

F1 Sponsorship On The Limit

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Formula One is a massively popular sport, with a global audience of over 500 million people. This is obviously hugely attractive to sponsors, keen to boost their brand profile and grow internationally.

However, the number of companies involved in F1 has dropped significantly in recent years on the back of the global recession. Many companies believe that despite the massive exposure F1 provides it simply isn't providing them with a sufficient return on their initial investment. So is F1 no longer useful to sponsors or are the sponsors themselves not exploiting the full potential of the sport?

A brief history of F1 sponsorship

The first F1 sponsor was Gold Leaf cigarettes, who placed logos on the side of the Team Lotus cars during the 1968 Monte Carlo Grand Prix. This was the first time anyone had ever thought about using F1 to boost brand awareness, but it soon resulted in a sponsorship boom with hundreds of companies keen to get in on the act. The early era of F1 sponsorship was dominated by tobacco companies, with Marlboro ploughing in more money than anyone else to be associated with both McLaren and Ferrari.

Formula One's sponsorship marketplace started to become increasingly crowded and it was no longer enough to simply be involved. This coincided with a change in the whole ethos of marketing, with integration now the buzz word. Messages could no longer be given in isolation, but instead had to be supported by messages from other marketing communication platforms. Benson & Hedges cigarettes were one of the first to utilise this strategy in F1, with the company differentiating itself from other brands with its British image. This led to their insistence that Eddie Jordan had to hire British drivers for his team, leading to the expensive appointment of 1996 World Champion Damon Hill and latterly the hiring of the under qualified Ralph Firman in 2003.

Tobacco advertising was outlawed in Europe at the end of 2006 and this led to an influx of "blue-chip" companies in their place including Virgin and Vodafone. The requirement for integration remained, but awareness was starting to become important once more. By 2010 there were 141 companies who were involved in F1 as sponsors, ploughing in billions of dollars into the industry. It became obvious that due to the huge number of companies involved, not all of them were noticeable. This is the root cause of the sports current sponsorship crisis, with the number of sponsors involved in decline.

A New Dawn

At the end of 2004 it was announced that Jaguar would be selling its F1 team. The company had been languishing around the mid-field positions for the previous five seasons due to interference from company board members and it was ultimately decided that enough was enough.

Red Bull became the new owner, having been the sponsor of the Sauber team for the previous ten seasons. However, Sauber's laid back and technical Swiss image was some-what at odds with Red Bull's brand image of excitement and energy. Red Bull boss Dietrich Mateschitz felt that by owning the team he was sponsoring, he could tailor the team's image to that of his actual brand. This allowed Red Bull to utilise its team in different forms of marketing communications such as television commercials and poster advertisements to help point out the desired association which supported the overall Red Bull brand image.

This marked a turning point in F1 sponsorship. The owner of Kingfisher, Vijay Mallya, was the next to take the plunge and buy his own team having spent years as a barely noticeable minor sponsor on Toyota's rear wing. Richard Branson's Virgin Company have also endorsed this strategy, with Branson abandoning Ross Brawn's team following the sale to Mercedes over the fear that it would lose the underdog image which had made sponsoring the team useful for Branson.

Adapting the traditional model

At present, nine of the twelve F1 teams are owned by an external and much larger multi-national company. One of the teams who are not in the majority are McLaren, who receive substantial sponsorship from telecommunications giant Vodafone.

Fundamentally, Vodafone still utilise the traditional method of F1 sponsorship pioneered by Gold Leaf in that they place logos on the side of an F1 car in an attempt to boost brand awareness. However, Vodafone also take advantage of their association to McLaren in other forms of communication such as television commercials in the same way that Red Bull utilises the association to its own team. This allows them to get the best of both worlds in that they are getting an association with a team that has an image that is desirable to them and not spending as much as Red Bull does with its own team. This strategy only works for Vodafone as they have been lucky to find a team which perfectly fits with their

own brand image of being technically advanced and manufacturing a high quality product.

The second most successful of these privately owned teams is Williams F1 and they are also sponsored by a telecommunications company in the form of AT&T. However, this strategy does not work as well for the company as their logos are barely noticeable on the Williams cars and their brand image of being a modern American company does not fit with Williams image of being a traditional British one. This perhaps explains why AT&T have not exploited the association to its full potential in other forms of marketing communications, because quite frankly there are no desirable associations that the company can highlight other than the fact that they sponsor a Formula One team.

Is F1 sponsorship still effective?

As with most things in marketing, whether or not a campaign is successful will vary depending on the actual company and the circumstances surrounding them. Vodafone have been incredibly lucky to find a marketing platform in McLaren that matches their desired image perfectly. The telecommunications giant has also been incredibly clever in utilising this to its full potential, showcasing the association in other forms of marketing communications. Virgin has also followed this strategy of integration, creating social networking profiles with the persona of its team and interacting with fans to push the core message of their brand.

However, as shown by the AT&T example things do not always go this smoothly and you could come to the conclusion that AT&T has been rather careless in picking a sponsored entity which is not really relevant to its own brand. In AT&T's defence, there are no modern American teams currently in F1, but a lack of relevant teams was overcome by the likes of Red Bull and Virgin by buying into a team and transforming its image in order to ensure a better fit.

This is obviously more expensive, but at the same time it could be argued that AT&T is not getting much return for investment at the moment, and it could well be worth paying a bit more to guarantee this. If AT&T are not prepared to do this then they should perhaps start questioning whether being involved in Formula One is worth it for them after all.

In conclusion, Formula One still has the potential to be useful for sponsorship purposes due to its vast exposure and strong image. However, it will not work for everyone and perhaps the decline in sponsorship numbers is more a reflection of a changing strategy, with only the dedicated companies remaining involved but pushing an increasing amount of money into their F1 campaigns due to the Formula One sponsorship markets previously saturated state.

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