

case study

RB Leipzig—A Novel Approach to Sport Stadium Hospitality

By Thorsten Merkle and Robert A. Lewis

A Football Club's Climb to the Top

The German national team's victory at the FIFA World Cup for the fourth time in 2014 is not the only reason why football is the most popular spectator sport in Germany. Only few football fans are aware that the birthplace of German association football is the German city of Leipzig. The Deutscher Fußball-Bund e.V., the German Football Association, was founded in Leipzig in 1900 (Deutscher Fussball-Bund, 2014).

After Germany was re-united, German league football was mainly taking place in the former West Germany (Deutscher Fussball-Bund, 2014). Although Leipzig hosted matches in the 2006 FIFA World Cup Germany in a newly renovated and upgraded stadium, league football did not take off until after the World Cup was over. Whilst the local population had always been supportive of their football clubs, growth was not in sight. Local clubs were playing in lower leagues, attracting few spectators. The impressive stadium, with its capacity of approximately 45'000 visitors, had an 'empty' atmosphere on match days. It was obvious that change was needed. This change was initiated from external providers.

In May 2009, RB Leipzig e.V. was founded. Whilst 'RB' is used as an abbreviation for the German words "Rasen Ballsport" (lawn ball sports), many see a link to the club's main sponsor, energy drink producer Red Bull. The energy drink company Red Bull sponsors football clubs on three continents as part of their overall marketing and branding strategy. The football team in Leipzig also refers to itself as "Die Roten Bullen" (the red bulls). German football league legislation, however, does not allow sponsors' names to be included in club names (Bundesliga, 2014). Thus, the official name of the club is RB Leipzig.

RB Leipzig has achieved great success, unexpected by many, with the financial, operational, and marketing support of the main sponsor. At the end of the season 2013/2014, the club had made it into the second division of the German football league. Whilst RB Leipzig is ultimately aiming for the first league, the success story to date is extraordinary. Advancement to the second division comes together with increased spectator numbers, but also with technical and economic requirements specified by the Deutsche Fussball Liga, the German league association (Bundesliga, 2014).

Hospitality and Catering

As RB Leipzig made its way into the German football leagues, economic considerations played a major role as well. The higher up in the league, the more spectators a club can expect to attend their home matches. Besides being vital for the atmosphere in a stadium, spectators incarnate commercial potential.

Typically, hospitality and catering operations play an important role in rights activation (FIFA, 2012). Catering (also referred to public catering) refers to F&B concessions (Clemes, Brush, & Collins, 2011). These are structures (either permanent or temporary) within the stadium where food and beverages are sold to spectators (FIFA, 2012). Hospitality areas, on the other hand, are specific areas within the stadium. Guests in these areas can enjoy refreshments and meals before the event, during half-time and after the final whistle. Many stadiums operate multi-tier purchase systems of hospitality or exclusive facilities, offering different levels of services (FIFA, 2011).

For a public catering operation, football clubs (or stadium operators) usually appoint concessionaires and then participate through a revenue-share agreement. For hospitality operations, football clubs (or marketing agencies appointed by the clubs) sell hospitality packages. The production of these packages typically involves a catering service provider for the food and beverage component. The concessionaire (for the public catering) usually operates on its own risk and, in addition, has to pay a revenue share to the rights holder. The catering in the hospitality areas is often organized as a service provision. The caterer provides service to the expected number of guests beforehand and will then invoice the club (or an appointed marketing agency) after the match day.

The Public Catering rights in Leipzig initially remained with the stadium operator. With its advancement to the second division, RB Leipzig managed to procure those rights (for a fee) from the stadium operator. This meant that RB Leipzig was responsible for both the public catering and hospitality operations for all football match days. It was also entitled to all revenues and profits arising from these operations. This put the club in the position to select its own catering provider for all match day operations.

Thorsten Merkle was affiliated with *César Ritz Colleges Switzerland*. **Robert A. Lewis** was affiliated with *Les Roches Gruyère University of Applied Sciences*.

Appointing Catering Partners

For stadiums the size of the one in Leipzig, often one single catering company is appointed for the provision of food and beverage for both the public sector as well as the hospitality programme. This typically is due to logistical and operational synergies. Access routes and storage facilities don't have to be allocated between catering companies: the club's management only has to deal with one point of contact on the service provider's side.

With the help of business consultants, RB Leipzig started a call for tender process in the German market. In order to maintain a maximum level of flexibility, the catering and the hospitality component were put to tender as separate packages. This meant that tenderers could bid only for public catering, hospitality catering, or both. After declaring their interest and providing evidence of their general capability, the interested companies received the tender documents for both lots. At the end of the submission timeline, a total of six companies

had submitted their offers, as Table 1 below illustrates.

Once the proposals were received, the team at RB Leipzig used the support of another external consultant (who had not been involved in the creation of the tender documents) to assess the proposals and to give an objective recommendation.

Germany's Best Stadium Catering

At RB Leipzig, the hospitality areas are divided into tiers. Corporate clients can rent their own skybox (typically for the whole season), whereas smaller corporates and private customers buy individual packages or whole tables for hospitality lounges. In addition, RB Leipzig runs its own VIP programme for invited dignitaries, sponsors, friends and members of the "football family". As such, the hospitality programme can be divided into a commercial part and a (much smaller) VIP area. Although Leipzig is a large stadium with a capacity of approximately 45'000 spectators, the hospitality areas only represent some 5% of the overall capacity. Compared with other football clubs,

Table 1

Overview of proposals received in response to the call for tender

Bidder	Lots applied for	Overall attractiveness of the offer (Public Catering)	Financial attractiveness of the offer (Hospitality)	Conceptual attractiveness of the offer (Hospitality)	Company profile
A	Public Catering & Hospitality	High	High	High	International catering company with experience in sport stadia
B	Public Catering & Hospitality	Very high	Medium	Medium	Local catering company with experience in sport stadia.
C	Public Catering & Hospitality	Low	Low	High	International catering company with experience in sport stadia.
D	Hospitality only	Not submitted	Low	Very high	Local restaurant and catering company with no experience in sport stadia.
E	Public Catering & Hospitality	Low	High	High	Local catering company with experience in events and festival management
F	Public Catering only	High	Not submitted	Not submitted	Local event catering company with experience in special events and festival management

it is a relatively small allocation. The team at Leipzig had decided to keep the capacity low and position the hospitality packages as “very exclusive”. The commercial packages were thus sold out for the season before RB Leipzig’s first season in the second division had even started.

With the product positioned in the premium range, it was clear that the offering would have to be of a high standard as well. Whereas other football clubs are more budget-driven in their choice of offering, RB Leipzig had defined one very clear strategic objective: to become the club that offers Germany’s best stadium catering in the hospitality areas.

In the domain of public catering, the fans at Leipzig had not been very happy with the quality of food and beverages that were served in the stadium. The team at RB Leipzig took this as an opportunity to target a higher quality of the public catering, whilst at the same time trying to keep prices reasonable. Nevertheless, sufficient revenue share still needed to be received from the caterer in order to cover related costs and retain a profit. This seemed to be an unattainable goal.

Selecting the Catering Service Provider

Calls for tender are used as standard business practice to invite service providers to bid for needs (usually called a list of needs). Calls for tender are regulated by legislation (to promote fair business) and practice (to promote open competition). Calls for tender are advertised in the media (including trade media). Managing calls for tender is a common business practice used in activities linked to procurement.

As the team was evaluating the proposals they had received in the tender process, two main possibilities emerged: To appoint one bidder for the operation of both hospitality and catering or to split the lots and award them to different bidders. For stadiums the size of Leipzig, it is common to appoint one single service provider for operational and logistical reasons. The team at Leipzig analysed the offers in more detail and held presentation meetings with all six bidders. At the end of a long day of presentations and meetings, choices had been distilled down to two. The question really turned into whether or not the overall project should be split, as Table 2 below illustrates.

The team had a very difficult decision to make. Should they appoint Bidder A, a well-respected generalist catering company with an international track record? Or should they split the lots and divide them between Bidder D and Bidder F? Logistically, operationally and financially, it would be easier to appoint one caterer only. Separating the lots however had certain inherent risks, such as both bidders not having any stadium-specific experience. The project team discussed the options at length. Then, they voiced a very innovative, but risky recommendation to senior management: to split the lots and award hospitality and public catering separately. The reason for this uncommon recommendation lies within RB Leipzig’s strategic objective: to offer Germany’s best stadium catering. The project team felt that this objective could only be reached when specialist knowledge and experience were dedicated to each of

the two food and beverage segments.

Innovation All the Way

The appointment of the two catering providers was only the starting point of what would become a very large and complex project. The company that was going to take over the public catering project (Bidder F) had a wealth of experience in special events and music festivals. It had never operated in a stadium before and would still have to get acquainted with the specifics of such operations. The handover of the concession stands with all the catering equipment from the previous operator to the club and then to the new provider of public catering took much more time and effort than initially planned. Furthermore, the food and beverage product range as well as the intended pricing had to be approved by RB Leipzig. With an energy drink producer as the main sponsor, it was also clear that the beverage product range to be offered would have to be closely monitored.

The provider for hospitality services (Bidder D) had a similar challenge. Well-known and highly-respected for their restaurant and external catering services in the region, it nevertheless had no previous stadium experience. Proven concepts had changed, especially in staffing. Normally, tasks would be strictly split between hostesses and F&B service personnel. The position of “host” was re-defined: the host would welcome the guests and direct them to their areas (hostesses usually do this) and serve them before and after the match, as well as at half-time (waiters usually do this). The underlying idea was to make the job more interesting and challenging by extending its scope. More training would be required until the hosts would be ready to fill their positions. The team also hoped that it could recruit higher qualified individuals. Staffing is a difficult task for a football stadium with matches usually taking place every other weekend. With the new job profile of host, the team hoped to be able to recruit young students of Leipzig’s many universities and colleges and keep them in casual employment throughout their studies. An innovative approach was decided in the preparation phase: The hosts would be employed by the host agency, but would remain working under the caterer’s management on site.

Putting the Concepts to the Test

Before league matches started, RB Leipzig organized a number of (friendly) test matches. Besides offering great marketing potential, matches would also be a good opportunity to test the catering and hospitality operations before the season would start. A dress rehearsal, so to say. The first test match was played in July 2014. It was against a great football club: Paris Saint-Germain. The seats in the stadium had sold out quickly.

As the gates opened and the spectators entered the stadium, a certain tension was in the air. Had there been enough preparation time? Would all go well on this symbolic day? All involved knew that starting the new co-operation with an almost full house was a risk.

For public catering, things did not go smoothly. As more and more spectators wanted to purchase foods and beverages, the lines at the concession stands got longer and longer. Spectators had to wait up to thirty minutes until they were served. The crew could not cope with the demand that occurred at half time. After the match, the local press picked up the story about the public catering issues in Leipzig. After the event, the team at RB Leipzig had a number of review meetings with the caterer to address and improve difficulties that emerged. One of the main problems was the peak in demand at half time:

Having operated Food and Beverage concessions at music and other festivals mainly, the catering company had not previously experienced such peaks. This experience showed that it was beneficial to increase staffing numbers and slightly change the offering to ensure faster handling at peak times. In addition, logistical processes within the stadium were reviewed and adapted. The caterer offered those fans that were at the first match free beverages in subsequent matches as a means of compensation. Most of the fans were appreciative and gave catering in 'their' stadium a second chance. They were not disappointed. For the second test match, the result was far better. Fans were satisfied with the new catering provider.

Ensuring quality and speed of service, however, came at the price of increased labour costs. The caterer had yet reached its targeted efficiency levels. Together with the management team at RB Leipzig, each match-day operation was reviewed to consistently achieve the targets both partners have agreed upon.

The operation in the hospitality areas went more smoothly. Although processes and requirements were new to those involved, major problems were avoided. From the very first match, guests were happy. The staffing concept of host proved to be a valuable innovation – guests and staff members enjoyed the event. The operation at the first match was not yet at the desired level, but the team had made a good start on its journey towards becoming Germany's best stadium catering. When reviewing first matches, the continual training of hosts was identified as a key point that needed to be worked on.

Case Study Questions

1. The team at RB Leipzig decided to procure the rights for catering and hospitality from the stadium operator and activate those rights in the club's own capacity. Critically evaluate this decision in light of the club's branding and marketing strategy. Discuss related advantages and disadvantages.
2. Although it is somewhat common to have one F&B operator for stadia the size of Leipzig, the team at RB Leipzig decided to appoint two catering companies for the public and hospitality sectors. Critically evaluate the reasoning behind this decision.
3. For hospitality areas, the team at RB Leipzig introduced the position of a 'host', taking on responsibilities of both hosts and F&B service personnel. Although employed by the host agency, the hosts report to the caterer on match day. Discuss the benefits and risks of creating such a position and related effects on the organizational structure.
4. During the call for tender, the team at RB Leipzig employed external consultants for the evaluation of the offers. Identify advantages and disadvantages of working with external specialists in this situation.
5. The club is closely related to its sponsor, the energy drink manufacturer Red Bull. Discuss advantages and disadvantages of such a relationship in light of the provision of catering and hospitality services.
6. Contract managers are intermediaries with outsourced companies and their services. Discuss the benefits and challenges of this situation.