

Formula for hospitality

After speed and expense, Formula One is probably best-known for glitz and glamour. Despite the exit of some high-profile sponsors in recent years, F1's corporate hospitality operation continues to be as vital to the sport as petrol. **Christian Sylt** reports.

As this year's Formula One season drew to a close in Sao Paolo it wasn't just the drivers who were breathing a sigh of relief. Behind the scenes, the staff at F1's corporate hospitality area, the Paddock Club, have some of the most demanding schedules in the sport. This year they had to set up and operate the sprawling tented structure in 18 countries over an eight month period, sometimes visiting different countries on consecutive weekends. F1 could not survive without them.

F1 and corporate hospitality seem to go hand in hand. According to the sport's trade guide Formula Money, a total of 310 brands sponsored F1 last year and each has at least

one representative who looks after the partnership. They need somewhere suitably impressive to entertain their own clients at the races and F1 delivers. The Paddock Club gives an experience which can't be found anywhere else at the race and there is good reason for this.

Sizzling

After spending just a few moments in the Paddock Club it's easy to forget that you're anywhere near a race track. The smell of tuna sizzling on an open grill almost covers up the scent of burning rubber and

No interruption to the tanning schedule. Monaco, May 2011.



Monaco is a highlight of the race calendar in terms of hospitality revenue.

All photos: Subaru F1 Team



an open Champagne bar is at the ready. It may sound like a party but in fact serious business is being done.

Every year, the racing teams are supplied with Paddock Club passes by F1's management and they distribute them sparingly to their sponsors. Blue chip companies such as AMD, Dell and Shell fuel the teams' budgets with tens of millions of dollars and in return they get logos on the cars and as many as 50 Paddock Club passes per race.

Sponsors use the opportunity to indulge their clients in the opulent surroundings and, when it comes to clinching multi-million dollar business deals, access to F1's inner sanctum makes a priceless statement. Keeping sponsors sweet increases the chance that they will renew their deals and the teams themselves also give passes to brands which are not yet involved with F1 in order to tempt them to sign up.

With such great importance attached to the Paddock Club, preserving its exclusivity is essential. "The Paddock Club is an extraordinarily effective business tool to set against the dramatic backdrop of the world's most thrilling spectator sport," says Isabelle Kaufmann, the venue's manager.

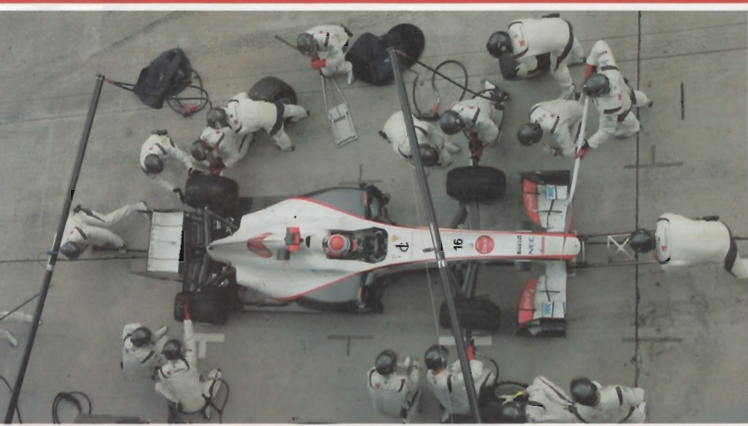
The Paddock Club is owned by Allsport Management, a Geneva-based company founded in 1983 by entrepreneur Paddy McNally who was previously a trackside advertising salesman. He was led by F1 boss Bernie Ecclestone's vision of big-spending blue chips who would sponsor the sport due to its extraordinary exposure. These companies would need

“ The smell of tuna sizzling on an open grill almost covers up the scent of burning rubber. ”

entertaining in a business-to-business environment, the more luxurious the better.

Fresh turf

Ecclestone granted Allsport exclusive rights to hospitality operations at F1 circuits. This may sound like an instant licence to print money but it wasn't until the 1990s that the Paddock Club took off as F1's popularity accelerated. Long gone are the days when hospitality meant little more than a warm beer and a hot dog. Tents in the Paddock Club are adorned with fresh flowers and even the lawns on which the marquees are built must make the grade. Fresh turf is often flown in from England and rolled out on site. The Paddock Clubs attracts a suitably high-level of clientèle who complement the wheeler-dealers. ▣



Paddock Club guests have privileged views of the pit lane.



Drivers Sergio Perez and Kamui Kobayashi enjoy a meal in Monza, Italy, Sept 2011.

"Film stars, politicians, pop groups, business moguls, models and sports stars are keen to be invited because they appreciate the style and standards established. It presents a unique opportunity to mingle, including the chance of a close meeting with the drivers and team personnel," says Kaufmann.

Intimacy

The Paddock Club is split into three distinct areas and each has levels of luxury akin to a deluxe hotel. The Village is a group of marquees surrounding a central open garden, each with its own patio seating area and buffet tent. Separate marquees house the champagne bar and various entertainments within the garden area.

For a unique chance to support the drivers, the Pit Building Lounges are the place to be. They are a collection of individual lounges usually located directly above the pit lane with a privileged view of the main start/finish straight and the pit lane. When the drivers enter the pits, the more passionate Paddock Clubbers can lean over the guard rails and cheer them on.

The Pit Building Terrace is a collection of suites covered by a purpose-built marquee. They are above the pits, often one storey higher than the Pit Building Lounges and affording panoramic views of the pits and circuit.

With billionaires in abundance, the Paddock Club plays host to some who require even more intimacy for their business dealings. Suites in the three areas hold some of the most private Paddock Club parties and they are adorned with personalised floral arrangements. The rest of the Paddock Club is themed around the teams and some have full-size show cars on display.

Logistics

Guests of the Paddock Club are offered far more than motor racing. Every Paddock Club pass includes access to a gourmet banquet with fine wines as well as a masseur, beautician and hairdresser. A caricaturist and a card-trick artist are also on hand to provide entertainment.

Paddock Clubbers can take a guided tour of the pits before the race and have access to the support race paddock. Team

personnel are also on-hand to talk the guests through the weekend's developments.

The entertainment creates a relaxed but business-like atmosphere making it even easier for brands to wine and dine their customers and network with their fellow F1 sponsors. It is an intoxicating mix and consistency is crucial as the Paddock Club standards must remain almost identical in each location. There is a trick to pulling this off.

F1 Hospitality: Quick Facts

- From March to November, the Formula One calendar spans the globe at **19** different races, starting in Melbourne and finishing in Sao Paolo.
- At each race, F1's tented corporate hospitality area, the **Paddock Club**, is assembled and stocked by a travelling team of workers.
- Nearly **80,000** pieces of cutlery, 30,000 plates and 200 tonnes of tent material are transported to each race.
- A three-day Paddock Club pass, which costs **US\$4,000** (£2,538), includes the services of a masseur, beautician, hairdresser, caricaturist and magician.
- The Paddock Club is owned and operated by **Allsport Management**, a company founded in 1983 by entrepreneur Paddy McNally.
- More than **300** brands paid for F1 sponsorship last year, the top sponsors paying as much as US\$20m (£12.7m).
- Some high profile companies, including **BMW** and Dutch bank ING, quit F1 sponsorship during the 2008/09 global recession.



Serving drinks at the Spanish Grand Prix, May 2011.

"Hundreds of people are involved at each race – chefs, catering staff, electricians, security agents, maintenance staff, drivers, entertainers, florists, therapists and cleaners," says Kaufmann. However, only around 10% of these are local workers. Security, logistics, construction and catering tend to be handled by the same contractors throughout the season meaning that teams and sponsors know what they will get at any race no matter where in the world it is held. This is no mean feat.

Setting up the Paddock Club at a typical Grand Prix requires transporting by road, air or ship 16km of cables, 77,000 pieces of cutlery, 40,000 glasses, 30,000 plates, 20 tonnes of ice, 90,000 litres of water, 5,500 magnums of Champagne, 10,000 cut flowers, 3,000 flowering plants and 200 tonnes of tent material. This all comes at a high cost.

Scaled back

The accounts for the year-ending 31 December 2010 of Beta Holdings, Allsport's parent company, reveal that although revenue increased by US\$3.2m to US\$153.5m this was not enough to compensate for a 3.3% rise in costs as the number of races rose from 17 to 19. It led to Beta Holdings' pre-tax losses widening more than three-fold to US\$5.2m and the company's financial director Duncan Llowarch said: "The prevailing economic conditions created a difficult environment for hospitality sales."

The average price for a three-day Paddock Club pass is around US\$4,000 and in 2010 it is believed that approximately 2,100 guests were wined and dined at each of the 19 races, with peak numbers in Monaco; Monza, Italy; and Silverstone in the UK. Allsport directly handles the corporate hospitality at 16 races. Australia, Brazil and Singapore have in-house hospitality operations that pay a license fee to Allsport, estimated at between US\$6m and US\$6.5m each. In 2010, the revenue from the 16 races translates to around US\$134.4m with the fee from the other three bringing it up to US\$153.5m. This is some way lower than the Paddock Club's high point of US\$183.4m in 2008. The big crash came the following year as sponsors made huge cutbacks during the economic downturn.

“ RBS was one of the biggest spenders on Formula One hospitality in 2008 but this was significantly scaled back in 2009 after the UK Government took a majority stake in the bank. ”

BMW and Dutch bank ING are believed to have made significant reductions in their corporate hospitality budgets before they both quit F1 altogether during 2009. Likewise, the Royal Bank of Scotland (RBS) was one of the biggest spenders in 2008 when it entertained 400 people at the Singapore Grand Prix alone where entertainment included a cocktail party hosted by former F1 champion Sir Jackie Stewart. However, this was significantly scaled back in 2009 after the UK Government announced it would take a majority stake in the bank.

Excursions

In an attempt to drive revenue, Paddock Club prices were increased by up to 12% this year but a lot of its revenue still comes from a few big-spending sponsors who buy many more tickets in addition to their allocation from the teams. The top sponsors are believed to have annual F1 hospitality budgets of up to US\$20m but at lower price points some companies get into the sport just for the entertainment opportunities.

For example, media giant Reuters paid the Williams team around US\$4m this year. This got it some small logos on the drivers' overalls and the front and sides of the car, but hospitality is one of the key purposes of its sponsorship.

Reuters aims to make its hospitality programme feel exclusive and intimate, so it only invites between 10 and 20 key senior executives from client companies to each race. The small numbers maximise the opportunity for communication and although the weekend is centred around the race, Reuters makes sure that its guests don't feel obliged to attend the circuit action at all times.

Clients are invited to bring spouses or partners and the company makes the most of the local environment wherever possible with optional excursions to areas of local cultural interest or spas. However, the Paddock Club remains the key constant and one sponsorship manager says: "The level of service and hospitality provided is exceptional as well as reliable. You know what to expect wherever the race is taking place and there are no surprises." Given the high ticket costs this is crucial to keeping Formula One's wheels turning. ■

Christian Sylt is a freelance journalist.