Module 3: Facility models, rest of the markets

In this third module, we are going to take a tour of some of the sports markets in order to get an overall view of the stadium industry in these markets.

We are going to put the Russia 2018 and Qatar 2022 World Cup stadium proposals into perspective, to see if their designs have followed the new trends, the impact they may have on them in the future, and of course, the legacy they will leave us.

We are also going to evaluate the Japan 2019 Rugby World Cup facility proposal, using its national stadium as a case study, which will bring up a typical scenario that will refresh part of the content we've studied and will reinforce some of the bases of the work methodology.

Finally, we will look at two types of facilities, tennis stadiums and indoor arenas (outside the USA-Canada market), both with a leading role in the sports and entertainment industry.

And we will give some recommendations when looking at other specific markets. Perhaps they are less relevant today because of the impact they have on the evolution of the global market, but it is in our interest to devote attention to them in the future.

We will find case studies in all of them, which will reflect much of the concepts seen so far, both following the market trend and situations with a different approach. We will reflect on these cases in order to understand why they decided on a different approach.

3.1 2018 World Cup in Russia

The World Cup in Russia has given us the opportunity to contemplate the development of a good amount of stadiums, in which we can find several of the different scenarios that we've studied in this course.

The starting point is challenging. Many new facilities were built due to a lack of stadiums with FIFA's minimum requirements to host a world cup, and a market where the domestic championship does not have the same impact as the major leagues.

It's a real challenge to design a quality proposal that will offer fans an experience during the World Cup that is at the level that this type of tournament demands, while at the same time creating a legacy after the event that will be sustainable in the long term.

Of the twelve stadiums, distributed among eleven venues - Moscow built two stadiums - ten of them are new stadiums built specifically for the World Cup.

The average investment for each of them is over 300 million euros. But if we exclude Krestovsky Arena (the St. Petersburg Stadium in the World Cup) from the average, which cost an exceptional 1 billion euros, which is far higher than the rest, the average is a more realistic 280 million euros per stadium.

Image 1: Krestovsky Stadium, St. Petersburg

Source: Doña, 2018. Own, unpublished archive.

If we recall some figures given during the course, we will notice that the average cost for the European market environment is high. With an average capacity per stadium of 47,000 seats, if we include the Krestovsky Arena in the calculation, the cost is almost 8,000 euros per seat. Without the St. Petersburg stadium, the cost per seat is 6,000 euros.

This expense must be commensurate with the facility's quality and services, and have the capacity to be viable on its own in the future.

All of this will be tested over time. But baseline data suggests that the risk of breeding "white elephants" is high.

In addition to everything mentioned, the low-level domestic league, and the investment figures per stadium, we must add the plan for subsequent use and the tenant who will play as a home team in the stadium, and who must manage it to make it profitable.

Regarding the plan for use, there is a greater emphasis placed on communication about hosting as many events as possible.

In this case, we must exclude Luzhniki Stadium in Moscow, which is the national stadium and has fixed events all year round. In addition, its funding has public support, which is not ideal, but we take it into account to get a more realistic calculation.

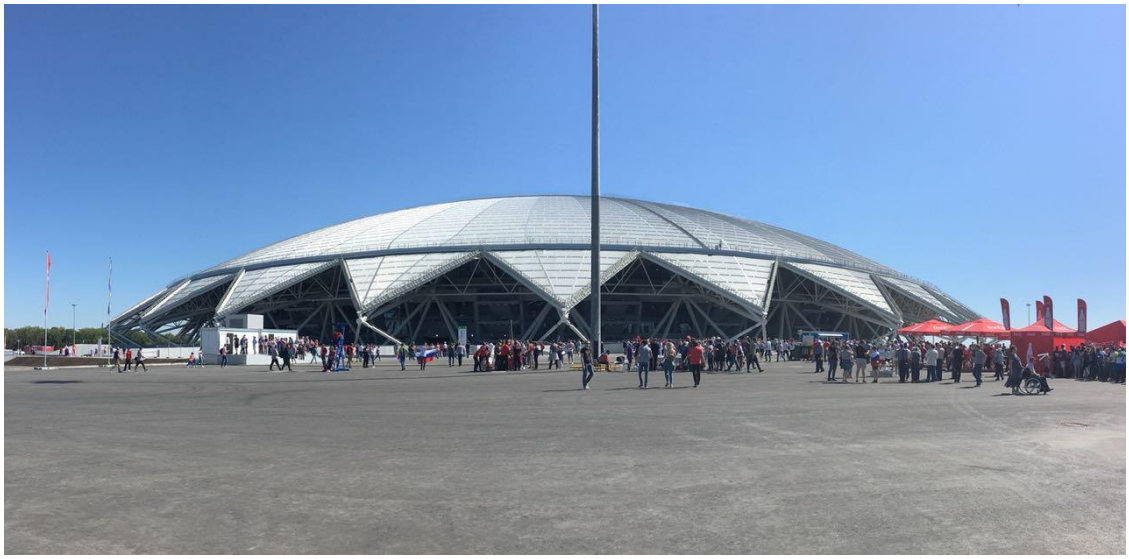
We have 11 stadiums to fill with events during the year, in cities that, although they all have significant populations, are further than 2,000 km from each other. This means that it is not easy for event promoters to coordinate events over such a large area, due to logistical and scheduling reasons.

The consequence is that not all stadiums will be able to host enough events to make the investment profitable. They will probably compete with each other, and the market will decide, based on their proposals, who manages to be sustainable in the long term.

The only stadium with a retractable roof, which also incorporates a mobile playing field that can be removed from the stadium when there are events, is the Krestovsky Arena in St. Petersburg. It's a stadium that holds almost 65,000 spectators, at a cost of over 1 billion euros, which is strategically located on the northern border with the Scandinavian countries and far away from the rest of the host cities. If the promoters have to decide, the southern stadiums are going to suffer in an attempt to convince them.

Of the 11 teams that will play as locals in the stadiums, up to five of them play in Russia's second division. If it is already difficult to attract enough fans to fill stadiums with an average of 47,000 spectators in Russia's Premier League (the average attendance of the Bundesliga), the business plan does not seem very well thought out for those five teams that play in the Professional Football League (Russia's second division).

Image 2: Cosmos Arena, Samara



Source: Doña, 2018. Own, unpublished archive.

It is true that some stadiums will reduce capacity after the event by about 35%, which is a good decision in strategic planning. But that will only be done in five of them. And of these five, only three correspond to second division clubs, so the impact does not change the situation very much.

To be able to identify their potential, we'll have to wait and see the commercial proposal these stadiums come up with in the medium-term future in the development of the areas where they are located. But a priori, it seems that the best bet may be the corporate product, due to the generous size of the premium proposal included in all projects, coupled with the size and importance of the cities. It points to a potential market of interesting companies to exploit the facilities on non-match days.

One upside is the remarkable design of the premium proposal in three of the stadiums - Otkritie Arena in Moscow, Nizhny Novgorod Stadium in Nizhny Novgorod, and Volgograd Arena in Volgograd. In all three cases, they have chosen to concentrate all the premium seats on the main side of the stadium, similar to proposals discussed in previous modules, such as Ford Field in Detroit or Levi's Stadium in Santa Clara, whose premium product offers a series of advantages like exclusivity, service, and operations.

Another positive aspect is the environmental sustainability profile that has been adopted in most projects. The World Cup organization insisted on this proposal, and each project has integrated a sustainability plan that will undoubtedly benefit the legacy.

However, the uncertainty of the projects deserves observation and analysis in the coming years. Until 2023 the Russian government will bear the maintenance costs, which are estimated at an average of about 5 million euros per year and stadium. From that date onwards, the responsibility for economic viability will rest solely on each stadium's operator.

3.2 2022 World Cup in Qatar

Without a doubt, the World Cup in Qatar is an atypical World Cup in every way due to the country's characteristics and figures.

It will also be the first World Cup in history to be held in winter, due to the country's high summer temperatures.

But this does not mean that it is more or less suitable, it's just different from what had been proposed so far.

We are going to focus on the scenario, to have a realistic view of the data, and carry out the analysis of the proposal.

Qatar has an area of 11,571 square kilometers and a population of 2.6 million inhabitants. It's a small country in terms of surface area and population density.

But this data, in terms of the World Cup, is somewhat inaccurate. Why is this? Because the 8 stadiums that will host World Cup games will be concentrated in an area not larger than 1,500 square kilometers.

The longest distance between two host stadiums is 68 kilometers, and the furthest stadium from the capital (Doha), where 4 of the 8 host stadiums will be located, is 48 kilometers away. The average distance in time between stadiums is not even 30 minutes.

This would be the equivalent of organizing a World Cup in London, but with four times fewer inhabitants than the English capital has.

However, we can't draw any definitive negative conclusions from the number of facilities. In London, for example, there are more facilities than there will be in the Qatar World Cup, and with a higher average capacity per facility.

However, given the population figures, there may be an imbalance in the facilities' plan for future economic sustainability. There are 2.6 million inhabitants in total, but in the area where all the stadiums are concentrated, the population does not exceed one million.

One of the cities, Lusail, less than 20 km north of Doha, is in the process of being built as a kind of entertainment city. Its stadium will host the opening and final of the World Cup and is expected to have a population of 200,000. That would give a total population figure of a little over a million in the whole area. Going back to the London comparison, it would be about eight times less than London's population.

If in the case of the World Cup in Russia we were worried about the excessive distances when convincing the promoters to bring events to all the facilities, in Qatar's case, we find the opposite extreme: too many stadiums concentrated in a very small area and with little population.

To be more precise in our approach, we must consider that one of the stadiums - designed with modular shipping containers - will be completely dismantled after the World Cup. And five of the other seven stadiums will reduce their capacity by 50%.

This leaves the average stadium capacity at approximately 33,000 seats.

With regard to the local teams, which play in the Qatari league, the average attendance figure is less than 5,000 spectators per game, which is also not proportional to the size of the facilities.

The final conclusive figure is the average investment per stadium: 800 million euros. This means an average of 17,000 euros per seat, equivalent to the average investment made in the U.S. market.

Considering all these figures, the business model does not appear to be able to enforce any plan for long-term financial viability and economic sustainability.

The conclusion of the analysis is that Qatar's stadium models should not be a reference for the rest of the international market. They are not viable or economically sustainable on their own, either in the medium or long term.

How does Qatar benefit from all this?

Qatar has the highest per capita income in the world according to the IMF (International Monetary Fund).

No one voluntarily squanders their funds no matter how many zeros they have, much less a country that has managed to create its economy from the market.

However, they can extend the investment margin with certain objectives, which go beyond the individual profitability of each stadium.

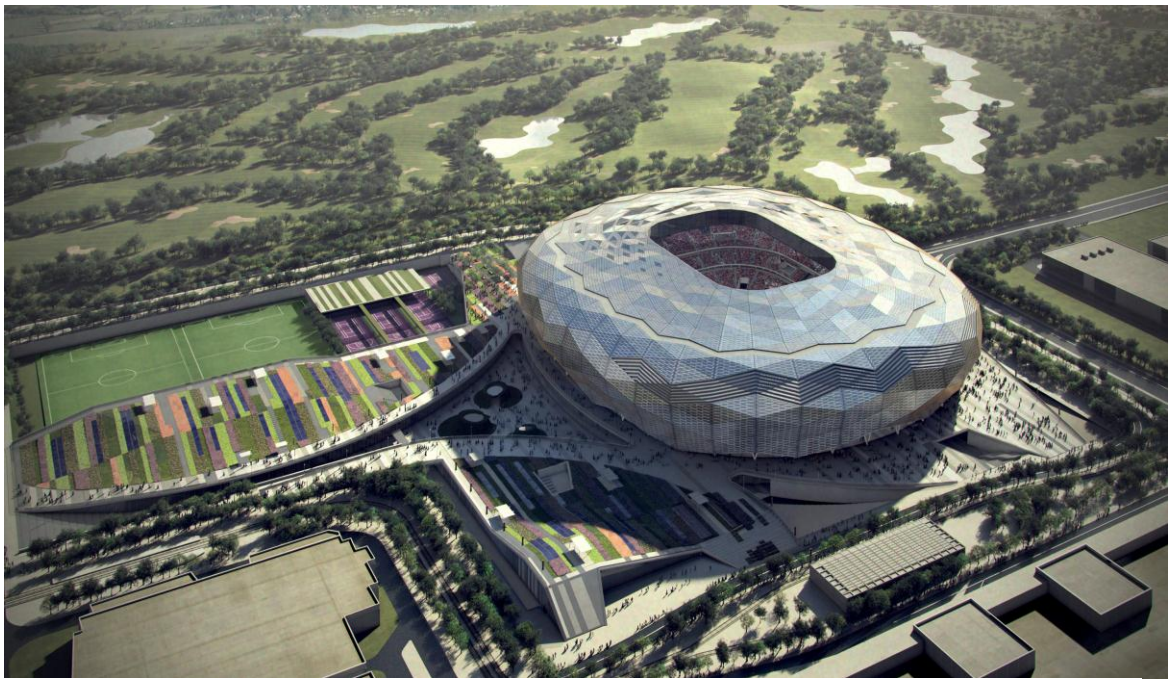
Qatar has a plan, Qatar National Vision 2030, for economic, human, social, and environmental development. The objective is to balance economic growth with other areas of action that strengthen the country's future and legacy.

One of its strategic objectives is to change its economic model, trying to reduce its dependence on gas and oil, positioning itself as a tourist and entertainment destination, such as in the entertainment city of Lusail, where the World Cup opening ceremony and final will be held.

And for all this, the World Cup is the perfect showcase. It serves as a magnificent communication campaign for their final goal as a country.

That is why Qatar has not spared any expense involved in delivering state-of-the-art stadiums to the world of soccer, even though it knows that the future of these stadiums does not lie in daily operation throughout the year.

Figure 3: Qatar Foundation Stadium

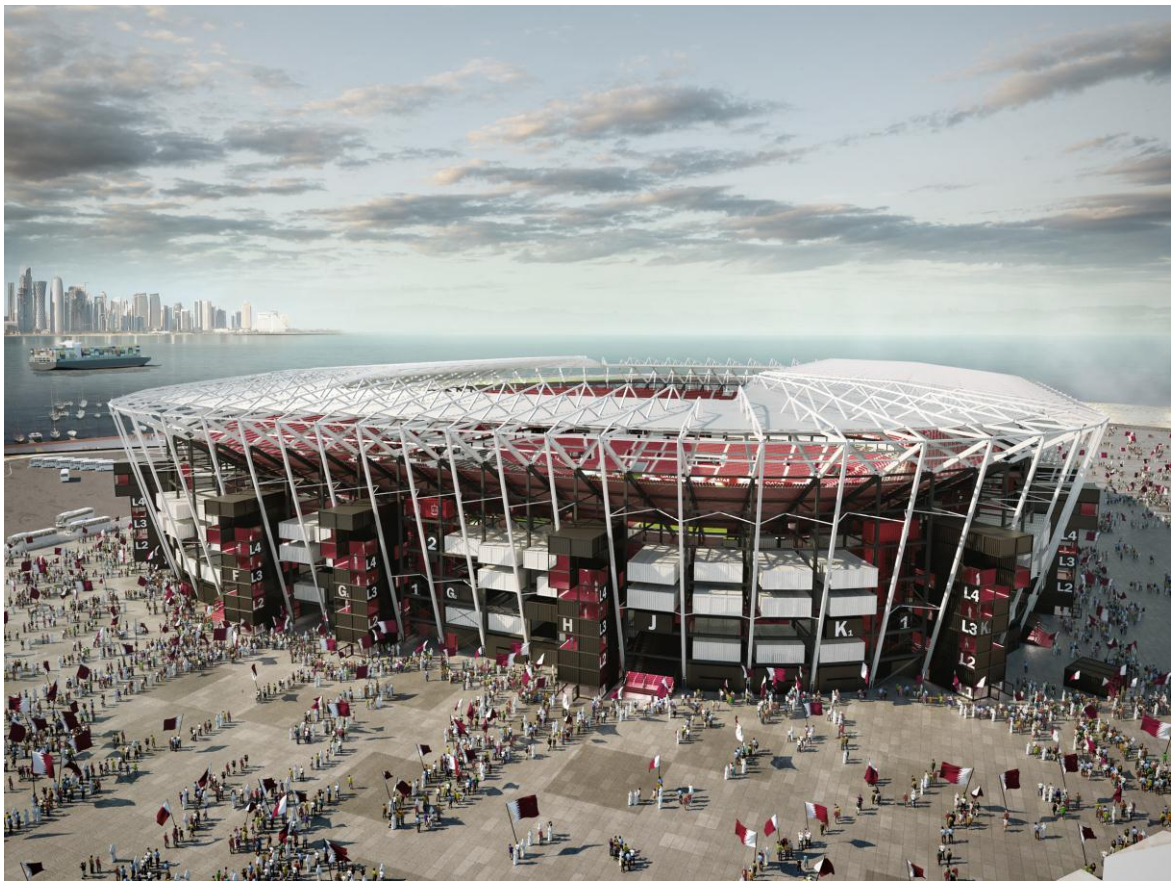


Source: Fenwick Irribarren, n.d., http://www.fenwickiribarren.com/en/proyecto/qatar-foundation-stadium.html

In addition to this positive consequence of the organization of the World Cup, there are two more:

- All stadiums will be environmentally sustainable, both in construction and operation.
- After the World Cup, all the installations that will be removed from the stadiums to reduce their capacity will be donated to projects in developing countries. This includes Ras Abu Aboud Stadium, which will be 100% detachable.

Figure 4: Ras Abu Aboud Stadium, Doha



Source: Fenwick Irribarren, n.d., http://www.fenwickiribarren.com/es/proyecto/rasabuaboud.html

There is also an image campaign involved, but the organizing committee's collaborative solidarity demonstrates its responsibility for investments and budgets.

Its strategy for stadiums as sports facilities pursues three objectives: accessibility and comfort, sustainability, and legacy.

With this proposal, the stadiums will generally include the following characteristics that, apart from what has already been explained about the business model, are interesting to know and value:

- Spectacular architecture, full of symbolism that will reflect the past, present, and future of the Qatari people.
- An internal climate control system that reaches the playing field, guaranteeing the best temperature to play games in any stadium.
- Commercial, leisure, and entertainment areas in available parts of the stadium, once the remaining seats are dismantled after the World Cup.

If we know how to accurately and critically analyze the details of the model, avoiding superficial observation, the World Cup stadiums in Qatar will offer things that will help the sports facility industry to evolve, even though they will not be a business model reference.

3.3 2019 Rugby World Cup in Japan

With the Rugby World Cup in Japan, we find ourselves in a totally different situation as far as the stadium proposal is concerned.

It gives us a perspective of one of the most representative markets in Asia.

The proposal for the 12 stadiums that will host the World Cup includes a group of high-quality facilities, of which 80% have been inaugurated or extensively renovated since 2000. Only one of the stadiums, the smallest one, will be newly built.

In fact, 5 of the stadiums already participated as hosts in the 2002 World Cup, held in Japan and Korea.

It is an austere proposal, showing the world Japan's personality, but it makes sense since the proposed stadiums have everything necessary to host the event. The average facility lifespan of 18 years and their quality make the proposal feasible.

But before defining the final list, there were some setbacks. They have highlighted a mismanagement in the most relevant project - Tokyo's National Stadium. It was the one that was going to be the masterpiece of the World Cup, and later of the 2020 Olympic Games; the stadium for the opening ceremony and the final.

At the beginning of the Olympic bid, they planned on a stadium with a capacity of 80,000 spectators, which would be reduced to 65,000 after the World Cup and the Games. The architectural design presented had a great visual impact - a futuristic style with spectacular curved lines, almost completely covered by a roof that made the stadium iconic from an architectural point of view.

So far so good. An iconic national stadium with a large capacity as the centerpiece of two major events.

But once the plans were brought to life, the estimated construction budget of about 1 billion euros doubled, creating a crisis situation within the candidacy.

On one hand, the expense budget for the Olympic Games was not going to be modified, and on the other hand, the proposed design modifications did not substantially reduce investment.

A decision was made in 2015 to renounce the proposal and opt for another architecture firm's design that fit the budget. Without a doubt, the Japanese government made the right decision.

It is not an easy decision to make, because it implicitly acknowledges that the project was poorly managed and that much of the work done is wasted.

However, the decision making is exemplary. It is better to make changes at the beginning stages, rather than try to do it when it is no longer possible, when construction has already begun.

Even though it was the right decision, the risk is high due to the timing. They risk the project not being completed on time. This is the concern with regards to being able to host the final of the Rugby World Cup as planned.

The second decision is to give up hosting the World Cup final, choosing another stadium, the Yokohama International Stadium, which already hosted the 2002 World Cup final. This decision, logically belonging to plan B, was already foreseen when the first decision was taken to renounce the original project.

Again, a wise approach - having a plan B - and not easy to carry out either. The most politically comfortable thing would probably have been to cancel the World Cup final in the National Stadium from the beginning, without trying to finish the project on time. This way they wouldn't have had to back out twice, suffering a double backlash. But they preferred to try to finish it on time, although the decision had a backup plan.

The conclusion of this whole process is that, after a bad decision was made in not integrating the entire professional team of managers (economic, operations, commercial) into the architectural design, the crisis was managed in the right way, reacting when the project still allowed it, and having a plan B that met the right conditions so that the result would not suffer.

The rest of the proposal is made up of stadiums that have the following outstanding details:

- Just one stadium over 20 years old.
- 5 stadiums participated in the 2002 World Cup.
- 5 stadiums have an athletics track. This feature is still widespread in Asia, where the dependence on soccer for facility viability is not the same as in Europe.
- 7 of the stadiums have naming rights. This revenue stream, previously uncommon in this market, has developed notably in recent years.
- 4 of the stadiums have retractable roofs.
- Average capacity is 36,000 spectators.

Recommended market notes

The growth of the sports, multifunctional, and leisure and entertainment facility industry has been extraordinary in recent years, reaching new heights.

The development of projects and the construction of new facilities have spread all over the planet, reaching each community to a greater or lesser extent, and stadiums and arenas have become an essential part of the life of these communities. For this reason, it is important to learn about what's happening in all markets, where they are headed, and why.

The industry today is very large, which forces us to condense the analysis to the markets that set the standards in order to understand the overall market.

To this end, as an addition to the analyses of the main markets, we are going to give the most interesting recommendations, which will help to broaden the overall vision of the industry and of the markets around the world.

- **Tennis Stadiums**

Tennis stadiums are special facilities with enormous peculiarities that make them different from the rest.

First of all, they are always accompanied by other facilities and integrated into a sports complex - with other stadiums and/or courts - that directly influences the stadium design and the spectator experience.

The sport has a number of behavioral rules for fans, which have to be applied to the facility model. For example, the impossibility to move in the stands when a set is being played. Therefore, the proposals must include a design that contemplates an easy flow and does not affect the game, the comfort of the spectator, or the commercialization of the hospitality and food/beverage areas.

The layout of the stands is different than in the rest of the facilities - at least with the current general designs established, which can always change, of course. The seats on the ends, close to the court are those with the best view. The same is true for premium seats, where the boxes located in the front rows are the most in demand in most markets. They're even referred to as "master tennis boxes".

But we have some examples that propose the opposite - Arthur Ashe Stadium, Indian Wells, Miami, or Cincinnati. Tennis stadiums in the USA opt for the model established in other types of stadiums, such as football, baseball, or soccer, with boxes above the first ring.

Image 5: Philippe Chatrier Stadium, Roland Garros, Paris

Source: Doña, 2009. Own, unpublished archive.

The food and beverage offering is usually outside the stadium itself, integrated into the courts complex as a large continuous tailgating, which lasts all day throughout the games.

Regarding the relevance of these stadiums, we must also analyze their impact on the brand "city" where they are located. This is an increasingly tangible value that will be part of the project.

Image 6: USTA Billie Jean King, New York

Source: Doña, 2017. Own, unpublished archive.

- **Indoor arenas**

The world of entertainment, shows and leisure events has probably been one of the most expansive industries in recent decades.

The proliferation of concerts, family shows, and events of all kinds has multiplied their presence, demanding facilities that can accommodate them in the best conditions.

This has been key to the exponential growth of multifunctional indoor arenas internationally. The demands of the market, both in terms of quality and services, in order to offer the best experience and the best production, have led to the evolution of the facility model.

We have already analyzed the facilities in the U.S. market, which host NBA games. Now we are going to give some recommendations for new indoor arenas, which are causing the market to evolve, and that we should keep in mind:

- First Direct Arena, Leeds
- Rogers Palace, Edmonton
- Guangzhou International Sport Arena, Guangzhou
- Ülker Sport Arena, Istanbul
- Hisense Arena, Melbourne
- O2 Arena, London
- Mexico City Arena, Mexico City
- Arena Zagreb, Zagreb
- Mercedes-Benz Arena, Shanghai
- Zalgiris Arena, Kaunas
- SAP Arena, Mannheim
- Stark Arena, Belgrade
- Saitama Super Arena, Saitama
- Royal Arena, Copenhagen

- Perth Arena, Perth
- Direct TV Arena, Buenos Aires
- The SSE Hydro, Glasgow
- Philippine Arena, Victoria
- U Arena, Paris
- Ziggo Dome, Amsterdam
- Mercedes-Benz Arena, Berlin

- **Mexico**

The evolution of stadiums in Mexico had remained stagnant, despite having a great athletic tradition, especially of soccer. But, in recent years it has been moving forward towards new models.

This movement has also been reinforced by agreements to hold some NFL games in Mexican stadiums. It is a market that, although it's not new, we can consider as emerging.

Stadiums to keep in mind:

- Akron, Guadalajara
- BBVA Bancomer
- Azteca, Mexico City (renovation)
- TSM Corona
- Cuauhtémoc, Puebla

- **Australia**

The most outstanding value of stadiums in the Australian market is the multifunctionality, due to the fact that they host a variety of sports with high average attendance, like cricket, Australian football, rugby, soccer, etc.

Virtually all stadiums are home to more than one competitive sport, giving them a great deal of operational experience.

The quality of the stadiums in Australia is high, as is the investment. The Australian market is one to follow due to its figures and special characteristics.

Stadiums to keep in mind:

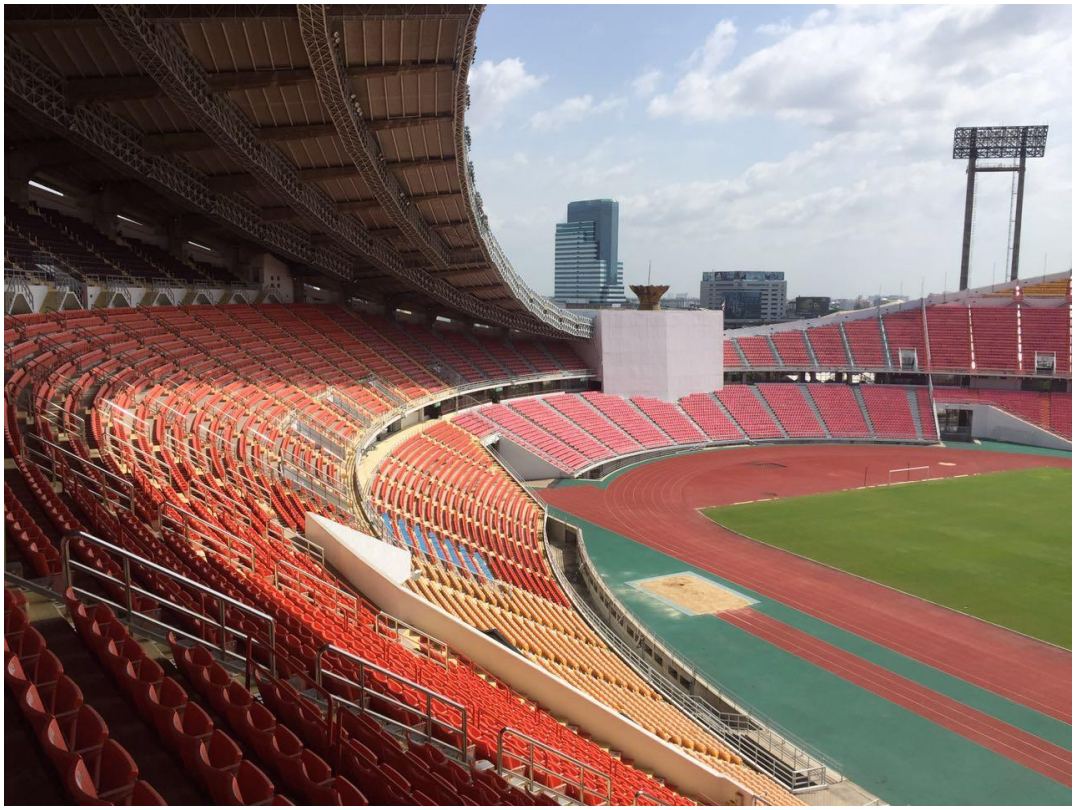
- Optus Stadium, Perth
- Adelaide Oval, Adelaide
- ANZ Stadium, Sydney
- Marvel Stadium (formerly Etihad), Melbourne
- Melbourne Cricket Ground (MCG), Melbourne
- Sydney Cricket Ground, Sydney
- Suncorp Stadium, Brisbane

- **Asia**

The Asian continent has a large number of stadiums, which are characterized by a small variety of models.

Beyond those already discussed in the course, we find a common stadium format that includes fairly old stadiums, many of which have an athletics track.

Image 7: Rajamangala National Stadium, Bangkok



Source: Doña, 2016. Own, unpublished archive.

Only China has a number of new stadiums, built on the wave of the last decade, but it is a continuous repetition of the model, with an open oval design, an athletics track, and a non-existent commercial proposal.

Despite its size, this market hasn't set new standards in the sports facility industry in general.

Even so, in addition to those already analyzed, there are some worth noting that stand out from the rest:

- Singapore National Stadium, Singapore
- National Taiwan Stadium, Kaohsiung
- Shenzhen Universiade Sports Centre, Shenzhen
- Nanjing Olympic Sports Center, Nanjing
- Shenyang Olympic Sports Center, Shenyang
- Teda Football Stadium, Tianjin

- **South America**

South America is a market blocked by general economic conditions, but also by a lack of investment planning.

Another element that affects the market is the widespread violence in the leagues with the greatest potential, which hinders the emergence of new investors and brands to support the projects.

Unfortunately, it's a big opportunity loss because the potential of the clubs in some countries is at the top international market level.

The World Cup in Brazil, as we've already seen during the course, didn't help the model change much either, leaving more white elephants than successful stadiums.

There are great stadiums in terms of atmosphere and history that are very old and have many limitations for the implementation of a new business model, beyond the problems already mentioned (eg: River Plate's A. Vespucio Liberti Stadium - El Monumental; Boca Juniors' Alberto J Armando Stadium - La Bombonera; Sao Paulo FC's Estadio Cicero Pompeu de Toledo - Morumbí), but we are going to highlight those that can somehow change the pace of the market a little and bring something new:

- Allianz Parque, Sao Paulo
- Arena do Gremio, Porto Alegre
- Arena Corinthians, Sao Paulo
- Estadio Campeón del Siglo, home to C.A. Peñarol in Montevideo. It is a new stadium that is very far from market standards, but interesting for how it paves the way for new projects in a market like Uruguay.

- **Africa**

The economic situation in Africa does not allow for market development, like so many other things, which are much more of a priority.

Except South Africa, which has a collection of "white elephants" as a negative consequence of the 2010 World Cup, there is practically nothing new to highlight in recent years.

The established pattern is old stadiums with athletics tracks and no elements of comfort, similar to patterns from the 1970s. Only Nigeria has a new facility, but it follows the same model.

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