spend on catering for non-core events is not reflected in higher profits.

Ruhnau argues that stadiums create a local monopoly with little price elasticity for a range of rights, from stadia naming

Stadium-related rights have the lowest price elasticity, creating a local monopoly

Price elasticity between the different marketing rights



to VIP seats and kit sponsorship, which operators should exploit to a greater extent rather than trying to cater for non-core events by spending more on the arena itself. (See chart above.)

Ruhnau’s argument tallies with the survival strategies put forward by John Dix: that clubs and stadia owners need to

focus on serving the core group of customers, who bring in the most revenue on a regular basis.

“What it’s about is clubs understanding who their customers are and using the right offers to bring them in. Clubs need to understand what motivates people to spend money,” Dix said in conclusion. ★