

DELIVERING A NEW ERA IN SPORTS, LEISURE & ENTERTAINMENT COMMERCIAL SURVIVAL. COMMUNITY GAIN

In mid-March 2010, industry professionals from the sports, leisure and entertainment sector across the Nordic region (and beyond) gathered at the Sheraton Stockholm for the inaugural Nordic Venue Forum.

With the sun shining and the 'Winter Blues' behind them, the international audience settled in for two days of debate, discussion (and occasional disagreement) about the current state – and the future direction – of the region's sports and entertainment facility sector.

Here are a few notes relating to the discussions at our first Nordic Venue Forum. They are offered not as a direct transcript but as a snapshot of the key ideas and innovations that we exchanged. We hope they are of use now... and for future reference.



NEW DESTINATIONS

Opening the inaugural Nordic Venue Forum – and looking at the big industry trends – was tasked to Bob Newman (below), COO of AEG Facilities. The growth of AEG Facilities has been quite remarkable. The division was only launched on 1 Feb 2007, with four buildings, and today has some 110 facilities within its operations. Annually this equates to some 42 million guests and 6,200 events around the world.

"We have 860,000 seats to fill daily," explained Newman. "AEG is not alone on this path: our industry has been on a remarkable growth trend in the last decade.

"We have not only to meet expectations but to beat expectations – those of our sponsors, our guests, our artists. In fact, we are in the real estate business," says



Newman. "Like a shopping mall, our buildings thrive in foot traffic. We have 100m eyeballs in our buildings every year..."

"In some of our buildings we have been re-inventing real estate. For example, we have converted a space in the Staples Center into a nightclub – not just any

- Embrace change;
- Look at your 'touchpoints' – where your guests interact with your staff, your facility and your sponsors;
- Think life-cycle: Events drive traffic, traffic drives sponsors, sponsors drive events.



"We are in the real estate business... Our buildings thrive on foot traffic"

nightclub but now one of the most sought-after spots in Los Angeles."

"How do we take the next step? Well, we become destinations. But this needs vision, investment and passion."

Newman concluded with some key fundamentals of 'destination delivery':

DRIVING FOOT TRAFFIC

Ninna Engberg, managing director of Stockholm Globe Arenas (operator of the famed Ericsson Globe facilities in the city and now part of the AEG Facilities family) continued the theme of 'destinations'.

She said that there had been a change of culture at Stockholm Globe Arenas – from being a city institution to becoming part of a US-based entertainment group. It is a change that she is relishing.

"Instead of having just one partner, we now have two great partners – the City and AEG," she said. "Both of whom are



A new commercial focus, driving visitor numbers to the goal of being 'the capital of Scandinavia'

committed to building on the history and success of Globen City."

Today, Stockholm Globe Arenas' grouping of four facilities and three key tenant teams attracts over 1.4 million visitors and 300 major events a year. In 2012/13 the facilities will co-host (with Finland) the IIHF Ice Hockey World Championships. The organisation has a renewed commercial focus aimed at driving visitor numbers and reinforcing Stockholm City's branding objectives to be 'the capital of Scandinavia'.

"We are the leading North European sports and entertainment district," explained Engberg (above), herself a former TV and media executive. "The business has changed and we are changing with the business. For example, we have introduced commercial sponsors – something that is relatively new in Sweden."

Commercial considerations are also driving decisions to refurbish and enhance the original Globe Arena design. Under-utilised media sections in prime locations are being swapped-out for suites, with the media being relocated to less valuable 'real estate'. A new VIP ticket package is on offer, alongside new and refurbished suites.

VISITORS WITH A VIEW

The latest initiative is the SkyView – a gondola ride which rises along the dome of the Ericsson Globe, offering 360° views over Stockholm. The ride is part of a strategy to drive more 'foot traffic' and, in its first

months of operation, had already attracted over 20,000 visitors. Conservative forecasts are for 120,000 guests per annum – to a ride that cost about €7m to install.

Next on the destination agenda is the new Stockholm Arena – a 30,000 capacity, retractable roof, football stadium (for Hammarby FC and potentially other teams) with a capacity of up to 45,000 for concert and on-pitch events. The new facility is set to open for the 2012/13 football season.

"The new Stockholm Arena is a statement by the city of its intent to be a world-class sports and entertainment destination," concluded Engberg. "We are aiming for 45 events and an additional 750,000 visitors each year."

ONE CITY. TWO STADIUMS

The opening session concluded with a presentation from Christian Alexandersson, CEO of ArenaStaden, the developers of Swedbank Arena - Sweden's new national arena for football. He announced that construction of the largest stadium in Scandinavia was now underway on the outskirts of Stockholm.

"We want to lead the entertainment industry. And we aim to be profitable from day one!"

"We have not had a multi-functional stadium before in the country," explained Alexandersson. "And we aim to be profitable from day one!"

He went on to announce that they had signed a deal with ISG (part of IMG) to sell the premium seats and suites, in order to help finance the new stadium.

"We want to lead the entertainment industry," concluded Alexandersson (below).

But many in the audience questioned how a relatively small market like Sweden would cope with the arrival of two multi-purpose stadiums in the same city, in the same year? A significant factor in these stadiums' financial viability rests with the city's other two football clubs who have yet to decide where they will play.

After all, we are reminded again, it's all about content and a second – or even a third – team will deliver more calendar events and many more customers.

LESSON FROM THE UK

After coffee, the delegates were exposed to some case studies and experiences from the UK sports and entertainment sector. Dougal Nichols of pmpgenesis explored 'models for delivery' of community stadiums and sports facilities. Despite the current economic challenges, the UK's commercial leisure sector was still thriving and many local authorities are looking at what Nichols called "community stadium-





“There is a new stadium business model: it’s a ‘co-creative approach’”

ICE TO CONVENTIONS

Next up was Geoff Huckstep, Chief Executive of the TrentFM Arena and National Ice Centre in Nottingham. Exploring in detail the financing of the arena facility – which was ‘debt-free’ from the outset – he explained how the shows, concerts and major events generate the revenues to subsidise sports participation, particularly with regards to ice sports.

Today, with a combined turnover of £7.3m, the venues welcome over a million visitors, 250,000 ice-skaters, 270 conferences and 143 events each year.

A key to its success has been building relationships with promoters (who, we were reminded are primarily “motivated by money”) and securing a regular run of major concert artists.

“Today, our skating events are in effect the largest youth club in the East Midlands,” explained Huckstep. “These are our next generation of customers.”

Such is demand for ‘ice time’, the management team are now looking to add a third ice pad to the facilities. And the team has embraced a new focus on becoming “the convention centre of the city and the East Midlands” by targetting major congresses, meetings and exhibitions.

A TEAM OF ONE

Jarmo Koskinen opened up the casebook on Finnair Stadium, the national stadium of Finland and, opening in 2001, the first multi-purpose soccer stadium in the region.

The challenge for the stadium was how to survive financially in a small market,

plus”: where a new stadium not only provides for sports teams and clubs but also adds other services, both social and commercial.

One of the challenges was not only estimating current demand for services but to determine future demand for new services, over the building’s 20-year lifecycle. His collection of case studies – from Warrington Rugby League stadium and Falkirk FC, through to Galpharm Stadium and KC Stadium – included a diverse range of ‘enabling options’ that were added to the sports and leisure plan. These included education facilities, hotels, museums, council offices and retail parks – all with the key aim of ‘sweating the asset’, i.e. delivering more people, more events and thereby more activity.

He concluded that such stadiums should not be part of “unreasonable ambition” but, with a holistic, comprehensive approach to planning, could be “a catalyst for change.”

CREATIVE VENUES

The ever-articulate Terry Stevens began with an attack on ‘island stadiums’ (new stadiums that were developed in isolation

from their communities), reasoning that these were not true destinations but out-of-town, often dreary experiences. With the [Rise of the Creative Classes](#), Stevens argues that stadiums need to do more.

“All stadiums do the same thing,” he stated. “But do they have to? I believe there is a new business model – what I call a ‘co-creative approach’, where sports, arts, culture and community ambition collide in a building. That, to me, is the key to a successful modern stadium.”

Stevens’ casebook of examples of ‘co-creative facilities’ included:

- Mercedes-Benz’ sponsorship of not just a building or a business, but of the entire community of Kitzbühel (a high-class ski resort that brand-matches the ambitions of up-market car vendor);
- Cardiff’s use of its Capital of Sport 2009 tag to create community events and international branding as a destination;
- MK Dons stadium in Milton Keynes – a much-maligned ‘new town’ in the UK. Here the stadium’s outer cladding features a ‘ring of steel’ with a photo of every person in Milton Keynes. In this example, art becomes community and community becomes art.

with a short playing season.

"We started well, with more than 70 events at year, each attracting more than 2,000 people," explained Koskinen. Then came the 'OK years' with around 50 events a year, but then there were the 'close to disaster' years with just 30 events!

Average spectator levels were just 30% of total football capacity and the stadium had a difficult financing model that left it with very few income streams.

"Everything was outsourced. The stadium management team consisted of just a single person!"

In order to survive, the adopted management ideology could be summed up as "lights on/lights off" – with the stadium effectively closed on non-event days and closed completely for the six winter months of each year. In order to cut costs and balance budgets, everything was outsourced and the stadium management team consisted of just a single person, who was Koskinen. It was possibly the most extreme form of sports facility outsourcing ever.

"Why, for example, should we buy ladders which we use only twice a year? So we rented them," observed Koskinen.

A big challenge was the poor quality pitch – and the costs of maintaining it. Synthetic turf provided a solution, and allowed more playing time, fewer costs and more flexibility towards concerts and other non-football events on the pitch. His conclusions were that:

- Stadium design and lifecycle and 'lifestyle' (usage) should be connected (i.e. this stadium really should have

been designed with a complete roof!)

- Outsourcing may be the only way to cover finance and operating costs.
- Such cost-efficient operations are not a long-term solution to venue success.

FINNISH ICE FINANCES

Koskinen left Finnair Stadium in 2007 and concluded his presentation by highlighting his work in his current role as Commercial Manager of the Finnish Ice Hockey League. He explained that the 14 teams in the league generate a combined turnover of €75m last year but a collective loss of around €4-6m each year.

Some 40-50% of league revenue comes from ticket sales, with just 10% from TV rights. Over two-thirds of expenses were on player payroll. However, teams were starting to invest in Skyboxes and hospitality areas.

"Two or three years ago there were very few Skyboxes but now teams are seeing their importance," explained Koskinen. He said that sponsorship contracts were increasingly focused on hospitality (and not, as they used to be, on just adverts/signage).

Secondary spend at arenas was low and season ticket income was decreasing. He said the typical hockey business fell into one of three categories:

- Benefactor (who loves the team and covers the losses);
- Living within your means (where the owner was balancing the budget);
- Subsidy (where the owner's other interests were covering the losses).

A sustainable business model for a Finnish ice hockey team is hard to find but, said Koskinen, the league is working on new revenue streams and sponsorship deals.

PRACTICAL HOSPITALITY

A lesson in practical stadium financing and operations was presented by Ulrik Ruhnau

(below) of SportFive. Under the theme "Maximising Profitability of new Stadiums", Ruhnau argued for more 'demand-based planning' where the actual market conditions were used to design the stadium's capacity and commercial offers. He argued that still too many stadiums were being built without the correct research and planning.

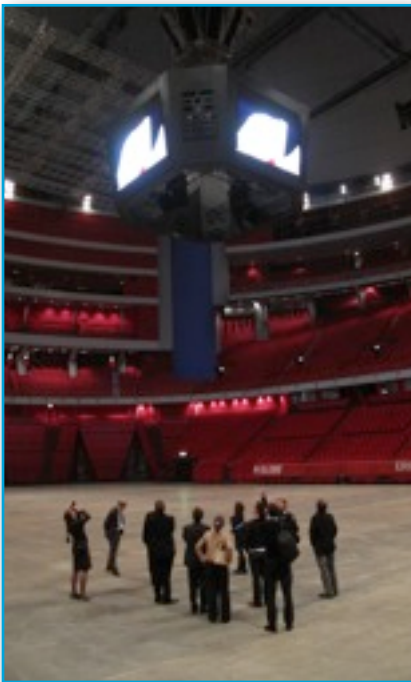
Stadium construction costs typically fell into three categories:

- Entry-Level stadiums (smaller capacity, basic facilities) at ≤€2,500 per seat;
- Functional Stadia (like Cologne, Hannover with larger capacities, mixed facilities) at €3,000-5,000 per seat;
- Luxury Stadia (with retractable roofs, lots of high-end hospitality, strong design) at >€5,000 per seat.

Ruhnau warned that although 'multi-functional' design was always desirable, often it did not make economic sense, i.e. the direct investment in a retractable roof is not always recovered via more events.

He concluded that hospitality is the key revenue stream but ONLY if it was planned correctly. SportFive's Hospitality Potential Index rates the following criteria in defining the potential returns: Local economic factors (80%); Club performance (12.5%) and 'Fan potential' (7.5%). Other key considerations were cultural differences and the 'hospitality perception factor'.





Citing the example of HSV Hamburg football club, where SportFive has grown revenues from €3.7m in 97/98 season to over €48.1m in 08/09, Ruhnau concluded:

- Football Clubs without a modern stadium infrastructure are not competitive in the mid-term;
- The quality of pre-planning determines the stadium profit or loss in long run;
- Due to a lack of know-how, insufficient planning and marketing, stadia are still not fulfilling all the needs of the different user groups;
- Architecture should follow functionality – not vice versa .

BALANCING ACT

The conference concluded with a panel discussion on the challenges of operating public (and commercial) sports facilities in Denmark. Idan's Henrik Brandt chaired the session, which had three expert panellists: Jakob Sander, CEO, Vejen Idrætscenter; Peter Kjærgård, CEO Atletion NRGi Park in Århus) and Brian Mollerup, entrepreneur, former team owner and backer of the 'Copenhagen Multiarena' project bid.

"The real challenge in Denmark is that sport is often considered social welfare, rather than business," noted Brandt. "Top sport in Denmark is a relatively small and difficult business with limited potential outside football. Municipalities are always part of the set up in one way or another.

"But, the real question is, can sports clubs under huge financial pressure and municipalities, who are barely able to charge for facilities, run commercially-driven venues with success in other business areas?"

The conclusion? Well, it's unlikely that (privately-financed) stadiums could be run profitably but, through a variety of methods, it is possible for clubs to run facilities that meet their team's needs and, at relatively low cost, also serve their communities.

The real challenge in Denmark, it seems, is to add to a culture of sports participation to a new culture of 'sports consumption' in terms of spectator experiences and consumer choice.

FAREWELL FAST FOOD

On the panel Vejen's Jakob Sander explained that in a provincial town of just 10,000 people, he had overseen the growth of visitors from 200,000 in the Nineties to over 800,000 last year. The sports centre enjoys a strong 8km-wide catchment area

and had seen turnover rise from DKr6m to over DKr28m last year. The facilities are at the heart of the community, but are also marketed to national and international sports organisations to host sports events.

"We removed all 'fast food' from the facilities – and then even recorded an increase in catering spend!"

Sander noted that the centre had taken the radical step of removing all 'fast food' from the facilities – and, despite this, had recorded an increase in catering spend.

Peter Kjærgård, CEO of sports organisation and private facility operators Atletion in Århus, explored the synergies (and the mixed demands for usage) between amateur, elite and commercial sports operations. With the operator's current contract with the municipality up for negotiation, Kjærgård explained that it was important to find out what the city authorities wanted from their facilities.

Brian Mollerup added his insights into taking a small town team (in this case his Slagelse DT women's handball team) to the



top of its sports league – and how that impacts revenues and visitor numbers.

SKYVIEW EVENING

After a day of discussion, the delegates were hosted by Stockholm Globe Arenas at the Ericsson Globe. Ninna Engberg and Brian Kabatznik of AEG Facilities, were on hand to welcome the delegates. Groups toured the arena with lots of answers to probing questions available.

Highlight of the evening was a ride for all on the stunning, new SkyView – the gondola ride that rises over the roof of the Ericsson Globe and offers 360° views over lovely Stockholm. At first hand, we all had a lesson in driving ‘foot traffic’, clustering activity and creating destinations out of

Relationships with key concert promoters are vital if you want to be: “a factory for happy promoters”

venues (even older ones!).

LESSONS IN THE ARENA

Mika Sulin, a former senior executive at Nike and one of the pioneers of the development of arenas in Europe, opened the second day of discussions with insights into [What I learnt developing arenas!](#)

In what was a “no holding back” review of many projects that Sulin had been involved with or had advised on. If you weren’t there, then you really missed out on valuable insights, experiences and lessons in the development of sports venues.

From Helsinki’s Hartwall Arena through to feasibility studies for a proposed arena in Madrid, Sulin talked of the challenges of finance and operating structures, the need

for content and the joys of opening nights and business success.

Here’s Mika Sulin’s wish-list for a successful arena:

- State of the art venue for multisport entertainment and business events, designed by experienced teams;
- Wide scale of content – 120-150 events per year;
- Large scale of catering, hospitality & other revenue streams;
- Easy and fast access and departure for events & customers;
- High-tech / low cost to operate;
- Security cannot be compromised;
- Strong outsourcing concept;
- Steady financial model;
- Strong branded umbrella of products & services;
- Non-event day operations and revenue is important.

GROW YOUR EVENTS

Content (aka events) was also the theme of Patrik Meyer’s presentation. Meyer, CEO of Frankfurt’s Commerzbank Arena and Managing Director of TSP (The Sports Promoters). Meyer took the audience through a slideshow of sports, entertainment and other programming for major venues. Imagination and inspiration were the common hallmarks of the range of events on show.

Handball and boxing were showcased in stadium settings. Corporate conferences occupied the playing field at other stadiums. Big screens were used for ‘beam-ins’ of other live events. Ice-football (with special boots) was played in some arenas. Stock-car racing was possible in some arenas and



The challenges of finance and operating structures, the need for content and the joys of opening nights

even new TV programmes were providing new stadium content (such as the "Arena of Heroes" show on German television).

Commerzbank Arena, said Meyer, aims to be "a factory for happy promoters" as he emphasised the importance of relationships with key concert promoters. His advice to help grow content was:

- Know your promoters;
- Use your spaces creatively;
- Use your pitch;
- Use your brand and popularity;
- Don't focus just on summer;
- Watch TV (for new ideas)!

FROM LOSS TO PROFIT

Next up was Shane Chalmers, General Manager of Keepmoat Stadium in Doncaster, UK. Shane recounted the history and 'turnaround tonic' for the stadium that began life as a visionary concept but started to lose money as soon as it opened.

His presentation – entitled "When the business was just a dream, and you wake up to reality" – was a clear lesson in modern stadium development. Keepmoat Stadium, a local authority-owned, sports and leisure development, lost over £1.9m in its first 18 months of operation. Chalmers was hired to turnaround its fortunes. On arrival he discovered a business that did not match the consultants' pre-construction projections, coupled with excessive staff and operating costs, and poorly drafted legal contracts between the users and owner. With the help of external advisors, the business was re-engineered.



"Good consultants are worth every penny," said Chalmers. "But finding good ones is the difficulty!"

By applying realistic projections and pragmatic business decisions, the stadium is now in the black – and no longer a perceived burden to the council nor the local residents of Doncaster.

"We now have 'one team, one goal' at Keepmoat Stadium," says Chalmers. "And the business is looking up."

OUTSOURCING SUCCESS

"Nobody is brilliant at everything," was the philosophy applied by Daniel Gidney, CEO of Ricoh Arena in Coventry to his outsourcing challenge. In four years, Ricoh Arena's multipurpose stadium sports, entertainment and exhibition spaces have welcomed more than five million visitors.

Last year, Gidney signed a multi-service outsourcing agreement – valued at over £120m – with Compass Group. It is the largest single contract of its kind in the leisure sector and more akin to a PFI-style contract for public services.

"I prefer to think not of outsourcing but of partnering. The focus cannot be just cost-cutting. That's where many get outsourcing wrong," explained Gidney, as he described the ins and outs of the contract. "Everyone in the team is 'Ricoh' and, as such, reputation protection is key."

EXPERIENCING THE FUTURE

Bernt Ericson, formerly of Ericsson and now with Innovation Impact, explored the role that technology can (and will) provide in future sports venues and events.

In a light-hearted presentation – that moved from 'moose milk' and fog screens through to embedded chips and body sensors – Ericson encouraged venue

"I prefer to think not of outsourcing but of partnering. The focus cannot be just cost-cutting. That's wrong"

operators to think creatively when it comes to using technology to reach and to engage with audiences. In his Arenovation project, Ericson was applying remote sensors and display boards to encourage audiences to gather and experience an event, outside of the traditional venue walls.

"Being born in the Forties, I can tell you that technology is not just for the youngsters," enthused Ericson. "But remember you are always competing with one problem: Is the event experience better at home?"

This was followed by the quick-fire Innovations Showcase which featured six

“You are competing with one key problem: Is the event experience better at home?”

new ideas, that could change the way we operate venues. The presentations were:

- Newmarket International – with its Delphi software to help drive revenues in hospitality and catering areas;
- Payment Solution – with contactless payment cards to enhance customer service and improve performance (with a showcase of its installation in the Donbass Arena in Ukraine);
- Daktronics – with a range of LED and video boards to suit all venue types and temporary installations;
- Qbrick – presented by hockey legend Ulf Nilsson – with its ‘broadcast in a box’ WebTV product that could turn your arena into an instant TV station;
- Signature Flooring – with its Event Deck portable flooring system that is gaining ground in Europe;
- Tracab AB – with camera-based tracking systems that can enhance any sports or entertainment experience by providing real-time stats on what’s happening on the field.

LAST STOP - THE PLANET

The task of closing the inaugural Nordic Venue Forum was handed to Karoliina Rajakallio, Head of Green Building and Sustainability Consulting at Pöyry of Finland. Her talk was entitled “Eco-friendly arena - does a carbon footprint give an answer?” and she took the audience through a series of challenging questions about the environmental impacts of sports venue developments and construction. Her



checklist for action was as follows:

- Make your business accountable;
- Build sustainability into the entire operation;
- Learn from the past;
- Offsetting does not offset;
- Think about ‘Carbon footprints’.

“Why does it matter what we do with our arenas and stadiums?” asked Rajakallio. “Well it does – because the world is watching.”

THANK YOUs

And so concluded the inaugural Nordic Venue Forum conference. Two days of debate and discussions, insights and inspiration – all with the aim of creating and operating sustainable, exciting and (hopefully) profitable sports and entertainment venues.

As Bob Newman reminded us: “This is a new business and we need friends.” So, on that note, thanks to all our speakers and our sponsors for making the event possible. Of course, it’s good to exchange ideas – and even better when we can generate revenues, improve business or create more enjoyable venue experiences as a result.

Thanks also to Henrik Brandt and all at Idan for helping us along the way. And to

Lau for helping out on-site. We look forward to working with them for next year’s event and beyond.

And our big THANKS to other key partner – AEG Facilities. Bob Newman gave up some of his precious time to share his thoughts on where the industry has been and where it’s going.

And, of course, our generous hosts at Stockholm Globe Arenas. Ninna and her team weren’t sure who or what to expect from the first Nordic Venue Forum group but, like true venue professionals, they opened their doors and showed their professional hospitality.

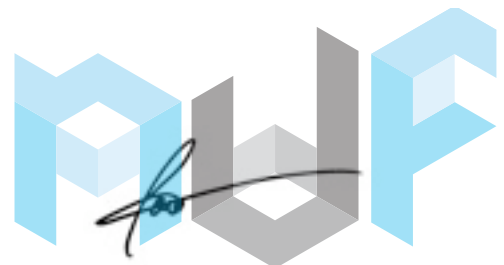
We wish them all the best with their new stadium – and the exciting SkyView ride. We are honoured to have been some of the first to enjoy the experience. Long may the ‘foot traffic’ continue to grow.

And thanks to our conference angels – Angelina and Cynthia – for pulling together all the diverse ideas and contacts!

GOING FORWARD

We look forward to seeing you at the next Nordic Venue Forum in 2011. If you have any suggestions or ideas then please do get in touch with me directly.

Thanks again for supporting the first Nordic Venue Forum. Here’s to the next!



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