



AEG China CEO John Cappo

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THE PRIDE OF SHANGHAI

Mercedes Benz Arena continues the long cultural tradition of the 'Paris of the Orient'

by DAVE BROOKS

In opening the Mercedes Benz Arena in Shanghai, AEG China CEO John Cappo breaks down the project into two components — hardware and software.

The hardware for the facility is everything from building design and production capabilities, to the complex highway and broadband networks that quickly transport people and ideas. That hardware is “state of the art, and in many cases, better than the U.S.,” Cappo said.

The challenge, Cappo said, is exporting the software to Shanghai to make Mercedes Benz Arena a success. That can mean everything from service standards and training employees to work with VIPs to training customers about how to appreciate the live music experience.

“There are different cultural customs — we don’t sell a lot of beer because the venues of the past never had food and beverage,” said Cappo, a former executive with IMG who helped introduce professional golf to China.

The Mercedes Benz Arena success story is a healthy mix of learning new customs and importing best practices, culminating in the reopening of the World Expo venue as a sports and entertainment arena on Jan. 15 with a sold out concert by two of China’s most famed artists — Alan Tam and Jane Zhang. The 18,000-seat arena is managed by a partnership between Oriental Pearl Group, AEG and the National Basketball Association.

AEG officially took over the building following the close of World Expo 2010 on Oct. 31, and hosted nine sold-out concerts before the rebranded facility emerged with its title sponsor in place. Four of those concerts were by singer Jackie Cheung, who packaged his tour with a number of dates at the other AEG-managed facility in China, the MasterCard Arena in Beijing. Also helping to open the Mercedes Benz Arena was Faye Wong, who ended her five-year hiatus to return to the facility with five concerts. It was the first

eight million visitors toured the building during the six-month event.

“We booked World Wrestling Entertainment during the Expo, programmed through Expo Bureau. No one was sure what the uptick would be,” he said. “We thought it was going to be a good event, but it wasn’t until we saw people running from the gates into the building that we knew we were in for an interesting day.”

Ngata said the biggest challenge working in Shanghai is the language barrier — he employs a full time assistant to help with translation. He

Ngata said the facility’s Mixing Room, an 850-seat live performance space sponsored by Hennessy, is designed with that type of cultural nuance in mind. The smaller venue has its own seating area and VIP entrance, and is designed for intimate shows and corporate events. The arena also includes an indoor ice skating rink.

“The challenge now is content,” said AEG CEO Tim Leiweke. “The facilities are now beginning to catch up, but we need to determine what we fill these facilities with.”

Chinese acts and Western musicians are an

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multi-date concert for Faye Wong in China.

Cappo has learned that to succeed in Shanghai, it takes just the right mix of local tradition and external expertise. “About 75 percent of best practices can be imported or brought over, but there’s about 25 percent of integration that must be achieved locally,” Cappo said.

The Mercedes Benz Arena borrows a page from L.A. Live in California, mixing a multi-function arena with a downtown entertainment district that includes mixed retail with a multiplex movie theater and a smaller 850-capacity venue. The facility includes 21 different concept stores, including an NBA store, with five restaurants and an observation deck with views of the city, China’s Wall Street in Lujiazui, the Huangpu River, the Lupu Bridge, the Nanpu Bridge and the Chinese Pavilion left over from the Expo, which is still drawing tens of thousands of visitors a day.

Mercedes Benz Arena General Manager Guy Ngata got his first taste of the facility’s popularity during World Expo 2010, when

estimates that about 50 percent of his staff speak some English, and about 30 percent are fluent.

The arena is one of four permanent facilities left over from the Expo, built with a budget of \$450 million by East China Architectural Design & Research Institute. The facility is built for any sized show and can resize the house from 18,000 seats down to 5,000 in a matter of hours. The facility’s drop down rigging system can handle 175 tons of equipment, as well as a massive scoreboard that can be incorporated into events.

“The biggest challenge continues to be the food and beverage component, because eating and drinking are not a common element of the live entertainment experience,” said Ngata.

At other arenas, often the only concessions presence is a person with a barrel of ice and a couple bottles of soda, selling drinks.

Concessions at the facility are handled by Elements Fresh, a restaurant chain based in Shanghai. The venue has 16 permanent concessions stands.

obvious place to start, said Ngata. A recent Usher concert at Mercedes Benz Arena grossed over \$1 million. He estimates that about five major promoters operate in China with the capability of booking an arena show — yet the concept of arena-sized tours is so new in China, he expects more entrepreneurial promoters will emerge.

“Promoters are promoters, and they are all cut from the same cloth no matter what part of the world they come from. They want a great deal,” Ngata said.

Cappo said one of the most important lessons he has learned from his two decades living in China is that the country can’t be painted with a broad brush.

“That’s one thing that people get wrong about China all the time. They see it as one huge market, but there are very different brands. There are 32 different provinces and 32 different markets,” he said. 

Interviewed for this story: **Guy Ngata**, (86) 400 1816 688; **John Cappo**, (86) 21 6126 3066; **Tim Leiweke**, (213) 741-7101

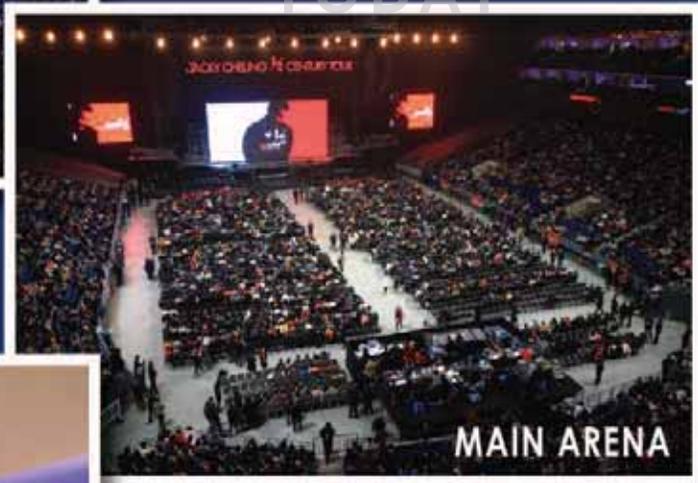
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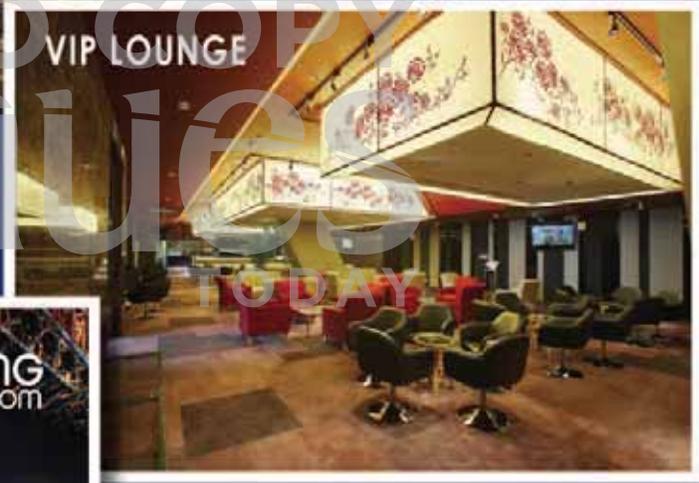
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HE WHO SITS LONGEST WINS

Long negotiations are the norm in China where relationship-building is favored

by DAVE BROOKS



There is an ancient Chinese proverb that reads: “Distance tests a horse’s strength. Time reveals a person’s character.”

This is particularly poignant when it comes to the art of negotiation, where most Westerners still operate under the equation “time equals money.” That doesn’t translate as well in Shanghai, where many professionals aren’t necessarily compensated based on how many deals they sign.

“We call it Iron Ass negotiations because it seems like a competition for who can sit the longest,” said AEG China President and CEO John Cappo.

Relationships can’t be rushed and it’s not unusual for negotiation sessions over seemingly benign topics to stretch for days, even weeks.

“Time is one of the major weapons in any businessperson’s arsenal,” Cappo said.

Many Westerners arrive in China ready to show they can go the distance, flexing their financial strength to secure capital or activate sponsorships. But trust is a currency that is slowly earned, and the Chinese understand the only way to gain a window into a person’s character is to spend time getting to know them.

“I’m a very direct person and sometimes you have to back off that directness and have two or three meetings to build a relationship, rather than cutting straight to the chase,” said Guy Ngata, general manager for the Mercedes Benz Arena.

In many ways, the Chinese are waiting for their Western counterparts to call their bluff. Cappo recalls the recent naming rights activation for the Mercedes Benz Arena in Shanghai, which began with another company at the table, China Merchants Bank, a bank formed 25 years ago during the country’s period of financial reform.

Cappo said the spokesperson for the bank was a golfer Cappo worked with during his IMG days, and executives at the bank expressed interest in purchasing naming rights for what was previously known as the Shanghai Arena. Early talks with the financial giant went well but, slowly, things started to drag out.

“Finally, we gave them 10 more days to make a decision before confirming another deal. I told them we were in discussions with a major international brand and they told me ‘you’ll never find a partner better than us,’ and I said ‘that’s fine, but you still have 10 days to make a decision,’” Cappo recalled.

“Ten days passed and they did not confirm, they called our bluff. I called and asked them if they had ever heard of the brand named Mercedes Benz,” Cappo said. Later, it turned out that relationship building through long negotiations paid off. China Merchants Bank signed on as one of the facility’s original Family Partners, a sponsorship level just below naming rights.

Ngata said he learned the importance of

lengthy negotiations during his first days managing the Mercedes Benz Arena in Shanghai. Whether it’s provincial government bureaucrats or Sichuan rock promoters, it’s nearly impossible to do business without investing the time to develop relationships.

But Cappo warned that not all deals are slow. He said the Chinese government can often take arena projects from drawing board to opening night much quicker than Western municipalities.

“There’s a stereotypical version of the Chinese government being bureaucratic and difficult to deal with, but they get things done,” Cappo said.

AEG CEO Tim Leiweke said the Chinese government has five new facilities on the table, and the company’s partnership with the NBA has an additional six facilities planned for the future.

“We are stunned by the number of new arenas that are on the drawing board in Asia. We personally, as a company, have almost five accounts today where we do nothing but consult with these provinces on how they build, book and operate an arena,” Leiweke said. “The majority of these projects have private investment with over \$500 million committed.”

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