



# The business of racing

## Tips to help local racers understand the financial side

**A**s the 2007 race season draws to a close, many teams look forward to taking a well deserved break from the weekly grind of competition. However, the race season does not end when the checkered flag is thrown for the last time. The biggest gains for your 2008 program may be from sitting behind a desk, rather than lying on a concrete floor.

Although racing is a sponsorship-driven sport, many local teams do not focus enough attention on the business side. Drivers must wear many hats – such as a driver, a mechanic and a business manager. We all spend countless hours preparing the car so that we can enjoy our pursuits from behind the wheel.

Unfortunately, many teams don't fully understand how to coach their partners about how to maximize the return from their investment. Sponsorship should always extend beyond the application of company logos to the side of a race car. Activation is the strategy for maximizing return from a sponsorship investment by extending the benefits beyond the track and into the homes and hearts of race fans.

The most successful activation strategies will include plans to create value for your race team and sponsor, as well as the track or series where you compete. The more aggressive the activation program is, the more equity can be built into the team, driver and the sponsorship program.

Teams that have been fortunate to attract sufficient support for their racing efforts should not take their current promotional partners for granted. It is essential to review the results of the season with them, analyzing the benefits of their association with your race team and how improvements can be made for 2008.

For teams who have yet to find adequate support, approaching a potential sponsor can be a daunting and intimidating experience, even for veteran racers and race teams.

With most organizations planning their 2008 budgets during the fall season, there is no time to waste reminiscing about your successes during the past race season. It is time to leap into action!

But don't rush to the telephone to start blindly making cold calls - you won't be successful. Your own goals and objectives for the 2008 season will help determine your financial requirements. All profitable businesses operate according to a budget

and your team shouldn't be any different.

Your budget should include expected income and expenses such as race winnings, tire, fuel, repair, maintenance and travel expenses. Be careful not to exclude the cost to execute the activation program for your promotional partners. Lettering, hero cards, team uniforms and displaying the race car at sponsor events all require cash flowing from your bank account.

After setting your goals and objectives to determine your funding requirements for the 2008 season, you may be tempted to jump head-first into your sponsorship hunt by sending out your proposal. However, without researching each business to understand their own unique objectives, motivations and marketing strategies, your efforts to secure sponsorship will not be effective.

Understanding a potential sponsor's target market, the products or services that it offers, the geographic area where they compete and how they are currently communicating to potential customers are all important steps to assess whether a partnership can align with their strategy.

### Unfortunately, many teams don't fully understand how to coach their partners

Speaking with someone responsible for marketing efforts is the best source of this information and can provide the opportunity to gauge their interest in your race team. This simple conversation may be the most important aspect of your sponsorship search, as unsolicited proposals may be dismissed, grouped with other junk-mail in the recycling bin.

Motorsport marketing represents a very creative, unique and cost effective way to reach a captive and loyal audience. However, it is not a good fit for all organizations and only qualified prospects warrant further attention. Often, the corporate office for a national retailer will not have much interest in a local marketing opportunity, and is not an effective use of your resources or time.

Writing a formal sponsorship proposal



should be your next step and should be no longer than 10-15 pages. It will help your team focus its search for promotional partners into an organized and concise communication tool, with the goal to educate the decision maker about your race team, the track or series that you participate in and illustrate how a partnership with your team can help them reach their business goals.

Avoid promises you can't keep, such as a specific number of races or on-track performance. Nothing can be guaranteed in racing, and an effective program takes advantage of opportunities both on and off the track. Although the ultimate goal may be to secure funding for the race season, investment considerations should not be the primary focus of the presentation.

Many teams struggle with putting a price tag to the services they offer, overvaluing the equity that their team has or unnecessarily leaving money on the table. The investment required for sponsorship must provide an attractive return for their sponsorship investment and should be scalable, based on the desired investment from each sponsor.

As racers, we all evaluate the competition that we face on the speedway to better understand how competitive we are. Your approach to valuing your sponsorship platform should mirror your on-track efforts. In our search for funding, we are also competing with local sport teams, charities and alternate advertising channels. Insight into these sponsorship alternatives will provide guidance in your sponsorship hunt. ♦