



BroadBranch Advisors

How NFL teams leverage concessions to drive fan satisfaction

Sports fans have long been captivated by the quote from the movie *Field of Dreams*, "If you build it, they will come." This simple concept embodied the belief that all fans need are good views and a compelling matchup to drive satisfaction. While having a competitive team and unobstructed views remain central tenets of fan satisfaction today, they are no longer the only factors fans weigh when deciding to attend a sporting event. A new era of broadcasting coupled with immersive online experiences and 4K HD TVs that are available to most consumers have created a more compelling experience for fans viewing games at home. Higher-quality home experiences, balanced against the significant time and monetary commitment required to attend sporting events have created urgency for teams to focus on improving the in-game customer experience to maintain ticket sales.

According to Team Marketing Report's NFL Fan Cost Index, a family of four could expect to pay an average of \$560 to attend an NFL game during the 2021-22 season, a \$15 increase from the year prior. While there

are many different factors that affect the price and availability of tickets, fan dissatisfaction stems largely from the captive pricing that teams employ for supplemental products such as parking, merchandise, and most importantly--concessions. This isn't to say that NFL attendance is struggling; in fact, NFL attendance numbers have remained relatively stable over the past 10-plus

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years, according to Statista (2020 notwithstanding). While these numbers are heartening to team owners, they are the result of targeted strategy from sports franchises who have invested enormous amounts in new stadiums, customer experience, and other differentiators that help elevate the fan experience.

One area where teams have recently started experimenting is concessions. According to a Deloitte fan survey conducted in 2018, respondents recorded the lowest satisfaction scores (under 50%) to the statement “the stadium concessions provide fair value for what I receive.” What NFL franchises have slowly begun to realize is that investment and development of new concession strategies can be a low cost win that significantly weighs on fan satisfaction, and could ultimately generate benefits for their more substantial revenue streams.

Concessions are a largely insignificant revenue source

NFL franchises derive most of their revenue from television deals, ticket sales, merchandise and licensing rights, and corporate sponsorships. TV deals and licensing contracts are negotiated by the league, of which the revenue is divided evenly among the 32 teams. Each team generates additional individual revenue from ticket sales and corporate sponsorships. The most in-demand sponsorships are in the form of naming rights to NFL

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stadiums, which according to Investopedia can generate upwards of \$30M annually for the franchises. Revenue from concessions, even with its high margins, represents a fraction of the overall revenue that a team generates. As a result some franchises within the NFL have begun experimenting with so-called “fan friendly” pricing for their concessions to understand how it affects purchasing behavior and overall fan satisfaction. Price elasticity of demand is not a new concept – economists have long known that customers will buy more of a good or service at lower prices and that experimenting with pricing can help organizations find a profit maximizing price point. While this tool is common for consumer brands to employ, it is used less frequently in markets where consumers are captive to their environment such as airports and stadiums—where supply is generally fixed, and the price of goods is relatively inelastic. While reducing concession prices will not amass a significant increase in revenue, it will ultimately improve fan satisfaction and generate externalities amongst other, more prominent revenue streams.



Shift in consumer expectations

Several NFL teams are employing fan friendly concession strategies recently to provide better food quality and service value for consumers. This marks a new approach towards influencing fan satisfaction as for a long time, concessions were seen as a secondary driver to the action on the field. Traditional concession products such as hot dogs and nachos were designed to appeal to the masses, but now stadium food service quality has become a much larger consideration for consumers, and consequently to franchises that are trying to retain season ticket holders and increase revenue.

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One of the many specialty vendors in Las Vegas's Allegiant Stadium, completed in July of 2020.

new food stations serving upscale culinary creations and drinks. New stadiums have been proactive in securing partnerships with top local chefs and mixologists to design a variety of menus that will appeal to a diverse fan base. A recent QSR article states that the newly constructed Allegiant Stadium in Las Vegas features food from 30 different local businesses, offering everything from cheesesteaks to chicken katsu. New concourse spaces have increased points of service enabling quicker greater convenience and speed for fans. In older stadiums where space is at a premium, concession planners have embraced mobile carts and free-standing structures which allow concessions to move along with fans. While revamping food and beverage strategies can be both costly and time-consuming, there are success stories from current NFL franchises that other teams should consider emulating. The Atlanta Falcons and San Francisco 49ers



are examples of teams who have received praise from fans due to their diverse food options and enhanced concession services.

Fan-friendly pricing yields an improved gameday experience

Organizations are taking many different approaches to improve value for money through stadium concessions. One solution adopted by AMB Sports and Entertainment, the group that owns the Mercedes Benz Stadium, home to the Atlanta Falcons and MLS team Atlanta United, was to simply lower concession prices. Implemented in 2016 and labeled “Fan First Pricing,” this initiative lowered the prices of popular food items such as hot dogs, nachos and water by 50%. To the team’s success, food and beverage spending rose by 16% in the following year. While the sales volume of discounted items has dipped since the first year, the Falcons have seen an increase in the sale of premium items. Commenting on the initiative

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for a Sportico article a few years later, AMB Sports and Entertainment Vice President of Strategy and Corporate Development Gordon Barfield remarked, “All the reasons why we did it were validated. Fans have responded both with their wallets and how they value us as an organization.... It has definitely met our expectations, if not exceeded them.”

Since introducing their new pricing model in 2017, the Falcons have topped NFL teams in almost all food & beverage categories, including value, quality, variety, speed of service, variety of beverages and guest service, based on Voice of the Fan surveys. According to their website, the Falcons further reduced prices in 2018 on five of their most popular concession items by 11%. Notably, consumer concession spending sustained the spending increase experienced the first year after significant discounting. This data suggests that the Falcons’ strategy has long term value in increasing fan satisfaction and revenue for teams. Additionally, this strategy pivot enabled the Falcons to improve its operational efficiencies and improve the stadium’s margins by 15% in 2017.

As the Falcons continue to set the standard for stadium experience, they have not stopped innovating. In 2019, the Mercedes Benz Stadium became the first NFL stadium to implement a completely cashless transaction model, allowing the stadium to transition



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from whole-dollar pricing, which was instituted to reduce transaction times. The Falcons also received high marks from fans for providing family-friendly entertainment by reducing the overall cost of bringing children to a sporting event. The lowering of prices also encouraged more people to enter the stadium earlier to eat and drink (6,000 more fans per game were entering an hour earlier than in previous years) and thus reducing the bottlenecks associated with entering a stadium and ordering concessions. As a result, the Falcons have consistently been ranked in the top three for overall game-day experience. Most importantly, in post-game surveys conducted, fans revealed a strong intent to return for a future game. The desire to return to another game helps sustain ticket revenue while also having positive effects for the development of corporate partners and sponsors.

All-inclusive concessions: worth the cost?

The San Francisco 49ers unveiled an all-inclusive concession program for their estimated 50,000 season



ticket holders in 2019, which included the 15 most commonly ordered food and drink items at the stadium. Season-ticket holders were allowed four items per transaction and were charged for any additional items purchased. To serve the larger number of fans who will now enjoy concessions, the 49ers are leveraging technology to ensure smooth operations. Season-ticket holders must use their mobile devices to display a virtual badge or scan a QR code to verify membership in the program to waive charges. The 49ers also set up express concession lanes specifically for season-ticket holders and hired mobile order-takers to further reduce wait times. Based on data presented by the 49ers from the 2021 season, this new model led to only slightly higher concession revenue per person (from \$24.38 to \$24.80), however total spend by fans in the stadium grew by 29%, from \$30.98 to \$40.06 per attendee. A major concern among 49ers personnel was how the increased demand for basic concessions from the program would negatively impact the productivity of concession stands. However, data from the 2021 season made it



clear that the improvements in the checkout process increased the number of transactions per concession stand by 12.5%. The three metrics that the 49ers were worried about (revenue, throughput, and satisfaction) all produced positive results. This success can be attributed to the organization's commitment to investing in new infrastructure and leveraging technology to better understand customer needs, ultimately leading to a better fan experience.

Strategic implications for other NFL teams

Data from the 49ers and Falcons suggest that innovative pricing schemes and increased food quality are successful in improving the game-day experience for fans. Fans have responded to new concession strategies by continuing to attend games and by spending more when they do attend. While concessions are not a major revenue driver for NFL teams and games are limited in number, every organization can learn something from their success. Business leaders should consider ways

to leverage customer satisfaction in ancillary revenue streams to ultimately generate revenue where it matters most. How can your business provide more to your customers through innovative pricing or delivery? What features and benefits can you add at little to no marginal cost that will provide more value for your customer relationships and thus increase revenue? NFL executives must place customer satisfaction at the forefront of their strategy given the stress economic uncertainty places on consumers today. With inflation recently having hit its highest mark in 40 years, customers are reconsidering how to best spend their discretionary income. Maximizing customer value will help you turn customers into fans of your business, increasing their loyalty and spending with your organization over time.

BroadBranch Advisors has deep experience in helping our customers understand their market position, satisfaction and drivers of brand loyalty. If you are considering ways to improve these aspects of your business, reach out to Greg Thompson (greg@brbradv.com) to learn how we can help.

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