
MANAGING FOOTBALL STADIA FOR ECONOMIC SUSTAINABILITY: FIRST RESULTS OF A SURVEY OF GERMAN STADIA STAKEHOLDERS DOWN TO THE FOURTH DIVISION

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All authors:

Daniel Gruber (corresp), Markus Kurscheidt

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Synopsis:

The FIFA World Cup 2006 triggered a first wave of football stadia modernization in Germany followed by two further waves down to the fourth division worth of billions of Euros. Lately however, a number of minor league clubs suffered from financial distress due to stadium projects. Therefore the study empirically investigates determinants of economic sustainability of new stadia. A current sample of N=70 stadia consists of surveys of stadium owners, operators and home teams. The early results confirm the vicious circle for small clubs in leveraging private funds for stadium investments.

Abstract:

AIM OF ABSTRACT/PAPER – RESEARCH QUESTION

FIFA World Cup 2006 boosted an unprecedented modernization of stadia in the top tier of Germany's football club locations amounting to a total investment of 1.8 billion € (Kurscheidt, 2009). Yet, this was just the first wave of stadium modernization. Subsequently, the competitive pressure led nearly all clubs and cities of the top leagues to invest in their stadium. The key reason was that the new type of stadia with higher comfort and hospitality areas represented such a considerable shift in quality that matchday revenues typically triple (Feddersen, Grötzinger & Maennig, 2009). The major driver of the additional income are the business customers, usually accounting for just 5% of the attendance but generating up to 50% of matchday turnover. Ultimately, also ambitious clubs of the second down to the fourth division were not competitive anymore without a modern stadium which induced a third wave of stadium construction. The financial risk of stadium investments in the lower divisions however is much higher because, first, the cost-return relationship is not constant when the stadium size decreases. Second, demand uncertainties are higher in the minor leagues and relegation, for instance, may blast a financing model. A number of smaller clubs in Germany therefore suffered from severe financial distress due

to stadium projects. Thus, this raises the question which constellations and key determinants explain empirically the success or failure of stadium projects and how to raise the management efficiency for a long-term economic sustainability.

THEORETICAL BACKGROUND OR LITERATURE REVIEW

Along the mentioned waves of stadium construction in Germany during the last two decades, three major developments were significant: First, due to the higher quality requirements, the construction costs literally exploded. Second, public funds were less available due to tighter budgets and a stricter control of subsidies according to European law. Third, given the continuous growth of revenues in professional football, the legitimacy of subsidies was generally challenged. Therefore, the relevant literature basically focuses on the financing of stadia and the economic impact as a rationale for public funding. For instance, Feddersen et al. (2009) analyse the regional impact of a couple of German stadia whereas Ahlfeld and Maennig (2010) investigate the more local effect of stadium construction on land values for the case of Berlin. Kurscheidt (2009) performs a national and long-term cost-benefit analysis of stadia investments at the FIFA World Cup 2006. Overall, the conclusion of these studies is that private beneficiaries should contribute more to a public-private financing of stadia. Rebbegiani and Witte (2007) hence discuss for selected case studies how to leverage private funds in such mixed financing models. However, a broader empirical design and stakeholder surveys to derive scenarios for the economic sustainability of stadia are still missing in the literature.

METHODOLOGY, RESEARCH DESIGN AND DATA ANALYSIS

The present study addresses this lack of research in line with the life cycle costing-theory of real estate projects (Woodward, 1997). Based on this approach, a business model for football stadia is derived whose key drivers are operationalized in three distinct questionnaires (as pdf-forms) for stadium owners, operators and the home teams. For a sensible sample on the German stadium market, the statistical population is defined by 146 stadia and 167 home teams of the top four men's divisions plus the first women's league. All respondents were contacted personally by phone or e-mail and reminded. Currently, the response rate is 56% (63% owners, 56% operators, 47% home teams) with a total of N=70 complete datasets per stadium case and ongoing field work. In addition, secondary data on the locations (inhabitants, GDP etc.) were gathered. For the time being, the data analysis with Stata is descriptive and multilevel.

RESULTS, DISCUSSION AND IMPLICATIONS/CONCLUSIONS

First results at this stage confirm the obvious hypothesis that the lower the league division the more stadia tend to be both owned and operated by municipalities rather than by private investors or clubs. Less expected is the finding that the occupancy rate of stadia seems to be the dominating determinant of economic sustainability which, in turn, correlates significantly with the league division. Hence, the global data analysis underlines the vicious circle of small and minor league clubs. Without a lucky sporting momentum (e.g., an unexpected promotion), it is difficult or even impossible to leverage substantial private funds to invest into the future. Further detailed data analyses will show whether there are best-practice constellations anyhow that might trigger a strategic process of catching-up by modernizing the stadium infrastructure.

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