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Facilitating Sponsorship Channels in the Business Model of Motorsports

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ABSTRACT

The business model of motorsports has evolved to prominently feature corporate sponsorship as a B2B exchange mechanism in both the supply and marketing channels. As a result, racing series managers and teams are often simultaneously positioned as a buyer and seller in relation to their corporate sponsors. The sustainability of this business model rests with the propensity for motorsports organizations to consistently deliver value to both B2C and B2B firms and minimize potential role conflicts. This research highlights how actors in Formula One and NASCAR serve as channel facilitators to connect buyers and sellers within the motorsports sponsorship network.

INTRODUCTION

In the marketing of motorsports, racing series management and team organizations represent two key producers. In collaboration with various other channel members, these two entities produce a sports and entertainment product that is attractive to a large consumer audience (fans), and consequently media outlets and business-to-consumer (B2C) firms that affiliate with motorsports through corporate sponsorship (Erickson & Kushner, 1999). To generate the spectacle of motorsports, series managers and race teams have also fashioned corporate sponsorship into a business-to-business (B2B) exchange mechanism within their supply chain (Jenkins, Pasternak, & West, 2005). Yet empirical research on the supply and marketing channels of motorsports and the integration of these channels into a modern business model of elite motorsports is extremely sparse (Young, 2010). This paper contributes to this pertinent special issue by analyzing these relevant but neglected topics. Specifically, this investigation utilizes Magretta's (2002) business model framework to identify (1) motorsports' primary customers, (2) what those customers value, and (3) how motorsports organizations cultivate supply and marketing channels to deliver that value at a sustainable cost.

The ongoing viability of the modern motorsports industry rests with the propensity for racing series and teams to consistently deliver value through sponsorship to both B2C and B2B firms (DeGaris, 2010; Lapio & Speter, 2000). However, an overwhelming majority of sponsorship research has focused exclusively on the consumer-targeted marketing channel (Walliser, 2003). The purpose of this paper is to expand this focus to better reflect industry practice by explicating the contemporary business model of elite motorsports and dissecting the role of corporate sponsorship in both the supply and B2C/B2B marketing channels. To accomplish this objective, the authors first conceptually map the basic marketing channels of motorsports and outline the theoretical framework of business models. Two case studies are then presented to validate pertinent channel relationships within the conceptual model and substantiate the modern business model of motorsports. The first case discusses how a Formula One (F1) team has accessed organizational resources in their supply channel via corporate sponsorship and enhanced their B2B value proposition by facilitating an informal sponsor network between F1 teams. The second case examines how race teams, tracks, and the governing body of the National Association for Stock Car Auto Racing (NASCAR) have cultivated sponsorship within their business model by developing specialized marketing channels for their B2C and B2B customers.

INDUSTRY STRUCTURE

The structure of the motorsports industry rests on the foundation of a series operator, such as Formula One or NASCAR, and the teams that compete in a specified series. However, unlike most North American major sports leagues, the relationship between the series operator and competing teams in motorsports does not resemble a closed cartel system where the teams collectively administer the sport's governing body—as in Major League Baseball (MLB) or the National Basketball Association (NBA). Instead, motorsports operates within a capitalistic entrepreneurial system where teams enter and exit a racing series annually based on each team's capacity to raise the funds necessary to compete (Edwards, Alderman, & Estes, 2010). To regulate team participation in the sport of stock car racing, the series operator (NASCAR) utilizes annual 'Driver and Car Owner Agreements,' which stipulate the guidelines for team

qualification within the series (Yost, 2007). The Concorde Agreement serves a similar function to contractually regulate annual team participation on the F1 racing circuit (Collings, 2004).

In motorsports, the series operator often acts as the domestic governing body for competition within the series, as in the case of NASCAR, while international autosport at the highest levels is principally governed by the Fédération Internationale de l'Automobile (FIA) (Young, 2010). Series operators and teams collaborate in concert with a governing organization, where applicable, to produce competitive racing as motorsports' core product. However, several other entities are necessary in both the supply and marketing channels to efficiently produce a schedule of races and deliver the core product to buying customers. In focusing on the motorsports industry, the term 'supply channel' is restrained here to the chain of interorganizational relationships that result in the production of a motor race; while the term 'marketing channel' is delineated as the activities and transactions by which the motor race product reaches end consumers (individual spectators or corporate buyers) (Achrol, Reve, & Stern, 1983; Ballou, Gilbert, & Mukherjee, 2000).

Supply Channel

In the basic supply chain of motorsports, series operators and teams can be viewed as buyers, and the products and services they procure to produce the core racing product are their supplies. Two primary actors in motorsports' supply chain are race tracks and official corporate suppliers (a commonly designated level of sponsorship). These suppliers also play key roles within the marketing channel (Erickson & Kushner, 1999). Race tracks offer series operators and teams a venue for competition, but in doing so, these facility operators also act as a retailer in the marketing channel by providing and managing consumers' live access to the core racing product (Young, 2010). In return for supplying their facility for a racing event, track managers typically receive a percentage of revenue from the tickets sold for the event and the right to sell certain sponsorship inventory connected to the racing product at their facility (Hagstrom, 1998).

Formula One and NASCAR have taken different approaches to managing the race track relationships within their supply channel. With a formal World Championship series dating back to 1950 and marque races around the globe predating the formalized series, F1 racing is more mature and geographically spread than NASCAR. Consequently, F1 has traditionally maintained a conventional approach to managing relationships with venues supplying a track for race production. This philosophy is characterized by transactional exchange and general autonomy between the F1 series and the individual race tracks, which collectively form a fragmented network of retail outlets for live F1 racing (Rosenbloom, 1994). Conversely, NASCAR has constructed a track supplier network that is much more vertically integrated. Over half of the races in NASCAR's top series, the Sprint Cup, are contested at tracks owned by the International Speedway Corporation (ISC), which is controlled by the France family—the same family that also owns the NASCAR series (Young, 2010).

Like race tracks, official corporate suppliers to racing series operators and teams also serve a dual role in the supply and marketing channels. Within the supply channel, official corporate suppliers provide race teams with the automotive components and organizational equipment necessary to compete within a racing series (Hotten, 2000). United Parcel Service (UPS) and Sprint Communications for example, act as prominent logistics and telecom suppliers to NASCAR while also serving as corporate sponsors in a marketing and promotional capacity

(Bradley, 1996). The degree to which a relationship between a corporation and racing organization is characterized by the supply of corporate products versus monetary support to the racing enterprise in exchange for promotional resources or product purchase varies upon a continuum outlined by Jenkins and colleagues (2005). While in some instances, racing teams may need to directly purchase components from automotive or technological suppliers (one end of the continuum proposed by Jenkins et al., 2005); teams typically prefer to augment a supplier agreement with a marketing relationship that provides the supplier with an official promotional affiliation to the team. Although such a hybrid relationship (i.e., supplier and promotional sponsor) allows the racing organization to reduce monetary costs for supplies, the team or racing series must legitimize their corporate suppliers' marketing relationship by delivering appropriate motorsports product benefits (DeGaris, 2010).

Marketing Channel

Through motorsports' marketing channels, racing series organizers and teams distribute and sell their co-produced sports and entertainment product to interested buyers. These end users might include race spectators and/or corporate buyers. A vast majority of motorsports research to date has focused on the individual spectator as the primary consumer of motorsports' product (e.g., Levin, Joiner, & Cameron, 2001; Rosenberger & Donahay, 2008; Spann, 2002). However, corporate buyers also play a formidable role in funding the business model of motorsports. A typical F1 racing team, for example, generated over 70 percent of its operating budget from corporate sponsorships in 2007 – a corporate contribution totaling US$834 million to the sport's teams (Sylt & Reid, 2008).

Accessing and delivering the racing product to both spectators and business users requires channel relationships with intermediaries such as race tracks, media and broadcast outlets, and marketing agencies (Erickson & Kushner, 1999). Race tracks provide essential physical resources in a B2B capacity for the production of an auto race, but tracks also act as a B2C retail outlet where spectators can access and enjoy the racing product within the confines of the facility. Among the individuals attending any given F1 or NASCAR race are representatives of the various corporate sponsors. On-site event hospitality offers sponsoring executives an atmosphere conducive to client entertaining and relationship building (Clark et al., 2003). Thus, race tracks often serve as an important intermediary in both B2B and B2C channels. Where vertical integration exists, such as the corporate relationship between NASCAR and ISC tracks, centralized planning and coordination of product delivery to both consumer and business customers may signify a potential competitive advantage (Rosenbloom, 1994). Instead of relying on autonomous motor racing retailers, NASCAR is able to exert a high degree of control over the customers' experience with the live product (Young, 2010).

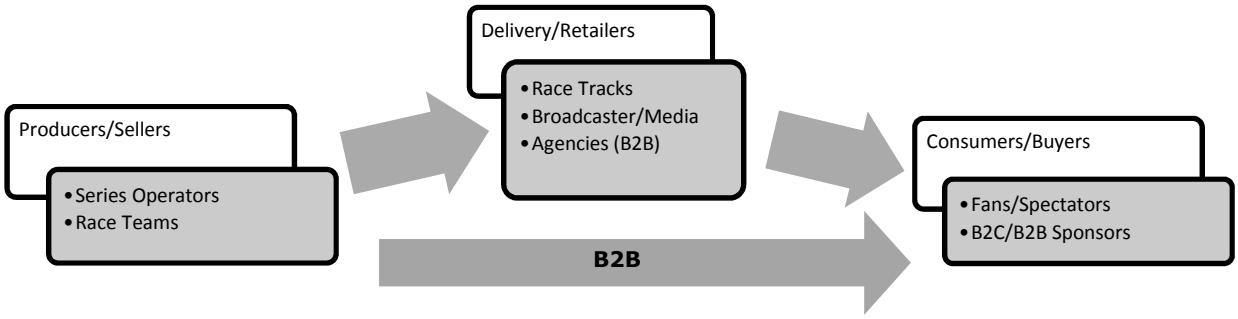
Fans unable to access the racing product through track attendance are offered another means of consumption via the mass media broadcasts of races. Similar to live consumption, accessing a motor race through television or the internet delivers not only the racing product, but also the series' and teams' sponsorship products (Levin, Joiner, & Cameron, 2001). Marketing, sales, and public relations agencies commonly act as intermediaries in both the live and broadcast distribution channels. Agencies may work on behalf of racing series operators and teams to lend expertise and connections to public relations or sponsorship sales efforts. Conversely, agencies also act under the employment of motorsports sponsors to negotiate and

manage agreements with broadcasters, racing series, teams, or even individual race tracks (Olkkonen, 2001).

Recently, a direct B2B marketing channel has developed between racing series operators and teams, and their corporate sponsors. Unlike the core racing product, which flows through track and media intermediaries, this channel often functions away from the noise of the race track and delivers a networking service that connects common sponsors of a single racing organization. NASCAR's B2B Council is the most prominent of this channel's developing iterations, which have been likened to speed dating for corporate B2B prospects (Yost, 2007).

Figure 1 offers a simplified diagram of the complex relationships conceptualized within the motorsports marketing channels. Labeling the exchange relationships in accordance with their B2B/B2C nature highlights the importance of B2B collaboration in the marketing of motorsports. Yet, the interorganizational relationships that appear to drive the business of motorsports have received scant research attention. Understanding these B2B exchanges and their relevance to an evolving business model of modern elite motorsports is important not only for theory development and testing in this popular cultural context, but also to efficiently manage motorsports operations for future growth.

FIGURE 1 Motorsports Marketing Channels



BUSINESS MODELS

Business models have been described generally as the planning of an organization's boundary-spanning activities, which refers to an organization's relations and transactions with entities external to the firm (Zott & Amit, 2007). Explicit in this characterization is the primacy of modeling the firm's deliberate interactions with a network of stakeholders (Barney, 1999), but the rationale for such interactions should also be clarified. Classic business strategy theory suggests the purpose of business is to create value (Porter, 1985). Shafer, Smith, and Linder (2005) incorporate this conception into their formal definition of a business model as "a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network" (p. 202).

The supply and marketing channels represent vital strategic choices within a business model because these channels map the interorganizational network involved in the production and marketing of a product or service. Also emphasized in the definition are the cause-and-

effect assumptions (i.e., core logic) of an organization that set the context for decisions regarding value generation and boundary-spanning collaboration. Having conceptualized motorsports' basic channels in the previous section, attention can now be turned to empirical validation and the question of how these channels and contextual assumptions are integrated into the contemporary business model for motorsports-based organizations. The current study seeks to explicate this business model by focusing on the three core questions offered by Magretta (2002) that frame legitimate business models:

1. Who is the customer?

2. What does the customer value?

3. How will value be delivered to the customer at a profitable cost (i.e., economic logic)?

Identifying motorsports' core customers and the benefits racing organizations can deliver to enhance the industry's value proposition is imperative for future institutional growth (DeGaris, 2010). By treating these three questions as the guiding research questions in the study of two elite forms of motorsports, the business model at the foundation of the industry is constructed and analyzed in the cases below. An understanding of the model is imperative to the advancement of business research in this context.

METHODOLOGY

Case Selection and Description

The stated purpose of this research is to explicate the modern business model of elite motorsports and dissect the role of corporate sponsorship as an exchange mechanism within the model's channels. Given the exploratory nature of this objective, the case study method is uniquely suited to gain insights into a particular industry (Crutsinger, Forney, & Lee, 2006; Eisenhardt, 1989). The two motorsports context selected for study were chosen purposively as representations of both international elite motorsports (Formula One) and esteemed racing in the United States (NASCAR) (Watson & Johnson, 2010).

The annual F1 event schedule spans five continents and includes close to twenty races that generate greater revenue than any other annual sporting events. In 2007, the 18 grand prix produced an average of US$217 million each—far higher than an average National Football League (NFL) game at US$24M, or an English Premier League (EPL) soccer match at just US$8M (Sylt & Reid, 2008). The eleven F1 racing teams competing in 2007 claimed primary allegiance to seven different nations and operated with an average budget of US$254 million each—almost ten-times that of a NASCAR team in the United States (Smith, 2008).

Despite the dominance of F1 on an international stage, NASCAR continues to rule the North American market. NASCAR teams, tracks, and the series itself garner over half of the US$3.5 billion spent on motorsports sponsorship in North America (IEG, 2008). Securing the position as a primary NASCAR team sponsor runs upwards of US$25 million annually, and broadcast revenues for the sport have approached US$5 billion for the most recent eight-year television contract (Yost, 2007).

Research Methods

To explore interorganizational phenomenon within the motorsports industry, the researchers utilized semi-structured interviews to collect case data from industry practitioners who served as informants on either side of the sponsorship relationship (Clarkin, 2008). The core benefits of qualitative research are well documented, and its tools are uniquely suited to explore organizational phenomena such as agent (employee or executive) perceptions and ascribed meanings (Lincoln & Denzin, 2000). Specifically, the qualitative approach is committed to understanding an agent's own experiences from her/his viewpoint as related to a chosen industry phenomenon (Taylor & Bogdan, 1998). The interviewing of informants allowed for a degree of personal rapport-building between the researchers and the industry experts, which was especially important in the context of organizational resource commitments, where the conversation could be viewed as confidential. To overcome potential sensitivities, an interview setting enabled the researchers to relate to the participants on a personal level, thereby establishing as much trust and empathy as possible within the limited interaction timeframe (Taylor & Bogdan, 1998).

Nevertheless, introducing interview data carries with it some risks in the inherent assumptions of the method (Seidman, 1991). In seeking to draw out informants' interpretations of the research findings and investigate agent decisions through solicitation of an expert informant's own conscious descriptions of underlying drivers of behavior, an assumption was made that it was possible for an informant to identify and convey the reasons for their actions within the industry. In analyzing this type of data, a certain degree of participant-perceived truth is claimed as the researchers sought to build an inductive interpretation of the organizational phenomenon. To do so, each interview was recorded with the informant's consent and then fully transcribed. Next, the authors segmented the transcriptions based on content relevant to Magretta's (2002) business model framework and systematically coded the data for recurrent themes across informants.

Eleven motorsports team and sponsorship executives were interviewed to ascertain their interpretations of the business model of motor racing organizations and the role of sponsorship in the supply and marketing channels. The duration of interviews spanned from three-quarters of an hour to over two hours. The interviewees were purposefully selected from a relevant range of industry stakeholders holding various positions within the business of motorsports (Mooi & Frambach, 2009). Two informants, given the pseudonyms of Ted and Thomas, are directly involved in F1 commercial sponsorships through their employment as executives in the commercial alliance division of an F1 team. Two other experts, Tim and Tara, serve in similar roles for different NASCAR Sprint Cup (top level) teams. Three informants, Amy, Andrew, and Aaron, are employed by marketing agencies to represent their clients' interests in motorsports sponsorship, and three other interviewees, Steven, Sara, and Seth work directly for sponsoring firms. The final informant, Renee, directs the sponsorship operations of a nationwide motorsports organization that owns several race tracks where NASCAR teams compete annually.

FINDINGS

Case 1: Formula One

The identification of customers is at the core of any solid business model (Magretta, 2002). In motor racing, two end users initially emerged from the experts' commentary. Aaron pointed out that commercial sponsors should be viewed as a piece of any sports-related business

model; "smaller in some cases; bigger in others." Depending on the racing organization's role within the broader industry, Aaron emphasized the economic importance of attracting a consumer audience and adequately controlling costs. These two business imperatives are directly related to the dual role of corporate sponsors as both suppliers and customers. Without a core consumer audience, B2C sponsoring firms are unlikely to find most motorsports enterprises to be an attractive sponsorship partner. Essentially, as a customer in motorsports, corporate sponsors desire access to a substantial consumer base. In exchange, sponsors supply motorsports enterprises with access to various resources to mitigate or fund supply costs. Thomas and Ted both admitted that F1 team costs are likely to dictate the level of resources sought through the sponsorship channel. Therefore, accessing team resources through the sponsorship should be viewed as an important supply channel that correlates with cultivating a consumer marketing channel.

In describing sponsorship as a resource supply channel, the F1 team executives viewed financial resources as the most vital to their team's business model. Ted justified the preference for financial resources at his team by saying, "if we get the cash, we can buy the exact resources we need; rather than partner with a company and have to use their resources, which may not necessarily be what we want." Thomas elaborated on this same mindset when he stated the following:

> "The financial part is a very important component. The money they (sponsoring firms) contribute allows us to develop faster cars and to go racing. … We do a vast amount of our own internal manufacturing and car development so there is not a huge amount that outside partners can contribute to certain areas of the business, and therefore the most valuable contribution is often financial because that allows us to ensure that we have the best equipment, people, and so forth."

Nevertheless, motorsports researchers have begun to note the growing need for teams to refocus from their own requirements to the needs of their sponsoring firms (DeGaris, 2010). On the corporate side of the alliance, Steven agreed with this sentiment when he emphasized the importance of his sponsoring firm playing a role in the competitive performance of the sponsored enterprise beyond just a financial contribution.

> "It was a huge factor. The whole strategy was if we're going to talk the talk, we need to walk the walk and we've got to be providing high-level equipment at every aspect of the [sponsored competition]. If we're the heart-lines producer and sponsor, that doesn't do us any good unless we're backing it up and having the actual equipment [in competition]. And then we have to translate what's [used by the sponsored enterprise in competition] to what's in the retail environment in order to get that return on investment."

A potential conflict in the sponsorship supply channel arises here, where a sponsored race team prioritizes one resource type (financial), but sponsoring firms prefer to contribute performance-based resources to the alliance as described by Steven. In such cases, Thomas agreed that a different evaluation of resource potential must be employed when the non-financial resources, both tangible and intangible, offered by a sponsoring firm can substantially impact the sponsored team's performance.

> "In certain key areas it is quite important. … I think we would make a decision (on resources) based on the quality of what they (sponsoring firm) bring perhaps over and above the financial contribution they can make. Our key objective is really to make competitive racing cars and win races so anything we can do to achieve that we really will do, and that's obviously to the benefit all our existing partners. We are not the type of organization that makes very short term decisions in that regard."

Tangibly, official suppliers "naturally contribute to [the team's] effort through discounts and supply of their products, such as trucks that provide transport to European races," stated Thomas. Then he spoke of the more intangible assets of expertise and credibility accessed through sponsoring firms by concentrating on the example of a global management consulting firm that has been aligned with his team for close to a decade. This sponsoring firm has provided consultancy work that ranges from "lead manufacturing to systems developing to the exploitation of intellectual property developed outside of motorsport." In Thomas' estimation, such activities represent a "substantial amount of value (for the team) every year." Similarly, Ted cited how the team's alliance with a computer and data technology provider had enabled the team to run their "computational fluid dynamics data analysis three-times quicker" than before the alliance was initiated. In summary, the range of resources supplied to motorsports organizations through commercial sponsorship is a function of both "the industry and capabilities of particular partner(s)," as raised by Thomas, as well as the specific resource needs of the motorsports operation.

In order for F1 teams to attract sponsors as suppliers, teams must sell their motorsports product to corporations. The informants' comments stressed a burden for justifying F1 sponsorship that is increasingly being felt by both parties to the exchange relationship. Thomas stated, "we typically expect partners to receive three-times return on investment just in terms of TV exposure, so it's not an unjustified investment." Yet, there was a wide recognition that sponsorship objectives varied between corporate customers, and often this divergence was categorized along B2C versus B2B targeting. Ted provided solid examples of how his F1 team customizes their promotional service for each sponsoring firm based on the mix of B2C and/or B2B objectives.

> "There are different ways of a partner exploiting the parts depending on what sort of company they are. Some of our partners are what we would classify as B2B partners, in that they really don't have a consumer element…their package is very different from someone like [company B] which is a consumer product. So, if we focus on companies like [company A], it's all about B2B access; so the VIP hospitality, the money can't buy experiences, access behind the scenes with their VIPs to meet the drivers, etc. The likes of [company B], because they're more consumer focused, they leverage it heavily across all marketing platforms: internet, television advertising, print advertising, in-store imagery, photos of drivers next to a [company B product] encouraging you to buy the [product], and radio. Literally, the whole gamete of their marketing portfolio they would use our imagery and the F1 program."

While Seth admitted the diversity in B2C versus B2B sponsor objectives, he emphasized that many sponsoring firms such as his own entertain both B2C and B2B objectives when

embarking on a sponsorship investment of the magnitude of F1 affiliation. Ted addressed this reality by describing how his F1 team takes on a B2B facilitation role to create a valuable marketing channel for all their sponsorship partners. To illustrate, he described a B2B example involving the primarily B2C firm (company B) referenced above.

> "[Company B] is our partner and when they joined us they wanted to do business within F1, and we said 'OK we'll introduce you to all of our partners so there may be some efficiencies we can add to your business.' So we introduced them to [company C]. [Company C] will look to do some work with them to increase their efficiency in their communications platforms, but more importantly and very demonstrable was the introduction we made for them to meet with [company D]. Now [company D] are not a sponsor of ours but of [another F1 team]. …After that introduction, [company B] then did a presentation to the [company D] board. We set up the meeting. We set up the opportunity to meet with the [company D] board because we knew their CEO very well. And after that, [company B] got a global supply deal with [company D] to supply 400 new hotels that [company D] are building with [company B] televisions, [company B] irons, [company B] kettles, etc., etc. So it was somewhere in the region of 100 million dollars worth of business."

By establishing legitimacy as a B2B facilitator, F1 teams can utilize current partners as an attractive network offering to potential new sponsors. Thomas described this phenomenon of interorganizational endorsement (Stuart, Hoang, & Hybels, 1999) within his F1 team's sponsorship portfolio.

> "There is an interesting intangible benefit in building up the partnership base that we've got – I think it's up to eight Fortune 500 companies. That makes the [sponsored enterprise's] internal business-to-business environment very attractive to existing partners as well as other partners. So the individual partner may put in financial benefits to the [sponsored enterprise] but just having them on-board, a company like [a major international telecom firm] lends a huge amount of credibility to what we do. And also provides opportunities for [company A] to go and speak to them, or [company E] to go and speak to them and so forth."

In comparing the institutional environment of F1 motor racing to other sporting contexts where commercial sponsorship is also widely employed, Thomas indicated that less control trickled down to the individual team enterprises. In F1, the governing body (FIA) and commercial rights holder, Formula One Management (FOM), dictate much of the competitive structure and can influence the business model of teams. Unlike football (soccer), where teams own and control the venue of competition in which fans gather, in motor racing the teams compete at independent venues that negotiate a promotional relationship with FOM. Likewise, television and media rights contracts are controlled by FOM and not the individual teams. Because a portion of the resulting revenue is then distributed to the teams based on competitive performance, according to Ted, a "vicious cycle" develops for access to the financial resources apart from a team's corporate sponsorships. As he put it, "competitiveness is necessary to raise funds, …but budget plays a part in competitiveness." Therefore, the effectiveness of a team's marketing staff in supplementing the team's supply channel through sponsorship becomes one of the primary factors influencing an F1 team's business model sustainability.

Case 2: NASCAR

As in F1, the executives involved in NASCAR pointed to the "fan, first and foremost" as the driving customer behind the sport's business model (Renee, personal communication). Tim, a race team executive, explained the close relationship between fans and sponsoring firms, which both derive value from motorsports' product. "Without [the team] supplying a good product, which fans can get excited about, we (team) really don't have anything attractive to the sponsors," but yet "we rely on those guys (corporate America) fairly heavily for sponsorship revenue that makes the [team] grow and makes the capital we need to participate in the sport at the highest level."

Research has shown that motorsports fans generally embrace the corporate involvement in their sport (O'Roark, Wood, & DeGaris, 2010), and Renee, a track executive, agreed that fans enthusiastically accept this business model. "Race fans understand that companies that support their sport are what allow the sport to go on, and they (fans) appreciate that." To differentiate the motor racing context from other spectator sports, Renee cited the FedEx sponsorships of both the National Football League's Washington Redskins and NASCAR's #11 car driven by Denny Hamlin. "If FedEx quit sponsoring FedEx Field (the home of the Redskins), the Redskins are not going to drop out of the NFL, but if [FedEx] quit sponsoring the number 11 car, then Denny Hamlin may not have a ride; so fans understand how important the sponsor is, and support those sponsors."

The broadcast media act as a key vendor in the delivery of motorsports entertainment to the fan, but according to Renee, race tracks hold a vital position in motorsports' duel marketing channels, which target fans and sponsoring firms. Tracks are "really where the sponsor comes to interact directly with the fan." At the track, fans are "looking for entertainment, to be informed, [and] for some sort of interaction." NASCAR provides for these needs by connecting fans and sponsors through customized sales promotions and dedicated sampling, merchandise, and experiential marketing areas within each race track (Amy, personal communication). While facilitating this marketing channel creates value for B2C sponsors (DeGaris, 2010), NASCAR has been innovative in expanding their sponsorship business model to better service the B2B needs of sponsoring firms as well.

Business-to-business vendor programs based on NASCAR sponsorship began as early as the 1970s with corporate partner R. J. Reynolds Tobacco Company leading the "promotional push behind building NASCAR" through RJR's retailer engagement (Renee, personal communication). However, it was a paper and packaged goods company, NewPage, which ignited a formal B2B initiative on the part of NASCAR. In 2004, NewPage was ready to end their NASCAR sponsorship unless NASCAR could help the firm sell 50,000 tons of paper. This ultimatum sparked the formation of the NASCAR B2B Council with five founding members—Best Western, Callaway Golf, NewPage, Sprint Nextel, and UPS—each official NASCAR series sponsors (Yost, 2007).

Renamed 'Fuel for Business' in 2009, the NASCAR B2B Council creates a mechanism by which NASCAR can deliver value to corporate sponsors interested in "expanding the motorsports marketing platform" to achieve B2B objectives (Tara, personal communication).

During NASCAR's explosive growth as a motorsports producer in the 1980's and 1990's, Tim explained that teams and the NASCAR organization increased their capacity to deliver on key sponsorship B2C objectives of brand awareness, image association and retail activation opportunities; but as sponsor commitments increased, the demands on sponsors for justifying greater investment levels intensified. Meanwhile, according to Andrew and Tara, the costs of operating a team on NASCAR's top race circuit were escalating exponentially into the tens of millions of dollars. Increasing team costs and a greater focus on sponsor return-on-investment (ROI) led to an expansion of the business model within NASCAR to include a marketing channel dedicated to B2B sponsorship.

Similar to F1's utilization of sponsorship within the teams' supply channel, Renee described how the B2B channel of NASCAR's business model can be further delineated based on a "direct piece of business, where [the team is] actually doing business with the sponsoring company," or "secondary B2B, where [sponsors] want to do business with the other companies in the sport." The direct B2B relationships in NASCAR are manifested through in-kind trade agreements comparable to those detailed in the Formula One case above. Tara detailed how such agreements can extend beyond the paint supplied by one of her team's sponsors, to also include individual service companies such as Aflac supplying the team's employees with supplemental life insurance policies.

Unlike F1, NASCAR as a series has actively formalized the secondary aspect of motorsports B2B sponsorship by establishing the B2B Council ('Fuel for Business'). Affiliated motorsports organizations in NASCAR, such as tracks and teams, quickly followed the series' example by facilitating their own sponsorship B2B summits when NASCAR chose to restrict 'Fuel for Business' to only include series-wide corporate sponsors. Tim characterized his NASCAR team's B2B facilitation as consisting of four annual events that include a "Fan Day, where we open our doors to our shop,...dedicated B2B summits twice a year, and a big media tour event at the beginning of the year so [team sponsors] can see how the media is reacting to our drivers and also give [sponsors] a chance to talk to one another."

The aim of developing such events, according to Renee, is to speed up the buying cycle between motorsports sponsors. However, achieving this objective is based on "getting more of the right people together in the room." When B2B sponsorship summits first began popping up in NASCAR, the events focused on "the people who are involved in the motorsports programs day-to-day, and who don't have the relationships in purchasing or with the key decision makers." In working with NASCAR track sponsors, Renee went on to describe how her organization adapted to this initial obstacle.

> "Now we work on a program where we're getting a very core group of [sponsors] together and part of the price of admission is not only do you need to bring your selling person to the table, but you need to bring your buying person to the table. (As the facilitator), we're qualifying those people as far as what the opportunity is—how much do they buy in these different business categories, and is there a chance to do business together (with other sponsors). So when the (sales) e-mail or call comes in, there's a relationship; we all know those calls get returned and acted upon quicker than a cold call."

Results from the various B2B summits that have arisen in NASCAR range from the strict B2B transactions of NewPage industrial paper sales and UPS business logistics (Yost, 2007), to B2B relationships that trickle down to the B2C level. Tara illustrated this situation when she recalled how a lawn seed company that sponsored her team utilized their common team sponsorship with a hardware store to create a "show car program." The initiative brought a life-size model of the team's car to the store's locations together with the lawn seed company's sales experts and point-of-purchase displays as a means to "push a lot of product out the door." In another example, Renee specified how the hardware store sponsor of her track formed a relationship with the track's property insurance sponsor to offer the insurer's disaster policies in hardware store locations. In return, the insurer referred customers making disaster claims to the hardware retailer for reconstruction materials.

Still, not everyone is convinced NASCAR's B2B channel has been optimized. Although the B2B Council has grown since it was created in 2004, the recession and increase in top tier sponsorship fees has led to a drop in membership from about 50 to 35 in 2009 (Smith, 2009). Andrew, an agency executive who manages the sponsorship accounts for several NASCAR corporate partners, stresses that "procurement is really taking over the world on the corporate side. UPS (United Parcel Service) isn't going to do business with Ford because [a UPS-sponsored NASCAR driver] drives for a Ford team; and vice versa, Ford isn't going to pick UPS as an exclusive vendor just because they (UPS) sponsor a Ford team." Nevertheless, Andrew admits "sometimes you can strike deals where 'all things being the same, we're going to go with you,' or you can do what's referred to as first-look, last-look type of deals, meaning you basically have the right to meet or beat on price, quality, or performance criteria that's normally going to be associated with the procurement process." In Andrew's view, the B2B value for sponsors within the NASCAR domain could be greatly enhanced if NASCAR removed the series-only sponsor restriction on participation in 'Fuel for Business' and opened the program up to any sponsor involved in NASCAR at either the series, team, or track level.

> "If you look at both NASCAR's inability to bring in new sponsors that would be part of that B2B Council, and their inability to retain a lot of their official sponsorships—they've lost at least 10 or 12 official sponsors in the last decade—that in and of itself makes [the B2B Council] less valuable. At the same time, they can't make anybody buy from somebody just because they are a NASCAR sponsor either. They are in the position to try and be matchmaker, but when they do not let everyone rush in, but only the people they made an official relationship with; I think that's the Achilles heel of the program. In my mind, they should be doing everything they can to strengthen all relationships in the sport."

To combat such criticism but maintain the exclusiveness of its B2B Council, NASCAR has involved Tim's team when the team makes a specific request to introduce one of its sponsors to a series sponsor. However, this new flexibility within the program does not seem to be widely known within the NASCAR community as interviewed informants from other teams expressed frustration similar to Andrew regarding the Council's exclusivity.

To extend the value proposition in its sponsorship channel without compromising exclusivity, NASCAR expanded the services offered by 'Fuel for Business' in 2009 to include 'Fuel for Employees.' This extension features a sponsor employee-only NASCAR website that grants access to customized discounts on sponsor products and services, such as DirecTV and

Sirius Satellite Radio (Smith, 2009). 'Fuel for Employees' creates a formal platform to specifically address another common motorsports sponsor objective—employee morale (DeGaris, 2010), which was mentioned by both Sara (in an F1 context) and Tim.

In summary, marketing channels aimed at three targets were specified by the eleven industry informants: (1) consumers/fans, (2) B2C sponsors, and (3) B2B Sponsors. Each of these channels highlights motorsports' capacity to deliver value to customers—in the form of both individual fans and corporate entities. Collectively, the three channels explicate the contemporary business model of motorsports-based organizations. Table 1 presents these channels and the corresponding themes emphasized by the interviewed experts in the context of Magretta's (2002) three primary questions that business models must address.

TABLE 1 Motorsports Business Model

Core Questions*	**Business Model Channels**		
1. Who is the customer?	Consumers/Fans	B2C Sponsors	B2B Sponsors
2. What does the customer value?	▪ Sports entertainment ▪ Fan identification ▪ Interaction	▪ Awareness ▪ Image association ▪ Consumer engagement ▪ Employee morale^	▪ Product in competition ▪ Networking ▪ Relationship building ▪ Sales facilitation
3. How can value be delivered at profitable costs?	▪ High capacity tracks ▪ Broadcast media ▪ Mass media reporting ▪ Merchandise availability	▪ Broadcast media ▪ Experiential marketing ▪ Sales promotions	▪ In-kind trade ▪ Corporate hospitality ▪ Sponsor vendor programs ▪ B2B summits ▪ Personal introductions

* (Magretta, 2002); ^Employee morale was mentioned as both a B2C and B2B sponsor value.

CONCLUSIONS AND LIMITATIONS

The data collected in this study of two elite forms of motorsports explicates three co-dependent, customer-centric marketing channels that compose the primary business model of contemporary motorsports organizations. Each of these three channels is defined by the delivery of value to a specific targeted customer, and each channel is enhanced by the efficiency of the other channels. As Formula One or NASCAR increases their racing product distribution to consumers, the product becomes more attractive to businesses with a desire to engage those

consumers. Growing corporate involvement in the racing series enhances the B2B opportunities within the defined network of sponsoring firms. Given that motor racing fans generally accept and even welcome corporate involvement in the sport (Renee, personal communication), the resources supplied by sponsoring firms enable motorsports organizations to improve and expand their racing product, which theoretically draws more fans to the sport and cyclically grows the industry.

This study's specification of motorsports' business model reveals several dependences. Expert informants stressed the importance of fan attraction and involvement as the basis for executing their organization's sponsorship channels. Yet, all the motorsports organizations studied were highly reliant on corporate sponsorship within their resource supply channels. Resource dependency theory suggests that interorganizational relations can lead to undesirable dependence and constraints (Pfeffer & Nowak, 1976). In other words, relying on sponsors to provide vital resources entails certain hazards, such as relationship exploitation, resource redundancy, and conflicting objectives, which can all contribute to underperformance (Das & Teng, 1996). As a result, continuing to cultivate, strengthen, and expand the various channels within motorsports' business model will be essential to the industry's future performance in a dynamic macroeconomic environment.

Organizations operating in F1 and NASCAR have established B2C marketing channels that function in collaboration with race tracks, media broadcasters, and marketing agencies. Previously, the B2B channel was limited to primary transactions between the motorsports organization and their sponsor. However, motorsports' organizations have wisely begun to expand the B2B marketing channel by acting as a facilitator of secondary relationships between sponsoring firms. In NASCAR, this initiative was originally centralized at the level of the series operator (i.e., NASCAR), but the exclusionary restrictions placed on the sponsor-to-sponsor collaborative efforts led NASCAR teams and tracks to develop their own B2B programs. Conversely, the B2B sponsorship channel in F1 has developed in a slightly more decentralized fashion, where individual teams act informally, but yet proactively, to address the B2B objectives of their specific corporate sponsors. By molding their corporate product into a B2B marketing platform, motorsports organizations are able to reduce their dependency on delivering sponsorship value solely via the B2C channel.

Despite the relatively recent inception of NASCAR's B2B Council, challenges within this marketing channel have already arisen in the form of a decrease in membership. To offset the prospective reduction in networking value, NASCAR must fully leverage the potential of its current sponsor assets, and continue to promote the synergy of motorsports' multiple marketing channels. Maximizing current sponsor assets could be accomplished by showcasing the potential to connect not only with other corporate partners, but those sponsors' connections as well (both customers and other businesses). Such a tactic would exponentially expand the network of relationships available.

Given the initial success of the B2B Council at the NASCAR series level, Formula One should consider formalizing the B2B marketing channel within the sport, either through the guidance of FOM or the association of teams (Formula One Teams Association). Both F1 and NASCAR could leverage their endorsement of a B2B Council to reinforce credibility, and provide access to B2B and B2C revenue streams. If these motorsports organizations continue to listen to both their fans and sponsoring firms as vital customers, and deliver results based on the

customers' identified needs, the business model at the foundation of the industry should be sustainable.

In concluding this investigation, recall the assumptions and limitations to presenting insiders' claimed reality. The interviewees engaged here all relied on the business of motorsports and commercial sponsorship as the basis for their careers. Consequently, each informant was subject to the norms of professional desirability inherent to the industry. Yet hopefully, the risks of qualitative case analysis are outweighed by the rewards of practitioner involvement in explicating the role of sponsorship in the business model of motorsports. By engaging field experts as informants, the applied insights offer more than researcher speculation from the sparse literature base in this domain.

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