THE IMPACT OF BRAND EXTENSION ON PROFITABILITY

A Case Study of Friends Arena

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ABSTRACT

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Research Question: How can Brand Extension Increase the Profitability of Friends Arena?

Purpose: The purpose of this thesis is to examine the underlying correlation between brand extension and profitability regarding stadiums, and in this particular case, Friends Arena.

Method: This thesis relies mostly upon primary data, collected through in-depth interviews with employees from Friends Arena. For this reason, the thesis can best be categorized as a qualitative research.

Conclusion: The study showed that a positive relationship between the brand extension efforts of the stadium management and the profitability of Friends Arena exists, as more and more segments are attracted to the events, and this leads to an increasing number of products being sold. The findings demonstrated that the management extends the brand by providing many more offerings and then positions those as being safe, unique, and trendy. In the future, the extended brand can indeed increase the profitability of Friends Arena.
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Looking towards the future, we hope and think that we will be able to use the experience and knowledge gained from this thesis project in our further careers, and look forward to present the thesis to the people interested.

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1 INTRODUCTION

The introduction to this thesis will start with a brief, general background of the subject and continues with a description of Friends Arena. This will be followed by the problem formulation, the purpose of the study, and lastly the research question will be stated.

1.1 Background

A stadium, sports arena or sports venue, is defined as “a very large building that has a large open area surrounded by many rows of seats and that is used for sports events, concerts, etc.” (Merriam-Webster, 2015). The stadium or arena can either be open or have a retractable roof, and can host many different events and social entertainments.

Branding can shortly be described as “the process involved in creating a unique name and image for a product in the consumers’ minds, mainly through advertising campaigns with a consistent theme” (BusinessDictionary, 2015). On the market, branding aims to establish a differentiated and significant presence that will attract and retain customers and convert ordinary customers into loyal ones. After now having defined those two terms, the study moves on to the literature.

The journey of development for stadiums has been long and comprising: from the period of the ancient Greeks when a stadium was used for expressing religious faith through athletics within the framework of the cult of Zeus, until today when a stadium is used as an urban icon where multiple events are held on a daily basis (Spampinato, 2014). The first stadium in the modern age was used for sporting events, such as the Panathenaic Stadium used during the first modern-age Olympic Games in 1896, and attracted people with a huge interest in sports (PanathenaicStadium, n.d). Later the stadium was developed into an equipped stadium, which housed food and beverage outlets, and today it is considered a flexible stadium which organizes a lot more than sport events; for instance, concerts, weddings, and cultural events (Spampinato, 2014). In the beginning it was all about sports, but nowadays it is much more than that, and the stadium has a multi-usage potential, which can drive in additional revenues and increase its profitability (KPMG, 2013). Being a multi-usage stadium is further reinforced by the oftentimes applied retractable roofs that increase the opportunities for hosting many different types of events.

When it comes to stadiums and branding, it is important to consider consumer satisfaction. Branding is a strategic asset for sports organizations and stadiums, and “the rationale is that stadiums can capitalize on the emotional connection between fans and their team of allegiance” (Desbordes & Richelieu, 2013). Therefore, when stadiums are in the initial stages of conducting a brand extension or alike, it is vital that they carefully consider which organizations to work with and associate with. In an article by Backhaus et al. (2013), consumer resistance is introduced, and the article discusses the fact that when a stadium has started a new collaboration or adopted a new naming right, the fans often resist the change. The consumers refuse to use
the new stadium name and this is most often related to the uncertainty of what the change will bring to their benefit. Consequently, in a brand extension situation it is crucial that the stadium management considers the consumers, the ones actually contributing to the revenue (Desbordes & Richelieu, 2013).

Another issue stadiums face is connected to the fact that stadiums nowadays are used for multiple purposes. This has not always been the case, and many still associate the stadium with hosting mainly sports events (Budzinski & Satzer, 2011). People not interested in sports do not have an interest in the stadium, and they cannot see its great potential. Therefore, stadium management is struggling with the branding and marketing of all the services and products that they offer. Additionally, branding becomes an even bigger issue when considering the fact that stadiums generally deal with two types of audiences: the people that go to the stadium to experience sports, and the people that go there to experience other events. There are of course other audiences as well, for example people that enjoy all types of events, but these two are the main ones (Chen & Zhang, 2012). Building on this, stadium managements need to ensure that their branding reaches out to a broad audience, and this is as important as ever nowadays when stadiums are starting to appeal to a different type of audience and are trying to extend their brand into being associated with much more than only sports activities. Failing with this, the stadiums will lose their stakeholders and will not maximize their profits (Laskey et al., 2011).

The location is another important area of interest, and most stadiums in the world are located in semi-urban areas. This is due to that most stadiums were built in the mid 20th century, when city centers were already built up (KPMG, 2013). However, today, a trend has emerged that implies that more and more stadiums are being built in the city centers, and in this way stadiums will become a central part of a society. Because of this, stadiums and their offered events are used for city-branding and Berger and Herstein (2013) refer to the many events as a social reality. A stadium in the city center will make the city more attractive, investors will see the events as a business opportunity, and fans and people all across the world will be attracted to the city in question. The fact that stadiums are used to draw people to the cities, and that they offer a great variety of services and events, indicate that the concept of stadium management and branding is growing and that stadiums of the modern age have become a world phenomena (Berger & Herstein, 2013).

1.2 Company Description, Friends Arena

Friends Arena is the current national arena of Sweden and the home of AIK, one of the most popular and successful football teams in the country (AIK, n.d). The stadium is the biggest sport complex in not only Sweden, but also in the whole Nordic region. The arena is located in the district of Solna in Stockholm, close to the city center, in an ideal place for organizing football matches, concerts, or corporate events.

Around the millennium the demand for building a new national arena emerged as the previous national arena, Råsunda, with its historical age of seventy years was incapable of serving the
needs of the Swedish society any longer and to reach the increasing stadium and hospitality standards of the modern age. The old arena was far from being flexible and adaptable to non-football related events and did not meet the requirements of the modern stadium management and hospitality (Stadiumguide, n.d). Owing to these characteristics, the arena lacked the ability to remain profitable in the future and thus its owners decided to build a new national arena and demolish the old one. The arena kept functioning until the construction of the new stadium had been completed, but in 2012 it was permanently closed and in 2013 completely demolished (Andersson, 2013).

December 7, 2009, was a huge day in the history of football in Sweden: the ground breaking ceremony of the new national arena, today called Friends Arena, was held with the presence of crown princess Victoria. The new arena, with approximately 50,000 places in seating capacity during football matches, and 65,000 places in seating capacity during other events, was expected to be completed by 2012 (Cederfeldt & Hansson, 2010). Tightly following the construction plan, the arena opened its gates in October 2012 with a concert and had its debut with the Swedish national team playing against England in November 2012 (Aftonbladet, 2012).

Already before the start of the construction, Swedbank signed a name sponsoring contract with the owners of the stadium. In the name of corporate social responsibility, however, in 2012 Swedbank decided to bestow the naming right to Friends, an organization with the mission of eliminating bullying (Swedbank, 2012).

Despite popular sporting, entertainment and corporate events, and around 1.5 million visitors in 2013 (Persson, 2013), the arena was struggling with its profitability and reported 400 million SEK of losses in 2012 and 200 million SEK of losses in 2013 (Aronsson, 2013). To solve the crisis, a more experienced operator was needed, and in 2014 its owners - the Swedish Football Association, Peab, Fabege, the City of Solna and Jernhusen – signed a long-term leasing and stadium operating agreement with Lagardère Unlimited Stadium Solutions (LUSS), a leading French stadium operator giant (Sverigesradio, 2014). Under the stadium leasing agreement, the operational responsibility is transferred to the operator company and the stadium owners collect a fixed lease payment regardless of operating results of the stadium operator. Pursuant to leasing agreements, stadium owners bear low risk but do not receive a share from the operating profit of the operator company if their profits exceed the expectations (KPMG, 2013).

With its two-decade-long market know-how, LUSS introduced a new management concept for the stadium. This concept includes the extension of the profiles and functions of the arena, the process of extending their product to reach higher profitability levels, a full-scale event management concept, the introduction of new corporate offerings and the significant improvement in arena hospitality (Lagardère, 2014). Moreover, the arena has 92 executive suites and various installments for corporate events, and is today able to host a wide range of conferences, ranging from 10 to 3000 participants (Friends Arena, n.d).
The initial three years of Friends Arena’s operation were loud from successes of sporting events and concerts with record attendance, such as the Sweden-England football game in front of 49,967 supporters or Bruce Springsteen’s three concerts that were performed in front of 167,000 spectators. Moreover, the arena became one of the most checked-in places in the world in 2013 on Facebook (Friends Arena, n.d.). Together with the extensive market know-how of the newly signed stadium operators and the brand extension process, Friends Arena has a challenging journey ahead, but also rosy perspectives towards the future and is likely to serve the needs of not only Sweden, but also the whole Nordic region.

1.3 Problem Formulation

At the age of professionalization and large-scale commercialization, football clubs have to seek for additional revenue sources to preserve their competitiveness in the growing rivalry for national and continental titles. As the competition is increasing, there is a need for continuous growth and this requires increasing revenue and profitability levels. Therefore, sport entities are conducting brand extension of their stadiums, and the stadium is today referred to as a multi-purpose stadium, where ground is shared and non-football events can be organized both during the season and off-season periods (KPMG, 2013). In the spirit of brand extension, in addition to football-related events, a wide range of entertainment and business-related events, ranging from music concerts and dirt bike shows through weddings and fashion shows to annual corporate events and conferences are organized within the boundaries of the sport venue.

To maximize their profit levels, football clubs utilize the opportunities of their stadiums and give room to many kinds of events other than football. However, due to their historical functions, stadiums are associated more with sporting events and their core tenants, such as Santiago Bernabeu with Real Madrid or Stadio Olimpico with AS Roma and SS Lazio, and their other functions, such as the opportunity to organize conferences, are far less known. Therefore, the modern stadiums, operated today most often by full-service provider multinationals, for instance by Lagardère Unlimited Stadium Solutions (LUSS) or International Management Group (IMG), face the need of extending their stadium brand to be able to attract a wider range of non-core users to the various events organized at the facility (Belezza & Keinan, 2014).

In conclusion, the problem investigated in this study is the challenge of attracting new segments to the stadiums by using the tool of brand extension in order to increase the stadium’s and the internal stakeholders’ profitability.
1.4 Purpose

The purpose of this study is to investigate the impact of brand extension on the profitability of Friends Arena. By conducting this research, a deeper insight into the subject of brand extension with regards to stadium management will be obtained.

1.5 Research Question

*How can brand extension increase the profitability of Friends Arena?*
2 LITERATURE REVIEW

This part of the thesis will provide an overview of the concepts of branding and profitability, the two main components of the research question, to give an even deeper understanding of the subject of stadium branding. Also, Kotler’s four pillars and the model of STP will be presented.

2.1 Branding

Marketing and branding are two closely connected concepts and there are many attributes that relate them. However, they can be distinguished from each other and in the simplest way it could be described as: marketing is what you do, branding is what you are (Heaton, 2011). Branding is a pull tactic and should precede and underlie any marketing effort. Heaton (2011) suggests that branding is vital to the success of a business, as it communicates the values, characteristics, and attributes that specify what a particular brand is, and what it is not. Branding allows, as Keller and Lehman (2006) states, consumers to develop associations, for example prestige, economy, and status, to the product in question and eases the purchase decision. The process is strategic and all about creating a brand that will last in the consumers’ minds.

The term branding can be defined in multiple ways, for example “the promoting of a product or service by identifying it with a particular brand” (Merriam-Webster, n.d), or as Jobber and Fahy (2009) explain it: “Branding is the process by which companies distinguish their product offerings from the competition”. They continue with conveying that the word “brand” is derived from the Norse word “brandr”, which means “to burn” and this indicates that the process of branding aims to “burn” the good characteristics of a product or a service into the minds of the consumers.

Branding depends on six elements, namely brand domain, brand heritage, brand values, brand assets, brand personality, and brand reflection. The domain of the brand refers to the target market, where the brand competes in the marketplace. The second element is the background to the brand and how it has achieved success, and the third element allots to the characteristics and core values of the brand. Brand assets are what differentiate the brand from other competing brands and brand personality refers to the character of the brand described in other entities, such as people or objects. The last element, brand reflection, depicts how a brand relates to self-identity; how the consumer feels after purchasing or using the brand (Harris & de Chernatony, 2001). All of these elements play a role in how strong the brand is on the market.

The process of differentiating products from competitive offerings, in other words branding, is a difficult, expensive, and time-consuming task for companies. However, developing a brand offers benefits to the company and a strong brand helps the company to become successful (Jobber & Fahy, 2009). Well-established brands can provide benefits in the following areas: company value, as the financial value can be greatly enhanced, consumer preference and loyalty, since strong brand names can affect the preferences and perceptions of consumers and this leads to brand loyalty where satisfied consumers continue to buy or use a favoured brand,
and barrier to competition, as new, potential competitors will have difficulties in competing on a market where strong brands already exist. Also, strong brands can contribute to profitability as market-leading, strong brands are usually not the cheapest, and they can act as a base for brand extensions, since the new brand from the extension benefits from the added value of the core brand (Jobber & Fahy, 2009).

There are several different types of subheadings connected to the subject of branding, and some of them, the ones most relevant for this study, will be provided below.

2.1.1 Brand Extension

In contrast to rebranding, where a new name, symbol, design, or a combination of all is created for an established brand with the purpose of developing a differentiated, new identity, brand extension is the process of using an established brand name on a new brand within the same market (Jobber & Fahy, 2009). Launching new products under the same brand name is most likely to be successful if the extension makes sense to the consumers, for example if the new products have a likewise quality as the core products of the brand (Martinez et al., 2009). Brand extension is an important marketing tool that offers two key advantages to companies: reduced risk as the new products are launched under a well-established brand, and lower cost as the marketing efforts might not have to be as extensive. However, brand extension also involves risks, and one is that the new products might disappoint buyers and in that way damage their perception of the company’s other products (Kotler, 2001). Another risk is brand dilution, when consumers no longer associate a brand with a specific product, or other, highly similar products. Nevertheless, research has shown that brand extensions account for around 40 per cent of new product launches, which indicates that companies consider it a safe and trustful marketing strategy (Jobber & Fahy, 2009).

2.1.2 Corporate Branding

The term corporate branding refers to looking at the whole picture of a company, and how the practice of promoting the brand name of an entire corporate entity works. Corporate branding can be defined as “an attempt to attach higher credibility to a new product by associating it with a well-established company name” (BusinessDictionary, n.d). In contrast to product branding, corporate branding does not involve marketing specific products or services, but focuses on promoting the corporation as a whole. The thinking that goes into corporate branding is distinguished from product and service branding in that the scope is typically much broader (Balmer, 2001). However, corporate branding together with the branding of products and services can, and often do, work in close cooperation with each other within companies, and this interaction is often called the corporate brand architecture.

Corporate branding has an impact on several stakeholders, for instance employees and investors, and can affect many aspects of the corporation when it comes to the evaluation of its products and services, corporate culture and identity, sponsorships, and employment
applications. The concept can involve multiple touchpoints, such as customer service, treatment of employees and advertising, and all of this is considered in the corporate branding (Aaker, 2004). Having a well-functioning corporate branding and strong corporate brands influence how different consumers perceive the corporation’s products and services, and affect the level of credibility connected to the offerings.

2.1.3 Product Branding

Different compared to corporate branding, product branding focuses on the branding at the level of the product or service. The concept can also be called individual branding, and involves giving each single product in a portfolio its own unique brand name (Xie & Boggs, 2006). This marketing strategy is narrower compared to corporate branding, and the overall image of the corporation is not as extensively considered, but more emphasis is put on how to promote the individual product or service.

When it comes to products, they can be thought of in terms of three different levels: core product, actual product, and augmented product. The core product is the core benefit that the product offers, while the actual product refers to certain features, styling etc. that make up the brand. Lastly, the augmented product involves the additional benefits added to the product, the little extra so to say, and might include guarantees, additional services, and additional brand values (Jobber & Fahy, 2009). All these three levels are important to consider in the product branding process, as it affects the differentiation of the product from competitors’ offerings and highly determines how strong the product brand will be.

Product branding also involves how a product interacts with its target markets and consumer audience through design, logo, and messaging. The concept aims to trigger an emotional connection in consumers, and if done well, this connection will last throughout the whole life of the product (Xie & Boggs, 2006). Another advantage associated with well-managed product branding is that each product has a unique image and identity, and this allows the corporations to position all of their brands differently.

2.1.4 External Branding

The concept of external and internal branding has been subject of many discussions throughout the years, and many people claim that too much focus is put on the external branding, however, it is an important concept (Devasagayam et al., 2010). The external branding is simply the same as the concept of branding in itself: it is the sum of all marketing activities that is created to influence the minds of consumers and in that way their purchasing behavior when it comes to the corporation’s products and services. Also, external branding can facilitate providing an identity and architecture for the overall corporation and help to distinguish its products from the ones of its competitors. The concept is a long-term venture, and companies are working hard with the key components of branding, such as messaging clarity and alignment (Pasternak,
External branding works with how the external world perceives the company’s products and services, and focuses mainly on the external stakeholders, such as consumers and suppliers.

### 2.1.5 Corporate Brand Image

The corporate brand of a corporation is a valuable intangible asset, to a large extent depending on that it is difficult to imitate for competitors, and it can help to achieve a sustained superior financial performance (Martenson, 2007). The corporate brand image is built up by the corporate brand and the product brand, and together they affect how consumers look at the corporation in question. The two components help to provide a value proposition based on the organizational associations, to provide credibility to the organization, and to clarify and crystallize the organizational culture and values. Martenson (2007) continues with explaining that corporate image is based on all the information, for instance perceptions, inferences, and beliefs, which people hold about a corporation, and it is also based on what people associate a corporation with. The image can be seen as the reputation of a company, however, many researchers prefer to distinguish between the two terms since reputation can be more long-term in nature compared to image (Temporal, 2002).

People’s perceptions about a brand constitute the brand’s image, and Martenson (2007) suggests that a strong corporate brand image leads to consumer satisfaction, which in turn leads to consumer loyalty. Therefore, working on creating a strong brand identity that complies with the brand image is vital for corporations.

### 2.1.6 Brand Equity

The term brand equity is used in the marketing industry and aims to describe the value of having a well-known brand name. It involves the reasoning that a corporation with a well-known brand name can generate more money, i.e. can be more profitable, than a corporation with a less well-known name, due to that consumers believe that a product belonging to a strong brand is better than a product belonging to a less strong brand. The term can be defined as “the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name” (Ailawadi et al., 2003). Brand equity indicates that a brand is the most valuable asset to a company, and companies must work hard on their branding to be able to enjoy it.

There are several purposes for measuring brand equity, and some of them are: to guide marketing strategy and tactical decisions, to assess the extendibility of a brand, and to assign a financial value to the brand in balance sheets and financial transactions (Aaker, 1996). Nevertheless, measuring brand equity might be troublesome, due to that definitions of the term differ, but there exist three categories of measuring. The first category, the “consumer mindset”, aims to assess the consumer-based sources of brand equity, for example the awareness, the attitudes, and the attachments that consumers have toward a brand. The second category, the “product market”, involves the outcomes or net benefit that companies should obtain in the
marketplace because of its brand equity. The third category, called the “financial market”, concerns assessing the value of a brand as a financial asset, for instance the purchase price at the time a brand is sold. No single measure can possess all characteristics desired in the ideal brand equity measure, but these three categories serve as a good base in measuring the important concept of brand equity for corporations (Ailawadi et al., 2003).

2.2 Profitability

The term profitability can be defined in many different ways, and Hofstrand (2009) describes it as “either accounting profits or economic profits”. Accounting profits, also called net income, describes the viability of a business in an intermediate view, but does not show the long-term results. Economic profit shows the long-term perspective of a business, and provides a view on whether the income of a business exceeds its expenses over a longer period of time. Another definition is provided by Khemani and Shapiro (1993), and this source describes profitability as “rates of return on equity or assets”.

Profitability is a stage that all companies want to reach, but being profitable is difficult and the road towards this stage can be challenging and is affected by many situational factors. Some of these factors are stated by Parkitna and Sadowska (2011): the political-legal environment, the economic environment, the technical-technological environment, and the social-cultural environment. The first factor covers the political factors affecting the successful operation of a company, for example monopolies and corruption. The economic environment “comprises the basic macroeconomic values characterizing the economy in which the enterprise runs” (Pomykalski, 2008; cited in Parkitna & Sadowska, 2011). The third factor affecting profitability, the technical-technological environment, covers the technical knowledge available on the market and the technical development in a particular area. The last factor comprises the collection of the values and norms that exist in the society where the company in question is present.

Today, stadiums are event centers that host various types of events; everything from concerts, to sporting events, to corporate gatherings. Therefore, the success of stadium management and the profitability level depend highly on different types of revenue streams (Greenwell et al., 2014). These revenues include, for instance, rents, tickets, registration and membership fees, various sponsorship contracts (event and stadium name sponsoring rights), concessions, souvenir sales, fan shop and museum, corporate hospitality (VIP seating and corporate lounges), and media rights (television, radio, websites, and advertisements).
The process of creating profitable events in venues can be illustrated by the nine step model of Ungerboeck (2014):

1. Get to know the customers of the venue, by asking them about what they want and expect and then listen to their feedback. This step also involves figuring out the unstated and secret needs of the customers.

2. Establish the venue’s brand. If a venue conducts successful branding, this can make it attractive to more and more people in its target markets.

3. Establish an inspiring environment where people want to stay and also an environment that they want to come back to.

4. Create an experience on two levels; the first one is the core experience which the customer comes for in the first place, let it be a concert or a football game, and the second experience is everything above this: comfortable seating, high-speed Internet, and interactive signage boards.

5. Serve the customers not only on-site, but online as well. This means developing useful websites and engaging with customers through the various social media channels.

6. Develop new revenue opportunities. An example might be, in the case of stadiums, ordering refreshments from the concession through the stadium application on the visitor’s smartphone.

7. Try to attract the non-core users of the venue. This might involve reaching out to new consumers through advertising campaigns, and offering pricing structures that aligns with the needs of the consumers.

8. Recruit the right personnel, people that are motivated and knowledgeable when it comes to the venue’s offerings and services.

9. Lastly, control all the components laid down in the eight previous steps. This is done through the application of various controlling technical solutions, for example CRM-systems or management controlling programs (Ungerboeck, 2014).

Following these steps and taking into account the components of stadium profitability, it is relevant to turn to a real-life expert, Diarmuid Crowley, Senior Vice President of IMG (one of the world’s leading stadium operators). In an interview (FC Zenit, 2011) Crowley states that stadiums, like Wembley, Zenit Arena or Amsterdam ArenA, are profitable even if they host only fifteen top-level league games and a few national team appearances a year. Furthermore, they also give room to concerts, commercial matches and corporate events. Other aspects of profitable stadium management, according to Crowley, are to increase the security level of these
stadiums so that they do not daunt potential visitors with the bad reputation stemming from hooliganism, and to sell the stadiums’ name sponsoring rights. Examples of this is the cases of FC Zenit, where the stadium was named after one of the largest oil and gas magnates, Gazprom, or in Budapest, where the new arena of Ferencvárosi TC was named after one of Europe’s leading insurance companies, Groupama, and all these name sponsoring efforts were made with the intention of making the stadiums more profitable.

2.3 Kotler’s Four Pillars

There are various strategies and concepts to follow for companies when conducting business, and one of them is laid down by Kotler (2001) as the marketing concept, also known as Kotler’s four pillars. This concept questions the efficiency of other existing concepts and suggests that the successful way of reaching customers and operating a firm profitably is feasible only through creating and delivering real customer value to the chosen target markets (Quelch & Jocz, 2008). The marketing concept is one of the most important concepts in the world of marketing, and the essence of the concept can be summarized as moving the companies’ main attention from production to marketing, and to not only create a product the firm’s abilities allow but also a product that the customers want the firm to make (Keith, 1960). This concept is built up using an outside-in approach, starting from defining the target market to satisfying the needs of customers with offerings, and rests on four pillars: target market, customer needs, integrated marketing, and profitability (Kotler, 2001).

2.3.1 Target Market

Companies building their strategies on the marketing concept have to define their target market clearly, the market the offerings best fit and that in return contributes the most to the company’s profitability. Since the choice of target markets has a high impact on a company’s profit, it is important to put large emphasis on defining the target market, and this can be done in different steps, as is suggested by Porta (2010). The steps include: considering the current customer base, checking the competition, analyzing the product and service, choosing the specific demographics to target, considering the psychographics of the targets, and lastly, evaluating the decision. Defining the target market well is however not sufficient, it is only the first step in the strategy and companies need to come up with tailored marketing solutions (Kotler, 2001).

2.3.2 Customer Needs

Customers make purchasing decisions based on their needs, and therefore recognizing and serving those needs is the ultimate interest of organizations (Kotler, 2001). In order to better understand their customers, companies conduct research on their customers’ needs, wants, and demands. As Kotler and Wrenn (2013) introduce, these needs can be broken down into five fundamental categories: stated, real, unstated, delight and secret needs. Stated needs are what customers say they want, real needs are what they actually need, unstated needs are needs that exist but when the customers are asked, they are not likely to mention. Delight needs are needs
above the level of actual needs and finally, secret needs are the needs that the customers are uncomfortable to admit. After conducting research on customer preferences and revealing their needs, companies start focusing on satisfying and delighting these needs. Firms can follow three distinct marketing approaches connected to the needs: responsive, anticipative and creative marketing (Kotler, 2001). A responsive marketer works and satisfies stated needs, while an anticipative marketer tries to determine what future trends will be and creates its product-range in accordance with that. The third approach, creative marketing is merely different from the first two: companies thrive to come up with innovative solutions for which the customers have not expressed their need but are likely to respond enthusiastically, when finally seeing the solutions.

2.3.3 Integrated Marketing

When companies have a well-defined target market and measured customer needs, the process of responding to those needs can begin. In accordance with the statement of David Packard, co-founder of HP, “Marketing is far too important to be left only to the marketing department”, marketing is not solely the task of the various marketing functions but should rather be carried out with the integrated effort of many other departments (Kotler, 2001). Integrated marketing can also be seen as an organizational chart, where the customer takes the peak of the organizational pyramid and all organizational functions have the primary purpose of serving them.

2.3.4 Profitability

After having the first three pillars of the marketing concept together, only profitability, the ultimate pillar, is missing. Profitability is what keeps the company alive, it is what explains all its actions and gives directions to future improvement (Chang & Chen, 1998). Profitability is only achievable if a company is closely committed to the first three pillars. No company can be profitable without a clearly defined target market, where it states which customers to serve. Also, the needs of the customers must be taken into consideration since otherwise the offerings of the company will not be as tailored and will generate lower revenue levels. Creating tailored offerings is enabled by the close cooperation between a company’s marketing and sales functions, that is the integrated marketing, and those functions are working together to serve the needs of the customers. If companies utilize the opportunities lying with these three pillars, they can expect reaching the ultimate pillar, profitability (Kotler, 2001).

2.4 STP-model

Webster (1992) lies down that marketing has three dimensions: tactical, strategic and cultural. In order to avoid being overwhelmed by the available huge amount of opportunities and data, companies follow the tactical marketing approach by first setting their core marketing strategy and then moving on to the next level in their planning (Kotler, 2001). This simplistic marketing strategy is the so-called STP (segmentation, targeting, positioning) approach. The model takes
three major steps: identifying certain groups of buyers with shared characteristics, selecting one or more that the company believes to be most profitable to serve and beginning the selling procedure with communicating the products’ key distinctive benefits (Kotler, 2001).

2.4.1 Segmentation

In the process of segmentation, companies divide their market into smaller segments based on their common characteristics. This action is done because markets are often overly broad and companies are unable to serve everyone in it effectively. As Kotler (2001) states, the procedure of segmentation can be based upon four major categories: geographic, demographic, psychographic, and behavioral segmentation. In geography-based segments, the population is divided upon the region they live in, the size or their city, the density or the climate of that particular area. The demographic segmentation can be the most detailed, however, fairly easy to capture: age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, or social class can serve as a common base. Determining segments based on psychographic attributes can be more costly for companies, as measuring lifestyle or personality requires proportionately more resources than the demographic categorization. In contrast to the first three categories, the behavioral category in Kotler’s theory is directly related to the company, its actions, products and services: segmentation is done in this group based on the regularity of purchasing, the user status, loyalty and usage rate of the customers, and their attitude towards the company and its products. These categories are, however, far from being set in stone and as the companies strive for more and more information about their customers to tailor their offerings better to them, marketers today are “increasingly combining several variables in an effort to identify smaller, better defined target groups” (Kotler, 2001).

2.4.2 Targeting

Simplistically, a target market is “the market or submarket at which the firm aims its marketing messages” (Cahill, 1997). Based on the segments determined in the first step of STP marketing, companies select those which they can satisfy most effectively and which in return bring the highest possible profit to the company. After determining these segments, companies direct the majority of their marketing time, resources and attention to them. Under targeting, companies try to find segments that match their capabilities and where sustainable advantage compared to the competition can be gained (Porter, 1985).

As Kotler (2001) describes, there are five distinct patterns for target market selection: single-segment concentration, where companies concentrate solely on one segment; selective specialization, where without having any necessary connection between segments, companies objectively select a number of segments; market specialization, where firms select one market and serve that with all their offerings; product specialization, where a single product is promoted in the whole market; and finally, full market coverage, where companies strive to serve all customer groups with all of their offerings.
Similarly to segmentation, the aforementioned categories are not parts of a rigid framework and are not exclusive means of targeting: companies begin conducting their business following one predetermined strategy and when their growth requires, they expand to other segments and thus create a mixture of targeting (Kotler, 2001).

2.4.3 Positioning

Positioning can be defined in various ways but most researchers agree that it is a “strategic decision related to the customer’s perception and choice decisions” (Aaker & Shansby, 1982) and it covers “how a brand is positioned in the mind of the consumer with respect to the values with which it is differentially associated or which it owns” (Marsden, 2002). The essence of positioning lies in creating unique selling propositions, determining how the brand stands out from its competition and creating products that are seen superior in comparison with other products of that kind (Ries & Trou, 1986). It is possible to define two types of positioning, market- and brand-oriented, and together they form a synergy by cyclically responding to the needs and wants of all internal and external stakeholders. With market-orientation, companies, keeping the brand image as a primary factor, respond to the needs of customers with an outside-in approach, while companies following brand-orientation develop a brand identity and with an inside-out approach push that forward to the consumers (Urde & Koch, 2014).

Some researchers argue that although STP gives a good overview, it is an incapable structure to develop real and successful marketing strategies, as most of the companies lack financial and human resources to capture and follow the multifold aspects of the strategy (Toften & Hammervoll, 2008). Also, although Kotler, the founder of the model, indicates that segments can be determined rather clearly, in real-life, however, segmentation does not follow an ex cathedra approach. As Wright (1996) states, segments are not associated with a steady set of preferences, and therefore they are often overlapping and are extremely likely to change. However, even though the effectiveness of this method is questioned, it is still being used and for the sake of forcing companies to create a realistic approach to their customers and products, and for facilitating an inward strategic thinking from customers to the inside of the firm, STP marketing has kept its grounds (Cahill, 1997).
3 THEORETICAL FRAMEWORK

This part of the thesis will introduce the framework built up using parts of the literature review. The derived framework is used when analyzing the correlation between brand extension and profitability in this thesis.

The theoretical framework of this thesis, used for investigating how brand extension can increase the profitability of Friends Arena, was developed by combining concepts and models introduced and presented in the Literature Review section. The following concept and models constitute the theoretical framework applied in this thesis:

<table>
<thead>
<tr>
<th>Concept</th>
<th>Models</th>
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<tr>
<td>Branding</td>
<td>STP-model</td>
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<td></td>
<td>Kotler’s four pillars</td>
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*Figure 1. Concept and Models Used for the Theoretical Framework*

The concept of branding is connected to and analyzed with the help of Kotler’s four pillars and the model of STP. These models facilitate a deeper analysis of the various dimensions of branding, which potentially lead to a more accurate and in-depth understanding of the impact of brand extension on profitability. The connection and logical order of the concept and models in the framework are depicted in the figure below and reasoned in the following subsections.

*Figure 2. Theoretical Framework (own illustration)*
3.1 Branding

In an effort to branding, companies determine what they are, what their distinctive values, characteristics and attributes are, and this eases the purchase decision of the customers (Heaton, 2011; Keller & Lehman, 2006). By creating and possessing a strong brand, companies increase their chances for successful operations: a strong brand increases the company’s value and customer loyalty (Jobber & Fahy, 2009). This financially beneficial attribute of branding is further exploited when it comes to brand extension, the process of stretching an established brand name into new markets (Chernatony & McDonald, 1998) and by adding value to the core brand (Jobber & Fahy, 2009).

As the concept of stadiums has developed and become much broader up until today, as is shown by their much wider offerings of products and services: stadiums are going through a type of brand extension, where they now offer more than only sports events. In connection to this, new target markets are emerging, and stadiums need to work hard with their corporate and product branding to be perceived in the best way in the minds of the consumers. Since the concepts of branding and brand extension are immensely broad, they are analyzed in this thesis by using their various dimensions, namely, corporate and product branding, external branding, corporate brand image, and brand equity through Kotler’s four pillars and the model of STP.

3.2 Kotler’s Four Pillars

A company’s efforts in branding, brand extension, and towards segmenting, targeting, and positioning are of no value if those efforts do not result in profitability. Therefore, the model of Kotler (2001) with its four pillars of target market, customer needs, integrated marketing, and profitability is brought into the theoretical framework, to serve as a guideline for analyzing both the branding and the profitability aspects of the research question. The first pillar concerning target markets is equivalent to the targeting element of the STP-model: it shows how a company selects the target market for which the offerings are prepared. The pillar of customer needs deals with the measurement of the various types of needs, demands, and wants of the customers (Kotler & Wrenn, 2013). Therefore, the first two pillars are tightly connected to the brand extension part of the research question, while the two pillars of integrated marketing and profitability are rather connected to the profitability part of the question.

To respond to the needs of the customers in the most adequate way, companies reorganize their marketing and sales departments and functions and create integrated marketing solutions which constitute the third pillar of Kotler’s model. Integrated marketing also contributes to profitability, which is the fourth pillar, as the integrated marketing and sales functions, with measuring and answering to the customers’ needs, determine the profitability of a company. All these pillars together show how the interconnectedness of the four pillars contributes to the successful and profitable operation of a business.
The purpose of this research is to examine modern stadium management and to determine how brand extension can increase the profitability of stadiums. Therefore, Kotler’s marketing concept with its four pillars can be considered a relevant concept to examine both the process of brand extension and its impact on profitability, as it can help demonstrate how stadiums reach their increasing number of target markets and how they create value through their offerings.

3.3 STP-model

The STP-model is connected to and serves as a supplement to Kotler’s four pillars, and is relevant to use for the analysis of this study since it provides a better insight into the real-life operations of a business. The model is also closely connected to the concept of branding: it covers several of the dimensions of branding, including brand values, brand image, and brand equity. STP is all about how the consumers perceive a company and how the company uses the segmentation, targeting, and positioning strategy to reach out to those consumers. Companies using the STP-model first divide their markets into segments based on common traits, then select the most important segments that together constitute the target market of the company. By this, the company can ensure that their resources are allocated to the right segments that in return can increase the sales volume of the company (Kotler, 2001). Furthermore, positioning, the third element of the model, adds to the analysis of branding in a sense that it incorporates tools and actions about how a brand is perceived and differentiated from the competition (Marsden, 2002; Ries & Trou, 1986).

The simplistic marketing strategy of STP is widely used in the entertainment industry and specifically in stadium management (Shank & Lyberger, 2014). Previously, the answer to what segments a stadium serves was relatively easy to determine: it served the segment of football supporters who could be further categorized based on their loyalty, usage ratio, educational level, income, family status or occupation, for instance. Today, however, with the increasing number of types of events hosted at stadiums, segmentation is far from being easy: the different types of events have different types of attendants: sport-related, entertainment and business-related attendants. Hence, stadium managements are in need of selecting an extremely wide and distinct segment range, position the stadium and target their offerings in a way that is most appealing to all these potential visitors. Seeing these challenges of STP faced by the stadium management, this model serves as a base for the research and analysis of this thesis.
4 METHOD

This part of the thesis will introduce several definitions, and also describe and bring clarification to the methods that have been used for this research. The concepts of reliability and validity will be discussed and the section will finish by presenting some limitations of the study.

4.1 Choice of Method

Owing to the characteristics of a case study laid down by Yin (1984), namely that it is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; and in which multiple sources of evidence are used”, this research of Friends Arena was conducted using a case study approach. Furthermore, Yin (2003) states that a case study design should be applied when “the focus of the study is to answer “how” and “why” questions”, and therefore a case study approach is relevant for this thesis since it strives to answer the research question “How can brand extension increase the profitability of Friends Arena?”. A case study in general is dependent on multiple sources, and Yin (2003) lists them as: documentation, archival records, interviews, direct observations, participant observations, and physical artifacts.

This case study investigated the field of interest using qualitative data, namely material collected from in-depth interviews, due to that branding, the core topic of this study, can best be measured by not using a numerical approach. Additionally, in order to give a substantial answer to the research question and to provide a holistic view, the authors collected both primary and secondary data.

4.2 Qualitative Data

Research methods can be sorted into two basic categories: qualitative or quantitative. (ABS, 2013). It is important to distinguish between the two categories, although some research methods might produce both qualitative and quantitative data.

Information that is not in numerical form is called qualitative data. This type of data is usually descriptive data and can be harder to analyze compared to quantitative data (McLeod, 2008). Examples of qualitative data are information gathered from open-ended questionnaires, unstructured interviews and unstructured observations. The type of qualitative data used for this thesis is the material collected from in-depth, semi-structured interviews with the management of Friends Arena.

By using a qualitative approach, it was possible to collect the most relevant and complex answers due to that the interviewees were really able to express their thoughts and feelings about the particular topic. However, sorting and analyzing qualitative data is difficult and one must be careful while handling such data, due to that some respondents’ answers might be differently interpreted by different people (McLeod, 2008).
4.3 Deductive Approach

When following a deductive approach in research, researchers study the already existing theory and then try to design a research strategy to come up with a conclusion for a certain phenomenon (ResearchMethodology, 2015). This approach deducts conclusions from propositions or premises, and begins with an expected pattern which is then being tested against observations. Gulati (2009) states that “deductive means reasoning from the general to the particular. A deductive design might test to see if a certain relationship or link was obtained on more general circumstances”. This means that when following a deductive approach, the researcher works from a more general perspective and then narrows the information down to make it more specific, and this is often referred to as a “top-down” approach to research (Crossman, 2011).

For this thesis, the phenomenon of brand extension was studied using the already existing theory. First, the authors explored the phenomenon and then turned to the literature to obtain sufficient scientific background. Since a deductive approach was used, the theory was then narrowed down throughout the whole thesis and a conclusion was reached.

4.4 Data Collection

Data can be collected from both primary and secondary sources, and for this thesis both primary and secondary data were relevant to collect.

4.4.1 Primary Data

Primary data is one of the two types of data researchers can use when conducting research. Primary data is an observation or data that is collected directly from first-hand experience (Business Dictionary, n.d). The primary data collection can vary from lightly to heavily structured depth interviews, depending on the pre-preparedness of the questions and the intervention of the interviewers during the interviewing process (Wengraf, 2001). Lacking sufficient scientific background and therefore aiming to fill this gap, this thesis is heavily dependent on information gathered from LUSS, the stadium operator multinational. For this reason, the authors decided to conduct semi-structured interviews, where the questions were allowed to be developed during the interview as a result of what the interviewee said, which were thought to be of great use for both answering the core questions and giving room for free discussion about the particular field of interest (Wengraf, 2001). Since the core topic of the thesis is marketing and branding, the authors made interviews with one manager working with integrated marketing solutions, one manager from the communications department of Lagardère, and one person that is the head of all sales activities at Friends Arena. The first interview was conducted on the 17th of April with the communications representative, and lasted for around 50 minutes. In the second and third interviews, the representative for the marketing department and the head of sales were both present at a joint interview session. This lasted for around 120 minutes and was conducted on the 29th of April. The three interviewees are the key representatives for the departments that are relevant for the study and that could
provide answers for the questions. Due to this, and considering the relatively low number of employees working at the arena, the three in-depth interviews were adequate to collect the answers needed to answer the research question. No other employee working at the arena could have provided more detailed or relevant answers to the questions, and therefore all the needed information was collected from these three key employees. The received answers were transcribed into the Appendix and the most essential parts are quoted in the Empirical Findings.

4.4.2 Secondary Data

Secondary data is a previously collected set of data that was collected for a different purpose than the current one (Business Dictionary, n.d). Even though this thesis is highly dependent on primary data, secondary sources were used as well to gain insight into the subject. These sources can be categorized into three main categories: academic sources from textbooks and research articles from the biggest databases, such as Emerald Insight or the Harvard Business Review, professional sources from Lagardère Unlimited Stadium Solutions, and third-party sources that provide a rather reflective view on the challenges of stadium branding. This thesis relies mostly on sources from the first two categories since the trustworthiness of third-party sources might be ambiguous, due to the openness and freedom to provide information given by the Internet (Church, 2001; Dawson, 2002).

4.5 Operationalization

The questions developed (see Appendix) for the interviews were derived from the theoretical framework, and each of them belongs to one of the two models used. In the table below the connection between each interview question and the models is presented.
The research project began with the observation of the challenges in modern stadium operation and management, namely the fact that the focus in stadium management today is shifting from football and sport-related events to other kinds of events such as corporate events or concerts which in return contribute to the profitability of stadiums with higher significance than ever before. As Hoffman (cited in Chong, 2006) states, the logic behind a deductive approach lies in defining the “validity of one truth as it leads to another truth”. This thesis investigated the existing theory regarding the matter and connected that to the fact that Friends Arena is conducting brand extension, in order to come up with a trustworthy conclusion. Owing to
previous professional experience in the Lagardère network, held by one of the authors, some knowledge was already at hand and that is why a deductive approach was decided to be followed throughout the thesis.

The previously set out phenomenon of stadiums led the authors to forming a research question that approaches this issue from the perspective of branding. In order to conduct a complete analysis of the phenomenon, the authors of this research decided to use a qualitative research method. Firstly, since the fields of stadium management and branding concerning Friends Arena lacks a sufficient amount of previous researches, some representatives of Lagardère Unlimited Stadium Solutions were asked to provide qualitative data to support the existence and relevance of challenges set out in this research paper.

In this thesis, data was collected from both primary and secondary sources. The primary data was derived from conducted interviews with people from the company in question, and the secondary data was extracted from sources that the authors considered reliable, for instance from the company’s own website and from scientific articles. Following the initial interviews, a wide conceptual and industrial background was provided with the purpose of giving the readers a better understanding on the challenges of stadium management. Furthermore, as Marshall and Rossman (2006) suggest, the authors laid down the theoretical framework by an extensive literature review, which proves the significance of the study and provides adequate knowledge needed to understand the research, the research question, and the purpose. This firm ground allowed the authors to begin the data collection phase: the authors continued conducting interviews with the stadium operator personnel, aiming to get a full overview of how the management tries to materialize the brand extension, attract their new segments while keeping also the core-users of football supporters, and to get an understanding on the management’s efforts on creating a brand that is widely known and accepted and that can attract simultaneously people with different interests, backgrounds, and opportunities.

Although using material collected from the company is a crucial part of the research, the over-dependence on primary sources might only give a one-sided result and could raise the question of publication bias (Rothstein et al., 2005). In an effort to lower the risk of publication bias, the authors conducted interviews with employees with different roles and from various levels within the organization.

Consequently, the research can be best categorized as a qualitative research that includes the three typically used sections of introduction, discussion of related literature, and research design and methods (Marshall & Rossman, 2006). Furthermore, since the topics of the research, namely branding and brand extension, can be difficult to capture in numerical ways, using the qualitative approach is further supported as this approach has a higher emphasis on analyzing words than the quantitative approach that collects and analyses quantified data (Bryman & Bell, 2007).
Following the empirical findings section, the theoretical concepts collected and presented in the earlier parts of the thesis were implemented and the findings were analyzed through the lens of the theory of branding, using Kotler’s four pillars of marketing and the STP-model, to form a scientific answer to the research question. At last, the findings of this thesis revealed some areas of interest for future research, and these areas are stated in the very end of the thesis.

4.7 Reliability

The principles of reliability and validity are fundamental cornerstones when it comes to the scientific method, and both scientists and philosophers consider the principles as the core of what is accepted as scientific proof (Shuttleworth, 2008). Starting with reliability, this principle deals with whether the outcome of a study is replicable and if the concepts and measures used are actually consistent. This means that if a researcher applied and conducted the same steps and procedures and did the same case study as an earlier researcher, the later researcher would come up with the same conclusion and findings (Bryman & Bell, 2011). Shortly, reliability demonstrates that an investigator’s approach is logical and that it is consistent among variant investigators and projects (Creswell, 2014).

For this thesis, to ensure the reliability of the research, the authors conducted interviews with different representatives from the company in order to provide a variety of perception regarding the subject of stadium branding.

Also, this research could be replicated since the thesis development process was clearly described and since adequate information about the interviewees and the interview questions was provided. The replication could be done by, for instance, changing the aim of the thesis to study another arena within the same industry, or to study the concept of branding in other industries.

4.8 Validity

There are different types of research validity, for example content validity, external validity, and construct validity. Relevant for this qualitative case study, however, is the concept of content validity.

4.8.1 Content Validity

This principle is also called face validity and it involves establishing that the measure used in a study evidently mirrors the content of the concept in hand. According to Bryman and Bell (2011), the procedure is implemented by talking to individuals who have extensive knowledge or are experts in the field relevant for the study, and ask them whether the measure used seems to be reaching the concept concerned. Because of this, content validity is considered a crucial intuitive process.
To ensure content validity for this case study, the authors talked to a marketing manager, one that is considered sufficiently knowledgeable in this field of study, and examined the interview questions together with this person. The feedback given was taken into account and the interview questions were further developed, and this reinforces content validity.

4.9 Limitations

This thesis underlies different forms of limitations, varying from the incompleteness of a case study approach, to the concern of the relatively short experience LUSS has with Friends Arena.

The first limitation of this thesis arises from the fact that LUSS has just started its operation at Friends Arena and the efficiency and effectiveness of its efforts in brand extension and increasing the arena’s profitability is yet to be explored. It has not yet even been a year since LUSS started its operation in Stockholm, hence, not only the longitudinal effects, nor the short-term results are fully available.

Another limitation of this thesis is that some of the representatives that were interviewed did not want to answer all questions asked. They considered some of the questions to be confidential and ruled them out. Also, the findings of the thesis rely mostly on answers provided by employees at Friends Arena, and these might be biased due to that the employees might try to conceal some parts of reality. Furthermore, the representatives might in their answers try to glorify different aspects of the business and this will give an incorrect picture of the company and its results.

Regarding that this thesis is a case study, it must also be pointed out that the findings only represent the situation of Friends Arena, and that no general conclusions can be drawn.
5 EMPIRICAL FINDINGS

In this part of the thesis, the answers and findings derived from the interviews with representatives from Friends Arena will be presented under various headings connected to the theoretical framework.

The first interview was conducted with a communications representative of Lagardère Unlimited Stadium Solutions, who introduced the various aspects of the stadium’s business concept in general, and the arena’s marketing and selling activities. The second and third interviews were conducted with a marketing manager and a sales manager of Friends Arena, and topics concerning their fields were covered. The answers received from the interviews can be connected to the concept and models used in the theoretical framework of this thesis, namely to branding, Kotler’s four pillars and the STP-model. Since these two models strive to give a better understanding of branding and brand extension, the received answers are categorized under headings carrying these two model-names. All of the interview questions are in one or more ways connected to the concept of branding, but it was determined to exclude this heading since it is more meaningful to present the findings under the two model-headings. Also, as the characteristics of semi-structured interviews suggest, the interviews resulted in findings not connected to any of the models, but still relevant for the study. These findings are presented under the Additional Findings-heading.

5.1 Kotler’s Four Pillars

According to one of the representatives, “stadiums today stand on multiple grounds due to the extended range of offerings that contribute greatly to the financial stability and increased profitability of an arena”. The arenas operated by LUSS are generally built upon the same business model, namely to sign a long-term lease agreement with the stadium owners, giving home to one home club and the national football team, plus relying on other kinds of events, including everything from concerts to fashion shows. Additionally, LUSS usually takes the role of the marketing agency of the home football club, meaning that “all sponsorship and advertising agreements of the club are taken care of by the stadium operator company”.

One representative pointed out that “the football fans still play a crucial part in the arena’s success”, but at the same time expressed the “increasing relevance and portion of the other segments in the profitability of the stadium”. Due to the lack of expertise of the previous management, for the year 2015, Friends Arena has a very limited number of events fixed and together with the previous poor financial results, they are not in a position where they can sign the desired performers. The arena is today highly dependent on football-related events, that is on AIK and Swedish national team matches, since most of the revenues are stemming from these events, but in an ideal situation, as expressed by the representatives, “the arena would have an event every second or third day, of which the majority would be non-football related”. In order to reach this phase the new management is working dedicatedly and hopes to fill the arena with a great amount of events in the near future. However, today, “the core-users of the
stadium are extended from being only football fans, also to the representatives of the business world”, who purchase the different hospitality offerings depending on their financial opportunities, and this constitutes another issue. Therefore, right now the management of the arena is working hard to be able to “satisfy the needs of all the newly developed segments in the foreseeable future”.

To reach out to all the different segments, during the interviews the selling strategy and the commercial channels the company uses were discussed: it was apparent that “the segment interested in football is relatively easy to reach, since they by themselves go online and search for the news and offerings of their beloved football team”. However, the fact is that there are people hesitant between following their team from distance or from the stadium and the joint efforts of the football club and LUSS have to be focused on reaching them, by “using mostly the great opportunities offered by the various social media channels and the word-of-mouth present on these channels”. Additionally, the other types of segments the company tries to attract were discussed, and regarding this matter the representative said that when it comes to other types of events, like concerts or fairs for different professions (for example, architecture or the fashion industry) the arena has “around half a year to develop and attract the segments interested by reaching them through highly targeted advertising campaigns on the best channels on which those segments are present”.

Continuing with the marketing and sales activities, the representatives pointed out that “these functions are working closer together nowadays, compared to previous years”. This process, however, due to the unsuccessful previous years, is not yet working in full symbiosis but is something that the management is working hard with. LUSS is at the moment transferring their practices previously introduced in Budapest at Groupama Arena, and will operate as a full marketing agency of not only the home football club, AIK, but also of Friends Arena. The essence of being the marketing agent is to sign partnerships that mutually benefit all parties involved.

“As keeping existing customers is proportionately cheaper than acquiring new ones”, it is of utmost importance, as the interviewees said, “to measure customer satisfaction on a regular basis”. This is executed in different ways with the different types of guests. The public visitors receive a questionnaire every time after the events, “where they can freely share their opinions on the service and the product they received”. When it comes to the VIP guests, “the personal relationships are more emphasized, and for this reason, these guests are reached out to by phone follow-ups”.

The interviews touched the subject of profitability and the financial stability of the arena several times: it can be stated that “today Friends Arena relies mostly on the rent received from AIK, but because of the huge losses in previous years, in the future, Lagardère wants to reach financial stability through the many non-sporting events and does not want to be as dependent on AIK any longer”.

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5.2 STP-model

One representative explained how much the arena is dependent today on attracting various segments: “there is not just one segment visiting the stadium on a regular basis, but instead, multiple different segments, including the youngest and oldest generations of the population, are going there”. The representative then continued with stating that “these different segments are then targeted with the arena’s various offerings, which are highly tailored to the differing needs of the segments mentioned”. Connected to the many offerings, the representative explained how the arena positions itself to attract the various segments buying these products. One respondent explained that the most important aspect of their positioning is to “show openness and that the stadium offers unlimited solutions indeed”. This is incorporated in emphasizing the characteristics of a newly built arena that is seen as “attractive, energetic, safe, and trendy to the general public”.

Regarding the core values of the arena, the representatives said that “the values are to deliver the high quality product that has previously been promised by the old management but never got delivered”. Also, being the central stadium of Stockholm constitutes a great value, just as the family friendliness of the arena. Another important aspect when considering the brand values is the effect of the cooperation with Friends, the anti-bullying organization: “carrying the name is not only an action of social responsibility but a strong declaration that there is no room for hooliganism or acts that do not follow the spirit of fair-play”. As the representatives explained, this “has a very positive effect on the arena’s reputation and perception”, and by carrying the brand name of Friends they can expect an extension of their business partners and investors.

During the interviews, it was revealed that LUSS chose Friends Arena as a cooperation partner because of the extremely positive characteristics of both the arena and its location. “This adds to the positioning and the brand value of the arena”, as was stated by one of the representatives, due to that Stockholm is the capital of one of the most developed countries worldwide, and it is “the hub for entrepreneurs and a real global center”. LUSS saw the potential in the Swedish market and believes that it can become a center for various sporting, music and corporate events.

In an effort to position the brand to matching the target market’s expectations, the arena “tries to improve customer satisfaction gradually with new services and with small delighters”. Owing to previous dissatisfactory results on consumer perceptions, as was pointed out by the interviewees, these actions were proved to be highly needed. Nowadays, due to that the consumers had previous bad perceptions of the brand of Friends Arena, the overall picture of the arena is still ambivalent, but according to the interviewees “it is getting better and the feedback received so far from the consumers is satisfying”.

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5.3 Additional Findings

During the interviews it was revealed that the relationship between Lagardère Unlimited Stadium Solutions and Friends Arena has just recently, in February 2015, started and therefore the takeover process is still ongoing. As the interviewees stated, “the cooperation is a ten-year-long lease agreement but provided that the arena reaches profitability and satisfies all the parties involved, the cooperation might last even longer”. Furthermore, the representatives expressed that “the cooperation seems very promising so far”, and that they highly hope that they soon “will reach a stage of profitable operations”. One remarkable finding from the interviews is that the two companies do not see themselves anymore as two separate legal entities, but rather as “one single unit, where all the functions are working hard to make it a fruitful relationship”.

At arrival, LUSS implemented numerous changes in the arena, which included the rebuilding of the VIP areas, such as the Sky Boxes and the welcoming zone. This has been among the first changes because the VIP guests and the VIP packages “play a key role in the profitability of the arenas in the LUSS-concept”. Another change that the new management implemented was the redesigning and improvement of the hospitality offerings of the arena, and they set “special focus on quality and high-class ingredients”. This, together with the cooperation signed with the Stockholm-based high-class restaurant Operakällaren, serves as a “firm ground for strengthening the arena’s brand and meeting the guests’ needs better than ever before”.

The interviews also touched the topics of business concept and stadium profitability, and the question regarding the offerings of the stadium was brought up. As Lagardère often refers to the product of a stadium, and for people not involved in the field of sport management it might sound like a totally new perspective on stadiums, it was relevant to determine what exactly the(se) product(s) are. The representative explained that “the core product of the stadium operator Lagardère is the various packages sold to the different kinds of segments, including supporters, members of the business club or people interested in organizing conferences at the arena”. However, the packages together with the important aspect of the experience of going to the arena constitute the products of the stadium. Besides these core products, “several other products are sold, for instance ceremonial kick-offs and photo-shooting for weddings in the arena”. Therefore, there are many different products of a stadium, rather than only a single one, and “the management of Friends Arena is working hard to match these different products with the different needs of the consumers”.

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DISCUSSION

This part of the thesis comprises the analysis of the empirical findings in comparison with the theoretical framework. Through the analysis, the authors aim to find answers to the research question while considering the various aspects of the theory.

6.1 Branding

Heaton (2011) suggests that careful branding is in the utmost interest of firms as the brand is what communicates the values, characteristics, and attributes that specify what a particular brand is, and what it is not. Additionally, as Jobber and Fahy (2009) state, a strong brand contributes to successful and profitable operations, which one can argue is the ultimate purpose of all corporate actions, no matter whether it is a telecommunication company or a stadium. Based on the findings from the interviews conducted in this study, the authors received full assurance that the first premise of this thesis holds, namely that stadiums, like Friends Arena, are in an ongoing brand extension process. This in reality means that the core brand, which is being a football stadium, is extended with various products and offerings, which are only partly or not at all connected to sports and sporting events, and which in the foreseeable future are expected to greatly increase the profitability of the arena. The respondents suggested that in the case of Friends Arena, brand extension is something that the management is constantly working with, but due to the new operator company’s very short experience with the arena, and the lack of expertise from the previous management, the process has just started and is still in an early phase at the moment. The interview respondents also stated that the decade-long market and product branding know-how of LUSS developed around the globe are being implemented at Friends Arena at the moment as well. Hence, the efforts of Friends Arena’s management towards an ample brand extension and ultimately towards increased profitability have been clarified. However, in order to gain a complete picture over the brand extension process of Friends Arena, the management’s efforts are analyzed in the following subsections using Kotler’s four pillars and the STP-model.

6.2 Kotler’s Four Pillars

Kotler (2001) uses four pillars to define marketing: he starts with the customers’ point of view, moves on and determines the key target markets and then measures the needs of the customers in those markets. Based on the needs, according to the marketing concept of Kotler, the companies develop products and with integrated marketing and sales functions sell them to the customers. The investment in the three first pillars together determines the fourth pillar, the profitability of the firm. Friends Arena’s approaches towards their target markets were discussed under the STP subheading of this discussion-section and it gives a firm ground for further elaboration: on how to measure customer needs, when discussing the integrated marketing efforts of the management, and when ultimately looking at whether all these aspects lead to profitability. As the interviewees indicated, the needs of the customers are now measured on a regular basis, and “the public visitors receive a questionnaire every time after the events
where they can freely share their opinions on the service and the product they received”. In the future, LUSS will try to sign performers based on the results of the market researches, however, as the arena’s new management has just recently started its operations in Stockholm, the offerings for 2015 have been determined without considering customer needs. The management realizes, however, that customer needs are extremely important to consider, a statement further strengthened by the customer needs-pillar of Kotler’s model.

In contrast to practices from previous years, Friends Arena now works on integrating its marketing and sales functions, and “these functions are working closer together nowadays, compared to previous years”. One sign of this is the complete restructuring of the VIP and hospitality packages, where the needs of the customers are measured and the offerings are tailored to them. In order to develop good relationships with their consumers, the arena has started to measure not only the needs, but also the satisfaction of their consumers. For VIP guests, “the personal relationships are more emphasized, and for this reason, these guests are reached out to by phone follow-ups”. For regular guests, the follow-ups are conducted through paper and electronic surveys. The pillar of integrated marketing suggests that a company will be more profitable if all functions are working together towards a common goal, and this is something that Friends Arena is trying to accomplish at the moment.

Another important aspect to consider when analyzing integrated marketing at Friends Arena is that the stadium operators work tightly together with the home club of AIK’s marketing department. Additionally, besides being a stadium operator at Friends Arena, LUSS also fulfils the function of the marketing agency of AIK. The essence of being the marketing agency lies with determining and building the various sponsor packages, finding potential investors and developing relationships with the sponsors of both the arena and AIK.

Since the opening of Friends Arena in 2012, the previous management never managed to reach profitable operations, but instead made a total loss of 600 million SEK. However, with the arrival of LUSS, the stadium has better prospects for reaching self-sustaining results. Since the stadium offers “unlimited” solutions, and sufficient know-how has been brought by LUSS and also since market knowledge gained by the previous management is present, there is no question about that Friends Arena would not be able to maintain itself and increase profitability in a near future, just similarly to the other well-functioning stadiums of the LUSS-network. The question is rather when this will occur and is dependent on numerous factors; firstly, it depends on the strength of the squad of AIK, as if the team performs better, the average and aggregate attendance level will increase, generating higher revenues to the company. Secondly, LUSS and the Swedish Football Association need to work in close cooperation to ensure that the Swedish national team always plays full-house matches. Thirdly, the VIP and hospitality packages of the arena have to be constructed, marketed and sold in the best possible way, as they generate a high portion of the arena’s revenues. Fourthly, Friends Arena has to work hard on signing performers, and especially on signing the performers that their main target markets
would be willing to pay for to see at the arena. Finally, Friends Arena needs to work on filling the internal areas with small and middle-level corporate events, conferences, and shows.

Granted that the five aforementioned profitability factors are fulfilled and that the arena “hosts some kind of event every second or third day”, the brand extension process, with all the differentiated offerings and the higher number of target markets and visitors, will ensure in the foreseeable future that the stadium increases profitability. In this case, the brand extension will not only help the arena to increase profitability, but also to stand on a safer ground financially, as it will no longer rely exclusively on the rent received from AIK.

6.3 STP-model

Kotler (2001) describes that the STP-approach is built up by the following three steps: identifying groups of customers sharing some traits, selecting a targeting strategy the company believes will generate as much profit as possible, and determining and transmitting messages to the customers about the key distinctive characteristics of the brand and the company’s products. Shank and Lyberger (2014) add to the general concept that this approach is widely followed in stadium management. The findings of the data collection process indicate that Friends Arena, similarly to the other stadiums of the LUSS-network, uses the real life implementation of the STP-model. Due to overlapping characteristics and existence of infinite number of subsegments, however, this real life segmentation can never be scientifically accurate but serves as a good base for the arena to develop their marketing strategy. According to the interviewed representatives, “there is not just one segment visiting the stadium on a regular basis, but instead multiple different segments”. These include the football fans separated by club-sympathy, the regular people based on their interests in other kinds of entertainments, and they also include the top tier, the members of the business elite. The business society is also divided based on their financial status and also on their interest in football, sport and entertainment related events.

Following the definition of the segments present on the market, the company decides which their key targets are. The effect of brand extension is greatly trackable using the five patterns of target market selection (Kotler et al, 2009), as was presented in the literature review. Historically, the target market selection of a stadium fell in the single segment concentration, as the stadium served in principal the segment of the home football team’s supporters only. In the case of a stadium being the home of the country’s national XI as well, the targeting approach could have been seen as market specialization, as besides serving the needs of the home club, occasionally the broader segments of all football fans were served at the same time and place. However, the findings indicate, that we cannot talk about single segment concentration anymore. Today, the basic standpoint is definitely the selective specialization, where the management aims to satisfy various segments simultaneously: these segments in the case of Friends Arena are firstly the AIK fans, then all football fans interested in the Swedish national team’s matches and everyone in the business world interested in the matches. Additionally, the arena serves as a hub for corporate events, and therefore all of those companies are targeted that
are not involved in the sports industry. The target market is further extended with the segments interested in the various other events held at the arena, as for instance based on the arena’s 2015 event calendar: the fans of the world famous rock-band AC/DC, people interested in the Melody Festival, the ones preferring animals and being interested in a horse show, and finally the segment of comic book and super hero fans dedicated to go to the Comic-Con event. Based on the finding that “different segments are targeted with the arena’s various offerings, which are then highly tailored to the differing needs of the segments”, it could also be said that the arena strives to reach a full market coverage, due to that its offerings are spread to all kinds of people and companies. But although the respondents and the operator company’s name suggest the full market coverage targeting, in reality, due to the physical limitations of the arena, there are and there will always be some segments that remain unserved.

Marsden (2002) defines positioning as “how a brand is positioned in the mind of the consumer with respect to the values with which it is differentially associated or which it owns”. Positioning, the third component of the STP-model, shares strong ties with the various aspects of branding and plays a vital role in the success and profitability of Friends Arena. Owing to this high importance, the management invests a substantial amount of resources in creating a positive and attractive perception of the arena in the consumers’ minds. The management defines their core brand values as offering and delivering high quality service and enjoying the values connected to the arena’s location in the heart of Stockholm, the vibrant center of the Nordic countries, a proud representative of both modernity and serenity. When it comes to creating a corporate brand image for the arena, the management desire it to be seen as “attractive, energetic, safe, and trendy to the general public”. These attributes support the efforts of the management in creating a positive perception that shows general openness to the different kinds of events held at the stadium and to any kind of segments visiting the arena on these occasions. Creating a strong and attractive corporate brand image is further supported by the product branding activities of the arena: each of the arena’s products carry traits and values that best fit their target segments. One example of this is the VIP packages, which are positioned as being unique, classy, sophisticated, as well as trendy and energetic, to fit the segments most interested in this kind of offering. Due to that the arena has developed many products since the start, and since all of them carry certain positive attributes, the arena is able to deliver a message of value to all of its segments simultaneously and ultimately, and all this will contribute to reaching brand equity.

The positioning is further extended by the impact of the arena’s name sponsor: Friends, the anti-bullying organization. The reputation of the arena, due to the AIK-hooligan actions, was for long tarnished, but is now going through a recovery process with the help of carrying the name of an organization that stands up for the weak and the innocent. The name a brand is carrying has a huge impact on the core values and perceptions, and being positioned together with this type of organization “is not only an action of social responsibility but also a strong
declaration that there is no room for hooliganism or acts that do not follow the spirit of fair-play”. Therefore, Friends Arena holds a great advantage.

6.4 Additional Findings

After a few years of negative revenue streams, the owners of Friends Arena decided to sign a contract with an experienced stadium operator multinational, LUSS, which was considered to be sufficiently knowledgeable to tackle the challenges of making the arena profitable. LUSS insisted on signing a ten-year-long agreement, because in this period of time they will have the ability to gain relevant know-how in the Swedish market and to try and also retry new concepts and offerings. This is beneficial for both parties, due to that the owners will receive the return on investment with the yearly lease payment, regardless of the current financial situation of the arena, and due to that LUSS can enjoy the profits of the arena without being obliged to return a certain share of it to the owners.

Enjoying the freedom of not being overruled by the owners, LUSS has the opportunity to create several new products and offerings which can be tailored to the many different segments that they are targeting. These new tailored offerings include, for instance, “ceremonial kick-offs and photo shooting for weddings in the arena”, and with all the new products the arena offers something for everyone. This will expectedly increase consumer satisfaction, and in theory, it will lead to that the profitability of the arena rises.
7 CONCLUSION

This part of the thesis clarifies the answers to the research question and gives a summary of the findings connected to the theoretical framework. The section will end by providing suggestions for further research.

This study about Friends Arena aimed to find viable answers to the research question, concerning how brand extension can increase the arena’s profitability. In order to answer this research question adequately, the empirical findings were analyzed with the support of the theoretical framework.

Concerning the research question of this study, namely “How can brand extension increase the profitability of Friends Arena?”, the following concluding remarks can be stated:

- The first and foremost step for Friends Arena is to find performers that match the needs of the consumers and that are likely to attract a high number of visitors.

- Secondly, Friends Arena must structure and promote the newly developed VIP packages to make them attractive to the segments that generate a high portion of the arena’s total revenue.

- Finally, the brand extension process can be further developed by Friends Arena trying to fill the arena with smaller events (weddings, press conferences, and fairs) every second or third day, as this will bring in more revenues and in that way have an impact on Friends Arena’s profitability.

According to Martinez et al. (2009), the initial brand image has a major impact on the result of a brand extension, and the fit between the old and new brand image and its acceptance is more successful if the original brand is well-known. These findings are in line with the results of this study, namely that Friends Arena is already well-known and well-perceived and therefore the brand extension process is likely to be more successful. This is due to that a customer is more likely to choose the offerings of an already known brand, even if those offerings are new to them.

Furthermore, Pina et al. (2013) state that brand extension is more rewarding when it takes place in a service industry, and also the new brand image will be more favorable. This statement supports the belief that brand extension can increase the profitability of Friends Arena, since the main offerings and also the new offerings of the arena are service-based. The study found that the management of Friends Arena shares this belief and works dedicatedly with their brand extension.

The four pillars of Kotler’s marketing theory are important cornerstones for the functioning of Friends Arena. At the moment, the management is working with developing integrated
marketing solutions, where the sales and marketing functions of the arena are cooperating closely in answering to the needs of the consumers. The results of this study revealed that clearly defining the target markets, working with integrated marketing solutions, and then responding to the consumers’ needs are crucial factors for Friends Arena when aiming to reach a higher profitability level.

When aiming for higher profitability, “market selection decisions are the most critical elements”, according to Shank and Lyberger (2014), and especially in the strategic sports marketing process. These decisions are summarized in the model of STP: segmenting, targeting, and positioning, and involves grouping consumers, directing marketing activities, and building a brand image. This research shows that Friends Arena applies this model as its marketing strategy indeed, although not as rigidly as the model is described in theory. The arena segments the market it operates in based on common interests, rather than on attributes such as age, family status, or education. After determining the segments, the arena follows the full market coverage targeting strategy, and then position its offerings as being safe, unique, and trendy.

To sum up, stadium managements of the modern age have the ability to generate huge sums of profit, as they now, following the brand extension process, offer complex solutions. This study contributed in showing that brand extension can indeed increase the profitability of a multi-purpose arena, since the extended offerings will attract an increased range and number of visitors and therefore generate higher revenues.

7.1 Future Research

This thesis revealed various fields for future research with regards to the concept of modern stadium management. One area of interest is the risk of losing core-users, due to the emerging over-commercialization of the services of stadiums. This includes the core-users not feeling valued because of the increasing amount of events, other than football-events, offered at the stadium, and they might stop going there. This could be an interesting area to study due to that the core-users of a stadium is highly involved in its profitability. Additionally, it would be interesting to study whether the core-users of today will still be the core-users in the future.

Another important aspect to consider for future research is that the year this study was conducted in is only the first year of operation for LUSS in Stockholm, and neither the short-term results, nor the long-term results are available yet. Therefore, the effectiveness of the stadium operator’s actions can only be judged in the future when more information exists.
8 REFERENCES


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INTERVIEW 1 – Communications manager, Lagardère Unlimited Stadium Solutions

1. What is the business concept of LUSS in general, how does it reach profitability?

   **Answer:** LUSS, member of the Lagardère Group, is now responsible for the mother company’s all sport and stadium-related activities, including marketing activities, stadium management and operations, and media rights. Lagardère Unlimited deals with operating stadiums usually from early of their construction, but in certain cases, also later, after they have already been opened as that is the case of Friends Arena. What our company offers is utilizing the opportunities a stadium has: creating inspiring areas, where all kinds of events, with wide scale and scope can be held, and all stakeholders of the arena enjoys the advantages of our cooperation. The core business model we have is to sign a cooperation agreement with the owner of the stadium on a long-term lease, in which we guaranteee the flawless operation, give home to the home football team and host some national team appearances a year. In return, we receive the rental fees, plus we can organize other kinds of events the days when the arena is not occupied by the football club, and rent out parts of the arena for third-party events. We also enjoy some exclusive supplier contracts, for instance on food and beverage consumption at the concessions, which involves receiving our own share of the income after each beverage sold. Additionally, Lagardère is also the marketing agency of the home football clubs, finds and contracts new sponsors and manages the relationship with the already existing sponsors. Ultimately, we can say, that the more profitable the stadium, the more stable and profitable the football club is.

2. Does the company position itself, based on the offerings, in one single way or in multiple ways?

   **Answer:** As there are multiple products, the positioning cannot be the same either. We have to position ourselves in a quite broad way, to attract all kinds of consumers. We have to show that we are an open brand: open for new ideas, open for the different types of events, and that we are ready to meet the consumer’s needs. A stadium itself is rather unique, everyone knows it, some might have been here on sporting events or concerts before, but also our offerings have to be unique. When it comes to positioning the arena, we try to incorporate these unique characteristics and show that we are energetic, that we are up to date, suggest that it is “cool to have an event here” and that we are ready to serve a very wide range of consumers.

3. Previously stadiums have been a venue mostly for sporting events and the main target group was the supporters of the sports clubs. Today, an arena offers much more than simple sporting events. Which are the main target groups now?

   **Answer:** Yes, a stadium is very different today than it has been a couple of decades ago. Today, there are so many programs offered, and there are so many different people visiting us. However, we cannot forget about our core target, the supporters. The stadium is still the place for football (or other events), if no other events are held, the football matches will still be here 20-30 times a year. So the core target is the different types of football supporters including the wealthier segments that rent a sky-box or purchase a VIP package. However, with the other types of events, we have new target markets as well. The corporate segments are now part of
our core segments. Additionally, when we host the concert of a musician or have the Monster Truck show in our arena we open up for those segments, ranging from different ages and financial situations. Usually, we know around six months in advance what kind of events we will have and in that six months we try to reach the people interested in these offerings.

4. **What selling strategy does the company follow? What kind of channels and promotions are used?**

   **Answer:** We have to differentiate how we reach the core users of the stadium and how we reach the people interested in the other types of events. Since we’ve been working for long in the football industry, we know quite well the supporters and we know how to reach them. Football makes our job a little bit easier because without any kind of advertising, supporters would still come and fill the stadium. However, with some extra selling efforts, we can make sure that we attract those as well, who might be hesitating between watching the game on TV or from a bar. These people can be reached best today through the club’s website and their social media channels. When it comes to corporate offerings, our task is a little bit more difficult, we have to sell ourselves just as if we were any other event hall but with a unique center. We make efforts to build a business club around the stadium, develop databases and reach out to them with targeted offers. The third types of events, the concerts or the different attractions are usually managed today through social media, as it offers channels where with a little investment we are able to reach millions of potential visitors and take advantage of one of the best promotions, word-of-mouth.

**Additional findings that emerged during the interview and contribute to a better understanding of how the arena works:**

*Lagardère often refers to the “product of the stadium and the product of Lagardère” in its statements. As the interview went by, the following questions were also discussed: What exactly is the product of a stadium? Is there one single product or are there many products (products for fans vs. corporate offerings)?*

   **Answer:** The product of a stadium cannot be defined just as easily as a product for any other company. What we sell is rather a complex solution, just as our name suggests: we possess more than two decades of know-how both market- and product-wise. We are present on all continents, and have a wide global network of affiliates: this is then further compressed to state of the art solutions to specific countries and specific stadiums. What Lagardère’s product basically is, is offering everything a stadium needs, and more: we set up complete, long-term business and operation plans, take care of safety and security issues, develop hospitality offerings, give home for 3rd party events, do extensive market research all and all over again, in most cases find a name sponsor for the stadium that contributes to the financial stability of both the arena and the home football club and take care of the thorough technical maintenance of the arena. Regarding the product of a stadium: the stadium has various products depending on the financial opportunities of the parties interested. We sell different types of VIP packages (Sky-box, VIP Gold, VIP Bronze), have different hospitality offerings, focus on the ordinary attendants, prepare packages for third-party events or just to mention a few smaller, but rather creative ideas, sell the right of ceremonial kick-off before the football games, and offer opportunities to have photo-shooting for weddings. This all together is however not as dry as it sounds: the most important thing for us, is to serve the needs of our customers and to offer them
an experience that makes them want to return. To sum up, there are multiple products a stadium offers, rather than one single product.
The interview started with discussing background information about the cooperation between Friends Arena and LUSS.

**Findings:** The relationship between Friends Arena and LUSS is a rather new relationship that started early 2015 and will last hopefully for long. Up until now, it seems to be a very good and promising relationship with a clear vision towards success. At this point of the cooperation, there is no question about that LUSS and Friends belong together. There is no point in separating the two entities, LUSS and Friends are basically one.

The agreement that was signed is a ten-year long lease agreement and both parties have high hopes that this relationship will be fruitful and last for longer than that.

5. **Why did LUSS choose Friends Arena Stockholm for the cooperation?**

**Answer:** Because it is a great, modern and a state of art stadium with great potential for success. We thought that the national arena of Sweden, with central location in one of the most global cities in Europe is a great match for the Lagardère network. The Swedish market is growing and with the finalization of Arenastaden the Friends Arena will be the hub for sports, music events, expos, conferences etc.

6. **The cooperation between LUSS and Friends Arena is relatively new. What have been the initial changes LUSS made at arrival? What are the changes and innovations that LUSS will bring to the already running concept of Friends Arena?**

**Answer:** It is a very new cooperation that started in February this year. In general, the arena itself was very well-planned at construction, but obviously, when taking over the control we initiated some changes in accordance with the Lagardère philosophy that we believe will lead to successful and profitable operations. The first changes LUSS made was rebuilding the VIP areas and Sky box welcoming area to make these areas more attractive and inspiring for our guests and to meet the absolute highest stadium standards. The second change involved the hospitality concept and involves a cooperation with the Stockholm-based restaurant Operakällaren. With the changes implemented, we are now offering different casual and social dining concepts with special focus on quality and high-class ingredients. To show how deeply we care about the satisfaction of our VIP guests, we signed a cooperation agreement with the Executive Chef at Operakällaren, Stefano Catenacci, who contributes to the development of recipes and food concepts.
7. **How do you think consumers perceive the arena today?**

**Answer:** The customers’ perceptions of us before might not always have been the best, but due to the changes made up until now we have far better results today and the people who leave the arena nowadays are overall satisfied and impressed by the changes. However, as the visitors’ past experience was quite ambivalent, the overall image is still mixed. Just as in any changing process, the beginnings are always tough, and we are no exception of this either: the beginning of the transformation period is difficult, but overall we are very pleased with the feedback and process so far.

8. **How is the scale of events determined? Does the arena measure and answer the needs of the main target groups? Or, does the arena sign the agreements with performers first, and then sells the tickets with integrated sales efforts?**

**Answer:** We are only in the beginning of the process, so we do not have accurate measures about these data yet. For the current year there are only a few events fixed yet and that are the Melody Festival, the AC/DC concert, the Swedish Horse Show and Comic Con. Besides, we have the AIK matches plus a few times a year the Swedish national football team plays here. From the selling point of view, the AIK matches are different from the others because they are a permanent tenant and public tickets for those matches sell themselves more or less. The success of marketing also has a lot to do with word-of-mouth and the use of various social media tools. The sales of hospitality packages is a little bit different from the sales of public tickets, as they depend highly on the capabilities of the sales team and our efforts in intense customer relationship management. You could say, due to that it is difficult to sign performances, that we are doing our best when it comes to offering different events for different target groups.

9. **How often and following what method are the needs of the consumers measured?**

**Answer:** We use different approaches to measure the needs and satisfaction of our consumers. Public guests get a questionnaire after each event to share their experience. When it comes to VIP guests, however, we use personal follow-ups and call them after the event to have a little conservation about their experience. On top of that, we do consumer research on a regular basis: directly after our events, there is a dedicated team responsible for the follow-up measurements.

10. **How does the marketing and sales function of the stadium work together? Are there integrated functions?**

**Answer:** Yes, we are building integrated marketing and sales functions. Unfortunately, the previous stadium management was not too successful in sales and have showed up very poor results in the last two years. With the arrival of LUSS, however, groundbreaking changes are implemented, and we are developing a systematic new advertising/sponsoring rights concept to
sign new partnership agreements. The overall concept is very similar to the Budapest one, where LUSS functions as the marketing agency of the home football team, Ferencvarosi TC. There is only one major difference and that is the different regulations that has to be considered such as the ones for the Allsvenskan matches, national matches, and music events through Live Nations etc.

11. What are the core brand values of Friends Arena now and what does LUSS want to achieve/change regarding their brand value during the cooperation?

Answer: The core values of the arena are to deliver the high quality product that has been promised in the past years but never got delivered. Another value of our arena is that it is the representative of Sweden on international fields, and the matches and other events broadcasted from here and earning publicity worldwide are directly connected to the flourishing and innovative Sweden. Also we put high emphasis on the openness and being a family friendly arena which is best exemplified by the close cooperation with Friends, the anti-bullying organization.

12. How does the name sponsoring add to the brand of the Arena? Does it have a positive effect on the brand perception?

Answer: In some cases there is resistance against naming a stadium but in our case stadium naming has a very positive effect on our reputation and perception. Besides showing social responsibility with wearing the organization’s name, with this cooperation we can further position the arena as a place where there is no room for aggressive acts and hooliganism. As a result, this better reputation is not only promising and more attractive to public visitors, but also to potential investors and sponsors.

13. What portions do sport related events and non-sport related events take in the revenues of the arena today? Is it ideal?

Answer: Since the sales department of the arena has not been too successful in previous years, in 2015 the arena is highly dependent on the sport-related events, however, with hopes that as of next year the arena can be filled with a great amount of non-sporting events as well. In an ideal situation, we would have some kind of events basically every second-third day, leading to 120-180 events a year held in the arena in total.

14. Today, does the arena with its various offerings stand on a safer ground financially than with just relying on the performance of the home football team (AIK)?

Answer: It is very difficult to say, as now AIK plays a key role in the financial planning of the arena due to being a fixed tenant. Also, the Swedish FA have their matches here which together give some kind of stability. Having only the matches is, as is obvious from the arena’s previous
profitability reports, not enough and obviously we take aim to not depend on AIK and get financial stability through concerts, expos and other big sporting and corporate events.