

COVID-19 and F1 Sponsorship

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On my honor as a University Student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments.

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INTRODUCTION

“Formula One projects a glamorous and high – tech global spectacle of speed that evokes elitism, the exotic and an aura of expensive sophistication, often directly associated with its technologies, localities or assumed luxurious jet – set lifestyle” (Lowes, 2018). It is the premier motorsport championship in the world, a single seater series where teams compete with each other at Grand Prix events. Points are awarded based on racing times and the team that accumulates the most points by the end of the season is declared the winner. The “formula” in the title refers to the rules that all cars must conform to. It is the challenge of the teams to create the best performing car within the rules for their drivers. “The production of speed itself is the result of long-term accumulation. The industry is highly future – orientated, with careful long – term planning in terms of design and manufacture. Even in the midst of the economic downturn, motorsport – based businesses spent 30 percent of their turnover on R&D to stay ahead of the competition, compared to 4 percent in engineering, 6 percent in automotive and 15 percent in pharmaceuticals” (Nichols et al., 2017). Research and development are expensive though, especially as technology is constantly changing. Teams rely heavily on sponsors for investments that help them to continuously make improvements to the cars.

The onset of COVID-19 changed the way events were held. Fewer than usual races were held in addition to limiting the number of spectators. New regulations had to be implemented to ensure a safe environment for everyone. Teams had to determine ways to operate socially-distanced and as efficiently as possible given the circumstances. If results are not being made, this may affect the relationship between the team and investor, even during these times. This paper will explore the influence of COVID on sponsorships in Formula One (F1).

SPONSORSHIP

“Sponsorship has been defined as an exchange between a sponsor and a sponsee whereby the latter receives a fee (or value) and the former obtains the right to associate itself with the activity sponsored” (Cornwell, 2020). “The great expense of teams, vehicles, and equipment makes sponsorship essential. The teams and companies alike benefit from ... advertisements, both financially and symbolically: the better teams attract the better brands, providing a reciprocal boost to each party’s marketplace desirability ranking” (Traber, 2018). F1 teams, as the sponsee in this exchange, may either receive funding for any ventures or even access to resources owned by the sponsor whether that is knowledge, equipment, services, etc. In return, sponsors are associated with F1 itself. Its own global partners include DHL, Emirates, and Rolex in addition to having an official partnership with Amazon Web Services (Formula 1 Partners, 2021). A famous example of sponsorship is Marlboro’s then Shell’s support of the Ferrari team especially during the tenures of legendary drivers Niki Lauda and Michael Schumacher. They were the best drivers of their times and contributed to the team with the most wins in F1 history. For the 2020 season, the top team was Mercedes-Benz which was sponsored by the oil and gas company Petronas. One of their drivers, Lewis Hamilton, is tied with Michael Schumacher for the most championships won. There is further appeal in its wide audience base of millions around the world and its history at the forefront of many technological innovations (Jenkins et al., 2016). F1’s work in aerodynamics, engines, tire technology, and most importantly safety has increasingly been found in many ordinary road cars of today (Williamson, 2015). Examples of contributions towards safety include the HANS (Head and Neck Support) device and crash structures such as reinforced barriers (Youson, 2019). The most

effective sponsorship is one that makes sense. Both entities hold similar values and ideals and their association to each other only strengthens that. The graphic below demonstrates this.

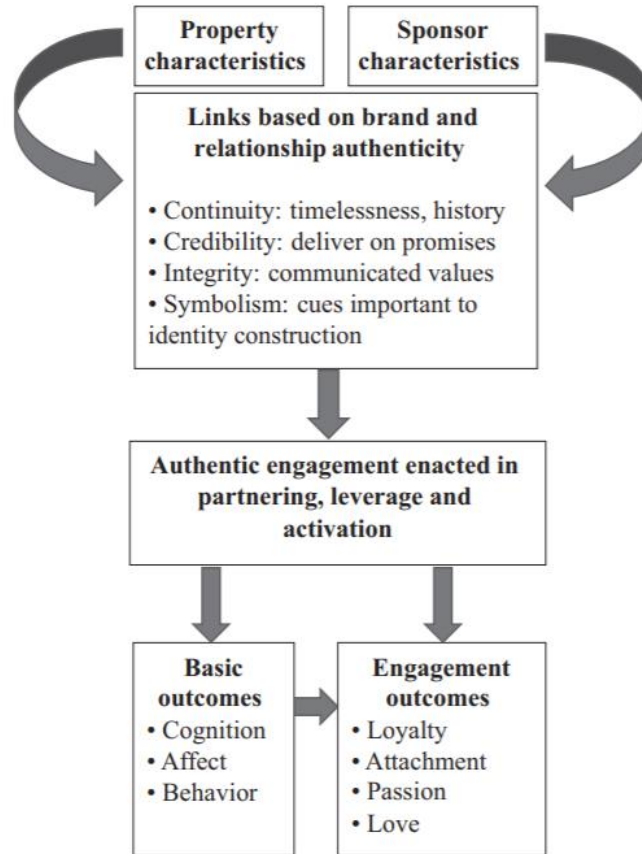


Figure 1: Sponsorship Engagement Based on Brand and Relationship Authenticity

(Cornwell, 2019)

There is great potential for teams and businesses that enter into sponsorships together. “For most teams, the majority of their income comes from the media, either through their share of media rights as distributed through the Formula One Management (FOM) or through sponsorships which are based around anticipated media coverage. Since performance is largely a result of research and development, and R and D rely on sponsorship dollars, a feedback loop

is created. Top performing teams attract more sponsorships and therefore improve their cars faster than lower – ranked teams, and this means that they are likely to remain at the top of the points season after season” (Finn, 2020). Teams are able to receive more assistance as the cost of production and maintenance continues to increase even as technology advances. The sponsors benefit from the perks of association with those teams.

THE ENTRANCE OF COVID

As cases of Covid contraction became more widespread, the Fédération Internationale de l'Automobile (FIA), the governing body of F1, had to implement new regulations in efforts to counter this. Their initial actions included regular testing, closed events, minimal personnel, isolated travel, and social distancing (5 Steps F1 is Taking). The usual number of personnel at events had been reduced to those deemed essential and those travelling will use charter flights to decrease contact with others. Events will also not allow spectators to further the safety of the staff at the tracks. All activities will be prepared with social distancing in mind while cooperating with local guidelines. These efforts did not come without repercussions for “hosting a mega sporting event can provide many palpable economic, social and cultural benefits should it become a commercial success. Included amongst these are: employment opportunities for local people; long term infrastructure for the host city and/or nation; short term economic growth from investors and foreign tourist; and augmented national profile and enthusiasm of the populous” (Chamberlain et al., 2019). The economic influence is most apparent when having to scale back these events. The potential revenues generated by tourism and local employment are lost in response. However, that is not to say that there cannot be any positive outcomes. For instance, broadcasting was already a big aspect of the sport and then efforts were made to be

even more efficient but especially safer. In turn, these efforts could have a greater potential besides sports. “Formula 1 continues to lead the way in sports broadcasting, becoming the first sports production with a UHD Remote operation deployed globally, fast-tracking a long-term sustainability project to meet the health and safety requirements presented by COVID-19” (Lowrey, 2020). In a similar vein, teams worked together to support the community during these troubling times. “Formula has put old rivalries aside in the battle against the virus, doing what the people of F1 do best; adapt, innovate and deliver, as shown through Project Pitlane and other important initiatives to support health services and victims of COVID-19” (70 Years of Innovation).



Figure 2: A ventilator prototype
(Lowrey, 2020)

Teams used their F1 expertise to create critical equipment “from reverse engineering existing medical devices, support the scaling of production of existing ventilator designs as part of the #VentilatorChallengeUK consortium, to the rapid design and prototype manufacture of a new device for certification and subsequent production ... F1’s unique ability to rapidly respond to engineering and technological challenges allowed the group to add value to the wider engineering industry’s overall response as the pandemic reached a critical stage” (Lowrey, 2020). This goes to show the good that can be done using knowledge and cooperation. The main focus of these efforts was to continue racing yet they were also able to benefit the community.

CONCLUSION

F1 could not operate as usual during Covid, not if it wanted to protect people. Changes had to be made such as restricting personnel and closing events. However, in light of these times, positive contributions were also made. From remote options to Project Pitlane, this was more than racing. A way to give back to the community was demonstrated. Many of the innovations made in F1 that are applied elsewhere are due in part to the assistance of sponsorships. These efforts during the pandemic further show the ingenuity and opportunities to benefit humanity, especially when cooperating with each other. There is pride in being able to associate with F1 and their achievements and sponsors can only gain more by continuing to do so.

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