



THE SPONSORSHIP
— COLLECTIVE —

MOTORSPORT SPONSORSHIP: **A Comprehensive Report on the State** **of the Industry**



After several lean years, motorsport is enjoying a revival. The North American IndyCar series has more entrants this year than six-time IndyCar series winner and current broadcaster James Hinchcliffe can ever recall. F1 is healthy. Sport car racing is doing well. NASCAR may have taken a step back from its heyday, but that's mostly because it is becoming affordable only for a handful of brands – arguably not the worst problem to have.

Ross Fleckenstein, Executive Vice President with experiential marketing agency Jack Morton Worldwide, gives the sport credit for updating facilities, enhancing the onsite experience, recruiting younger drivers from diverse backgrounds and leaping into esports to shift the sport's demographic away from its traditional core of older white males.

The sport's revival has been accompanied by a shift in sponsorship's center of gravity from B2C, evident when tobacco companies dominated the sport and, later, in innovative sponsorship programs like those run by retailer Target in the United States, to B2B. It used to be said that business gets done on the golf course, says Hinchcliffe. Now it gets done at the racetrack. That's not to say that B2C has exited the sport, he says. The sizeable audiences and fervent brand loyalty are difficult to ignore. But even B2C brands typically have some sort of B2B play in their activations.

Take Chevrolet. Fleckenstein manages that account for Jack Morton, and though the brand activates aggressively across virtually all levels of motorsport to engage consumers, it also hosts dealer groups. It engages local dealers. It runs sales contests. *"The middle guy is the B2B piece,"* Fleckenstein says.

For B2B brands, motorsport offers a unique ecosystem supported by a culture that is 180° removed from the fierce competition on the racetrack. Motorsport sponsors typically have access to the team's paddock, and from there may have access to any company on any car at the track. At the sport's higher levels, the sponsors at the track may represent billions of dollars of business. Many of those sponsors will have senior leadership onsite.



It is a business environment like no other.

“Every driver and every team lives in constant fear that someone’s trying to steal their sponsor,” says Hinchcliffe, but there is also a culture of camaraderie among teams and a burning desire to keep sponsors happy. If a team’s sponsor wants an introduction to another team’s sponsor, the smart move is to make it happen, says Hinchcliffe. These B2B opportunities are not reserved for the sport’s upper rungs. Mark Boudreau, publisher of Motorsports Prospects, an online resource guide for racers, tells of a young racer who secured a sponsorship from an awning manufacturer by hosting the company at a race and pointing out how many trailers and motorhomes in the paddock area had awnings in need of replacement. He knows of another driver who is assembling a stable of venture capitalists and high net worth individuals who will gather at the racetrack for networking opportunities. The driver gets a cut of each deal made. *“It’s essentially a finder’s fee,”* says Boudreau.



Motorsport’s audience numbers push up valuation, helping to make it the expensive proposition that it is. This has compelled motorsport to be uniquely accommodating. In the top racing series, few brands can afford prime real estate on a car for a full racing season. *“There’s a limited amount of races and a limited amount of space on the car, so if you can rotate sponsors through, that gives you more revenue opportunities,”* explains Garret Mudd, EVP of opportunity with sport marketing agency rEvolution. Typically, these will be consumer brands that place a premium on awareness or impressions. But not always. A B2B company may choose to *“own”* a car for a select number of races in key markets and use the opportunity to host key accounts and prospects. It’s an opportunity that is not available in any other major sport, says Mudd.

Megan Meyer, motorsports marketer and former world champion drag racer, doesn’t dismiss brand visibility as a benefit, but she now discounts it. The greater value is not found in the brand tearing up the dragstrip or circling the oval, but in the content that she and many others point to as motorsport sponsorship’s big growth opportunity.





That's how California Pest Management, a small and unlikely sponsor, uses its modest investment. The four-person operation in La Verne, California, just east of Los Angeles, counts a brand like Orkin as a competitor. Its annual \$4,000 spend on radio and billboards wasn't getting it the brand recognition that owner Jim Harmon needed. He decided to give motorsport a shot. In the sport, his \$4,000 is a laughably small sum, but it did get him onto a car at the 2018 Monster Energy Cup race in nearby Fontana, and most recently a car in the NHRA drag race finals in Pomona.

He has leveraged the imagery from those sponsorships into a *"little guy that could"* story that he has flogged relentlessly on social media and on local radio and TV. He has hosted events on his premises, with the car on site, and has earned television coverage for it. He's picked up business from other team sponsors and, he says, brand awareness locally is way up. It is, he says, money very well spent.

"We use motorsports now primarily for content generation," says Eric Seibold, Senior Product and Innovation Manager at Permatex, an active motorsports sponsor that, he concedes, does a poor job of activation. It supplies its properties with product and branded swag, encouraging them to hand it out, but what Seibold really wants is content.

"We could care less about wins or losses," he says. *"If we have someone who is back of the pack, every race, but we're getting awesome content from them that they share on their social media and that we can repurpose on our social media, for us, that's a win."*

The content need not come from the race itself. After all, races happen only a few times per year. It may involve preparation and maintenance between races, showcasing Permatex products. It may even be lifestyle related. Consistency is the key, he says.

Your performance on the track no longer tracks your performance in sponsorship, says Meyer.



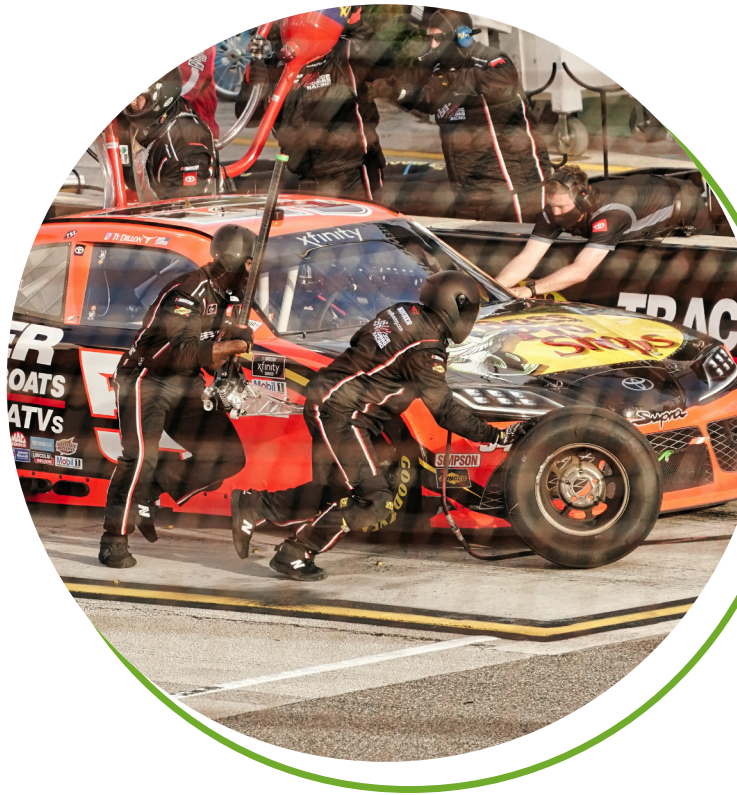
"It doesn't matter what the size of your following is. It's all about quality of followers and how deep your connection is" -- in person, at the track and on social media. *"You can go wide with social media, but you can also go deep by showing your audience behind the scenes content,"* she says – things like working on the car, preparing for races, loading and unloading, changes you make to improve performance. And, of course, lifestyle, because the racer's life is uniquely challenging.

Brands will never punish you for success on the track, says Hinchcliffe, but they certainly will reward you for being the right personality off the track that fits with their brand.

Several motorsports insiders credit the Netflix series Drive to Survive for the growth in the motorsports audience and the interest not only in on-track performance, but off-track lifestyle and shenanigans. Hinchcliffe saw it coming. In the 2005-06 season, he founded Hinchtown, a fictional online town, and appointed himself mayor. There was no clear plan behind it, he says, beyond a desire to stand out. *"What it did was help identify myself as a brand,"* he says. *"I think that did endear me to a few partners along the way,"* he says, but it was also ahead of its time.

"My problem with running this damned event is that I happen to love cars." So says motorsports veteran Robert Giannou, alluding to a problem that continues to challenge sponsorship. He is the chairperson and owner of the annual Targa Newfoundland rally, one of a small handful of Targa rallies worldwide, and self-described as *"beyond my best-before date."* Sponsorship has always been a tough sell. Focusing on the cars and not the drivers has been a misstep, he now admits, and one he will correct when the race resumes in 2023. Instead of the one-hour packaged production it has usually produced, the 2023 Targa Newfoundland will produce a series of half-hour shows, spotlighting the drivers.

"We've had people compete with throat cancer, and we have never concentrated on the story of what that took. That's the stuff the sponsors will love. The people."



THE SEVEN KEY TAKEAWAYS



Build your social media muscle. If you've been posting daily for the past two years, a brand will know what it can expect from you. "It's not necessarily about what we want. It's about what you're already doing."

- **Eric Seibold**, Senior Product and Innovation Manager, Permatex



Look beyond automotive categories. In the automotive space, all motorsports properties are simply competing against each other [Eric Seibold, Senior Product and Innovation Manager, Permatex] "Arguably, motorsport is 25% what you do on the track and 75% what you do off the track" and much of that 75% is revenue generation.



Network. "And I'm not talking about just social media. I'm talking about actually meeting people and shaking their hands."

"Motorsport is a very entrepreneurial sport, and if you don't have that entrepreneurial bone in you, you probably won't get very far."

- **Mark Boudreau**, Publisher, Motorsports Prospects



Highlight the human side of motorsport. Talk about the struggles and sacrifices as well as the podium placements. It's not just about the cars. It's also about the people who put them together, tear them apart, haul them from track to track and, of course, drive them.



Be creative. "What got you here won't get you there."

- **Megan Meyer**, Team Manager, Randy Meyer Racing



Every race is a festival. You may race for less than an hour, but fans are there for the better part of a day. That's a rare opportunity. Take advantage of it.

- **Ross Fleckenstein**, Executive Vice President, Jack Morton Worldwide



Know your audience and build amazing experiences for them, with your sponsors.

- **Chris Baylis**, CEO, The Sponsorship Collective

ABOUT THE SPONSORSHIP COLLECTIVE

The Sponsorship Collective is a consulting agency committed to helping properties find clarity, stand out from the crowd and build lasting partnerships in a repeatable and scalable way.



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Find out more here: sponsorshipcollective.com