

Module 1: Facility models, USA market

One heart beats just as strongly as another anywhere in the world...

but if you put 20, 40, or 90,000 hearts together anywhere, all beating at the same time and for the same goal...

that force is unstoppable and can accomplish anything.

In this course, we are going to take a tour through the different international markets. We will examine and analyze the characteristic and differentiating details of each one.

This will give us an overall view of the trends that are followed in each region, country, or even competition and sport, and the customized business models that are developed and adapted to the conditions of each competitive environment.

We will undoubtedly find many similarities, but also the necessary differences that must be considered when implementing and adapting each model.

1. Facility models, USA market.

The table below shows the most significant averages when analyzing the stadium and arena business model in the U.S. market. They are averages that serve as guidance and reference in the development of the module.

Table 1: U.S. Market Averages

TABLE OF USA MARKET FIGURES

	NFL	MLB	NBA	MLS
Av. Stadium Capacity	68,000	41,000	18,500	25,000
Av. GA Ticket Price	95-100	35-40	55-60	30-35
Av. Premium Ticket Price	850-1,000	300-350	400-450	250-300
% Premium/Capacity	18-20	10-12	16-18	8-10
% VIP/Club	27/73	30/70	40/60	30/70
Av. Stadiums with NR	84%	73%	97%	87%
Av. NR Price	8-10 mill	4-5 mill	6-8 mill	2-3 mill
# F&B Concession stands	300	200	100	50
# Video Scoreboards	3	2 in 1	4	1-2
# TV screens	1,800	1,100	1,000	700

* all prices in U.S. dollars

** average direct sales prices per game

*** the figures are approximate, due to continuous changes and renewals, depending on dates and games

**** GA = General admission, NR = Naming rights, F&B = food and beverage.



Source: Own elaboration.

Facility models, USA market

The sports and multifunctional facilities industry in the U.S. market has set the pace for other markets. It has a several-year advantage over them and leads the way when conceiving of a project and designing the product.

The origin of the stadium and arena business model as we know it today is in the highly professional sports management structures, the professional leagues, with an unequivocally commercial approach.

Sports in the USA are linked to the maximization of income generation, to the full extent, beyond the sporting excellence pursued by its teams, which occupies center stage. This is especially reflected in the evolution of the facilities.

Not only the world of sports has contributed to the development of the stadium and arena industry. The leisure and entertainment industry has played an important role in the evolution of the models and facility income generation, with the growth of shows and productions. It's American show business, where everything is connected, and each part of the machinery has as its objective and responsibility, to contribute its share of productivity to achieve a sustainable model.

There are different stadium profiles and business models, but now we are going to identify the characteristics that define the most common strategic profile of each league's stadiums, beyond the specific positioning that each stadium has in its competitive environment.

Afterwards, we will do a general analysis, which will give us an overall idea of how the US professional league stadium business model is configured and sustained.

Then, we will analyze each league, clarifying the different elements that define their proposals and trends. If we had to emphasize three main characteristics of how the United States market has categorically affected and continues to affect the development of the stadium and arena industry, it would be:

- Considerably higher investment compared to the rest of the markets (cost vs number of seats), seeking to make the facility profitable.
- The overall focus on the spectator and fan experience.
- The stadium as a fundamental piece of the clubs' and cities' projects, creating an open and competitive market for the acquisition of sports franchises by the cities themselves (a unique case in the world), based on the stadium or arena itself.

1.1 NFL (National Football League)

American football is the sport with the largest audience in the United States, both in average stadium attendance per game and in broadcast audiences.

The economic impact it generates in cities with a franchise is very high, and this has led to exponential growth in the amount invested in stadiums, perfecting and maximizing the commercial exploitation of the facilities.

The sports model, in response to the American profile, includes a high number of interruptions, which makes the percentage of actual playing time much lower than the overall duration of the event, which is quite long. This means that spectators at home and at the stadium have numerous breaks, during which their attention as well as their impulses can be influenced by commercial actions. This generates opportunities to increase turnover per game, offering commercial products and services as well as entertainment, to improve the experience and generate revenue.

Although an NFL game can last between three and three and a half hours or even four hours, taking into account the different technical and commercial interruptions, as well as the breaks between quarters and halftime, the active game time when the ball is in play, i.e. the net playing time, can occupy between eight and twelve percent of the total three and a half hours.

As a matter of fact, the NFL is currently fighting the excess duration of the event. It is attempting to amend some of the regulations, as the television audience is affected by excess commercials. The amount of spectators who follow the retransmission have dropped some points in recent seasons.

But when it comes to stadium attendance, i.e. watching the game live, the approach is completely the opposite. In this case, the long duration becomes a value that all the teams in the competition try to take advantage of and get the most out of. They try to attract spectators to the facility earlier and provide them with a wide range of commercial offerings and services, as we have mentioned before, that make the experience unique and different from other products on the market, and of course, that raise match day income as much as possible.

Therefore, the spectator experience in an NFL stadium will consist of:

- Before the game: tailgating in the hours leading up to the game in areas annexed to the stadium. As game time approaches, spectators move inside the stadium.
- During the game: in the moments of actual game time, during stopped time between plays, and during the different pauses that take place.
- After the game: especially in some premium areas and hospitality areas with greater access.

One of the main reasons for this fanfare, why the fan's experience on match day is so intense, is the small number of games played during the professional football league season. This determines the profile of the business model on match day and makes each game feel exclusive, which creates greater demand and raises the price of the experience. It is just the opposite positioning to sale based on game volume.



An American football stadium usually hosts a maximum of 10 games per official competition season, to which we must add a couple more pre-season games. This means that these stadiums, whose average investment in the latest openings exceeds \$1 billion, have less than three percent occupancy in the entire year with professional football league games. However, decisions on stadium projects are based on the NFL franchise project that will play in it, whether the stadiums are public investment or, of course, whether the investment comes solely from the owner of the franchise, in which case it is private.

This tells us two things. The first is that even with such a small number of games, the stadium business model for American football is very lucrative, since the decision to invest in and build stadiums is made almost exclusively based on NFL competition. And second, most days are non-match days (97% of the year), which is a great opportunity to generate new income to make the investment profitable. At the same time, it's an obligation to do so for the team that manages the facility.

Therefore, an overview of the model indicates that revenues will be based on two main areas:

- 1) A very robust commercial structure for match day and event day, widely enhancing the fan experience during NFL games and any events the facility hosts.
- 2) A large multifunctional capacity to host all types of events and shows, both private and public, during the rest of the year.

Location

The clear trend in recent years is to return to downtown and achieve two things:

- Revitalize these areas in the cities, creating more commercial activity and urban development around the facility.
- Bring the facility closer to the fans, avoiding long commutes, promoting non-match day, and taking advantage of the privileged urban positioning.

Of the last 16 stadiums opened since 2000, 10 are located directly in the downtown areas or a few blocks from it (Century Link Field, Seattle; Ford Field, Detroit; Lucas Oil Stadium, Indianapolis; US Bank Stadium, Minneapolis; Mercedes-Benz Stadium, Atlanta). Even so, all of them have ample parking areas around the facility, which as we will see later on, is part of the model.

There are other stadiums that without being in the city's downtown, where we find the greatest demographic concentration and economic activity, and for which these cities are recognized, are located very close to adjacent areas, which can almost be considered as urban (Gillette Stadium, Foxborough or AT&T Stadium, Arlington).

Tailgating

Match day begins with tailgating, which is a spontaneous way of starting the event in the areas adjacent to the stadium, through fan-organized barbecues and picnics and enlivened with commercial activation of the associated brands and sponsors, the franchise, and the facility. To this end, the facility sets an official opening time for the stadium's parking areas, where the tailgating is held.



Grandstand ticketing

The NFL uses a ticketing strategy that is directly related to its stadium business model.

The average capacity of all NFL stadiums is high, approximately 70,000 spectators. But if we analyze the trend of the most recently inaugurated stadiums, we see that they are designed with a somewhat lower average capacity.

This trend seeks greater comfort and services in seating, although this means that the total number of seats has to be reduced due to space restrictions. This is especially significant in NFL stadiums, whose structure is usually larger than other types of stadiums, but their final capacity may be slightly lower (NFL vs. European soccer stadiums).

The ultimate goal is to generate a better experience and higher income per seat.

One example is the renovation of Hard Rock Stadium in Miami (formerly Sun Life). The new design has reduced the facility by 10,000 seats (from 75,000 to 65,000). The main actions that have impacted the final number of seats have been the creation of new premium seats, larger spaces in the stands to offer hospitality services, and the elimination of seats in the corners of the second ring, where they have placed four large video screens.

They took away low value corner seats in order to generate new revenue streams and new experiences.

In addition to this, the fact that the season is so short adds to the exclusivity of attending a game, which helps to generate greater demand and the highest ticket prices in all five major leagues (about \$185 on average).

In NFL stadiums, the price range is also determined based on the experience received in each seat. We have insisted on the concept of applying prices according to the overall fan experience in a particular seat.

This model is fully established, not only in the NFL, but in all US professional leagues.

In the NFL we can find very different prices for seats that are located close to each other. The difference in value will be found in the experience that the fan will have in one or the other, whether it's access to hospitality and rest areas, a specific offering of restaurants, or proximity to platforms and concourses with a specific commercial activation.

It should be noted that in addition to the stadium ticketing strategy, the NFL directly manages the secondary market through agreements with digital market platforms as official partners. It is a strategy that seeks to control the fluctuation of the value of the ticket and to achieve greater income from ticket sales in a market that was totally out of their control.

In addition, the NFL has finally accepted the dynamic pricing system (which will be mentioned separately in the last module). It is the last of the major professional leagues in the USA to have chosen to implement this sales method.

Premium seating

This is a critical revenue stream in the NFL revenue mix.

The size of this stream, in economic terms, is even larger than the ticketing of the entire grandstand. This gives us an idea of the importance of this product in the business model.

The average percentage of premium seats over total seats in NFL stadiums is between 18 and 20 percent. The average price of a premium seat in the NFL, taking all stadiums and price ranges as a reference, is between 850 and 1,000 dollars.

With these figures, we can see that the average revenue from premium seats already exceeds the revenue from general grandstand seats.

These are general calculations, which must then be clarified considering the different influencing factors during the year, the impact of season tickets, or the secondary market.

But they are indicative of this product's influence on the business model.

Within the premium seats we distinguish between those that have a private hospitality area and those that share both the hospitality area and the services with other clients.

In the NFL, the percentages of how these types of seats are distributed follow the market trend.

In Table 1: USA Market Averages (page 1) we can see that the average percentage is 27% of VIP seats and 73% of Club seats.

One of the most recognizable features of NFL stadiums is the segmentation of the premium product.

The enormous breadth of its offering (18-20% of total capacity) allows it to design a wide variety of products for all the different potential customer profiles, with experiences that reach all levels and positions. From the sky lounges in the highest part of the stadium to the field boxes at the foot of the field, or areas with access to the players' tunnel.

The exclusivity of NFL season games goes in favor of these seats. In the corporate product, being able to have and offer an exclusive treatment to their customers is one of the characteristics that companies value the most.

As with grandstand ticketing, the secondary market is also allowed to sell premium tickets, which makes the ticket market more dynamic.

The duration of contracts is another marketing element to take into account. They are sold for several seasons, and some teams even require a minimum number of years when purchasing a box or other type of premium seating.

This free market policy makes demand continuous.

The result is that most of the premium offering is sold, even before the opening of a new stadium.

Food and beverage

It's a fundamental part of the experience that NFL stadiums offer their fans.

A NFL stadium is actually a great gastronomic center with a huge and varied offering of all kinds of food and drink. And more importantly, the connecting concourses give all seats access to a large part of the offering.

In these stadiums we find an average of four restaurants, with a growing trend in the latest openings. The offering is increasingly focused on a quality restaurant, which features the most prominent chefs in the area.

The average number of stands, or food and beverage kiosks, is around 200, distributed throughout the different levels and rings.

The usual model is the concession of all revenue streams to a catering operator to manage both operations and hiring.

Apart from their extensive hours of operation, some of the restaurants are active on non-match days. Normally the model provides this option in stadiums located in an urban environment and/or with a nearby commercial area, such as Levi's Stadium of the 49ers in Santa Clara, or the Gillette Stadium of the Patriots in Foxborough, within its annexed commercial center, Patriot Place.

The model also applies prices that are well above street prices. Fans have always complained about this, and currently it has triggered some response, such as at the Mercedes-Benz Stadium in Atlanta where they have established a price reduction policy. This measure has resulted in higher sales and revenue figures.

Naming rights and Sponsors

It is a well-established part of the NFL stadium business model. Currently 84% of NFL stadiums have sold naming rights. The trend is that all new stadium projects include a naming as part of their financing.

The average contract duration is quite long, between 19 and 20 years. Therefore, when calculating the average price, the result is 8 million dollars, but it does not accurately reflect the real direction of the market. Many of the contracts were signed several years ago, with prices far from the latest namings, both for new stadiums, such as the Mercedes-Benz Stadium in Atlanta, or for renovated stadiums such as Hard Rock Stadium in Miami. The average price paid for a naming in the last five openings or renovations reached \$15 million per year.

Image 1: MetLife Stadium, New Jersey



Source: Doña, 2017. Own, unpublished archive.

The most commonly used sponsorship format in NFL stadiums (and in US professional leagues in general, as we will see later), is the naming of one of the stadium's premium areas or products, or even access doors (Toyota Club at Metlife Stadium), access ramps (Bank of America Ramp at Gillette Stadium) or plazas (Miller Lite entry Plaza at AT&T Stadium). This makes communication more concrete and focuses on the marketing of that area or product with the name of the brand sponsor, as a partner (for example, Verizon Wireless Club, in NRG Stadium; MGM Grand Detroit Tunnel Club, in Ford Field).

Audiovisuals and connectivity

Audiovisuals and connectivity are very important elements in the business model because they improve the fan experience in NFL stadiums.

Audiovisuals increase the satisfaction of the spectator experience. Screens and LED boards open up the possibility of watching the game in greater detail, showing motivating videos to create a better atmosphere, promoting interaction between fans, and generating a greater advertising impact. This has made the audiovisual technological investment in stadiums skyrocket in recent years.

The video scoreboards already measure more than 1,200 square meters, in different formats, such as in the four corners (Metlife Stadium, NY), central scoreboard (AT&T Stadium) or the 360° format, which raises them to 6,000 square meters (Mercedes-Benz Stadium, Atlanta).

In addition, on average there are more than 2,000 TV screens distributed throughout the stadiums. This gives all fans the opportunity to watch the event wherever there's a screen.

Image 2: NRG Stadium (formerly Reliant Stadium), Houston



Source: Doña, 2003. Own, unpublished archive.

Connectivity is also part of the services integrated into the American football stadium experience. Fan connection activity during the game is the highest in all leagues. This requires a reliable technological structure that does not limit the simultaneous fan experience.

Virtually all stadiums have their own app, through which they offer better services, information, offers and promotions, videos of the games, exclusive content, and a platform to interact with social networks.

Merchandising, tour, and museum

Most stadiums in the NFL have a tour and museum. This is not only because of the current tendency to return to the center of the cities, but it's also true of those on the outskirts (e.g., MetLife Stadium, New Jersey).

The relevance of these stadiums, their high average capacity, the quality of their facilities, and in some cases their history, give them an iconic status, which enhances this product.

The merchandising sales proposal applies to the entire facility, not only in the official store, relying on mobile kiosks strategically located in premium areas, among others, to facilitate the fans' purchase.

Multifunctionality

Facilities are specially designed to host events, as this is an essential revenue stream to maintain the financial viability of the venue, as explained before. In terms of access points and production spaces, as well as audio and video systems, stadiums are designed to organize events, beyond NFL games, on the central field.

The market trend in this sense is clear: 7 of the last 12 inaugurated stadiums are completely covered by a fixed or retractable roof. One of them also has the mobile terrain system, to take it out of the stadium and leave the central track free for the production of the event (Phoenix University Stadium, Arizona).

Environmental sustainability

Especially in the newest stadiums, environmental sustainability is already part of the business model itself.

And this exists in the NFL for two main reasons: first, because of how they are designed and built (US Bank Stadium, Minneapolis, with passive climate control) and second, because of the ever-increasing volume of energy-saving equipment (Levi's Stadium, Santa Clara, solar panels).

In addition to cost reduction, and of course environmental responsibility, the race to achieve LEED certification, popularized in recent years, is an asset for the stadium's brand image, which will ultimately lead to increased revenues.

1.2 MLB (Major League Baseball)

Baseball is the American sport par excellence, and the one that best represents and describes the country's identity.

The current business model, based on the fan experience and fan participation, has its origin in ballparks, which have offered this model since the 90's. Attending a baseball game is like going to a party, with continuous commercial activity and entertainment. Ballparks are after a model of experiences.

Like football, baseball is a slower sport, even more so than football, but with a continuous rhythm marked by more exciting moments like home runs, where the fans' adrenaline reaches its peak.

This slow but continuous rhythm makes teams maintain continuous commercial and engagement activity in the facility. This experience proposal is not subject to or marked by scheduled interruptions, such as breaks or timeouts. It is directly connected to the game's own rhythm and remains constant throughout its duration. It's the perfect way to adapt your experience to the characteristics of your sport or event.

There is a greater focus on the sport itself. The entertainment is based on the activation and commercial offering in the concourses, rather than on additional entertainment in the central field or court.

The average length of a baseball game is about three hours and fifteen minutes. But some games can last up to four hours. Just as in the NFL, this is a challenge for television ratings, which suffer to maintain viewer interest despite the comfort of watching a high quality performance from their couch at home.

From the point of view of stadium attendance and fan experience, we have to take into account not only the duration of the game itself, but also the pregame or tailgating, and the postgame:

- Before the game - tailgating: just like in the NFL, it takes place in the hours leading up to the game in areas annexed to the stadium, and as game time approaches, inside the stadium itself.
- Continuously throughout the game, due to the characteristics of the sport itself, maintaining the rhythm of entertainment from start to finish.

After the game, on the sponsor activation platforms and of course in some premium and hospitality areas.

Although game duration and the phases of the fan experience are similar to those in football, the great difference between one sport and another, which directly affects the stadium business model, is the number of games per season.

An MLB baseball team will play over 80 games per season in their stadium. This is eight times the number of games hosted by an NFL stadium.

This means that the stadium is occupied at least 22% of the year with MLB competition games alone.

Both of these points determine the ballpark business model.

The high number of home games played by teams forces them to offer an excellent experience that maintains fan interest throughout the season, avoiding dips in the attendance trend.

Undoubtedly, a baseball team's fans will generally have a loyal profile and will visit the stadium to watch their team play 3+ hour games about 80 times in six months. Therefore, the experience should be based on both commercial offerings (prices and packs) and value propositions (access to exclusive areas or invitations) that reward this loyalty.

With an occupancy of 22% of the total year, but approximately 44% of the season's six months with MLB games, the possible schedule for hosting other types of events is significantly affected.

The impact is not only due to the large number of dates that the home team's games take up, but also the fact that the competition is played between April and September. These are the months when there is a greater number of productions due to the climate and general vacation season.

Although in the 1990s, some ballparks were inaugurated with a retractable roof that allowed them to host a greater number of events during the year (e.g., Chase Field, Phoenix; Safeco Field, Seattle), the truth is that of the last 15 ballparks inaugurated since 2000, only three of them have this system (Minute Maid Park, Houston; Miller Park, Milwaukee; Marlins Park, Miami).

Image 3: Minute Maid Park, Houston



Source: Doña, 2003. Own, unpublished archive.

The most common MLB stadium business models include:

- An intimate design proposal for match day, seeking both the commercial aspect and to generate the right atmosphere to satisfy the fan experience of the typical loyal baseball fan.
- A wide range of multifunctional areas and unique spaces focused on private events, for both corporate and individual customers, and an active food & beverage offering on non-match days, taking advantage of the location.

Location

Mostly urban. Of the last 15 ballparks built or renovated since 2000, only one can be considered non-urban. The rest are inside the city, and most of them are just minutes away from downtown.

There is a clear tendency to be part of the urban landscape, and to be a revitalizing element of the areas where they are built.

Tailgating

In baseball, more pregame activities are held inside the stadium than in the NFL, but there is also tailgating, although to a lesser extent.

Ballparks have a larger outdoor shopping area (e.g. Yawkey Way in Fenway Park; Eutaw Street, Camden Yards) and less parking due to their very close proximity to the city center in most cases, as mentioned before.

Image 4: Fenway Park, Boston



Source: Doña, 2012. Own, unpublished archive.

Grandstand ticketing

The MLB ticketing business model is mainly based on seeking fan loyalty, because of the long competition format. The 81+ games that will be marketed in their own stadium require an open, active, and flexible marketing policy in order to stimulate sales throughout the season.

The method of applying prices based on experience is part of the ballpark model, providing a larger variety of options to experience a game than in any other major league.

In addition, MLB has implemented a dynamic sales system, which strengthens and maximizes the model, achieving higher occupancy in less interesting games and higher profitability in the most demanded games.

The average ballpark capacity is 41,000 seats, with the average attendance of the entire league currently at 28,000 spectators. It represents an occupancy of approximately 68%. This gives us an idea of how difficult it is to achieve results, considering the special characteristics of the format: very long games, large number of games, and slow pace of play.

Even though baseball has an extensive and solid fan base, applies this ticketing marketing model, and fosters the fan experience from before the start of the event until the end, achieving results requires a great deal of effort and a high level of management.

Premium seating

The premium seating revenue stream is twice as important in ballparks. This is due to the significant percentage it represents in the facility's income statement, and how it impacts the fan experience.

Ballparks dedicate an average of 10 to 12 percent of their total capacity to premium seating. This percentage is in line with the general market trend, and although it's lower than the NFL, it is no less important for baseball stadiums.

The average capacity of a ballpark is 41,000 seats. If we return to the attached table with the figures for each league, we will see that in terms of ticketing, without including the consumption of other services, premium tickets (10-12% of the total) provide almost the same level of income as the rest of the seats (88-90%).

The particular open and asymmetrical design of baseball fields, with large platforms and terraces, facilitates the creation of different experiences, achieving a greater variety and segmentation than in any other type of facility in the market.

The percentage of private boxes is an acceptable 30% (Luxury suites, VIP boxes, Loge Boxes). But the highlight of the premium model is its varied Club seating offering, with a shared hospitality area. Despite having a low average capacity (41,000), the wide range of experiences and prices allows ballparks to dedicate many seats to this type of product, offering very affordable prices and turning grandstand customers into premium customers, improving their experience and generating more profits.

Image 5: Yankee Stadium, New York



Source: Doña, 2009. Own, unpublished archive.

Food and beverage

A ballpark experience goes hand in hand with its food and beverage offering. This is perfect for the baseball model, which as we mentioned before, is unhurried, long-lasting, with tailgating inside the facility.

The business model consists of restaurants and kiosks or concession stands. The growing tendency is to offer more restaurants that are accessible on non-match days, which adds quality to the proposal.

Although the star product continues to be the hot dog, both for its consumption and its profit margin, the ballpark offering will always include a wide range of products. The different concession stands will offer a gastronomic proposal where you will find the most demanded brands in the market, as well as the most typical local dishes.

The number of concession stands (an average of 200 per ballpark) and the distribution specially designed for the flow of fans, boost consumption throughout the game.

Naming rights and Sponsors

Baseball naming rights are a well-established product, with some differentiating characteristics from other markets.

The current percentage (2018) of ballparks named after a brand name is 73%, which is lower than the rest of the leagues, but it is not an accurate reflection of the trend.

This percentage is affected by older ballparks, which have chosen to keep the classic name (e.g., Fenway Park, Boston; Dodger Stadium, LA; Oakland Coliseum, Oakland). Of the 15 ballparks that have opened since 2000, only three, Nationals Park in Washington, Marlins Park in Miami, and Yankee Stadium in New York, have no naming.

The highly concentrated activity in baseball, with a smaller calendar of events than other facilities, also affects media impact, keeping the price of rights below the average of other leagues, despite extreme cases such as Citi Field, with an annual fee of 20 million dollars.

Even so, contract duration is about the same as in the rest of the leagues, with an average of 20 years.

MLB sponsors are generally linked to experiences, naming premium spaces, focusing on a customer profile that fits the brand's values (e.g.: BMW Club suites, Dodger Stadium; Delta SKY360° Club, Target Field; Lexus Field Club, Minute Maid Park; Hyundai Club, Citi Field; Jim Beam Dugout, Fenway Park).

Audiovisuals and connectivity

This element is perfectly adapted to this type of sport, and to the fan experience format it offers.

The evolution of a baseball game requires more information than other sports, which increases game-related spectator use.

A 2 in 1 format is provided, projecting the score of the game without compromising the audiovisual experience of watching the plays, repetitions, and of course, spectator interaction.

Connectivity is also required in the model, which is already well established in all facilities. MLB itself has an official application, which integrates all the stadiums in the league, to enjoy the experience from its digital platform.

Merchandising, tour, and museum

These three basic revenue streams are present in all major league ballparks. Undoubtedly, because of their proximity to the city center, the museum activity (Hall of Fame) and the tour are essential in generating income on non-match days.

If there is a sports facility model that maximizes the sale of merchandising, it's definitely ballparks. Stores are accessible both from outside and inside the stadium, and kiosks are located in all corridors and levels, giving fans the opportunity to decide on a purchase without having to go very far.

Multifunctionality



As we have mentioned, baseball games are concentrated in a specific time of the year, which leaves the calendar available during a few months, and are not the best months to host events.

But there are also positive characteristics, such as hosting private and corporate events, proximity to the downtown area, and a great variety of spaces, so the approach is more geared towards this type of product.

Environmental sustainability

Ballparks are no stranger to this trend, which leads to cost savings, social responsibility and a better image.

In particular, the model is based on the use of more sustainable building materials and recycling systems.

But there are two features that make ballparks stand out in this section. The first is the proximity to the city center, which is strengthened with policies to promote public transportation, cutting down on pollution by reducing the need for private vehicles. And the second is the teams' involvement in the community, as shown by their environmental focus and commitment to social responsibility (e.g., Nationals Park, Washington; AT&T Park, San Francisco; Target Field, Minnesota).

1.3 NBA and NHL (National Basketball Association and National Hockey League)

We are going to include both competitions in the same chapter, as many of the facilities are shared by both sports. Even so, as we will discuss later in the analysis of the revenue streams, there are some differences in the experience that each sport offers.

The indoor arenas where the NBA and NHL teams play are designed for use far beyond these competitions. This is due to several factors.

The professional basketball league in the USA has 41 home games during the regular season, not counting the playoffs. In the NHL, the number of games is similar. In both cases, facilities also host some preseason games.

This gives us an occupancy of close to 19.5% during the season, and 11% if we count the whole year.

However, as mentioned at the beginning, there are arenas that host both leagues (e.g.: TD Garden, Boston; Barclays Center, New York; Little Caesars Arena, Detroit), which provides a different setting. In these cases, we have to consider both occupancies, accounting for a total of 39% and 22% respectively, as both competitions are held during the same months, from October to April, and playoffs in May and June.

Image 6: Barclays Center, New York



Source: Doña, 2018. Own, unpublished archive.

We also have to consider a third scenario that affects the occupancy of professional leagues, although to a smaller degree. Some of these facilities also host the women's professional basketball league, WNBA, which has 17 home games and is held between the months of May and August, with playoffs in September (e.g.: Staples Center, Los Angeles; Capital One Arena, Washington).

The indoor arena business model is generally supported by a mixed public-private investment, with private management by a market operator who is often not a team owner.

The sports tenants are considered as such, and the design of the facility is not conditioned to them, nor to the sport in which they compete. In fact, the indoor arena market in the USA transcends both competitions. A large number of arenas do not host either, and their calendar is composed of other types of events (e.g.: Sprint Center, Kansas City; The Forum, Los Angeles).

The most widespread indoor arena model is:

- Purely multifunctional and multishow, seeking the maximum versatility of the installation, and the greatest flexibility so that the operations of each production allow you to take advantage of every day of the calendar.
- The spectator experience is designed to include the time before, during, and after the event, with a great commercial offering and other services. This experience takes place inside the facility due to its special characteristics (tailgating is unusual).

Location

Nearly 100% of the arenas are located in, or very close to, the downtown area.

Technically, only Oracle Arena in Oakland (until the opening of Chase Center, the new Warriors arena, which will be in the center of the city) and Wells Fargo Center in Philadelphia, could be considered outside of downtown. Both are located in a type of entertainment district, with an urban location and in the same area as other facilities in the city (Oakland Co. Coliseum in the first case, and Lincoln Financial Field and Citizen Bank Park in the second).

This type of location facilitates accessibility for all the different customer profiles they have, due to the variety of events they host.

Tailgating

It is not a very common practice in these sports, although we can find models such as Staples Center, which includes an area with different entertainment activities such as LA Live, providing a natural tailgating environment with the commercial offering that surrounds it.

Image 7: Staples Center, Los Angeles



Source: Doña, 2008. Own, unpublished archive.

Grandstand ticketing

The design of the arenas that host both leagues is a clear example of the tendency to offer greater comfort and services, even if this means reducing the total number of seats.

The average capacity is 18,500 seats, and the trend of the most recent openings has lowered this figure.

The spectators and fans of this type of facility are not always passionate about their team, a quality that can often make up for a lack of a good experience. Only NHL fans, and to a lesser extent NBA fans, pertain to a passionate, loyal fan profile. These kinds of facilities are filled with spectators of all kinds of events, who will make decisions based on whatever experience they have.

Therefore, a smaller number of spectators with a high average consumption and comfortable seating is better than raising the capacity with seats that do not meet these conditions.

In regular grandstand ticketing, due to the configuration and size of the facilities, there is less segmentation than in other sports stadiums. If we estimate that 83% is regular ticketing, the majority of these seats will be located at the ends of the sides, at the corners and at the back of the first ring, and all around the upper rings.

Due to the smaller size of the model, all locations provide quick and easy access to the food court and commercial areas, so the experiences do not differ much from each other, aside from the viewing distance of the event.

Some arenas offer season tickets that include all events, including sports events. However, this situation is exceptional and depends on the individual agreements of each entity.

Premium seating

As we explained in the previous point, the clear tendency of the model is to offer seating with greater comfort and services, and this applies especially to the premium seating revenue stream, which grows in parallel to this trend.

The percentage of seats dedicated to this type of product in NBA and NHL arenas is between 16 and 18 percent of the total capacity. It is a high percentage, which is in line with market guidelines.

The market has established a difference in the design of this product, with respect to the distribution of VIP and Club seats. As seen in the table, there is a higher percentage of seats with a private hospitality area (40%) than in other models.

This is due to the type of events that the facility hosts, in addition to sports, ranging anywhere from concerts to family shows, including automotive shows or others such as wrestling. The premium demand for this type of event is higher in private boxes than in shared seating.

To meet this demand, there is broader private premium seating segmentation, reaching clients with lower budgets as well as corporate clients.

Image 8: Prudential Center, New Jersey



Source: Doña, 2009. Own, unpublished archive.

Food and beverage

The food and beverage offering consists of two types of products in particular, in addition to the service provided in the premium areas:

Restaurants with a view of the event, located at one of the ends, usually opposite the one occupied by the stage, in the case of concerts.

Concession stands and kiosks, distributed throughout the middle level concourse, through which the majority of the spectator flow is directed. On average, there are more than 100 points of sale, and they offer a variety of brands and foods, which enrich the gastronomic experience.

Detroit's new Little Caesars Arena is especially noteworthy in this area. Its design includes a covered gallery surrounding the central seating bowl, with an active food and beverage offering every day of the year.

Naming rights and Sponsors

If we only consider NBA indoor arenas (referenced in the table), 97% of them have sold the naming rights to a brand.

It is an ideal market for this product that will have a lot of activity throughout the year, and will impact a wide range of customers, due to the different types of events facilities host.

Only the legendary Madison Square Garden does not use this revenue stream to generate income, which, in this type of facility, provides an average annual revenue of between 6 and 8 million dollars.

However, this product is not exclusively for NBA arenas. Most arenas in the U.S. market have sold the naming rights to some brand (e.g. T-Mobile Arena, Las Vegas).

Like the rest of the sports facility market, indoor arenas seek to sponsor any element that has its own identity and whose activity impacts spectators. Typical examples are premium areas, VIP box levels, access doors, or other architectural highlights (e.g., Chase Bridge, Madison Square Garden; Honda Club, Barclays Center; Comerica or Chevrolet Entry, Little Caesars Arena).

Audiovisuals and connectivity

It's part of the product's identity. The four- or six-screen central scoreboard is a vital part of the fan experience, and of the income generated by these facilities.

Watching the main event, fan interaction, or the projection of the different shows during the breaks, as well as advertising, play an important role. The impact in this type of facility is more remarkable than in the rest, because of the position and proximity of the screens to the spectators.

Facilities include a significant number of TV screens, distributed along the middle aisle and premium areas.

The connectivity experience is generally excellent, due to the high spectator demand to interact with social networks, not just during sports events, but also during concerts.

Merchandising, tour, and museum

Despite sports teams being tenants, all arenas have official team shops, although merchandising activation is not as intense as in the NFL and MLB.

The tour is also not as common. Some arenas offer tours, but there is no general market consensus regarding whether or not to offer this product. There are arenas like American Airlines Center in Dallas or FedExForum, which offer tours even though they're not legendary facilities, such as Madison Square Garden or TD Garden, which also have tours and base their storytelling on their long history.

Other new arenas such as Golden One Center or the Little Caesars Arena, which have been open for barely a year, show the facility to visitors, with a focus on selling the image of the building itself.

Multifunctionality

It is the key to this type of facility's business model. The basis of the model is the possibility to host as many events as possible, and of all types.

The common characteristics of the facilities, such as being indoor, the right size for a wide range of events, and the downtown location in cities, are the ideal profile for its multifunctionality.

Being indoor, a production or concert that foresees sales of more than the average capacity of 18,500 spectators, can maintain its setup without risk of bad weather, and repeat performance the day or days after.

The versatility and flexibility of the installations, allowing the facility to be converted, after a basketball game, into a concert venue is an essential value of the model.

The average number of arena events in the US market is above 220 events per year. In some cases (e.g. Madison Square Garden), it's over 300. This means that in some arenas, there will be two different events in one day, if we take into account that there are dates that are not occupied.

This continuous activity demands excellent operations management to successfully organize so many events.

The business model also generates an important amount of income through private events, usually corporate. For this, the generalized central location is a determining value for the model's success.

Environmental sustainability

Indoor arenas have long been in the race for environmental sustainability.

The media impact and the social relevance they have in cities due to their positioning, encourage them to be very demanding in this area, complying with the applicable requirements.

Some examples of arenas with an environmental certification are Toyota Center in Houston, Anway Center in Orlando, American Airlines Arena in Miami or the Philips Arena in Atlanta.

1.4 MLS (Major League Soccer)

Soccer, as it's called in the United States and Canada, is the professional sport that has grown the most in the North American market in recent seasons, in all aspects. Major League Soccer has experienced exponential growth in stadium attendance and popularity in recent years, prompting league expansion through the creation of new franchises.

This growth, based in large part on MLS's demand for long-term projects, has led to a boom in the construction of new stadiums specifically for soccer, causing the business model to evolve.

The position reached by MLS makes the soccer stadium market in the United States one of the most active in recent years worldwide. It is a special challenge, as we are witnessing the construction of a new stadium model, customized for a growing sport of great impact, in an environment with high potential for the development of professional sports, and with the toughest competition that we can find in any market.

For a long time, soccer was played in football stadiums, in which the playing field was adapted, although it left much to be desired for the practice of soccer, as is done in markets where this sport is more developed.

MLS currently evaluates its new franchises, in large part by the stadium model they offer. If the bid provides a new stadium specifically for soccer, there is no doubt that the project is long-term and not a trial investment (e.g. Banc of California Stadium, Los Angeles FC; Audi Field, D.C. United).

There are also exceptional situations, such as New York City FC, which plays at Yankee Stadium (not the best experience for fans) while looking for a location in New York City to build a soccer stadium. But the investment group's solvency and their international commitment to soccer allow them to extend this situation until they find the right place for their new field.

Image 9: Yankee Stadium, New York



Source: Doña, 2018. Own, unpublished archive.

With the wave of new soccer-specific stadiums, franchise owners are pursuing two goals in the design of the facilities:

- To bring the fan experience closer to the essence of this sport, which is very different in several aspects to other professional sports in the United States.
- And, at the same time, without renouncing stadium income generation guidelines, established in the other American major leagues, which will provide the usual level of stadium generated income, as in other professional sports in the United States.

Currently an MLS team plays a minimum of 17 regular season games on their field. The regular competition season is held between March and October and the playoffs take place between November and December.

Compared to the rest of the market, the stadium occupancy is very low: 4.5% of the year. Therefore, maximizing revenues in each game must be, as we have seen in previous examples, a priority.

In soccer, the fan match day experience consists of:

- Pregame with tailgating: even less developed than in other leagues, but already established as an important part of the experience in most stadiums.
- During the game: with a total duration of one hour and 45 minutes, games are significantly shorter than all American professional sports, and with fewer breaks, which changes consumption habits within the facility.
- Postgame: due to the short duration of the game, this part of the event is enhanced, with hospitality areas and food & beverage stands in some stadiums.

Income generation for the rest of the days (non-match days) (95.5%), comes from the organization of concerts, the renting of spaces for corporate and private events, sharing the stadium with the women's soccer league (e.g. Chicago Red Star or Houston Dash), international soccer games, and other sports such as rugby, taking

advantage of the fact that soccer fields are wider than football fields and are more adaptable.

Some models opt for a strong event profile, designing one of the ends as a permanent stage for concerts (Toyota Park, Chicago; Toyota Stadium, Dallas; Mapfre Stadium, Columbus).

Location

Of the 23 MLS stadiums, only 30% of them are in or near downtown (two of them are NFL stadiums and another is an MLB ballpark). A large majority are on the outskirts of the city, some are still urban environments, but far from the city center or the most populated area.

This undoubtedly hampers the activity on days when there is no game.

However, the most recent openings mark a change in the trend, and seek proximity to the city center, or even in downtown itself (e.g.: Audi Field, Washington D.C.; Orlando City Stadium, Orlando; Banc of California, Los Angeles).

With a more established league and sport, the search for more valuable locations becomes more feasible.

In some cases, even when not in the city center, they are located in nearby areas that are easily accessible and have a commercial environment (Allianz Field, Minneapolis).

Tailgating

It is also part of the MLS fan experience.

It's a tradition for the majority of sports fans in the USA, but in this case, with the shortest game duration. American fans think of match day as a party that lasts much longer than an hour and 45 minutes, which is how long the soccer game lasts. So, the complete experience should include, in this case especially, tailgating before the game.

Grandstand ticketing

With regards to the grandstand ticketing policy, we see elements of the two stadium models, the American and the European, that begin to mix in an attempt to fuse the two.

Stadiums seek to create a more intimate atmosphere, which encourages greater fan involvement when cheering on the team and intimidating rivals. To achieve this intimacy, stadiums are designed to be more closed, unlike those found in the NFL and MLB, where many of them are "open" on one of the sides to show the stadium from the outside, and offer views from inside, usually of the skyline.

The stands are also designed closer to the playing field with the same objective. And lastly, cheering stands are created, where the noisiest fans are located, who will be able to watch the game standing up.



All these elements have an impact on the stadium ticketing policy, which rewards and promotes this intimate spirit at the event.

Stadium capacity is also a critical point in MLS. The average capacity barely reaches 25,000, which we can classify as low if we look at other leagues. But, in addition, this number is inflated by the presence of 4 stadiums that host NFL games and a ballpark, among the 23 MLS stadiums.

With the growth in attendance in recent seasons, there is some doubt as to whether the capacity is adequate, especially in new projects.

This capacity, the average price of \$30 or \$35 per ticket, and an increasingly satisfying experience of the event itself and of the stadium model, has achieved an average attendance of 22,000 spectators, which means almost 90% of the tickets are sold.

This figure is a priority objective for MLS, not because of the direct economic result of the price of the tickets, but because of the image a full grandstand gives, and because of the atmosphere they pursue with the new stadium model, which is especially important for television rights and sponsors.

Premium seating

In the premium section, we see the characteristic elements of the American business model, implemented in the MLS stadium model.

They have opted for models that broaden the offer with different experiences. In the global soccer market, these products would be innovative, as they offer a very different view of how fans watch and experience the game.

One example is the Heineken Rooftop (Audi Field), a terrace bar with seating and the possibility of watching the game standing on the terrace itself with a beer and a prime corner location. Another example is the Managers Box (Red Bull Arena) located just behind the home team's bench, like a second bench, with direct access through the dressing room tunnel, where fans can cheer on the players when they step onto the field. Or the Field Boxes (Avaya Stadium) from where you can watch the game at playing field level, very close to the action, with all the comfort and premium services.

Between 8 and 10 percent of the total capacity of the stadium is dedicated to premium seating, which is in line with the general trend of the international market.

Image 10: Red Bull Arena, New Jersey



Source: Doña, 2017. Own, unpublished archive.

It's a low percentage compared to USA leagues, but in line with the market average. It's a competition that has a lot of growth potential and must establish revenue streams such as this one and bring them up to mature market levels.

The distribution between VIP and Club also goes hand in hand with the market, with a 30-70% distribution, similar to general industry percentages.

Food and beverage

It follows the same management format, awarding the planning and operation to a catering group, and in some cases, backed by prestigious chef names.

The general proposal is to include the flavors of the local gastronomy, as well as other international flavors.

The average number of points of sale is 50, excluding the hospitality areas of the premium seats.

We must consider the consumption times in soccer, which are radically different from the rest of American sports. The importance of adapting operations to this type of consumption is crucial. Proximity to the seats, distribution throughout the rings, spacious corridors free of obstacles, as well as a direct view, whenever possible, of the event from the point of consumption, are elements that we find in their designs.

The menu is also adapted for ease of service and operation, allowing fans to watch the game at all times, without compromising the income from the sale of food and drink.

Naming rights and Sponsors

Of the league's 23 stadiums, 20 of them have a naming.

Of the three that don't, one of them is Yankee Stadium, a ballpark, which provisionally belongs to MLS.

The product is fully established, and its growth is strengthened by the marked identity of stadiums specifically for soccer. MLS is growing exponentially, and that identification becomes a value for brands.

We also see cases of multinaming, with Toyota Park in Chicago and Toyota Stadium in Frisco, strategically covering the north and south of the domestic market.

Another proof of the attractiveness of MLS for brands is the general success of stadium managers in sponsoring the different products created in the facilities. Some examples are the premium areas, such as terraces, access points, and other elements identifiable by fans (Audi Sport Club, BBVA Compass Stadium, Houston; Key Bank Club Patio, Providence Park, Portland; Rogers Club, BMO Field, Toronto).

Audiovisuals and connectivity



Even with a greater presence than in European stadiums, the audiovisual aspect, due to the characteristics of the stadiums and the sport itself, does not represent as high an investment as in the rest of the facilities in the USA.

The latest proposals (Banc of California, LA; Audi Field) include more than one video scoreboard, and the truth is that most soccer stadiums generally have one, but they don't stand out for their average size in the American market.

The connectivity in stadiums, especially in the new ones, offers the best level of simultaneous connection for fans and most have stadium-specific applications.

Merchandising, tour, and museum

Although the location is not very central in a large percentage of stadiums, all have tours and, of course, an official store. Because of the short history of the clubs, the museum is not among the common revenue streams.

Merchandising activation in the concourses also aims to facilitate fan purchases, without having to go to the official store on the other side of the facility.

Multifunctionality

It is more focused on the possibility of hosting other sports, for which they have two advantages. The first is the smaller stadium capacity, which some sports are more likely to fill, instead of having much of the stands empty. And the second is that soccer fields are larger than football fields, which allows for better adaptability for sports such as rugby.

The format used by some stadiums of setting up a permanent stage at one of the ends for the celebration of concerts, cannibalizing the seats of that tier during the games, is worth noting.

Environmental sustainability

The positioning of environmental sustainability is generally taken on in MLS stadiums, with greater or lesser emphasis. However, the vast majority have water recycling and reuse systems, as well as the different operational management practices required for certification.

Some projects also include photovoltaic panels, taking advantage of the top of the roof, an almost obligatory element in the new design (Audi Field, Washington).

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