The following is an excerpt from the Sports Agency’s report on the need to transform Japan’s Stadium and Arenas. The full report is available only in Japanese.

Fourteen Requirements for sustainable management that attracts spectators and supports community development:

- Requirement 1. Improvement to Customer Experience
- Requirement 2. Realization of various usage scenarios
- Requirement 3. Establishment of profit model and transformation to profit center
- Requirement 4. Stadium/arena as the core of community development
- Requirement 5. Identification of stakeholders and improvement in consensus building
- Requirement 6. Attracting new customers and providing information
- Requirement 7. Designing for profitability
- Requirement 8. Management (operation, maintenance, repair, etc.) critical to sustainability
- Requirement 9. Compliance and risk management for stadium and arena maintenance
- Requirement 10. Leveraging the vitality of the private sector
- Requirement 11. Various financing schemes
- Requirement 12. Goal setting, evaluation, feedback
- Requirement 13. IT and data utilization in stadium and arena management
- Requirement 14: Stadium and Arena management personnel
Requirement 1. Improvement to Customer Experience

In order to sustainably grow the management of stadium/arena, it is necessary to maximize customer experience.

As customer experience composes a complex web of factors including game watching environment, the excitement of being at a live performance, ease of movement, quality of food and drink, cleanliness, and safety, improvements to customer experience should be undertaken at each stadium/arena on an ongoing basis by continuously researching new technologies and case studies.

In addition, it is necessary to improve communication systems such as Wi-Fi, on the premise that the importance of customer data and the interaction with customers via dedicated applications on smartphones and tablets will continue to change and grow. Also, that infrastructure should be easy to update, assuming continued technological advancement.

Moreover, the experience for corporate and high-net worth individuals needs to improve. For example, it’s important to add space for networking and meetings for companies (Corporate Sports Hospitality) and conduct various programs which have high value-added benefits. These would improve sponsor acquisition activities and thus stadium/arena profitability, as well as promote greater cooperation with local enterprises.

Requirement 2. Realization of various usage scenarios

In the case a professional baseball team has its own home stadium/arena, the number of game days is limited to about 80 days, and fewer for other professional sports. In order to improve the attractiveness and stadium/arena profitability, they need to be designed or upgraded to specifications that allow managers to operationalize multi-functional usage, whether they be sports events, concerts or conventions.

Therefore, further research and analysis on world-class facility standards for multi-functional stadium/arena usage is needed. On the other hand, as it is impossible to assume all possible future usage scenarios, the structure of the floor and entrances should be designed for efficient change in stadium/arena modes, with the goal of increasing number of diverse events held, reducing transition time, and thus increasing utilization rate. When growing natural turf in the stadium, it is important to consider how areas outside the natural turf area, like the grounds not covered by grass - seating area, concourse area - are utilized. Ways to collect fees for when space within the stadium or arena is used for non-sports activities like low-level construction or materials production.

However, in the case of hosting large and highly-attended events such as international mega events, the stadium/arena need not be permanent; temporary facilities should also be
considered. In doing so, it is desirable to consider functions needed after the event at the concept/planning stage and make them easy to repair to reduce the cost required for renovation of the facility.

**Requirement 3. Establishment of profit model and transformation to profit center**

For stadium/arena to become a profit center, it needs to hold popular sports events (e.g.: official professional sports events) and concerts in order to maximize and diversify revenues. Facilities for spectator sports are a public asset, so it is necessary to expand the way we view stadium/arenas.

Many of the sports facilities that local public entities develop and manage have been developed with little intent to drive profitability after development. In the future, stadiums and arenas need to be designed to maximize the utility of the stadium/arena, create enthusiasm among spectators and entertain high net-worth customers.

Even venues that don’t require seating for more than a few thousand could better market itself by making itself available for exhibitions by professional sports organizations, or allowing such venues to be rented by local institutions, as long as impact on the venue’s environment can be avoided. Such venues should also be marketed for regional tournaments to determine qualification for national tournaments, also generating fees.

**Requirement 4. Stadium/arena as the core of community development**

Stadiums/arenas can make a big impact on a city not only with its significant physical footprint, but also on how it interacts with its surrounding areas as a part of a so-called "smart venue."

People like to visit places complete with shopping malls, hotels, health-related facilities. When planning a stadium/arena, it should be done in accordance with the surroundings of the area.

It’s important to consider how the stadium/area will fit into the area when conducting urban planning, and regional disaster prevention planning.

A stadium/arena should be in a convenient location; it is important to design such a venue with easy access to stations, roads and connections to surrounding areas. While the initial cost required for land acquisition will rise, if you don’t select a location where the potential for regional revitalization exists, then access for the elderly and disabled will continue to deteriorate, with the concomitant reduction in benefit to society as a whole.
In order to enhance the attractiveness of the stadium/arena, it should be surrounded by high-quality open space, which can help create a festive environment outside the stadium/arena while still being close to town. By providing a common place that can be enjoyed before and after sporting events, the community could benefit from the economic effects of food and beverage sales as well as other locally produced goods, particularly when marketed in relation to the local team. The open space may also help decrease traffic in the area. In addition, facilities that have this highly utilized common spaces help build community within the town, and can become a useful place for people to gather on non-game days.

Administrators of these open spaces should be flexible in their use so that the time community spends in it is maximized.

In order to make the stadium/area a popular part of the community, it is important that the design is in harmony with the townscape and landscape, taking actual circumstances and budget of the arena into account.

To help make a stadium or arena a part of the city’s or region’s revitalization, effective area management can be critical.

In the end, though, the events of a stadium/arena as well as related car and people traffic could have negative impacts on the surrounding environment, such as noise or unruly fans.

**Requirement 5. Identification of stakeholders and improvement in consensus building**

In order to improve management of the stadium/arena, it is important to identify stakeholders, such as the sports team, retail businesses, event producers, transportation, fire and police, local residents, area public organizations, financial institutions, media, and companies providing food and accommodation. It is important to establish a review system that facilitates consensus building.

Coordination with sports organizations, city administration, civil engineers, architects, tourism organizations, local business, transportation, disaster prevention, local schools, welfare, and sanitation is also critical in proper management of a community’s stadium/arena.

**Requirement 6. Attracting new customers and providing information**

Events at a stadium or an arena, or in the surrounding area can attract tourists or local residents. Naming rights and advertising are also great ways to build brand for a sponsor.
Understanding who the customers are early, and the importance of stadium/arena maintenance are key to creating a popular destination in the minds of potential customers.

In addition, there are opportunities to create new customers by employing sports hospitality, introducing people who are not in the sports industry and demonstrating to them how to use sports events as a well to develop relationships and business.

**Requirement 7. Designing for profitability**

At the planning stage of the stadium/arena, it is necessary to ensure that the facilities can be maintained well while also being profitable, and to have a business plan and financing that makes it possible.

In addition to including maintenance in the medium- and long-term plan at the design phase, value-adding infrastructure like VIP rooms and special seating should be part of the goal to making the stadium/arena a good investment for the community and private sector.

Finally, the development plan should be aligned with the wishes of town or city planners with respect to landscape, and disaster prevention.

**Requirement 8. Management (operation, maintenance, repair, etc.) critical to sustainability**

It’s common knowledge that the cost of managing and maintaining stadiums and arenas is higher than the initial investment cost. It is necessary to create a plan that fully takes into account the cost of management from the early stages of the stadium and arena’s development. This is particularly true when the development of a stadium or arena is triggered by a mega event. In order to avoid having a “white elephant” in the neighborhood, it is essential to have a legacy plan for the venue’s usage far after the initial mega event.

In the management of stadiums and arenas when considering flexible operation and efficient maintenance, private sector know-how and vitality should be leveraged to the fullest rather than relying solely on the venue’s own administration. Disclosing and sharing information with the private sector early in the development phase is critical to realizing a long-term business and sustaining the life of the stadium or arena.

**Requirement 9. Compliance and risk management for stadium and arena maintenance**

It is, of course, necessary to comply with the relevant laws and regulations, such as the City Planning Act, Building Standard Act, and Entertainment Places Act, when developing stadiums
and arenas. At the stage of location selection, it should be understood early by administrators and owners that changes in regulations will incur time and cost for complying.

In addition, regarding risks at each stage of project concept, planning, design, construction, operation, maintenance, repair, since the project size is large and complex, appropriate risk management is required. Therefore, it is important to make the risks at each stage of the project as transparent as possible and resolve issues as far upstream as possible to make the project a success over time.

**Requirement 10. Leveraging the vitality of the private sector**

In order to promote the development and management of the stadium and arena efficiently and effectively, it is important to take advantage of private sector funding, as well as their management and technical capability.

In the case where a stadium or arena is considered in a location with a population of 200,000 or more, local governments are required to consider government guidance on public/private partnerships, as outlined in “Guidelines for prioritizing the introduction of various PPP / PFI methods” (determined by the Private Finance Initiative Promotion Council on December 15, 2015). This document provides guidance for the maintenance and operation of public facilities of a certain size or more, including stadiums and arenas.

Stadiums and arenas developed by private finance initiatives (PFI) and similar businesses include Misaki Park Stadium (Kobe City) and Kitakyushu Stadium. In these cases, the requested proposals included forecasts for expenditure/income, calculation of consumption and its economic impact, profitability after taking into account facility maintenance, and area management to generate local turnout. Decision making based on business factors and transparency of information is vital to selecting a partner in the private sector that will help make the stadium or arena a sustainable entity.

In recent years, the designated manager system based on the Local Government Act has increased the number of cases in which private operators oversee stadium or arena management and operation, and the knowledge of stadiums and arenas is used to expand profits and reduce outsourcing costs. In order to further utilize the know-how of the private sector, it is required to systematically secure greater flexibility for the partner in investment and rate setting, and stipulate it in the contract. Concessions can be considered as one method, but there are issues with the current system, so the Ministry of Education, Culture, Sports, Science and Technology and related ministries and agencies are continuing to discuss how the private sector can operate with greater flexibility in accordance with the results of government discussion.

It should be noted that there may be concerns about fairness of the competition in the public offering method when the local public entity and the sports team cooperate to maintain and
manage the stadium and arena, but as a method for the sports team to fulfill the accountability of being a partner on the side of the ordering party, for example, the conclusion of an agreement or the specification of the cooperation with the sports team in the implementation policy of the PFI project can be considered.

**Requirement 11. Various financing schemes**

The stadium and arena should be operated as a profit center. Instead of being financed by local and state taxes, stadium/arena owners need to utilize various forms of private funding.

In addition to funding via loans sourced from private firms, PFI companies can also work out arrangements so that construction costs can be paid via profits generated by the operation, which was the case for Hiroshima Municipal Stadium where the host sports team becomes the designation stadium/arena manager. Managers of Yokohama Stadium and Suita City Football Stadium pay for stadium and construction costs with donations and capital contributions to reduce and equalize the financial burden.

In the screening of private sector loans, the creditworthiness of the enterprise, compliance, the ability to secure stable income, the intention of other suppliers, the content of the system to guarantee the flexibility of private sector operation, risk and the proper assignment of public and private sector are reviewed in line with the business plan, system design and contract.

**Requirement 12. Goal setting, evaluation, feedback**

It is desirable to set goals for the operation of the stadium and arena both in terms of facilities as well as contribution to the development of the regional economy and community. For example, number of visitors, occupancy rate, profit, and management capability should be considered as KPI (key performance indicators) for the management of the facility. Data regarding contribution to the development of the regional economy and community should be measured independently.

Ongoing and daily audits by third parties should be conducted, and if necessary, lead to changes in process or management methodology in order to solve operational problems, improve profitability, and contribute to the development of surrounding areas.

**Requirement 13. IT and data utilization in stadium and arena management**

The use of IT and data is critical to improving the profitability of facilities, as well as the evaluation of management efficiency.
Although some stadiums are implementing CRM (Customer Relation Management) services, most stadiums and arenas are behind in data management practices, including membership management. It is necessary to collect and utilize customer information data such as spectator age, gender and area of residence area, values and preferences, frequency of visits, purchases, intent, level of satisfaction, in addition to existing information such as membership information.

It is important to introduce a system to manage existing data, as well as acquire and manage new data in order to facilitate PDCA cycles for data-based marketing, promotion, and data-based verification.

In addition, IT management of the stadium and arena yield efficiencies in management and operation, including reduction of utility costs and rationalization of services.

**Requirement 14: Stadium and Arena management personnel**

In managing the stadium and arena, it is essential to also develop the human resources, and hone specialist knowledge in management, marketing, financial management, and contracts. The construction of stadiums and arenas should be a project that is often done only once every several decades for local public entities, and it should be assumed that administrative staff cannot have the technical skills required. Engaging with the multiple experts who have been involved in the upstream stage of the project will lead to a smoother promotion and success of the project.