

Formula for entertaining



Corporate sponsorship of events is integral to brand development and relationship building. Chris Sylt dissects Formula One, the highest pricetag event of all, to find out what sponsors want and what they get

WITH 2007 SOON UPON US, allocation of next year's corporate entertainment budgets is in full swing. Sports events are an obvious choice and as media coverage has increased, money has poured into most top line sports, meaning it's not just the blue riband events which have professional corporate hospitality programmes. But one sport with an allure head and shoulders over the others is Formula One motor racing.

From the mystique of Monaco to the history of Silverstone, F1 has a high-octane mix of money, glitz and glamour which attracts just more than 300 sponsors including some of the world's biggest blue-chip businesses. RBS, Shell and Vodafone all fund the sport, which is estimated to have total sponsorship revenues of around \$1.3bn. Exposure in front of the 580 million viewers who watch F1 annually is what drives F1's sponsorship values and makes it a very exclusive club. And although corporate hospitality

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packages are at the lower end of F1's entrance price spectrum, their cost is far from bargain basement.

The heart of F1's corporate hospitality outfit is the Paddock Club – a sprawling tented structure at every race which is accessible only with a fabled Paddock Club pass. Teams use the Paddock Club to woo new sponsors and to cement existing relationships in an effort to ensure deals are renewed. Likewise, the sponsors themselves invite clients to the venue in order to promote their involvement with F1.

Sponsors get passes thrown in with their





F1 deals but companies looking to get through the door have to pay an average of \$3,600 per three-day pass taking tables of at least six seats. And although there are around 2,000 seats on offer at each race, the Paddock Club regularly has a waiting list. Proximity to the action is the big draw.

Paddock Clubbers can watch the race from marquees or grandstands directly above the pits and often on the roof of the garage building. They can also take a guided tour of the pits before the race and have access to the support race paddock. Drivers make scheduled appearances throughout the weekend and team personnel are on hand to talk the guests through the weekend's developments.

In short, it's as close as you can get to being in the thick of the action without getting a drop of grease on your suede loafers.

Paddock Club manager Isabelle Kaufmann says: "Our prime location above the pits where our guests are offered uninterrupted views of the start/finish and every pit stop, combined with genuine style, quality and pleasure, makes the Paddock Club the ultimate in world-class hospitality."

The furnishings are certainly world-class. Tents are lavished with flowers and even the lawns on which the marquees are built must pass muster. If the team of locally hired gardeners can't get an existing lawn in perfect shape within a few weeks of race weekend, a new English lawn is flown in and rolled out on site. It's an attention to detail rarely found at corporate hospitality for sports events and creates an atmosphere

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akin to a private club. The logistics of pulling it off are daunting.

F1's 18 races take place in 16 countries and are held sometimes within a week of each other. Kaufmann says: "We transport by road, air or ship for an average Grand Prix 16km of cables, 76,595 pieces of cutlery, 40,000 glasses, 30,000 plates, 25,000 other ceramic items, 20 tonnes of ice, 90,000 litres of water, 5,500 magnums of champagne, 10,000 cut flowers, 3,000 flowering plants and 200 tones of tent material."

And this is no mean feat given that everything in the Paddock Club is fresh, from the food to the flowers.

Paddock Club guests get more than just motor racing. Every ticket includes access to an open bar with champagne and a gourmet luncheon with fine wines. There are select boutiques from TAG Heuer, men's fashion brand Hackett and Siemens, as well as a masseur, beautician and hairdresser, while a caricaturist and a card trick artist provide entertainment.

The entertainment is not just an unnecessary frill – it creates a relaxed but businesslike atmosphere making it easier for sponsors to schmooze their customers and network with their F1 counterparts.

It is an intoxicating mix. The top sponsors are believed to have annual F1 hospitality budgets of up to \$20m devoted to paying for travel, accommodation and extra passes for the most popular races such as Monaco and Italy.

Sponsors such as Marlboro and Foster's which have naming rights of teams and races receive as many as 50 Paddock Club passes per day of each race weekend, but this doesn't come cheap. Marlboro is believed to be paying Ferrari around \$80m per year and a typical race title sponsorship deal goes for around \$5m. Lower down the food chain there are sponsors who get into F1 just for the corporate hospitality opportunities.

For example, media giant Reuters pays the Williams team around \$3m for thin logos on the side of the car's cockpit but, as acting sponsorship manager Nancy Buxton says: "The hospitality is a key purpose of the sponsorship as it provides a unique environment in which to strengthen relationships with key clients over a prolonged period."

Reuters' aim is making its hospitality programme feel exclusive and intimate so it only invites between 10 and 20 key senior executives from client companies to each race and they are able to bring a spouse or partner to make the weekend even more relaxed. The small numbers maximise the opportunity for communication and Reuters itself has between two and four staff on hand at each race to handle hospitality proceedings.

Arranging an enjoyable weekend at a Grand Prix might seem easy to pull off but it takes months of meticulous preparation. Given the costs, Paddock Club clients cannot afford for slip-ups.

"Final decisions on which races to attend, hosting and numbers of tickets required are made in early winter of the previous year," says Buxton. "Hotels for all races attended will also be booked during the winter off-season period, as are vehicle requirements. Other arrangements, such as restaurant bookings and additional local activities, will be booked ➔"

approximately three to four months before the relevant race weekend."

A typical Reuters F1 weekend begins with an informal welcome drink and dinner on Friday evening. On Saturday guests are given the option of attending qualifying, taking part in an alternative activity, such as visiting an area of local cultural interest or spending the afternoon in a spa, or both. Then on Saturday evening all guests are invited to attend a slightly more formal dinner, with all hosts attending. On Sunday the guests travel to the circuit and watch the race from the Paddock Club.

Buxton says the arrangements are tailored to make the most of the local environment wherever possible. "We like to reflect the cultural experience in our programmes," she says. "The location of the venue would affect decisions made about certain parts of the weekend schedule, for example the alternative programme."

The key constant is the Paddock Club, and this forms the basis of Buxton's only criticism.

"The Paddock Club has, in essence, been the same for a number of years and many consider a change in layout and image could be a good thing. A more relaxed, less formal atmosphere with greater flexibility would be beneficial," she says.

Cost is another way to criticise the Paddock Club, but the sponsors believe return on investment (ROI) can be significant, particularly if the opportunity is used strategically. Details count when it comes to clinching multi-million dollar deals and access to F1's inner sanctum apparently makes a priceless statement.

Indeed, association with F1's exclusivity is regarded as so valuable that even companies which are already globally renowned seek it. Last year Hilton International became the first hotel company to sponsor an F1 team by paying an estimated \$2m for a small sticker on the side of the rear wings of the McLaren team's cars. Exposure was not the driving force behind the deal.

In January Hilton announced a \$1bn 'reignition' campaign to refresh its brand and counter criticism that it had become tired. The campaign includes new guest services and property upgrades such as trendy branded bars. F1's cutting-edge and exotic image fits right in with this strategy. Alistair Rodger, Hilton International's director of partnerships, says F1 sponsorship was chosen "to position the company firmly among the new generation of young and affluent international travellers...and to keep our brand image fresh and appealing".

The deal also has business-to-business at its heart with Hilton using the networking opportunities of the Paddock Club to build relationships with other McLaren sponsors,



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which include Hugo Boss, TAG Heuer and SAP.

"Teaming up with such an illustrious group of global premier companies also brings commercial benefits," says Rodger. "The corporate partnership offers us an opportunity to build new commercial alliances." To maximise ROI, Hilton has a wide range of applications for the deal.

To get coverage of its properties in publications which may not normally carry it, Hilton has offered editors trips to the Grands Prix in the local area with an accompanying stay at the relevant hotel. The opportunity to woo potential property owners in the Paddock Club also fits neatly into Hilton's growth strategy which is focused on managing rather than owning hotels. And with a portfolio already spanning the globe, the worldwide spread of F1 races makes for an ideal match for Hilton.

The biggest question for any company considering such a large investment is how to assess the results. F1 sponsorships tend to be three-year contracts and Rodger says: "We understand [maximising ROI] will take time...the corporate partnership objectives and responsibilities are jointly monitored and accounted for. They are not tied to on-track success."

The key to effective evaluation is seen by some as establishing clear objectives at the outset. Pippa Collett runs sponsorship consultancy Spectrum Sponsorship but was previously European sponsorship manager for Shell, where she managed the delivery of its F1 corporate hospitality programme for up to 3,000 guests annually.

Collett says: "In order to evaluate outcomes it is essential to have established clear entertainment objectives. If objectives are set in advance, then it is possible to measure outcomes of entertainment and assess impact against cost. In addition, patterns can be derived over time and lessons may be learned and applied to future entertainment decisions."

Collett says the first thing to establish when developing a hospitality programme is "who should be entertained, why and what expectations they might have that need to be met". She adds: "Unfortunately, the latter two elements are often forgotten, but clarity of thought in these areas is essential to guide the hospitality delivery process effectively."

Specific objectives will vary by guest and company type but Collett says they should all be SMART – specific, measurable, achievable, relevant and time-bound.

In general, business-to-business based programmes are likely to focus on issues such as winning new business, maintaining current business under threat from competitors, thanking business-to-business customers for support, providing a backdrop for introducing a new business initiative or incentivising desired behaviour.

In short, the returns required for an F1 hospitality programme, either through sponsorship or simply buying Paddock Club passes, can be justified provided the objective sought is significant enough to warrant the investment. And although this can only be judged case by case, one thing that's for sure is that any F1 involvement will always be a racy one. ■

