

THE ECONOMIC BENEFITS OF MULTI-PURPOSE ARENAS AND STADIUMS ON CITIES

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Multiple-Purpose venues for the future

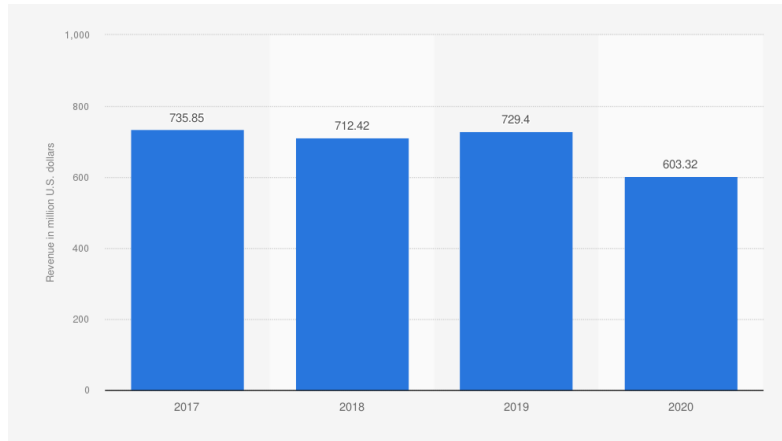
Building sports stadiums and arenas, particularly with the use of public money, is often justified on the grounds of economic contributions to the local economy. From creating jobs to developing infrastructure, arenas are sold to the public as a smart investment. However, a number of recent studies questions this. Roger Noll, a Stanford economist, goes as far as to say that sports stadiums do not generate enough profit and do not fuel local development as expected. Sports arenas used for the singular purpose of a particular sport are inflexible in practice as thus not a sound investment. The profitability of these facilities to their community is forecasted to worsen in the future. The pandemic demonstrated the vulnerability of venues in general and the need for diversification of income. Simply, sport stadiums are not used enough to produce a significant economic benefit in an unpredictable world and therefore justify the spending and their very existence.

In response to criticism, a new business model emerged that turns sports stadiums into versatile urban spaces extracting profit from other sources than sports-related events. Flexible use of space fits the modern circular economy and has proven a highly successful strategy when well-managed. Today, it is critical to viability of sports venues to open up and move beyond the traditional function of these facilities. The multi-purpose nature of large arena has been embraced by governments of cities and countries alike.

To illustrate the case, Madison Square Garden, the world's most profitable sports stadium, recorded \$729 million revenue in 2019. It recorded revenue of over \$173 million for concerts alone (Schmidt, 2019). During the pandemic, the revenue dropped to \$603 million in 2020 and \$416 million in 2021 (Macro Trends, 2023) (see Figure 1).

Figure 1 Madison Square Garden Revenue 2017-2020

Source: Statista, 2024



However, the venue recovered quickly and produced a record revenue of \$887.4 million in 2023 (Macro Trends, 2023).

The **Crypto.com Arena** (previously Staples Center) in Los Angeles, the world's most profitable sports stadium, has a relatively small number of seats - 19,067. Yet, its revenue overcame the **\$100m threshold** in 2014-15. In 2019, the Crypto.com Arena recorded revenue of \$57.3 million from concerts alone (Dhingra, 2019). Despite the pandemic, the arena started to undergo an extensive multiphase renovation and expansion in 2022, due to be completed in 2024. This highlights the important economic role of sport arenas as a source of growth, despite the necessary high investments needed.

Europe's most successful stadiums do not come near the effectiveness of their American peers (see Figure 2)

Figure 2 Europe's highest earning stadiums

Stadium	2014/2015 Revenue (in €)
1. Emirates Stadium	132m
2. Santiago Bernabeu	129.8m
3. Camp Nou	116.9m
4. Old Trafford	114m
5. Stamford Bridge	93.1m
6. Allianz Arena	89.8m
7. Parc des Princes	78m
8. Anfield	75m
9. Etihad Stadium	57m
10. Signal Iduna Park	54.2m

Source: Deloitte

Nevertheless, European multi-use venues have learnt to extract additional profit from a range of activities from concerts to hosting conventions. The O2 arena, Europe's busiest venue, generated revenue of \$134.8 million in 2017 (Sylt, 2018) (see Figure 3). After the pandemic, the arena broke records with ticket sales following the diversification of income strategy. The arena sold 2.3 million tickets in 2022, which is a 9.3% increase in year-on-year ticket sales since 2019, excluding Covid years (Paine, 2023). 2023 was another record year with 2.5 million sold tickets (Paine, 2023).

Figure 3 O2 Arena Revenue 2002-2017

	2017	2016	2015	2014	2013	2012
Revenue	£96,712,000	£83,577,000	£80,505,000	£68,465,000	£66,604,000	£62,814,000
Net profit	£33,450,000	£29,529,000	£11,381,000	£20,028,000	£13,469,000	£15,517,000
Dividends	£23,500,000	£63,371,000	£36,890,328	£171,500,000	0	0

	2011	2010	2009	2008	2007	2006
Revenue	£59,955,000	£55,132,000	£60,269,000	£53,021,000	£26,752,000	0
Net profit	£11,489,000	£1,132,000	£11,957,000	£15,587,000	-£9,700,000	£1,285,000
Dividends	0	0	0	0	0	0

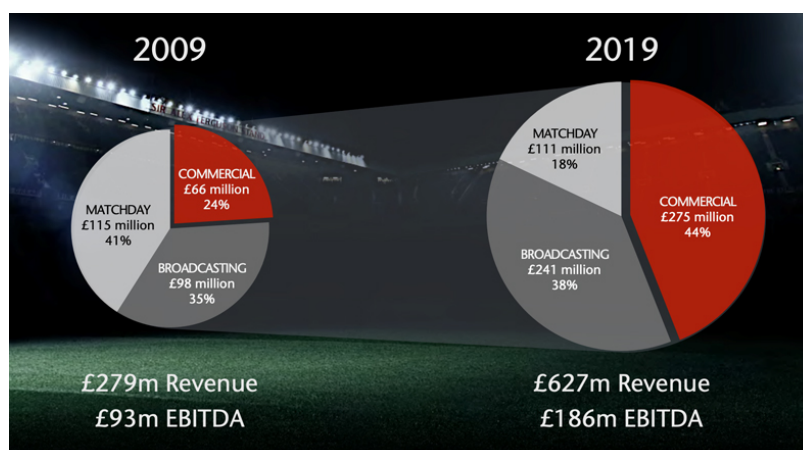
	2005	2004	2003	2002	TOTAL
Revenue	0	£1,250,000	0	0	£715,056,000
Net profit	-£4,413,000	-£2,595,000	-£1,602,000	-£395,000	£146,119,000
Dividends	0	0	0	0	£295,261,328

Source: Sylt, 2018

Staging sports events only is no longer viable. For a stadium to be sustainable, it needs to embrace multiple functions. This understanding drives the recent wave of renovations of sports arenas in Europe. This demonstrates that multi-purpose venues are considered not just an important source of revenue, but also a tool of post-pandemic recovery. After renovation that requires an investment of 1.6 billion EUR, the Camp Nou in Barcelona is expected to bring 346 million EUR in revenue from the sport events alone (Greenberg, 2023).

The example of the business model of Manchester United, the owner of Old Trafford stadium, is another shining example (see Figure 4).

Figure 4 Manchester United Business Model



Source: Manchester United, 2019

The direct revenues from sporting events have decreased dramatically over the last decade. Other commercial uses, including hosting events and concerts, have become the primary source of revenue. Following the pandemic years, revenues had reached £648.5m in 2022-2023 (Powell, 2024) which is a slight increase from 2019. The development shows the resilience of these venues in the face of unprecedented challenges.

Positive social and community impact of multi-purpose sports arenas

The prosperity of sports venues is critical not only for the owners of the venues themselves, but also for cities in which the venues are located.

Multiple-purpose venues are more versatile and attract people throughout the year. These arenas expand the venue's target market beyond sports fans, thereby increasing their own revenues as well as boosting economic benefits to their surroundings. Multi-purpose stadiums are proven to sustain local economies and spur re-generation and urban re-development of cities by increasing visitor flows.

Nashville's prime venues, Nissan Stadium and Bridgestone Arena, illustrate the scope of the economic impact that multi-purpose arenas have. Between 1997 and 2005, they generated an expenditure of \$301,818,000 for non-sporting events. More recently, Bridgestone Arena generated an annual economic impact of \$676 million in 2019 (Levander, 2020). Its recovery from the pandemic was fast and achieved over 80 million in gross ticket sales already in 2022 (Bridgestone arena, 2022) and \$78 million in 2023 (Nashville Music City, 2023). Given its solid economic track record and important role in the city's economy, the arena has received a generous \$20 for extensive renovation, due to be completed in 2024.

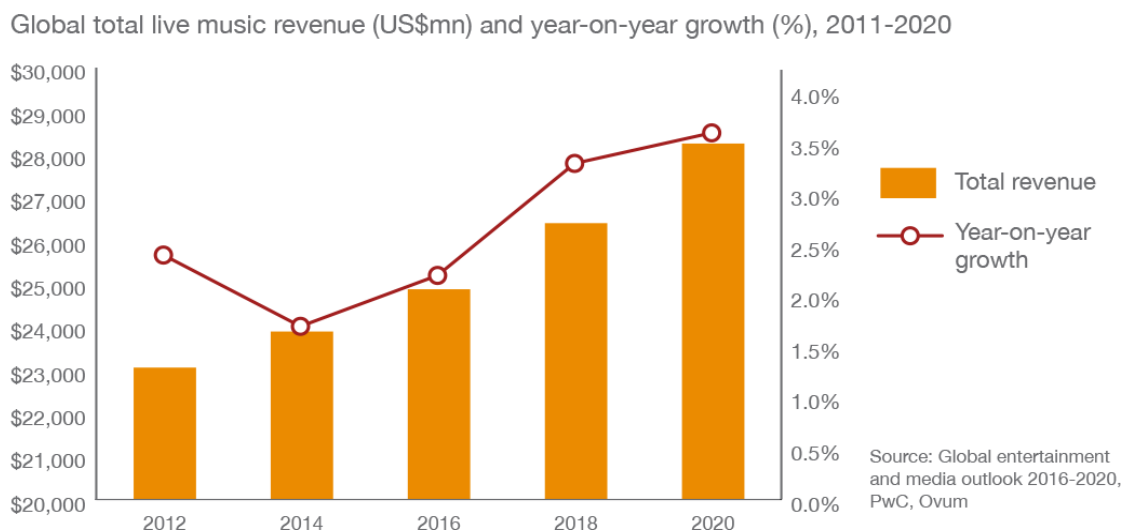
In the UK, Old Trafford Stadium boosted the economy of greater Manchester by more than £22 billion on 2023 (Neville, 2023). In London, multi-purpose stadiums contributed around £900m of gross output and an additional £478m of GVA and creating more than 4,000 jobs in 2023 (Mayor of London, 2024).

The benefits of multi-purpose facilities do not stop at the economic imprint. Their positive impact transgresses into the social realm, whose intangible added-value is more difficult to capture. These include fostering community identity and pride in addition to directly and indirectly enhancing social life. Scholars also refer to the psychological impact in the form of enjoyment, as well as image- building and increasing the visibility and marketability of host cities.

Live music sector as a GDP development strategy tool

Organizing concerts is among the most popular ways of using sports arenas. Live music events have become the primary source of revenue in the music industry. This is because concerts and festivals cannot be fully experienced online; they must still be experienced in person. Music is also becoming a primary reason for travel. Academic research shows that visitors are increasingly more likely to use an event as a destination or travel anchor. This drives new tourism experiences, but also strengthens the music industry, as ticket sales rather than CD sales are the primary revenue for most artists and labels. Thus, it comes as no surprise that revenues from live music events have been steadily growing. This trend is forecasted to only grow in the next decade (see Figure 5).

Figure 5 Global live music revenue (US\$m) and year-on-year growth (%) between 2011 and 2020



The evidence of economic and social benefits of music tourism is conclusive to the extent governments have begun to endorse music tourism as a **development strategy**. It is now recognized as a highly effective way of regenerating cities that otherwise may lack attractiveness, such as Liverpool in the UK. The power and attractiveness of music tourism lies in the fact that they are not limited to metropolises. Music is becoming a major driver of growth in local and regional economies.

Live music events drive value for cities and regions by creating jobs, attracting visitors and fueling artistic growth, in addition to strengthening the 'name brand' of cities. A strong music industry also attracts a highly skilled work force, strengthening the local creative industry and talent pool. In turn, this attracts business investment.

The 2013 Nashville Music Industry report estimates that the music industry helped to create and sustain over **56,000 local jobs** and contributed **\$5.5 billion to the local economy**. This figure increased over the period of 7 years and the total economic impact of the music industry on Nashville was \$15.6 billion in 2020 (Nashville Area Chamber of Commerce, 2020). The music industry in Nashville supports more than \$3.2 billion of labor income annually (RIAA,2024).

Overall, in the USA, the revenue of live music events was estimated to be **\$9 billion in 2015**. In 2019, it was \$11.5 billion. While the statistics for 2023 were not available at the time this paper was created, the global live music industry is expected to exceed the pre-Covid years in 2023. Live music events ticket sales were expected to reach \$23 billion (Mulligan, 2023). The trend is expected to continue, and it is estimated that the industry will generate over \$6 billion in 2027 (Mulligan, 2023).

In Australia, the live music contributed \$5.7 billion to the economy in value added (Australian Government, 2023). The industry was heavily disrupted by the pandemic. However, post pandemic years showed a return to the gradual growth and Australia is expected to generate revenue \$721.60 million from live music events by 2024 (Statista, 2023).

Similarly, in the UK, the music industry has been steadily rising before the pandemic, generating a revenue of over £4.4 billion in 2016 (UK Music, 2017) and record £5.2 billion contributions to the UK economic in 2019 (Sweney, 2019) topping a rising trend (see Table 1).The pandemic caused a dramatic slump in revenues, but the industry has quickly recovered and continued to grow. It is forecast that the rising trend will continue between 2023 and 2028 by nearly 40% to reach \$844.4 million by 2028 (Statista, 2024).

Table 1 Contribution of the live music sector to the UK economy (£bns)

2012	2013	2014	2016	2019
£2.2 billion	£2.8 billion	£3.1 billion	£4.4 billion	£5.2 billion

Source: UK Music 2017 and Sweney, 2019

The benefits of using sports arenas for music performances are well understood in mature economies. The potential is exploited generating impressive revenues year on year. Most iconic concerts have taken place in sports arenas. It has become a custom to hold the already mentioned Eurovision Song Contest in such arenas due in part to their sheer size and technology. Merging musicand sports venues is a tried and tested strategy for increasing GDP. There is **no need to re-invent the wheel**.

Conclusion: Music in multi-purpose sports arenas as a growth strategy

Music is a primal force that has the ability to unlock the inner soul. This energy is also very good for business. Concertgoers spend large amounts of money when they are inspired to physically follow their musical hearts, often travelling long distances to attend the live music event of their favorite artist. Nothing is more powerful for them, then to have the personal experience of their favorite artist live. Sports arenas are ideal venues for anchoring this growing music demand. Staging music events is an attractive way of increasing the use of static sports arenas and boosting revenues while also benefiting cities and their communities.

The sector also showed a remarkable resilience and ability to spring back into life after the pandemic and contribute to local and national economies in significant ways.

Music also brings people together from across the world. This is where ideas are exchanged, knowledge is expanded, and social networks are enriched. By drawing people together to attend spectacular music events, the local is simultaneously bridged with the global, helping to scale-up and economically and socially advance periphery regions into the international scene. Music tourism is a key and strategic vehicle for cities and nations to not only showcase themselves, but to also connect their cities and people with the global stage.

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