

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Formula 1 Drive to Thrive - How to Handle Success

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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Drive to Thrive - How to Handle Success

The popularity of the Netflix series 'Drive To Survive' has almost doubled the amount of Formula 1 (F1) fans thanks to its great storytelling and compelling narratives about the drivers, teams, the rivalries between them and challenges they tackle. The first season aired in 2019 and it is estimated that more than 6.8 million people have watched the show.

As a result, the F1 brand is stronger than ever which has increased the demand for live tickets and inflated the prices, something that old fans are annoyed about. F1 now has a clash of two fan bases and their respective different expectations. Some are watching F1 for the love of the cars and the sport, some are watching for the storytelling and humanising of drivers and teams. The gained strength of the brand is a fact, but what happens when a brand growth happens this fast? Will F1 be able to accommodate and nurture the needs and wishes of both old and new fans?

Background

The Twist and Turns of F1

Imagine the ear-splitting noise of an 800kg super-engineered racing machine blasting past you at 370km/h. To operate such a monster, you have to be either insane or a master driver. The high-performance athletes who are piloting these vehicles are of exceptional skill and endurance, continuously persisting forces up to 6 G while maintaining their focus for up to 2 hours.

A Formula One Grand Prix event typically spans over a weekend, from Friday through Sunday. The first two days are designated for practice sessions and qualification rounds, leading up to Sunday's main event. In this final race, the top 10 drivers compete among themselves for points based on their finishing positions, ranging from 25 for first place to 1 for tenth. In essence, the primary objective is to cross the finish line first, but the intricacies of the sport extend far beyond mere speed and manoeuvring expertise. Behind every driver is an extensive team consisting of expert engineers, aerodynamicists, media personnel and strategists. Each race unfolds on an

enclosed track which is either purpose-built or a temporary street circuit. The routes vary in layout but are typically comprised of several straight stretches with numerous turns in between and span a distance of at least 190 km. The costs of tickets for a Grand Prix event vary depending on the location of the track and the level of fan engagement. Fans choose between a single-day ticket or a comprehensive three-day pass. Each offers various seating options, whereas the most affordable choice requires fans to bring their own seating arrangements. For instance, a three-day standard admission ticket can be purchased for around USD 300 in Texas. In contrast, grandstand weekend passes in Monaco can be bought for USD 8,000 per entrance.

The British entrepreneur Bernie Ecclestone is the main driver behind the development of the corporate brand and business model of F1. His motorsport journey began as a driver and culminated in holding the position as chief executive of Formula 1, from 1970 until 2017. Under Ecclestone's administration, new markets like Asia and the Middle East were introduced to the sport by being made hosts of F1 events. Moreover, broadcasting became a key revenue stream for the brand, since Ecclestone grasped the importance of television exposure and centralised previously irregular and unorganised telecasts under one entity. This extended F1's global influence as a sport, captivating millions of viewers across the globe. In an interview from 2014, his answer to a question about what the F1 brand stands for was that it encapsulates a large-scale sport with a global audience in the up-market, but that it's primarily an entertainment endeavour (Silk, 2014). The growing global commitment to the sport made it increasingly attractive for corporations to invest in it. Major brands saw the opportunity to associate themselves with the glamour, thrill, and state-of-the-art technology related to F1 while engaging with consumers worldwide, fostering awareness and loyalty.

Despite its rich heritage, F1 hasn't always accumulated positive attention. Its perception as elitist dimmed the appeal of the sport somewhat. Ecclestone famously rejected having a marketing staff or personal selling partnerships. Furthermore, he prohibited sponsors from using race footage in advertisements and ignored modern commercial opportunities. For instance, Ecclestone didn't allow drivers to post content on their social media, which drove away a lot of motorsport enthusiasts though there wasn't any form of connection or engagement between the drivers and their fan base. The fast pace of the modern media landscape outgrew his conservative views on how to promote the brand to its consumer base, leaving several opportunities untapped (Schoenfeld, 2022).

A New Racing Era

It was time for a change. In 2017, the US media company Liberty Media bought Formula 1 for 4.6 billion USD. Experienced media executives took the helm. Chase Carey, creator and director of FOX Sports, was made the CEO, and Sean Bratches, previously ESPN vice-president of sales and marketing, was hired as managing director of commercial operations. The nature of the parent company, and the market

from which it emerged, may have foreshadowed the changes that were to come in F1. To understand why a major media company decided to buy a global sports brand that in some sense has been closed off to a wider audience, it is important to reflect on the potential behind Formula 1. Something which has not been fully exploited.

As Sean Bratches pointed out, motorsport is an interesting and unique category of sport in the world. “There really is not another category of sport where you can actually buy a league” - Bratches said (2021, 00:26:33). He also listed some of the reasons why Liberty Media decided to buy Formula 1. First, F1 had a great global brand with over half a billion fans and a satisfactory balance sheet. The second reason was the belief that technology was changing the way in which consumers perceived TV content and the belief that sport was the last bastion of content that could predictably attract a large audience that could be monetised. And finally, Bratches pointed out that the new owners believed the sport was under-managed, or even mismanaged (2021, 00:27:00). In this situation, the rebranding process was necessary to give the brand a new expression that would allow it to grow and develop.

In 2017, Formula 1, in partnership with IPSOS, conducted a research study on the segmentation of Formula 1 fans in seven key markets. The study provided valuable insights for the rebranding process, the most important of which seemed to be that more than half of those surveyed (out of more than 14,000) would like to know more about the drivers and teams and their stories. In conclusion, fan response to the survey revealed that if people can be brought closer to the sport, they are likely to become invested in it. “However, few have attended the races themselves. So the challenge is how to bring the experience to them”, the report concludes (Formula 1, 2017).

Liberty Media unveiled a long-term corporate strategy plan for Formula 1. The strategy was built around a mission statement: “To unleash the greatest racing spectacle on the planet” and consisted of six goals (see: **Table 1**). In terms of external goals, the executives of Formula 1 wanted to open up the sport to new fans, partners and growth opportunities. Under the control of Liberty Media, the brand began to grow rapidly in every aspect - TV audience, race attendance, social media reach and the popularity of the drivers and teams themselves. This in turn began to generate ever-increasing profits (see: **Figure 1**); from 1.78 billion USD in 2017 to 2.57 billion USD in 2022; whether from the sale of TV rights or lucrative deals with sponsors tempted by the brand's global reach (Brown, 2023). Formula 1 opened up to the fans and began to offer them an increasingly immersive experience - a look behind the scenes, a visit to the circuit, etc. At first glance, the new strategy seemed to be taking the exclusivity out of Formula 1, but the new management also catered to what seemed to be the most important customer segment. A visit to the circuit is no longer just about watching a race but a much wider experience (e.g. a specially curated à la carte menu from a renowned two Michelin-starred chef, three full days of access inside the exclusive Formula 1 Paddock, daily Pit Lane Walks to watch the teams as they prepare their cars to go racing and many more), that costs around 30,000 USD (Brown, 2023).

One big element of this success was the decision from 2018 to partner with Netflix to broadcast the docuseries *Drive to Survive*, which goes behind the scenes of F1, tells the stories of the drivers and shows that the sport is much more than just a race for the rich. Why did Formula 1 decide to partner with Netflix? The answer lies in the strategy outlined above, and the research conducted by the company. By broadcasting the series, Formula 1 has achieved some of its goals and met the fans' need to get to know the drivers and teams more closely. *Drive to Survive* has brought the sport closer to its fans, increased awareness of the F1 brand, and attracted new fans from a younger generation. In addition, the launch of the series and the brand's increased popularity and reach have had a positive impact on F1's relationship with its partners and sponsors. However, *Drive to Survive* resulted in such a rapid growth of the brand's popularity that it also brought unexpected challenges that now require a considered and well-planned response from F1 executives.

The incident

“You wanted dumb toxic fans. You created DTS to bring them in.

We were just fine a couple of years ago.

You made this, Liberty Media”

- Formula 1 fan comment on Facebook

Drive to Survive (DTS) was more emotionally centred, much like a reality show, with involvement of personal lives, discussions, wins, losses, controversy, money and drama (Schoenfeld, 2022). The second season was released close to the COVID-19 lockdown, attracting even more viewers while social media conversations upsurged by 2,639% in reach. It is clear that Formula 1 has grown exponentially, but were they prepared for this immaculate growth in such a short period of time?

F1 became the fastest-growing sport on social media in 2021, with 49.1 million followers across a variety of platforms (Richards, 2022). The success of the show was now an unignorable fact and continued for years to come. Before DTS, it is estimated that about half a million people watched each race on channel ESPN. At the time, ESPN paid 5 million USD annually for F1 television rights, now it is a whopping 75 to 90 million dollars per year due to the current 1.3 million viewers (Schoenfeld, 2022; Richards, 2022). In correlation with the increase in viewers (**see Figure 2**), the demographics of F1 fans have also grown more diverse, with more Hispanics, younger people and lower-income groups taking an interest in the sport thanks to the show. Half of the new F1 fans believe that DTS played a part in making them a fan, while 30% stated that the show was the main reason for it (Morning Consult, 2022).

The increase in demand, and price, for live event tickets started to upset old fans. 66% do now believe that it is simply too expensive to be a fan of Formula 1 and hold grudges against the newer fans that have come to the races because of DTS. The relationship with the old fans is starting to be damaged as they feel abandoned by Formula 1. Meanwhile, new fans are coming in with different expectations and a need

for storytelling rather than watching cars driving laps. The races are now becoming 'Americanized' or 'Hollywoodized' and are being compared to festivals like Coachella, with an entertainment-first approach that does not align with the old fans' values. These values are very much connected to the core identity of the brand, which is starting to convulse in several directions. Identity characteristics like luxury and exclusivity have become pop culture and mainstream, technicals and statistics have become fake feuds and drama. New fans are pulled closer with the storytelling, older fans are pushed away by the new drama-craving intruders. So what started as a great success for the F1 brand, soon started to stir up discussions on social media. Old fans are annoyed by the new generation of fans that are attracted to F1 for "the wrong reasons" (see: Figure 3).

The drivers themselves also had different reactions to the uprise of fame. Norris, a driver for McLaren, complained that Netflix uses audio clips from other races than the ones that are shown to escalate drama and inflate fake rivalries (PlanetF1, 2022). In one race it was speculated that the finish was rigged by stewards on the course for a dramatic finale of the DTS season. When properly investigated it was however declared as a human error mistake. This was stressed by Red Bull driver Perez who thought the series had brought too much drama and had gone too far (Schoenfeld, 2022). Furthermore, fan-based social media accounts pour gasoline on the fiery rivalries presented in the series. Regardless if they are true or not, it makes the fans tune in, follow the series and talk about F1 even more.

"F1 leadership has brought this down on themselves, the teams, the drivers and fans by participating in or encouraging the manufactured drama and conflict in DTS. F1 social media sites run headlines and stories with conflicts between drivers and statements by team principles that makes all of this worse"

- Christian Shank, Formula 1 fan commenting on Facebook

In 2022, a large crowd of Hamilton fans booed Verstappen (Red Bull driver) when he tried to answer questions from a reporter, just because they were disappointed by the season's outcome for Hamilton. Hamilton criticized the fans, though one week later when the driver himself crashed, Verstappen's fans responded with cheering and clapping. Red Bull and Hamilton condemned the actions on social media. These occurrences might have been what led Verstappen to boycott the DTS production, along with the fact that he believed he was portrayed in a distasteful manner (Fair, 2023). By Verstappen's denouncement, F1 was pushed to discuss the "overdramatisation" of the series with Netflix (Fair, 2022). What this means for the future of DTS remains to be seen.

**"I saw the benefit initially of course you get more popularity,
but for me now I think you reach a stage where its a bit more like**

'Keeping up with the F1 world'

- Max Verstappen, Driver for Red Bull

Conclusion

Formula 1 may be considered a victim of its own success. The brand transformation, which started after the company was acquired by Liberty Media, is proceeding as planned and with clearly defined goals. Netflix's documentary series *Drive to Survive* has played a significant role in this success, introducing the sport to new fans and bringing it closer to the entire Formula 1 community. Profits, as well as the brand's global reach, are growing every year, but there are problems on the horizon, which if not addressed properly, could become a major headache for Formula 1 executives in the future.

Discussion Questions

You are now taking on the role of a brand consultant who has been asked to help the Formula 1 management team. Your job is to develop a strategy that addresses the issues facing the brand; both in the short and long term. In developing the strategy, you need to answer a central question:

1. *What actions should we take in order to foster a good relationship with the old fans, without damaging the relationship with the new ones?*

Furthermore, to formulate a comprehensive and cohesive strategy, it is essential to address one additional question:

2. **How do we maintain the brand identity while adapting to the rapid growth in popularity?**

Exhibits

Figure 1. Total revenue of the Formula One Group from 2017 to 2021



Figure 2. Circuits attendance figures (Brittle, 2023)

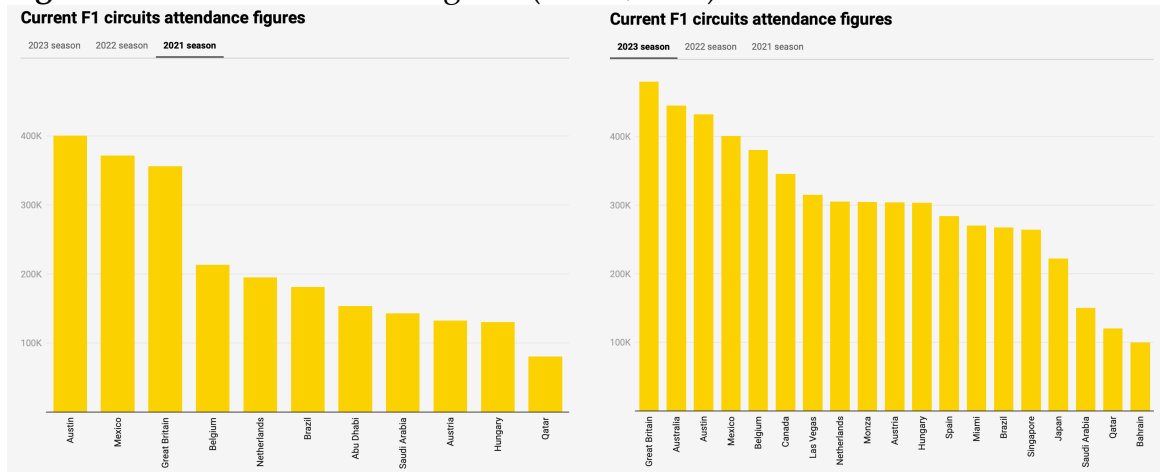


Figure 3. Comments from Formula 1 fans posted on social media

Only on the second episode of the Formula 1 documentary on Netflix, and having not been a fan prior to watching; this may be a sport I could become seriously invested in! New found respect for the sport and it's competitors 🚗

12:32 PM · Mar 8, 2019 · Twitter for Android

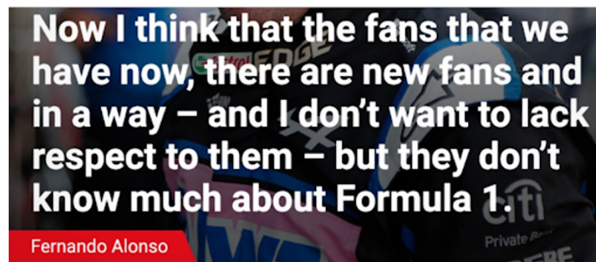


Figure 4. Comments from Formula 1 fans posted on social media



Table 1. Long-term corporate strategy plan of Formula 1. (Formula 1, 2020)

| Pillars | Goals |
|--|--|
| Increase competitiveness and unpredictability on track | Increase the number of teams on the podium in a season |
| Produce world-class spectacles for fans on and off track | Increase the number of F1 fans |
| Drive value for our stakeholders | Increase revenue and profit |
| Deliver sustainable and efficient operations | Reduce carbon emissions |
| Create win-win relationships with our partners | Increase partner engagement scores |
| Build an engaged, high-performing workforce | Increase colleague satisfaction score |

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