

The Analysis of Arena Expansion Strategy and the Experience Refinement: --Take Box Arena as an Example

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Abstract:

In China, where the sports economy is becoming a significant part of urban expenditure, the emergence of high-rise, high-priced, yet high-traffic arena challenges conventional business model about stadium siting, pricing and accessibility. Against this background, The Box basketball arena born, as a unique case of successful expansion, though seemingly unfavorable conditions. The significance of this study is it has the potential to utilize sports economics theory and provide practical examples for urban arena development. There is actually a scarcity of study which focus on high pricing and unique siting arenas integrated within commercial complexity. Understanding The Box expanding experience offers lessons for fans, urban planners, sports entrepreneurs' even club-owners. By handle their expanding wisdom, it is reliable for unique business just like them to navigate the balance between accessibility, pricing, and user experience. This paper combines sports economics and management theories and case study analysis of The Box arena. Findings indicate that The Box overcame its initial difficulties like COVID through membership system, strong community engagement, and brand differentiation strategies. The results indicate that high-floor, premium-pricing arenas can also reach sustainable brand growth, if it is supported by precise market targeting, community-based loyalty customers, and innovative space utilization. However, high running costs and unutilized idle space and capture customer demand are still their primary challenge.

Keywords: sports, management, economic.

1. Introduction

Over the past 20 years, sports industry had already

transferred into one of the most rapid growth sector in global economy. According to World Economic Forum, global sports market was valued over 500 bil-

lion USD in 2023'. In Asia, fitness and basketball culture boosts among younger generation. The participation rate in basketball in China especially increase, not only because the increasing influence of NBA and other leagues, but also because the satisfaction of the visible and attracting city sports community facilities. This growth stimulates the demand for innovative models of sports facilities that combine functional, convenience, and cultural relevance.

Traditionally, the success of any arena has been strongly associated with location and accessibility. Studies on stadium siting draw out a conclusion that transportation, visibility, and ground-level access are key determinants of profitability [1]. Under this situation, the emergence of The Box basketball arena, a high-floor, high-priced venue, appears as a paradox against theory. Conventional opinion would suggest that its limited accessibility and high pricing would constrain expand of business. But, the Box has not only survived but also enlarge rapidly, occupy the most popular stadium' in social app and become a recognized model in Chaoyang basketball arenas. This paradox forms the foundation of the present study.

The significance of this research is combining sports economics and real-world cases. Though extensive scholarship has examined huge stadiums, Olympic facilities, and large-scale sports infrastructure, far fewer studies have investigated boutique-style, high-floor arenas which embedded in commercial landscape [2,3]. These venues face unique constraints—such as higher rent, limited visibility, limited customer flow and potential utilization of space—but also shows opportunities for urban development, community engagement, and differentiated user experiences. Understanding how The Box navigated these challenges offers both theoretical contributions and practical experiences.

This paper examines how The Box overcame its initial difficulties in attracting customers in the competitive sports market.

It further analyzes the core elements that contribute to its competitive advantage, including membership systems, community operations, and brand differentiation.

Finally, the study evaluates the extent to which the model developed by The Box can be replicated in other urban stadiums, both in China and globally.

This article uses multi-methods, including industry life cycle-theory, stadium location research and case study of the BOX. From early struggle during the COVID-19, to the adjustment of community members strategy, finally to diversification. This study also compare the case of the BOX with international examples like Madison Square Garden in New York, which thrives on brand and location, and the O2 Arena in London.

Finally, the purpose of this article is not only records the successful expansion experience of the BOX, but

also analysis the link between pricing, transportation accessibility, community management and brand identity. This article hopes that this essay could help every sports entrepreneurs, policymakers, and urban planners, who is seeking to design sustainable arenas in increasingly competitive city environments.

2. Case Description

The BOX arena is a classic example of domestic new-born sports stadium. It was founded in 2018, located on the six floor of a hotel at Beijing Chaoyang Wangjing. What contradicts with traditional open to public, near roads and natural customers relied stadiums is that the BOX initiated a new business model of combining basketball and social culture. The business positioning is not only a conventional basketball court provider who earn profits by selling tickets, but also a comprehensive advanced platform which gathered professional sport exercise, social interaction and culture experience. The total area of this arena is about 1500 square meter, including two full basketball court which fit in FIBA international game standards, whole wooden floor, professional lighting and ventilation system, four international qualified basketball stands, wide benching sitting area and all covered movement-catching camera which served for game replay and data analysis. Besides that, the BOX also planned relaxation food bar, viewing areas, changing rooms and shower facilities. The head mission of the BOX is providing users with a comfortable and convenient complete experience that goes beyond the sport itself. According to the data from third party app, the box have received the most customer satisfaction rate and views in all arenas among ChaoYang district.

The box went beyond a hard ship of development through pandemic [4]. Under the big era of COVID-19, all to-customer business was hit severely, the box has no exception too. The positioning of high floor set up a natural barrier of customer flow, contradict with traditional stadiums, the box arena which located at six floor lose most amount of organic footfall. Consumers are lacked of cognition that 'playing basketball in top of a building', even show bias like space depression or safety considerations. These initial difficulties leads to a consequence that it is extreme costly for the BOX to gain customers and educate the market. This situation is reflected by average person on peak time in weekend is less than 50 and court idle rate during working time over 60%.

The rent of the commercial complex is quite expensive (although it is still cheaper than the street-facing store), and the Box Arena has spent a tremendous amount of money on decoration and equipment, maintenance of equipment will continue to consume money. The accumulation of high running cost and initial cost push the BOX

set a high price (about one third over other common court) [5]. But problem is: when it first opened, many people had never heard about it or experienced the environment and services there, what customers know is the price is so high. It means that many student parties and graduated workers who usually have limited income sources and care about the price would be passed out completely. The result is: high costs→ high pricing→ fewer people come → no money and repeat .It has become a dead cycle that is getting deeper and deeper. The significance of solving this problem is essential, it directly determines can it survive in competitive market.

3. Analysis on the Problem

3.1 Economic Perspective: High Cost Structure and Price Mechanism Failure

The management of Box Arena relies on high fixed costs, including rent for golden location at prosperous street, investment in FIBA-standard professional hardware and maintenance expenses [6]. According to the cost structure theory, business with high fixed costs must spread costs through sufficient sales volume to decrease marginal cost, further achieving profitability. However, Box Arena was forced to formulate a high-pricing strategy to earn back the costs. But at initial early stage, its service lack differentiation, resulting a high price elasticity of demand. This means that even a slight increase in price would led to a significant decrease in demand. Therefore, high pricing keeps price-sensitive users out, causing that it is difficult for venues to reach the break-even point. If the BOX does not have sustainable customer, it is possible to fall into a severe circle of „high cost - high pricing - low sales - difficult to make a profit“.

3.2 Business Perspective

There was an obvious disconnection in the initial marketing mix (7Ps) of Box Arena [7].

3.2.1 Product

The core service (stadium) is similar with traditional basketball stadiums, and the further extended value (social interaction, experience, brand) has not been developed yet.

3.2.2 Price

High pricing does not match the value received by users. Instead, it conveys a signal of „expensive“ rather than „advanced“. The opportunity cost for customer to choose the BOX is high and not cost-effective.

3.2.3 Location

The BOX arena locates at the six floor of the building and

have to reach by elevator. This kind of business setting goes against with consumer habit of ‘find somewhere convenient’, increasing the time cost in some extend. Without the promotion of social platform like douyin, natural customers are barely impossible to find this arena.

3.2.4 Promotion

Currently, Chinese customer do not understand market education and brand communication, making it almost impossible to reverse users’ cognitive biases about „high-altitude basketball court“. The first impression after they heard about it is confused instead of willing to try. The failure of this marketing strategy led the Box Arena into the „stuck in the middle“ awkward situation. To be specific, it is unable to compete with other competitor which famous of predatory pricing (extremely low cost) without a characteristic differentiation.

3.2.5 People

Staffs and employees are crucial in providing high quality services. However, the lack of professional training and consistent service would harm customer loyalty. This arena has not established a community-oriented staff culture, which is critical for retaining members in a competitive sports market.

3.2.6 Process

Service delivery process is not simplify enough. Customer needs like purchasing ticket, booking courts or other demands are still not efficient. Without efficient reservation systems or user journeys, the customer experience fails to reflect the pricing and brand positioning. But with the invention of mini program, this problem get solved to some extends.

3.2.7 Physical Evidence

Current FIBA-standard courts, professional lighting, lounge, shower area and ventilation systems are sufficient and professional. However, facilities like water bar or meal services are still at initial stage. While the setting reflects professional, it does not strongly support brand differentiation or create a memorable experiential identity.

3.3 Other Drawbacks

Except economic and business perspectives, there are also four main disadvantages, harming the growth of scale. First is the unmatched between the value of goods and services and the money the customer pay. In initial stage, the Box located as high end services and pricing high, however, the quality of services do not specifically match customer demands. Secondly, promotion channels are limited. During pandemic, the Box strongly rely on online promotion, other promotions like friend introduction or game holding are few. Third one is weak customer loyalty. The box had not develop a mature membership system or

community management yet, lacking the brand awareness and customer loyalty (customers only come once). Finally, undervalued services. The mismatch information between business and consumers leads to under-rated value. Customers do not want to pay the expensive bill because they think the only service they get is the using right of a normal court (even it is fancy but still court).

4. Suggestion

4.1 Optimize Pricing Strategy and Cost Structure

According to the issue of high price elastic of demand, the Box could accept differential pricing strategy [8]. They could abandon the per-hour pricing strategy, when manager implements traditional ticket, they consider the market factor and their own specialty to set an average price [8]. It is true that this pricing strategy is conservative, but if they set the price according to the PED of different customer groups, the customer flow would increase [9].

First solution is about peak time pricing. Golden period like weekend and night time maintain high price, select the main customer who are not sensitive to price [10].

Second solution is about off peak time pricing. Increasing the price at idle periods like workdays and daytime, attracting the customer group who have high price sensitivity like retired people and students. This could improve the utility rate of the court and share fixed cost.

Finally, membership system. Offering weekly, monthly and annually cards to save customer. Locked up customers by pre-pay to stabilize cash flow. Besides, cooperating with online platforms are also effective.

4.2 Develop Differentiation and Diversity

Due to there is a few understanding about the value of the Box service, they could develop unique selling point to attract customers vertically and expand business horizontally.

First, utilizing idle area. Renovating water bar and public area into Theme catering, sports nutrition sales to enhance the value of customer orders.

Externally, signing long-run contract. Cooperating with training institutions, schools and enterprises to have long-term services and obtain a stable and reliable Business-end income.

Internally, carry out more activities. Converting brand events and activities into IP, hold competitive games on off-peak time to attract more customers, earn registration fees from gamers, and collect sponsorship fees from brands.

Research objectives are closely combined with earlier economic and business analysis. The discussion of cost

structures, pricing elasticity, and location disadvantages provides the theoretical foundation for understanding The Box's initial challenges. On the other hand, the evaluation of marketing mix failures and community engagement strategies illustrates how business practices directly influenced the arena's survival and expansion. By linking the research questions with these analyses, the paper ensures that both theoretical and practical perspectives are supported into a united framework.

5. Conclusion

This study takes the Box Basketball Arena as a case study and analyzes how it overcomes dilemma and successfully transform their business strategy. By using IBDP economics and business management theory, this article summarizes the main conclusions are as follow.

Box Arena initial difficulties came from the contradiction between high fixed costs and ineffective marketing mixes. Its success relies on the „community-brand“ double-driving model. Creating user stickiness through community operation like VIP system and breaking through passenger flow barriers through brand cooperation. Research shows that the drawback of high-rise locations can be overcome by building a sense of community belonging and basketball culture, the key is to shift from „space leasing“ to „user satisfaction“.

This study expands the theory of sports economics and confirm the application of community theory and price strategy in real market. Practically, it provides a strategic example for stadium operators and an innovative inspire for the utilization of idle space, which has important industry reference value.

This study has certain limitations: it is based on a single case analysis and lacks large-sample quantitative samples. While future research could first, use questionnaire surveys to measure the relationship between users sense of community and consumer behavior. Second, conduct a mathematical model for idle space renovation to provide a basis for promotion.

The case of Box Arena shows that the competitive advantage in experience economy no longer comes from physical location, but from emotional connection with users and expense experience, which has important implications for innovation in the consumer service industry.

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