

What's Your Threshold?

Right now, there aren't other teams who are calling us and looking at us." That's what Atlanta Falcons President Rich McKay told me (see page 22) a few weeks ago when I asked him about the organization's headline-grabbing Fan First food and beverage pricing to be implemented at the new Mercedes-Benz Stadium next season. "We didn't do it for them."

We didn't do it for them. Spoken like an organization with a low sociological threshold.

For those readers who aren't familiar, Fan First refers to the mantra at Mercedes-Benz Stadium (see page 78) to reinvent the fan experience at sports and entertainment events. As it relates to food and beverage, concessions items will be sold at "street prices" in the new home of the Atlanta Falcons and Atlanta United FC. For example, a hot dog will cost \$2. There will be no stadium markup.

"There's no reason to have to pay \$5 for a bottle of water. We all know it," says Mike Gomes, SVP of Fan Experience at AMB Sports & Entertainment – the parent company of the Falcons and Atlanta United.

But if we all know it, why do we still do it? Because we can, I guess. I think we all understand the basic economics here. Thirsty fans demand water. The locations supplying water are limited, and the company selling the water has a monopoly advantage, hence higher prices. It's also necessary for the third-party concessionaires to charge those higher prices to achieve a meaningful ROI on the robust fees paid to owners, comforted by the cost certainty of current models, for the right to feed the masses on gameday.

But what if there's another way, a better way? What if F&B can be a loss leader (even though AMB Sports & Entertainment won't call it that)? What if it spikes volumes to the point of making up for the lower prices? What if it incentivizes increased attendance by removing one of the highest barriers to attending? In theory, it makes sense.

There are critics, and there are cynics. In recent conversations, industry leaders have



made throw-away comments to me about what's happening in Atlanta. Paraphrasing one such conversation, apparently, it can only happen at Mercedes-Benz Stadium because of Owner Arthur Blank. But that's not a belief, it's a high threshold.

I understand those perspectives. It is just a theory today. And I was born at night, but not last night. I remain vigilant for marketing spin and ulterior motives. In this case, until I have a reason not to, I must take AMB Sports & Entertainment at its word.

None of these specific details are what I want you to take away from this note. My message today is a more general one about thresholds.

A threshold, in the sociological sense of the word, is the number of people needed to do something before you join in. Being the only organization to charge two bucks for a hot dog, AMB Sports & Entertainment has a low threshold, zero threshold in this case – they don't need any other venues to be doing it for them to do it.

I reacquainted myself with the concept of thresholds last year while listening to one of the episodes ("The Big Man Can't Shoot") in Malcom Gladwell's *Revisionist History* podcast series (RevisionistHistory.com). In the episode, Gladwell uses a sports case study to illustrate his thesis. He interviews Rick Berry, famous for shooting his free throws

underhanded. What a sissy, right? Well, the guy was perennially the league leader in free throw shooting percentage, missing nine free throws TOTAL one season. So even if unorthodox or funny-looking, clearly Berry deployed an effective technique.

So why didn't other players follow suit? They had, and continue to have, high thresholds. Gladwell juxtaposes Berry with Wilt Chamberlain, the greatest physical specimen ever to play basketball and a terrible free throw shooter. Chamberlain admits his flaw in his autobiography, writing "I know it was wrong [not to shoot underhanded]... I just couldn't do it."

He KNEW he was wrong, but Chamberlain was a man with high thresholds. He needed others in mass to do it first.

The sports business tribe has done things a certain way for a long time. And those ways have generated a lot of money. It also has high thresholds, because if there's a lot of money, there's a lot of money to lose.

Back to the *Revisionist History* podcast episode, Rick Berry remembers his dad telling him, "They can't make fun of you if you're making them."

That fatherly advice will certainly ring true for Mercedes-Benz Stadium. The critics can't be cynical of the new build's F&B model if it makes the new build money, directly or derivatively.

We'll have to wait some time to apply revisionist history to Mercedes-Benz Stadium. It'll take a couple of years of receipts to determine its true value. But for today, think about what your response will be if it does work. What will your threshold be?

Kindly,

A handwritten signature in black ink that reads "Jared Frank". The signature is written in a cursive, slightly slanted style.

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