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fernando.sanchez@seat-sport.com
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F1'S FIVE-STAR SERVICE

Corporate hospitality is big business in Formula One. But it's much more than a frivolous frill, some sponsors come into F1 just for this. By **Christian Sylt**

The average price for a ticket to the Paddock Club, the luxuriously-appointed corporate hospitality area at F1 races, is around \$3,600. A staggering sum but one which approximately 2,000 people per race were prepared to pay last year bringing in around \$140million in revenue to the operation's Swiss owner Allsport Management.

The vast majority of guests are sponsors being entertained with their clients. Keeping sponsors sweet increases the chance that their cash will keep rolling into the teams' coffers and the Paddock Club has an attractive allure.

The sprawling tented structure is accessible only with a fabled paddock pass and inside is where the teams' sponsors mix with their invited celebrities and drivers called in intermittently to talk about lap times and race strategy. The atmosphere is far removed from the early days when the concept was created in 1984 by Irish entrepreneur Patrick McNally, previously a trackside advertising salesman. At the time corporate hospitality didn't amount to much more than warm beer and a hot dog served on plastic plates.

McNally was led by Bernie Ecclestone's vision of the future of F1 which involved big-spending blue chips who would sponsor the sport due to its extraordinary exposure. They would need entertaining in a business-to-business environment, the more luxurious the better. McNally set up Allsport to run the Paddock Club and Ecclestone granted it exclusive rights to hospitality at the F1 circuits.

RICH PICKINGS
It wasn't until the 1990s that the Paddock Club concept took off as F1's popularity soared. And as the business boomed so did McNally's wealth. Allsport's key cost is a fee, amounting to around half its Paddock Club revenues, which it pays to Formula One Management (FOM).

However, with minimal overheads relative to its rich revenue stream, the business is extremely lucrative. Its value and profits generated from its estimated 20 per cent margins have made McNally a fortune put at £361million (\$635m) by the Sunday Times last year.

The Paddock Club occupies prime positions above the pits and has pit lane, team and driver access which private hospitality companies cannot match. The private operators charge around half of Allsport's price but the experience is not the same standard.

To this day, the only exceptions to Allsport's stranglehold are Interlagos, Monaco, Monza and Montreal, where the organisers retain their hospitality rights and Allsport also has to pay for its space. At Brazil a handful of huge hospitality suites surround the Paddock Club and all have access to the pit lane.

In Monaco, space is at a premium with Allsport taking over the facilities of the Monaco Yacht Club and having room for only around 600 guests. The private operators have a field day, with cruise ships crammed into the harbour and parties positioned in rented flats offering close-up views of the circuit with which Allsport cannot compete. But its limited capacity allows Allsport to increase prices to their maximum with tickets going for around \$5,000.

Guests of the Paddock Club are offered far more than motor racing. Every Paddock Club 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.

A VIEW TO CHERISH
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. 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 nerve centre without getting a drop of grease on your suede loafers.

As Isabelle Kaufmann, Paddock Club manager, 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 a 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.

The Paddock Club is split into three distinct venues. 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.

The Pit Building Lounges are a collection of individual lounges located directly above the pits with a privileged view of the pit lane, the main start/finish straight and often the paddock itself.

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, allowing them privileged views of the pit lane, the main start/finish straight and the paddock.

Suites are the most salubrious venues with floral arrangements, private flat-screen monitors and air conditioning. They accommodate tables of six to 10 guests and even have personally-branded entrances. The rest of the Paddock Club is themed around the teams and some have full-size show cars in their areas.



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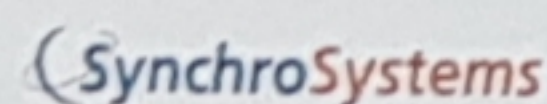
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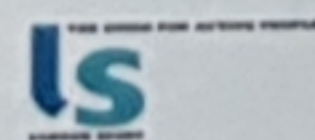
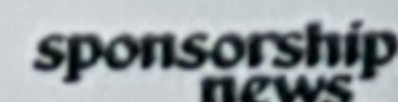
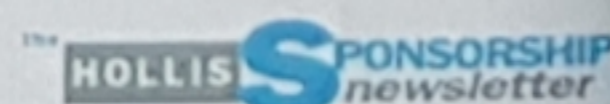
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Monaco... epitomising the appeal of F1 Getty Images Sport

LOGISTICS AND VALUE

The logistics of putting up the Paddock Club are daunting. Kaufmann employs 500 staff per event. She attaches particular importance to involving local staff, who, as a rule, make up around 10 per cent of the workforce.

Catering is contracted in by Viennese company DO&CO, that travels with 80 chefs to the various Grand Prix events. On race day up to 300 waiters might be on the job at the same time. It is a food and beverage operation on a par with a conference-class luxury hotel except that the Paddock Club travels to 17 countries every year.

"Just as is the case with the Formula One teams travelling from race to race, the logistical challenges for the set-up and operation of the Paddock Club, in 17 countries around the globe every two weeks, and this over eight months, are significant," says Kaufmann. She adds: "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 tons of tent material."

It creates a facility that is indispensable for teams. They use it 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. Vodafone is believed to have the biggest hospitality budget in F1, spending around \$20million on corporate hospitality annually. But below this there are around 50 sponsors with hospitality budgets between \$5million and \$10million, each clamouring for space in the Paddock Club.

"Naturally, we like to look after the interests of the teams in terms of allocation of space and, where possible, over their garages and of course we have title sponsors and trackside advertisers to look after as well," says Kaufmann. She explains that the allocation between clients differs from race to race, according to available space and whether it's the home market or an important market for particular sponsors of the teams, drivers or of the race itself.

AN ITINERARY

Proof of the Paddock Club's success is shown through smaller sponsors such as Reuters, which is believed to have a \$2million deal with Williams but makes good use of the facility. "For Reuters, 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," says Nancy Buxton, acting sponsorship manager.

Buxton explains that Paddock Club allocation is bought through the team and it is integral to their programmes. "The level of service and hospitality provided in the Paddock Club is exceptional as well as reliable; you know what to expect, wherever the race is taking place, and there are no surprises," she says. Buxton adds: "This contributes significantly to the overall experience of the hospitality weekend, as well as providing exclusive opportunities within Formula One that are not available with other hospitality or grandstand tickets, for example the pit walkabout and exceptional viewing of the garages."

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 event. They can also bring a spouse or partner to make the weekend even more relaxed. The small numbers maximise the opportunity for communication and 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 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.

MORE OF THE SAME?

It is hard to fault the Paddock Club. Cost is a criticism but value for money and rich returns are in abundance, particularly if the opportunity is used strategically. In fact, Buxton's key criticism is that "Paddock Club has, in essence, been the same for a number of years and many consider that a change in layout and image could be a good thing. A more relaxed, less formal atmosphere with greater flexibility would be beneficial".

However, many would argue that 'if it ain't broke, don't fix it'. There's no doubt that the Paddock Club's USP is its location and link to F1, and, since Allsport is believed to have a contract with FOM until 2009, this doesn't look likely to change for the foreseeable future. ●

FORMULA ONE Paddock CLUB RATES 2006

Grand Prix	1 day (Sunday)	2 days (Sat & Sun)	3 days (Fri, Sat & Sun)	VAT
Bahrain	\$3,800	\$4,100	\$4,300	N/A
Malaysia	\$3,800	\$4,100	\$4,300	N/A
San Marino	€1,900	€2,150	€2,300	+20%
Europe	€1,900	€2,150	€2,300	N/A
Spain	€1,900	€2,150	€2,300	+16%
Monaco	N/A	N/A	N/A	+19.6%
Great Britain	€1,900	€2,150	€2,300	+17.5%
Canada	\$3,800	\$4,100	\$4,300	+7% +7.5%
United States	\$3,800	\$4,100	\$4,300	TBC
France	€1,900	€2,150	€2,300	+19.6%
Germany	€1,900	€2,150	€2,300	N/A
Hungary	€1,900	€2,150	€2,300	+20%
Turkey	€1,900	€2,150	€2,300	N/A
Italy	€1,900	€2,150	€2,300	+20%
Belgium	€1,900	€2,150	€2,300	+21%
China	\$3,800	\$4,100	\$4,300	TBC
Japan	\$3,800	\$4,100	\$4,300	N/A