



## Hospitality Directions Europe Edition\*

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# Rooms with a view: Why are so many sports venues developing hotels?

Iconic venues such as Twickenham, the Brit Oval, Lord's, Cheltenham and Doncaster racecourses and Silverstone have announced plans to develop or are already building hotels and state of the art business and conference facilities to match their first class sports facilities. PricewaterhouseCoopers examines the scale, rationale and opportunities behind this trend.



## Introduction

Hotels are a hot topic at sports venues. As top sports venues seek to leverage their assets more effectively, they are exploring new business opportunities and investing in extensive modernisation and ambitious redevelopment schemes, many of which include hotels. This could be considered a natural development of the business they operate. By adding purpose-built state-of-the-art conference and banqueting (“C&B”) and leisure facilities, including integrated hotels on site, venues can develop and leverage corporate hospitality sales and conference business. In addition hotels can enable them to tap into the growing short breaks leisure market.

PricewaterhouseCoopers’ research shows that hotels at sports venues are a relatively new phenomenon and remain fairly uncommon with around 1,300 rooms open at 11 hotels at major sports venues by the end of 2007. However rooms could more than treble in the future with plans for a further 3,500 rooms at 28 hotels across a range of sports venues. If all the planned rooms are developed, then hotel rooms at venues (existing and pipeline) could account for 2 per cent of chain affiliated rooms in the UK. If we then compare the penetration of existing and pipeline hotel development at the main UK sports grounds we see hotel penetration could range from 4 per cent of rugby grounds to 16 per cent of racecourses.

As sports venues are becoming bigger, better and more diversified so the opportunities to develop hotels in the future are likely to increase. This could result in hotels that are integrated with spectator facilities and the introduction of new lodging products such as extended stay hotels and new brands such as Hilton Garden Inn. For developers competing for a scarcity of good sites, sports venues could represent an interesting opportunity. Taking racecourses as an example, 16 per cent have stated that they are planning or opening hotels. However, this still leaves 84 per cent of the UK’s major racecourses without hotel plans.

If this niche sector continues to grow there is potential to bring benefits to the hotel market, sports venue and local economy, providing the market remains benign and the business model works for both the sports venue and hotel operator.

In this article we consider the drivers for recent development, examining why development has been the exception rather than the rule in the past and what has led to the current spate of development. We then present the results of PricewaterhouseCoopers research into the sports venue hotels currently in operation and future plans for development. We next examine the key

characteristics of the sports venue hotel product and the typical operating models. We also assess the benefits and risks to the sports venue and the hotel operator, and the potential synergies between the two business models. Finally we consider the outlook for this niche sector.

## What are sports venue hotels?

Sport venue hotels are either integrated into the spectating facilities (e.g. part of the stadium bowl or grandstand) or on site but separate from the main stadium or grandstand.

- Hotels which are integrated into the spectating facilities include those at West Ham United Football Club’s (“FC”) Upton Park stadium or the Ricoh Arena, home of Coventry City FC, where executive boxes convert into bedrooms. These products offer the ultimate ‘room with a view’ and provide a dual use for the executive boxes which could otherwise remain unused for most of the year.
- Sports venue hotels on site but not part of the spectating facilities include the Millennium hotel at Chelsea FC’s Stamford Bridge stadium. These hotels are separate facilities but can be integrated into the operation, for instance they can be used for premium seat dining on matchdays.

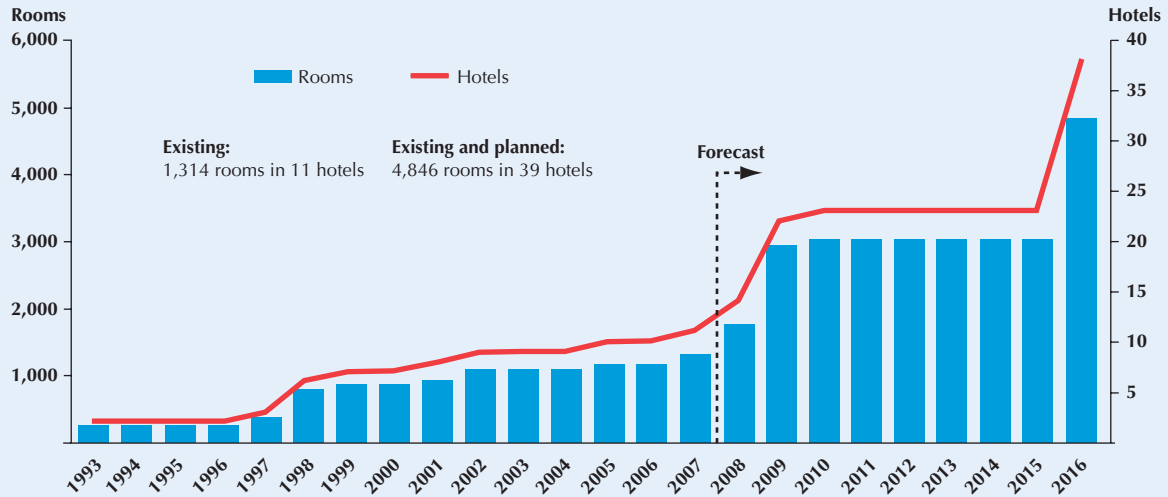
A final category is hotels which are outside the sports venue complex, such as the Golden Tulip (Old Trafford) which is situated opposite the Manchester United FC’s stadium. These may benefit from proximity to the stadium but there is no formal arrangement between the venue and hotel – these are not included in our analysis. Despite being part of the venue itself, most hotels are not operated by the venue company (usually the sports club); typical operating models are explored later.

## Why are venues developing hotels? Key development drivers

Chart 1 shows the growth of hotels at key sports venues with 11 hotels and 1,314 rooms open by the end of 2007. The number of hotels and rooms has grown at an average rate of 13 per cent per year from the first hotel at Brands Hatch motor racing circuit in 1998 to the 147 room Holiday Inn Express, which opened at Norwich City’s Carrow Road in summer 2007.

In the early 1990s hotels at sports venues were almost non-existent and are still comparatively rare. Therefore it is worth considering why development has been limited to date, and what has led to these new openings.

Chart 1: UK sports venue hotels - current and future plans



Source: PwC research, based on estimates of opening dates and hotel sizes. A number of plans do not provide an opening date, these have been included in 2016

The most important driver of hotel development has been the redevelopment of the sporting venues themselves. Many venues operators have invested in their facilities, partly in response to growing demand and partly to tap into new revenue streams. The majority of sport venue hotel developments undertaken since the early 1990s have been part of wider venue development, for instance at Bolton Wanderers FC, Reading FC, Chelsea FC, Oxford United FC and Wolverhampton Racecourse.

Table 1 summarises the evolution of sporting venues, from limited quality, “sports-only” facilities used for a small number of days a year, to multi-purpose leisure facilities

which are in use even when there is no sporting event held. This evolution has made sports venues more suitable locations for hotels, as they are now safer environments, with a wider customer base which attract considerable non-matchday activity.

At the same time, the hotel market has seen significant development in the past decade:

- Whilst the market is cyclical, trading performance has remained resilient in key cities with many performance records broken recently.
- Hotel operators have sought to extend their portfolios, particularly in key locations.

Table 1: The evolution of sports venues

	Past		Current
<b>Business model</b>	Venues run primarily for sport with little incentive/opportunity to earn revenues from other sources or on non-matchday	➔	Diversification of business model, to reduce reliance on sporting success, sweat the venue asset and attract new customers
<b>Customer</b>	Sporting venues primarily the preserve of traditional male fans. Some perceived safety/hooligan problems, particularly for football	➔	Sports venues are now safer environments and attract a broader customer base: families, women, wealthier customers and more corporate customers (see below)
<b>Location</b>	Many venues were land locked with little or no available space for development of ancillary facilities	➔	Venue redevelopment (on existing sites or new sites) has unlocked space for development of additional facilities
<b>Funding</b>	Team performance has been the focus of investment and the main source of revenues	➔	Additional facilities needed to cross fund venue development in many cases, e.g. higher proportion of corporate facilities, or rental from ancillary facilities as a secure revenue stream
<b>Corporate market</b>	Limited corporate facilities due to constraints of venue, quality of facilities/food limited in many cases and customers come for the sport only	➔	Corporate facilities are a key part of all sports venue development - for both matchday entertaining and non matchday activities (conference and banqueting). Improved facilities enable venues to compete on a level footing with top local venues, rather than relying purely on sport

Source: PwC Research 2007

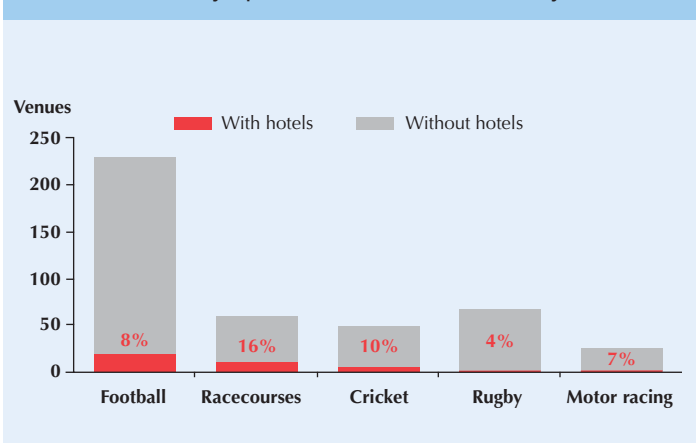


- A lack of available sites and competition for secondary sites has caused developers and operators to seek out new locations, including sports venues.
- Interest has grown in non-standard hotel products, such as boutique hotels, and sporting venues offer an unusual angle to an overnight stay. We note that the hotel named '71 Rooms' at the Ricoh Arena in Coventry is marketed as a 'boutique' hotel, although it is unbranded. However most sports venue hotels are branded, which suggests that a brand is beneficial, as discussed later.
- The conference and banqueting market is an important component of any hotel's operating model, this has particular synergies with the sports venue market as we explore later.

## Future development plans could result in a trebling of hotel rooms at sports venues by 2016

Our research suggests that clubs and venues plan to add at least 28 further hotels with approximately 3,500 rooms in the pipeline. These are to be developed at a wide variety of venues including at racecourses, cricket clubs, and rugby grounds as well as at more football stadium. If achieved this would represent almost a trebling of the

Chart 2: Key sports venues with hotels by 2016



Estimate of current and planned hotels at sports venues, based on PwC research and interviews with operators. The total major UK sports venues include the key venues for each sport, as detailed in the footnotes i.e. league club stadia for football and rugby, test and county grounds for cricket, major flat and jump racecourses in the UK and major motor racing circuits<sup>2</sup>.

existing rooms' total, equating to around 15 per cent growth p.a. in both hotels and rooms (see Chart 1).<sup>1</sup>

Despite this growth, sports venue hotels remain the exception at most sports venues. This is illustrated by our analysis of the proportion of venues with hotels.

If all the planned rooms are developed, hotel rooms (existing and planned) at venues could account for 2 per cent of chain affiliated rooms in the UK.

If we compare the penetration levels of existing and pipeline hotel development at key sports grounds we see hotel penetration could reach 4 per cent of rugby grounds, 7 per cent of major motor racing circuits, 8 per cent of key football stadia, 10 per cent of cricket grounds, and 16 per cent of UK racecourses (see Chart 2). Although penetration levels vary, there remains a clear majority of clubs and courses without hotel developments and this may represent an opportunity for future development.

## Research analysis by sport

Hotel development differs according to the four sports analysed, as we discuss below.

### Football:

- Football has seen the most activity to date, with eight hotels in seven venues (two at Chelsea FC's Stamford Bridge) and 990 rooms already open.
- There are plans for a further 12 hotels and 1,412 rooms in the pipeline.
- Some interesting development is planned in the future as clubs evaluate future options for funding new stadium and leisure developments. Schemes include a wide range of facilities such as student housing, retail, indoor fitness facilities, spas, restaurants and bars, and even a snowdome as is the case in the plans for Darlington FC's stadium (named '96.6 TFM Darlington Arena').

### Racecourses:

- Wolverhampton Racecourse was one of the first major sports venue in the UK to develop a hotel in 1993 and this 116 room property remains the only major racecourse hotel open in 2007.
- However racecourses continue to see a high level of activity as operators such as Arena Leisure and Jockey Club Racecourses pursue new revenue streams such as 24 hour conferences and external events. Northern

<sup>1</sup> Our research was undertaken in June 2007 and provides a snapshot of the main developments at that time based on the best of our knowledge but is not a census of all such developments. Some hotels may not open at all or may open more or fewer rooms. We have included only hotels that are integrated within the stand or at least inside the venue grounds. Some development plan announcements in the press have limited detail and we have made a number of assumptions to allow an analysis of future pipeline developments (e.g. we have assumed 100 rooms for hotels where the size is not specified; we have also assumed an opening date of 2016 where there is no timescale indicated). This analysis excludes plans for golf courses; for instance we understand that there are plans to add a hotel at Wentworth Golf Club – this is not included in the 28 planned hotels above

<sup>2</sup> Major venues totals sourced from sports bodies and reference sources, such as ECB, [www.BritishHorse Racing.com](http://www.BritishHorse Racing.com), [www.worldstadiums.com](http://www.worldstadiums.com) etc., July 2007  
NB Penetration rates vary depending on total used e.g. for football we use the total of 230 clubs including English non-league teams (i.e. the Conference); the implied penetration would be higher if we used the smaller sample of English League Club

Racing is considered likely to pursue a similar strategy following its recent takeover.

- A number of courses have seen investment in all weather tracks and evening racing is likely to extend the number of fixtures.
- A 120 room hotel is due to open at Doncaster Racecourse in 2008. Pipeline plans exist for 9 hotels and approximately 1,089 rooms, including an extension to the Holiday Inn Garden Court Hotel at Wolverhampton.

### Cricket:

- The only key cricket venue with a hotel currently open is the Old Trafford Lodge, an unbranded hotel located at Lancashire County Cricket Club's Old Trafford home.
- There are two firm pipeline developments with plans for a total of 345 rooms. These are both for four star integrated hotels with spectator facilities, at the Rose Bowl, Southampton (home to Hampshire Cricket) and the Brit Oval in London (home to Surrey Cricket Club).
- In addition Kent County Cricket Club has been granted planning permission for the redevelopment of the St Lawrence Ground in Canterbury. The plans comprise an upgrade for spectating facilities, together with the development of a hotel, housing, health and fitness and conferencing facilities. The 130 bedroom hotel will be operated by Rezidor/Radisson, under the Park Inn brand.
- Lord's (home to Marylebone Cricket Club, Middlesex County Cricket Club, and the England and Wales Cricket Board) has also announced its intention to pursue redevelopment plans which include the construction of an ice rink and hotel.
- If we assume the hotel at Lord's will have around 100 rooms this would bring the planned total to 575 rooms in 4 hotels.

At the Rose Bowl in Southampton (home of Hampshire County Cricket), Glen Delve Managing Director has said that:

***"The resort hotel will be a tri-purpose hotel that will accommodate not only the hotel business but a media centre and spectator facilities, built in its entirety overlooking the playing surface".***

Glen Delve MD Rose Bowl

- As large and smaller grounds continue to bid for the right to stage international cricket this is likely to force more grounds to develop bigger and better facilities in the future, including hotels and associated leisure developments.



Soon more sports venues will have their own hotels

### Rugby:

- The only major rugby venue with a hotel on site is the Madejski Stadium which is shared by Reading FC and London Irish Rugby Union club.
- Two hotels and approximately 356 rooms are planned: the 156 room Marriott Hotel at the Twickenham, home of England Rugby (scheduled to open in October 2008) and an integrated 200 bedroom hotel at Salford City Reds proposed new stadium.

### Motor racing:

- Brands Hatch was the first major motor racing circuit to open a hotel, developing a 140 room property located on the parkland of the Grand Prix circuit in 1988. The hotel was developed by the Brands Hatch Leisure Company, but was acquired by Thistle Hotels in 1988.
- The owner of Silverstone, the British Racing Drivers Club, has announced plans to develop the track and surrounds. A hotel is mentioned but no details have emerged yet.

## Sports venue hotel operating models: Management contracts prove most popular

Hotels at sports venues tend to be either four star or limited service products including Millennium & Copthorne, Holiday Inn Express, De Vere, Marriott and Quality.

Most hotels are branded giving the venue the opportunity to leverage the power of the hotel brand and access to a well established distribution system. In most cases the sporting venue brand appears to be of less important than the hotel brand, for instance the hotels at Chelsea FC's Stamford Bridge are marketed for their proximity to the Chelsea shopping district and convenience for taking in the sights of London. This suggests that the sporting event is of secondary importance to the location and that operators have minimal reliance on match or race days alone to sustain healthy year round occupancies and room rates.

Most hotels are not operated by the venue company (usually the sports club), suggesting that venue operators prefer to stick to their core business. However there are a number of operating models - typical operating models include:<sup>3</sup>

- In-house – the stadium company develops and operates the hotel in house e.g. Old Trafford Lodge (cricket ground). We note that the hotels at Chelsea FC

were formerly managed in house prior to being operated by Millennium & Copthorne.

- Franchise – the stadium company owns and operates the hotel making a payment to the hotel company for the brand name under a franchise arrangement e.g. West Ham United's Upton Park (Choice Hotels); Oxford United's Kassam Stadium (Express by Holiday Inn).
- Management contract – the stadium company owns the hotel which is operated by a hotel company, which typically receives a percentage of revenue and operating profit e.g. Coventry City's Ricoh Arena (All Leisure); Madejski Stadium; Reading (Millennium & Copthorne); Chelsea FC's Stamford Bridge (Millennium & Copthorne); Bolton Wanderers' Reebok Stadium (De Vere).
- Leasehold - Stadium/property company owns the property but leases it to a hotel operating company e.g. Jury's Croke Park Hotel (Gaelic Athletic Association).

## Risks and rewards of developing hotels at sports venues

There are clear synergies between sports venue and hotel businesses which can be exploited to the benefit of both parties. These potential benefits and risks are summarised in Table 2 and the key themes are explored in more detail below.

Table 2: The potential risks and rewards for venues and hotel operators

	Stadium	Hotel	
Rewards	<b>Corporate business</b>	Extension of corporate hospitality business at sports venues, enabling venue to compete for residential conferences	Hotel can draw on the venue's existing corporate hospitality and conference and banqueting market
	<b>Demand</b>	Additional footfall in and around stadium site	Opportunities to drive hotel brand exposure to large audiences and access to existing customer base of the stadium/sports club
	<b>Operational advantages</b>	In many cases the hotel operator takes on the operation of all hospitality, allowing each party to focus on what they do best	
	<b>Revenues</b>	Source of additional revenues through rent, profit share or contribution to capital development	Revenue benefits (e.g. management contract fees). Also if hotel is developed by the sports venue, this can be an inexpensive way to enter a market (if the sports venue invests in the facility, obtains planning permission etc)
	<b>Brand</b>	Affiliation with a strong hotel brand can enhance venue's position, especially in the corporate market	Hotels can benefit from renown of the sporting venue, although the location appears to be a more significant benefit for operators
	<b>Regeneration</b>	Many hotel at sports venues are part of wider regeneration schemes, which can attract external funding and create a critical mass of activity around the site, with complementary facilities (e.g. health club, retail, residential, commercial units)	
Risks	<b>Matchdays</b>	If the venue is designed with the needs of the hotel before the needs of fans/box holders there is a risk that the atmosphere and sporting feel will be diminished	Potential or perceived congestion on matchdays may cause operational difficulties and deter hotel guests (e.g. car parking, evening matches, crowd management)
	<b>Operational</b>	If operating arrangements and risk allocation are not thought through there is a risk that the hotel and venue can compete (e.g. for c&b business), or that the venue will bear the responsibility (and costs) of operating the hotel and generating demand	

Source: PwC Research 2007

<sup>3</sup> Examples of operating models sourced from websites, news searches and press releases



## Rewards

The potential rewards can be gained from exploiting the synergies between the hotel and venue operation, the most significant of which centre on sweating the venue asset, developing corporate revenues and tapping into new markets, such as leisure breaks.

### Making assets work harder

Sports venue operators have had to raise their game significantly in recent years. Competition is keen and attracting and participating in world class events and keeping ahead of the competitive global game means investing in world class facilities, such as the Dubai Sports City currently under development.



Case study:

### The shape of things to come? Dubai Sports City

Dubai Sports City is an example of an integrated sports, commercial and leisure development and aims to set the 'gold standard' for sporting facilities. Its first element, the Dunes golf course opens this year; the entire development is set for completion in 2010. It will then span 50 million square feet and incorporate world-class sporting venues for hockey, cricket, rugby, and sports academies such as the Manchester United Soccer School as well as residential and commercial property development, a boutique and a 33 floor 1,000 room hotel.

Many sport venues seek to finance ambitious modernisation schemes which often include larger stadium and grandstands. Once complete, many of these new facilities are a step change away from their old facilities allowing them to compete with the top venues in the local market

- Rugby's historic venue at Twickenham in south-west London is currently undergoing a major redevelopment. When complete the South Stand will house a four star Marriott Hotel, a Virgin health club, new conference facilities and a performing arts centre for local residents.

*"Twickenham will become a destination in its own right with something going on all year round. We are not short of car parking, we are only six miles from Heathrow and fairly close to the centre of London. There will be a surge of economic activity for the local area"*

Paul Vaughan, Rugby Football Union Business Operations Director

- Sheffield United FC's Bramall Lane is planned to be transformed into a sport, property and leisure services organisations and their plans include a 149 bedroom hotel.

*Sheffield United .... The Venue that offers more "Over the last 6 years .....the football club has....transformed Sheffield United Plc into a fully integrated football, property and leisure services group, which is maximising the commercial development of its property assets"<sup>4</sup>*

### The corporate market

The key benefits to be gained from the corporate market are based on developing the sports venue's competitive position as a key provider of corporate facilities and services in the local market, and tapping into the corporate customer base of the sports venue, such as sponsors, premium seat holders and C&B customers.

Many sports venues are already major players in their local conference and banqueting market and some have become serious contenders in the local market, replacing the 'pie and a pint' perception with a quality offer, using signature chefs. Sports venues have the benefit of car parking, large, flexible spaces and staff capable of catering for high volumes of customers. Venues also seek to gain C&B business from matchday customers who are impressed by the quality of entertainment on matchday. The addition of hotel bedrooms can enhance the venue's C&B offer through:

- Drawing on the operating expertise/efficiencies of the hotel operation.
- Allowing the venue to move into the residential events market.
- Capturing the benefits of the hotel brand.

Andrew Coppel, Chief Executive of Jockey Club Racecourses, stresses that developing hotels is not about diversifying their current business, but rather embarking on a new activity. A key strategic aim of Jockey Club Racecourses to service the lucrative 24-hour conference market means that a hotel on site is essential. Jockey Club Racecourses have already announced plans for hotels at Cheltenham, Sandown Park, Epsom, Huntingdon and Warwick.

4 Extract from website, 2007

***“For all venues developing the right product is essential. Customer focus and a competitive offering is key”*** Andrew Coppel Chief Executive Jockey Club Racecourses, May 2007

As a business destination the venue has the potential to deliver all-year revenues, not just in the ‘season’ or on match/race days and may allow higher packaged sales, such as experience days, banqueting, exhibitions, meetings and conferences. The ability to offer full service conference and business options allow a venue to maximise asset use between corporate and leisure markets.

At Jockey Club Racecourses racing only takes place for around 10 per cent of the year. Accordingly Jockey Club racecourses have developed a new agency, Pegasus, as a one stop booking service to maximise revenue from the conference and events sector for the rest of the year (see box out).



### Jockey Club Racecourses

#### **A racing brand developing the commercial potential of its racecourses**

- Re-branded January 2007.
- 14 famous racecourses such as Cheltenham and Aintree.
- Recognised the opportunity to expand the brand for the 90 per cent of the year when there is no racing.
- Hotels for Cheltenham, Epsom, Sandown Park and looking at other sites.
- Pegasus Venues set up in 2006 as a onestop- shop booking service for all 14 courses.

***“To establish our racecourses as venues of choice in the UK conference and events market”***

Andrew Coppel, Chief Executive

### Short breaks

Successfully attracting guests in a competitive marketplace is a key objective for attractions, venues and the hotels themselves. Sea changes in consumer behaviour continue to drive new leisure and entertainment trends, with more emphasis on individualism and experiential based leisure activities, such as short breaks. By developing meetings and conference rooms, hotels and health clubs, a venue can create an end-destination, for leisure visitors and also the events and meetings market.

In addition, the top ten niche travel markets tipped for growth over the next five years include sports tourism, both following teams and playing sport. For sports fans there is the attraction of staying at a famous sporting location. Surinder Arora, Chairman of Arora International, the company developing a 4-star hotel at the Brit Oval, speaks for many cricket fans below:

***“Can you imagine anything better than a room with a view at the Brit Oval?”*** Surinder Arora, Chairman Arora International<sup>5</sup>

### Risks

Nevertheless, the economics of operating a hotel do not change just because it happens to be located at a famous venue:

- Location is paramount to growing and maintaining demand and there is no substitute for strong corporate demand throughout the week.
- There can be design and operating challenges associated with these products, particularly for hotels that use matchday boxes as hotel bedrooms including the need for a quick conversion necessary on match days. There can be conflicts between the requirements of the box holder and the hotel business. For instance many box holders expect to be able to personalise the box or have access on non-matchdays for meetings etc. This would cause problems with the operation of the box as a hotel room.
- In addition a stadium hotel needs to be managed differently from a non-stadium/venue hotel:
  - Millennium & Copthorne Hotels stress the need to manage hotels at venues carefully. One way of doing this is to keep a sport free area for corporate and conference guests; for example guests at the Millennium Madejski Hotel Reading can use the top floor club lounge as a ‘haven of peace’ on match days (see box out overpage).
  - Fixture changes, for example for television or replays could impact on availability of hotel or conference





## Millennium & Copthorne Hotels

### A hotel brand set to manage more hotels at venues

Advice from David Curtis-Brignell, Millennium & Copthorne Director of Branding and Marketing Europe:

- These are exciting times for hotels at stadium and racecourses but... the hotel must work as a business proposition.
- Location is key – close to business demand and with good accessibility.
- The operator must not be overawed by the famous location.
- Advice for venues: Don't try and manage the hotel yourself - stick to what you do best.



New Club room at the Millennium Hotel at Chelsea Football Club

space which is used on a matchday, such as corporate boxes that double up as hotel rooms, or lounge areas that are used for events. The venue either has to keep any potential dates clear (denying business), or allow them to be booked and then cancel them, which could impact on customer satisfaction, particularly for big events such as weddings and conferences.

- Finally for investors and operators: the cyclical nature of the hotel sector means that some of the pipeline hotels are likely to be opening when trading conditions become more challenging and significant supply comes on line elsewhere in the UK.

## The outlook

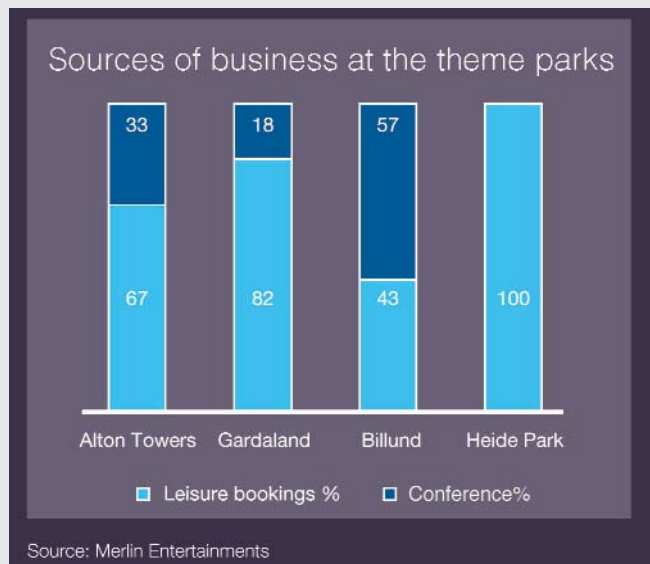
Looking forward:

- Sports venues could soon see new brands and concepts at such as extended stay hotels and Hilton Garden Inn, the developers of which are in talks with some venues.
- The opportunity for hotel operators is to gain brand exposure and management fees and for venues to develop their revenues from corporate customers.
- The main demand segment is likely to continue to be corporate and conference guests rather than sports fans.
- Location remains critical to operational success and sports-led regeneration schemes have potential to offer the best fit for hotel development in terms of footfall around the sports venue and complementary facilities to drive demand.

Developing hotels at sports venues is likely to remain a niche, but as sports venues become bigger, better and more diversified there may be more opportunities to develop hotels driven by the ever pressing need for sporting venues to up their game, to raise capital and effectively utilise assets and modernise their businesses.

Conference organisers and consumers alike are looking for something different. If the venues can get their product right there is evidence that they can enhance their core offering with a successful conference and events business. Although it is clear that a small hotel is not going to transform a venue's balance sheet, nevertheless it can form a key part of a wider strategy to capitalise on leveraging corporate hospitality, conference and events income. This in turn can enhance the whole destination experience and contribute to a critical mass of activity on the venue site.

## Lessons to learn from Merlin Entertainments?



The availability of extensive under-utilised assets in the guise of undeveloped land banks has led to development of ancillary facilities in many sectors. Just as in the 1980's when the large UK brewers developed budget hotels on their estates, today many venues are keen to use their sites effectively. The theme park experience holds some interesting parallels for the sports venues market in this regard.<sup>6</sup>

Theme park and attractions operator, Merlin Entertainments plan to have around 10 hotels and 2,000 rooms (across Europe) by 2012.<sup>7</sup> Merlin Entertainment's Chief Executive Nick Varney provided some insights into why he believes developing hotels at destination theme parks is the way forward. ***"Merlin's aim is to provide families with great entertainment experiences. Destination resorts enhance the experience for existing guests and make our attractions available to a wider catchment area."***

David Bridgford, Director of Corporate Finance, Merlin Entertainments  
June 2007

Merlin Entertainments believes that in development terms the risk profile of developing hotels may be less than some other schemes. ***"The risk profile of developing on land we own next to businesses we operate is better than for green field development in new countries or opening up new businesses. We have significant land holdings at all our theme parks"***

David Bridgford, Director of Corporate Finance, Merlin Entertainments  
June 2007

In developing the operating arrangement between the sports venue and hotel operator it is critical to allocate responsibilities and risks to the parties best able to manage these. Developing sustainable business models will enable both parties to focus on their areas of expertise, to minimise operating risks and maximise the potential benefits of a hotel development.

Thanks to the following contributors:

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<sup>6</sup> For more analysis of this sector see 'European theme park wars, PricewaterhouseCoopers Hospitality Directions Europe, March 2004'

<sup>7</sup> Merlin Entertainments own nine theme parks Alton Towers, Thorpe Park, four LEGOLAND parks, Chessington World of Adventure, Gardaland and Heide Park as well as brands such as the British Airways London Eye, six Madame Tussaud's wax museums, 23 Sea Life centres, five Dungeons and the LEGOLAND Discovery Centre attraction





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