Background

We are pleased to present this inaugural study on trends and best practices in the **2007 *Crowd Management and Venue Security Industry.*** The following document reports and analyzes the results of a study that surveyed a cross-section of venue managers of stadiums, arenas, convention centers and other venues throughout the United States. It features analysis drawn from the results of online survey questionnaires, telephone interviews and additional research. We believe this report will be a great supplemental resource with other industry studies on venue security and crowd management. The survey was conducted by Sports Business Ventures, a sports marketing and advisory firm.

The Survey

Surveys were distributed via an e-mail invitation sent to a targeted list of venue managers and industry professionals who completed an online survey questionnaire. In addition, many participants were contacted via the phone for clarifications around responses. The findings of the phone survey are included in this report. Interestingly, participants reported many of the same challenges across a diverse set of venue types.

Survey Participants by Type

Convention Center - 13 · Stadium - 11 · Other - 8 · Arena - 27 · University - 26
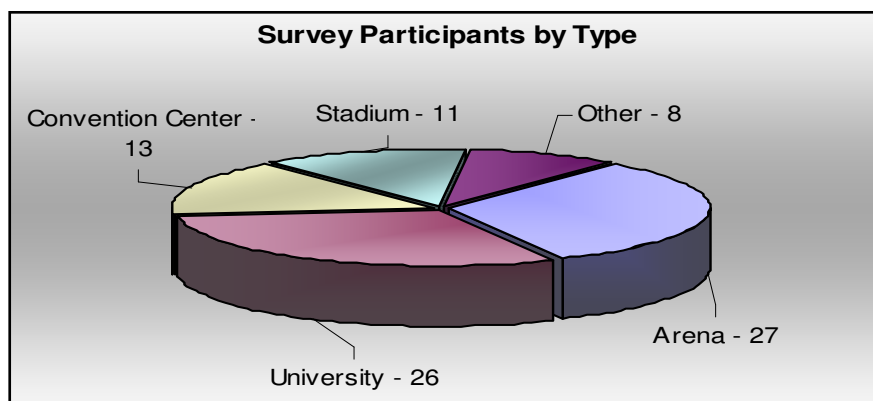
The following is a sample of the topics that venue representatives covered during their surveys.

o Certifications
o Crowd Management and Security Trends
o Internal vs. Outsourced Functions
o Main Decision-Making Criteria

o Management Functions
o ROI/Cost Analysis
o Satisfaction with Security
o Staffing Criteria
o State of the Industry/Primary Concerns
o Training Programs

Contact

We would like to extend our sincere thanks to study participants. We encourage you to contact us with specific questions. In addition, we can provide additional information upon request, as well as select cuts of the data by venue type or geographic location.

Feel free to contact: Jeff Marks at 310.551.1777, ext. 17 or jeff.marks@sportsbusinessventures.com

Confidentiality

We have attempted to provide as much information as possible as well as informative and meaningful analyses, while respecting the confidentiality of individual participant responses. All results are reported in summary form with no attribution made to any specific entity.

Top Issues

The survey results identified the following as **Top Issues:**

- Security, Terrorist Threats and Fan Safety
- Proper Training and Certification
- Fan Experience and Customer Service
- Cost Management

Security for Large Scale Terrorist Threats

More than 2/3 of respondents listed security for large scale terrorist threats as being of "much greater concern" than five years ago.

While the September 11th terrorist attacks took place nearly six years ago, and no major incident involving terrorism at a sporting event has occurred in the years since, the live event industry is keenly aware of the threat posed by terrorist forces and has had to react to increased expenses incurred in preparations for this threat.

Participants reported that planning for "large scale" security threats has been one of the most important issues to address, but planning and implementation have caused a strain on internal and external resources.

The results of the phone survey overwhelmingly demonstrate that venue managers recognize the strain that this issue has placed on other areas of the business that need further planning, time and resources.

Proper Training and Certification

Only 50% of respondents reported training as being "much greater concern" than 5 years ago.

Given the increasingly sophisticated nature of security threats throughout the world, only one-half of respondents identified training of event staff as essential to providing effective crowd management and event security.

The survey also found that **only 66% of venues surveyed require a formal training program for event staff.** Given the current environment of increasing state and municipal regulations

and laws related to this topic, we believe that this number will dramatically increase in the future.

Do You Check Certifications?

N/A
21%

No
36%

Yes
43%
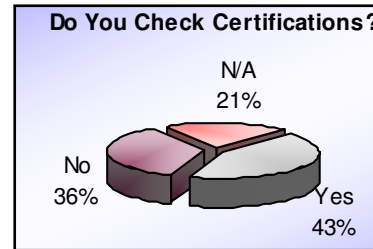
Only Four in Ten Venues Check Certifications of Staff?

43% of respondents answered that they check certifications, with another 21% indicating that they were not sure if they had a formal process in place for checking certification. **The remaining 36% of respondents do not have a certification verification system in place.** Given the importance of effective security measures, education of venue managers regarding the necessity of staff certification should be a priority with in the industry.

Fan Experience and Level of Service

Well over 70% of respondents believe that "Fan Experience" and the "Level of Service" are more important than 5 years ago.

The environment of live events continues to evolve with greater emphasis on comfort, convenience, and overall quality of the consumer experience.

This trend of providing enhanced levels of service at live events also impacts event security and guest services functions. It is within this environment of premium service that event staff are expected to be presentable, knowledgeable and highly professional.

Participants during follow up phone conversations indicated the need and desire to create competency based staffing systems to **better** assess crowd management personnel beyond the traditional technical skill based programs.

Cost Containment & Operational Efficiency

35% respondents with in-house security listed cost as the primary reason for not outsourcing. However, only 12% of respondents had conducted an ROI analysis of all economic variables to determine the "full economic cost" of security and crowd management services.

Reasons for Keeping Security In-house
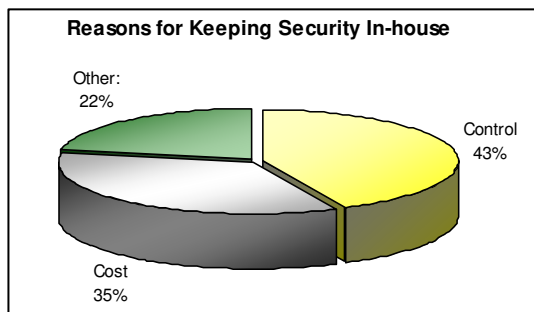
A majority of participants indicated that "outsourced" security and crowd management services were more expensive than in-house staff. In fact, these same participants concluded that their primary measurement criterion was an hourly rate comparison.

Participants who had conducted an ROI analysis to assess the total cost impact between internal and external staffing models captured the following indirect costs:

- Recruitment
- Training
- Scheduling
- Overhead management costs
- Ability to lower insurance premiums due to double coverage from a third party vendor

Only 14% of respondents utilize software to help analyze and optimize staffing levels for events.

Given that staffing levels are the key drivers in event security costs, we would have expected more emphasis in analyzing optimal staffing levels. While we see analytical software is beginning to have an impact on operations, usage remains low with 14% of surveyed venues using some form of the software. Participants indicated that ROI analysis and

technology implementation will become more prevalent in their operations within the next 12 to 24 months.
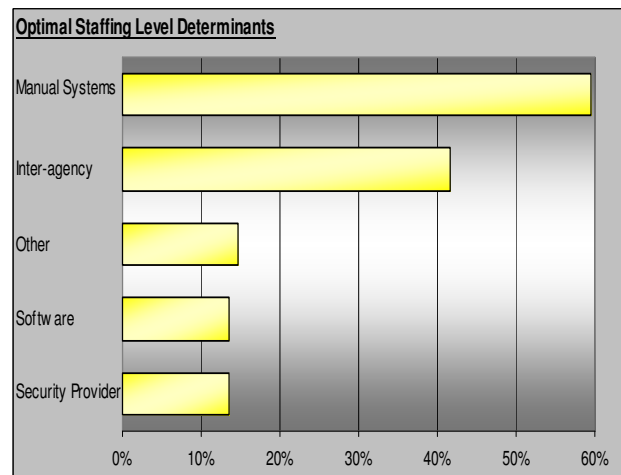
Trends

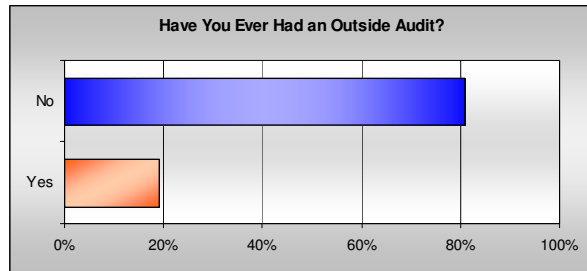The survey results indicated the following emerging trends in the industry:

- Audits, Analysis and Cost Saving Programs & Initiatives
- Researching New Technologies, But Not Implementing
- Hybrid Approach to Staffing Levels
- Reducing Insurance Premiums

Audits, Analysis and 'Total Cost' Saving Programs & Initiatives

It has become increasingly difficult to provide dependable and quality event security services at a very low cost. Costs to recruit, train, supervise and retain competent and professional event staff have increased across a majority of markets

As a result, we are beginning to see the use of ROI analysis to evaluate the true economic cost of delivering dependable, quality event security services, with this information enabling a more relevant comparison between in-house and out-sourced solutions. The prevalence of advisory audits has increased given the importance of ensuring a high level of security efficacy and customer service.

Have You Ever Had an Outside Audit?

(Bar chart showing "No" at approximately 80% and "Yes" at approximately 20%)

## Researching New Technologies, But Not Implementing

The increasing costs for labor, training and administration of event security services puts pressure on event managers to minimize staffing levels. Given the other findings of this report – in particular the consequences of a security incident and expectations of excellent customer services – we see a trend toward optimizing staffing levels and deployment, as opposed to simply reducing staff headcount.

The use of event workforce software to better analyze and plan for specific events is an emerging trend, but the majority of event managers still rely on manual templates and experience to accomplish this task. We see major benefits to the use of software and technology in reducing cost, in terms of paying fewer hourly employees, as well as reducing check-in/out times for event staff.
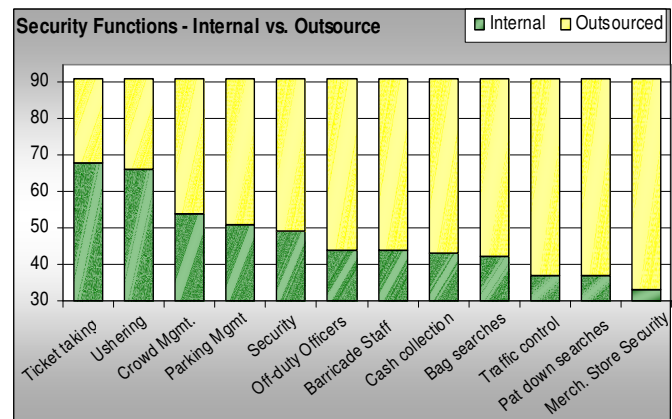
Hybrid Approach to Staffing Levels

One of the major findings in this study is that venue managers are increasingly exploring and implementing strategies of combining in-house and outsourced staffing solutions for crowd management and security operations at venues.

Roles related to higher risk functions, such as perimeter screening, and more

How Many Security Providers Do You Use?

(Pie chart showing: 1 = 73%, 2-3 = 24%, More than 3 = 3%)
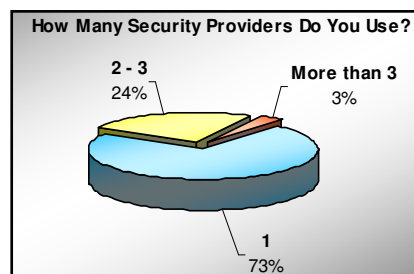
specialized activities, such as loss prevention, are more likely to be outsourced to professional firms, whereas customer service activities tend to be staffed internally. This has helped venues maximize their financial ROI while providing the operational flexibility necessary for different security threat scenarios.

Security Functions - Internal vs. Outsource — Internal, Outsourced

(Stacked bar chart with categories: Ticket taking, Ushering, Crowd Mgmt., Parking Mgmt, Security, Off-duty Officers, Barricade Staff, Cash collection, Bag searches, Traffic control, Pat down searches, Merch. Store Security. Y-axis from 30 to 90.)

Reducing Insurance Premiums

Liability has always been a major challenge for venues managers as they attempt to mitigate their risk levels that ultimately affect their insurance premiums.

According to risk management professionals, liability and insurance premiums for venues can be significantly reduced up to 6%* annually if reputable security and crowd management companies have adequate insurance coverage.

The three core areas that can be reduced by outsourcing are:

- Workers Compensation
- General Liability
- Reducing Payroll

Over 50% of participants that responded to this question indicated that they did not go back to insurance carriers to have premiums reduced as a result of outsourcing core crowd management services. *It should be noted that this strategy would likely only be relevant when the outsourced event security provider carries appropriate insurance coverage and has a strong track record of high performance.*

*SBV conducted phone interviews with selected insurance/risk management experts to offer their professional opinion on this subject matter. This was a supplemental analysis with a very small sample size of data inputs.

45% of participants indicated that they don't take into consideration the potential for lower insurance premiums in their ROI analysis or decision making process, whether related to in-house vs. outsourced services or as a key differentiator between third-party crowd management service providers in a tendering process.

New Certification and Training Programs

Many participants are considering online and other automated training and certification programs for use in the near future. One main reason is the escalating cost of developing annual face-to-face training programs. In fact, some states are now implementing online automated systems for certification and training.

Satisfaction Levels

Overall, it appears that venue and event managers are satisfied with the various functions under their purview. Those functions rated as least satisfactory include pat-down searches, bag searches, parking management (affects fan experience), merchandise security (affects bottom-line) and off-duty law enforcement.
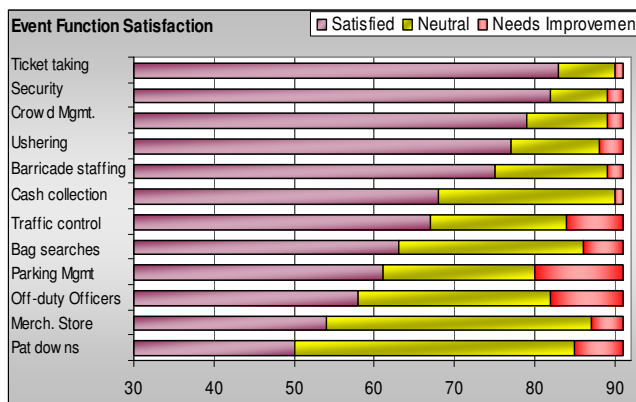
While the first four seem logical, the relatively high level of dissatisfaction with off-duty law-

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enforcement suggests that event managers may have limited influence over this group's performance.

ROI Measurement and Criteria

While ROI analysis was performed by less than 15 survey participants, we felt it important to detail the metrics by which they analyzed ROI. The following are the top metrics used:

- Human Resource Cost
- Training
- Management Salary
- Recruiting & Hiring Costs
- Burden/Facility Management
- Staffing Ratios
- Payroll Administration

Conclusion

The purpose of this study was to solicit from Event Managers information and opinions related to event security and crowd management services in the live event industry.

The findings reinforce relatively obvious issues, such as heightened concerns related to terrorist security threats at live events, but also shed light on less evident and perhaps risky matters, such as the seemingly low level of training verification of event security personnel.

The survey results also highlights a trend of event managers looking at more sophisticated approaches to analyzing the full economic costs and value propositions related to the delivering event security services, which makes sense given the greater risks and expectations of this function in today's event and security environment.

Appendix A: Participating Venues

Alamodome	Norfolk Community Center
American Airlines Center	Northlands Coliseum
Amsterdam Arena	Oregon Convention Center
Arvada Center	Pepsi Center
Auburn University	Philadelphia Eagles
Auditorium Theatre - Chicago	Phoenix Convention Center
Batesville Civic Center	Portland Trail Blazers
Baylor University	Puerto Rico Convention Center
Belmont University	Qwest Field
Brock University	Reno-Sparks Convention
Buffalo Bills	Rochester Institute of Technology
BYU - Idaho	Rupp Arena
Chicago Fire	San Diego State University
City of Irving Texas	SaveMart Center
City of San Diego	Scotiabank Place
City of Windsor, Canada	St. Louis cardinals
Clemson University	Stadthalle - Vienna
Cobb Energy Performing Arts Centre	Staples Center
Columbus Blue Jackets	UNC - Charlotte
Coors Amphitheatre	University of Florida
Crown Coliseum - Fayetteville NC	University of Illinois - Urbana Champaign
Dallas Center for the Performing Arts	University of Nevada Reno
Dallas Convention Center	University of New Haven
Dayton Dragons	University of North Carolina
De Soto Civic Center	University of North Texas
Ed Smith Stadium	University of Oklahoma
Energy Solutions Arena	University of Pennsylvania
Everett Events Center	Utah State University
Florida International	UT - Chattanooga
Florida Marlins	UTEP
Florida Panthers/Bank Atlantic	Vector Arena
Fox Tucson Theatre	Virginia Commonwealth University
Home Depot Center	Von Braun Center
Honda Center	West Virginia University
House of Blues	Western Kentucky
Iowa State University	Wheeler Opera House
Jacksonville Veterans Memorial Coliseum	Wichita State University
John Thurman Field; Modesto Center Plaza	Wings Stadium
Kansas Expo Center	Woodlands Center
Lawrence Joel Memorial Coliseum	
Lubbock Memorial Civic	
Mennen Sports Arena	
MGM Grand	
Michigan State University	
Major League Baseball	
Morris Performing Arts Center - South Bend	
MTS Centre	
North Charleston Coliseum	