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**“THE POTENTIAL OF SPORTS SPONSORSHIPS: THE CASE OF
FERRARI TRENTO AND FORMULA 1”**

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Firma (signature) .. 

*I have no idols.
I admire work, dedication and competence.
- Ayrton Senna*

*The red car, even before I knew it was called Ferrari, was my obsession.
- Charles Leclerc*

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Introduction

Formula 1 has always been a huge passion for me. It started when I was a kid, I was around 4-5 years old during the Schumacher era and I don't remember much about it apart from those Sundays spent on the sofa with my dad and my grandfather, watching the red car winning. They were happy, the red guys on TV were happy and so was I. Growing up, I started to understand how things worked and I fell in love with the sport, not just for the racing and the physical strength required by drivers, but for the economic and political side of Formula 1 too. Those paddock dynamics, those behind the scenes tactics fascinated me. However, it wasn't until the last three years that I started to think about a career in Formula 1. I started researching positions for business school graduates and, above all, sponsorships were the thing that caught my eyes. That's how teams get the money from, without them they couldn't even compete, build a car, and pay mechanics and engineers. In Formula 1 'cash is king' and sponsors are at the base of a team. Sponsorship agreements fascinate me because there are a lot of managerial, organizational, relational and marketing activities involved in the process. Activation is important, but most of all, developing a good relationship with your partners and ensuring the previously-agreed KPIs are met, are fundamental. Sponsorships combine together my economics studies and my passion for this sport, that's why I decided to deep dive into this topic.

In this elaborate, we will start with a general explanation about sponsorship agreements, we will explain the difference between sponsorships and partnerships, similar terms that however underline different contractual arrangements. We will then move onto how to choose a sponsor and build a good sponsorship portfolio, how relationships are developed and how we can measure the return on investment of the sponsorship agreement. What are the benefits for both firms and teams involved? As we will see, it's not always easy to measure the ROI, especially from a sponsor's point of view, as some benefits are intangible and, therefore, not able to write down easily in a balance sheet at the end of the year.

In the second part we will explore how sponsorships in Formula 1 made history, providing examples of how these agreements developed over time. We will focus on the importance of sponsorships and how some iconic liveries still live in the heads of *tifosi* thanks to sponsors. Some of them are able to recognize a brand years and years later, just for being placed on the helmet of a certain driver over 30 years ago. That's indeed a very deep legacy to

leave behind, even after the sponsorship agreement has come to an end. We will then explore how sponsorships work in Formula 1 nowadays, how things changed. Some sponsors, very famous in the past, are now forbidden due to different laws introduced in some countries. We will also see some examples of how the reputation of a brand can influence negatively on the team, generating indignation in a group of people, and affecting a team's perception. We will finish this chapter analyzing new trends in sponsorships, where technology is playing a major role.

In the last chapter, we will analyze effectively how a partnership agreement is developed, having had the opportunity to work closely with Ferrari Trento, Official Toast Partner of Formula 1. Their *spumante* bottles are present on F1 podiums since March 2021 and the agreement is set to last until 2025. Why Ferrari Trento decided to enter such a big and expensive deal with Formula 1? What are the benefits both parties get? What kind of activation operations does Ferrari Trento carry out? We will explore in details the whole partnership journey, explaining why the Ferrari Trento x Formula 1 collaboration is a perfect fit for both brands and how important is Formula 1 in internationally leveraging partners' brands.

To conclude, I hope you will find this elaborate as an exhaustive written report concerning the role of sponsorships in Formula 1, how things worked in the past, how sponsorship are run nowadays, and the behind the scenes aspect of it all... *and it's lights out and away we go!*

Chapter 1

1. Sports Marketing and Sponsorships

1.1 Introduction

In this chapter we will start with a theoretical approach to sports marketing and sponsorships literature, which underlines different aspects of the importance of such instruments in the world of non-conventional marketing.

Explaining in details the process of carrying out a sponsorship, or a partnership, agreement, we will conclude with a tricky topic to analyse for sponsor managers: the return on investment of a sports sponsorship. Is it possible to use quantitative metrics to measure such result?

1.2 Sports Marketing

Sports marketing is a branch of marketing that concerns sports sponsorships, sports advertising, tickets sale, entertainment, media coverage, events, and hospitality. All these things contribute to generate value for consumers, firms and teams through sports.

While there is not a clear definition for sports marketing, we could start off by defining what is the difference between sports marketing intended as ‘marketing of sport’, and marketing through sports, intended as ‘marketing with sport’. The former concerns “the set of activities and competences intended for the promotion and improvement of sports enjoyment and consumption” (Venturoli, 2021), while the latter refers to businesses that use sports as a communication tool. An example of marketing of sport could be the advertisement of a Formula 1 Grand Prix and all activities that go by it, while marketing through sports concerns sponsorships, one of the biggest component of sports marketing, especially in Formula 1 where money play a huge part of it.

If we want to venture deeper into different types of sports marketing (a more detailed explanation is given in Paragraph 1.3), according to the ‘nature of activities’ instead of the ‘destination’, we can find the following (Venturoli, 2021):

- marketing of sporting events;

- marketing of sports businesses;
- marketing of individual athletes;
- marketing of places, stadiums and facilities where sporting activities take place;
- marketing of Public Bodies, Federations, Leagues and Series, with the purpose of promoting, growing and developing individual disciplines and championships (often referred to as ‘grassroots sports marketing’);
- marketing of equipment for practicing sports disciplines;
- marketing of media and means of communication which broadcast and disseminate news, live shows, sport talk shows and sports programs;
- sport licensing;
- sports sponsorships.

Looking at the list above, it is clear that there are several different entities involved in developing a solid sports marketing strategy, and it is quite difficult to coordinate all these activities at once. That is why over the years, sports marketing agencies specialized in different niches, i.e. digital sports marketing agencies that serve a particular type of customers, like ‘We Are Grip’, an agency that curates social media only for Formula drivers.

In sports marketing, many of the activities listed above might overlap, being several operations connected to one another. As we will see in Chapter 3, Ferrari Trento promotes its brand mainly through a partnership with Formula 1 but has ongoing sponsorships with Alfa Romeo (team) and Sky Sport F1 (media) too. The core topic we will discuss in this chapter is the role of sponsorships in sports marketing, in particular, with regards to motorsport and F1, and why sponsorships are the real ‘engine’ of this sport.

1.3 What are sponsorships?

Sponsorships are complex relationships where a ‘sponsor’ supports - financially or in-kind - the ‘sponsee’, whether that is a team, an athlete, or a sport, and receives back a series of benefits, both tangible and intangible, that increase the sponsor’s brand awareness. The

sponsorship is particularly effective when the sponsor's target audience overlaps with the sponsee's audience, making possible for the sponsor's brand to be associated with the sponsee's one, and thus benefits from a process called 'image transfer' (Sorchiotti, 2020; Cornwell, 2019; Donahay and Rosenberger, 2007).

A more detailed definition is instead given by Prunesti (2020, p. 124): "sports sponsorships could be defined as an agreement between a company and an athlete or a sports club in which the company - sponsor - gets its brand highlighted by an athlete or a sports club - sponsee - that benefits from large visibility, in exchange for a money or in-kind investments". The sponsor's involvement differs according to the kind of relationship the two parties agree on, there could be a technical partnership (see Paragraph 1.4 for more detailed information about the difference between sponsorships and partnerships) where the sponsor gets his logo placed on the team kit because it is the official supplier, therefore fulfilling its obligation delivering t-shirts, tyres, services or whatever the core business of the company is, without paying any amount of money. On the other hand, there are pure sponsorships, where a brand approaches an athlete or a team offering money for exposing its logo on overalls or on the car, in the case of Formula 1. Every team can count on a different rose of both partners and sponsors.

When a company is thinking about entering the world of sports sponsorships, it is faced with several different possibilities concerning the recipient of the sponsorship support, as shown below:

- the recipient could be a single individual, for instance Charles Leclerc being Brand Ambassador for the Giorgio Armani's 'Made To Measure' campaign; or
- a team, this is the most common scenario in Formula 1, being money and support from sponsors the main contributions to teams' cash needs. An example could be Ray Ban, sponsor of Ferrari. The Ray Ban logo is present on the car, on racing suits, and drivers actively take part in advertising campaigns, promoting the brand and the product of the sponsor even further by wearing sunglasses on official occasions;
- sports, meaning the renaming of championships, cups, leagues, teams, and so on. In Formula 1 there is the 'DHL Fastest Pit-Stop Award', promoted by DHL for the fastest

pit-stop time over the whole F1 season, or the ‘Driver-of-the-day Award’ promoted by Salesforce;

- events, mainly resulting in the funding of a running event, quite common when it comes to renaming a Grand Prix. For instance, the Imola GP was funded by the *Ministero degli Interni* and the *Emilia-Romagna Region*, with the aim of promoting the Made In Italy abroad. The Grand Prix was then renamed ‘*Gran Premio dell’Emilia Romagna e del Made in Italy*’. The same GP was previously known as ‘*Gran Premio di San Marino*’ as it was funded by the small Republic located nearby Imola. Sponsorship of events is not necessarily exclusive to institutions, this is the case of Crypto.com, official partner of Formula 1 that renamed the Miami GP into ‘The Formula 1 Crypto.com Miami Grand Prix 2022’.

Sponsorships are, on a general note, a very effective way of promoting a brand because a company can benefit from the passionate audience that wants to target. It is exactly the element of passion and loyalty to a team, or an athlete, that distinguishes a sponsorship from a simple advertising campaign. Thanks to ‘image transfer’ and ‘association of names’, the company is able to place its brand as more reliable, given the characteristics of the team. It is pretty clear that not every brand can be placed on a Ferrari, to name one, but those who get to do it are perceived as luxury, reliable, cool and everlasting brands (see Paragraph 1.5.1 to learn more about the impact of brand personality). By using passion and emotions developed by fans attending a certain event, a Gran Prix for example, sponsoring brands are even more connected to the audience because that feeling of victory, that memory of joy for a team, is associated and highlighted by the consumer when seeing a sponsoring brand outside the sports element. This clearly explains why top teams do not have problems finding new sponsors, while smaller teams struggle with the financial aspect. As they are not winning, they are not perceived as attractive by companies. Another reason that reinforces this concept is that the winner always gets more media coverage and exposure than the one who comes last, therefore making sponsors’ brand exposure on earned media less interesting and appealing for companies. This makes media passive agents involved in the sponsorship activity.

To sum up, the real reason why brands prefer engaging in sports sponsorships instead of advertising is that the emotional side of sports sponsorships makes the message more ‘authentic’ and delivered in such a way that is not perceived as an intromission. As traditional

advertising media are usually very crowded, the risk is that the message does not stand out and, therefore, it does not reach the target audience. (Sorchiotti, 2020). The sponsor's message is targeted to a specific population, while the advertising message is way more general and the brand does not know who it is going to reach, potentially leading to fail the delivery. When it comes to sports sponsorships instead, a loyal and specific audience is reached, and fans expect the team or the athlete to be sponsored, welcoming ads through sponsors in a more accepting way compared to normal advertising. It could be said that advertising is a two-way communication process, between the advertiser and the consumer, while sports sponsorships are three-way: entities involved are the sponsor, the sponsee and the fans (Monterian, 2020). It is the engagement of fans that leads the sponsorship's message to be positively associated with the sport. This results in sports sponsorships being more effective and, potentially, less expensive than usual advertising as the marketing strategy benefits the three of them all.

1.4 Sponsorships vs. Partnerships

'Sponsorship' and 'Partnership' are two words often misused in sports marketing. According to different interpretations, they could both mean the same thing yet underline how those two activities differ. The main reason these terms create confusion is because of the real relationship behind these agreements.

If we look at the definitions, 'sponsorship' and 'partnership' are two very different terms. A 'sponsorship' is defined as "a cash and/or in-kind fee paid to a property (typically in sports, arts, education, health, entertainment, or causes) in return for the commercial potential associated with that property" (Barootes, 2020). On simpler terms, if we look at the industry-definition, we could say that a sponsorship is a marketing channel. The correct term for this practice should be 'sponsorship marketing' and is an alternative way to advertising, instead of PR and ads campaigns. "The goal with an investment in a sponsorship by a sponsor/brand and a property is a marketing undertaking. The goal is to position or market that brand to an audience through property" (Barootes, 2020). The key objective of a sponsorship agreement is therefore marketing and communication, nothing more.

When we analyze the definition of 'partnership' instead, it is clear that the bond between the two parts involved in the agreement goes beyond marketing goals. A partnership is an arrangement where parties involved, known therefore as business partners, agree to

cooperate to increase their mutual interests. The partners in a partnership may be individuals or businesses, as well as interest-based organizations, like schools, or governments. Organizations may partner to advance the likelihood of each achieving their mission and to amplify their reach. A partnership may result in issuing and holding equity or may only be governed by a contract (Barootes, 2020). Here, it is clear that with a partnership, the two entities share a common goal and actively collaborate to reach it and expand their audiences. We could say that, while a sponsorship is a mere communication tool that takes place with a cash or an in-kind transfer, a partnership involves a deeper commitment in terms of effort and relationship development. On the other hand, the sponsorship definition here might be outdated as in today's world, no contractual agreement is successful without engagement and commitment from both sides. Developing relationships is essential to nurture a business and this makes every sponsorship agreement into a partnership one. On a broader note, we could argue that the term sponsorship includes partnerships, being the latter a special kind of sponsorship.

What really distinguishes a 'partner' from a 'sponsor' is the direction of the relationship between the parties. A sponsor sees the sponsorship agreement as a marketing tool, a channel through which it is possible to enter new markets, achieve brand awareness and recognition, increase sales and revenues. The relationship here is one-way, as the team's or the athlete's objectives are different from the sponsor's ones, i.e. increase sales of x product or, increase brand awareness of x brand in a specific market. When dealing with a partner instead, we are faced with a two-way relationship. Both entities work together to achieve a common objective (Wolff, 2021). This is the case of McLaren partnering up with Goldman Sachs (McLaren, 2022), with the common objective to reduce carbon footprint. In the press release, titled "McLaren Racing announces multi-year partnership with Goldman Sachs", the agreement is called a 'partnership', making clear that the relationship here is two-way. McLaren goes further by saying "Goldman Sachs will be a key partner in our sustainability journey", again naming Goldman Sachs a partner and addressing what is the common objective they are working on: sustainability. Both parties will benefit from this collaboration and they will both actively work to achieve this goal. On the other hand, we should note the fact that McLaren refers to all the brands they work with as 'partners'. On their website, the section about sponsors and partners is just called 'partners', and more specifically, with regards to Formula 1, they are named 'Primary Formula 1 Partners', those with a colored

logo, and 'Formula 1 Partners', those with a black and white one. In this section we can find brands such as Coca-Cola, Richard Mille and PartyCasino, who are clearly sponsors and not partners. When reading press releases about these agreements, for instance, the Coca-Cola one, it is clear that the contract between the two is a sponsorship one. The announcement reads as follow "the partnership will pair the McLaren Formula 1 team with multiple brands across different beverage categories. Throughout the season, Coca-Cola will develop consumer events, activities at the points of sale, online promotions, and communication" (McLaren, 2018). What is the shared objective here? From the outside, it appears there is none. Coca-Cola is sponsoring McLaren because it sees Formula 1 and McLaren's spotlight as a communication channel, aimed at increasing Coca-Cola's sales across the world. Events organized at the race track and meetings with McLaren drivers are just normal activities that refer to the 'activation' of the sponsorship. If we look at another press release, this time with Richard Mille (McLaren, (b) 2018) - a brand who is not new in the motorsport world - it reads that the word 'shared' is used just to describe what the two brands have in common, "it is a perfectly balanced partnership: both brands share a passion for modern technology, cutting-edge design and precision engineering". What is McLaren for Richard Mille here? Again, it seems that it is nothing more than a marketing platform, a way to place itself as a luxury and innovative watch-maker. Why McLaren utilizes the word 'partner' then? As stated before, the psychology behind the use of this word over 'sponsor' related to the perception of the relationship involving the two parties could be the answer. Brands might prefer to be named partners over sponsors as they appear to be more involved in the team's activities - however incorrect interpretations by one or both parties might arise. They share a relationship that is one-way yet it is not just about money transfers, behind such names there are people with feelings. Being treated as a 'partner' and being called as one, makes the bond stronger and opens to longer collaborations in the future. The psychology side of business relationships and human feelings and perception could therefore be blamed as one of the reasons why 'sponsorships' and 'partnerships' are often misused. In this elaborate we will try to correctly address an agreement as sponsorship or partnership, when possible.

1.5 How sponsorships are developed

When an agreement, whether that be a sponsorship or a partnership one, is signed, the journey into sports marketing is begins. The signing of a contract is not the final step, but

rather the first tangible move towards the development of a successful sponsorship or partnership. In this paragraph we will illustrate the main steps to undertake, starting from the importance of choosing a right sponsor - or partner, what different kinds of sponsors can be chosen, and following with the development of relationships. We will conclude with a brief analysis on the Return on Investment (both tangible and intangible), influenced by price premiums, for both the sponsor and the sponsee.

1.5.1 Choosing a sponsor - or ‘who’ to sponsor

Choosing a sponsor - or ‘who’ to sponsor, if we look at a firm’s point of view - is undoubtedly the first step to undertake. This action could be analyzed by both the sponsor and the sponsee point of view, as the first move towards the final decision depends on who is the most powerful entity among the two. To explain this weird concept in a easier way, let’s make an example. Scuderia Ferrari is for sure the most prestigious and wide-known team in the history of Formula 1. Given its track records and the strong brand awareness, it is easy for Ferrari to find sponsors up to the point they are the ones who decide who can be associated with them. While every team seeks money through sponsorships, Ferrari looks for stronger relationships other than just cash intakes from its sponsors and partners. Ferrari refuses all one-offs¹ as they do not perceive the value of being associated with a small brand whose logo is almost impossible to be recognized on the car livery for just a race weekend, while smaller teams often seeks as many sponsors as possible to recover more financial resources. One-offs are usually just a way to recoup a few money spent during the season, not something the annual budget should rely on, given the limited amount of liquidity they take in. As of January 2022, Ferrari lost a quarter of its sponsorship entries, given the failed agreement with Velas who costed the Maranello’s team €28 million, and the non-renewal of the contract with Snapdragon, who brought in another €24 million in the team. With the new season about to start and €52 million to find, Ferrari already has plenty of firms who approached the team to take over the roles previously performed by Velas and Snapdragon². This means Ferrari can

¹ A short-term sponsorship that usually takes place for just one race weekend. Full sponsorships’ potential is obviously not exploited but it is a cheaper way for brands who want to try this tool and have a limited set of resources to invest.

² As the cryptocurrency market suffered huge losses due to the intrinsic volatility of cryptos, Velas is just one of many crypto-sponsors who resigned from its duties for financial reasons. More on this on Chapter 2.

choose itself the best sponsors, the ones whose brand personality fits better with its brand. Does the same thing happen with all teams in Formula 1? Not really, as this is just a rare exception given how important Ferrari's name in the sport is. A team like Haas, for example, has been struggling a lot in the past few years to find big sponsors able to replenish the team's cash-desk. In 2021, Haas had to sign a questionable driver who was backed by an even more questionable firm for the sake of surviving (more on this topic is explained in Chapter 2, Paragraph 2.4.2). Haas even partnered with the German discount-chain Aldi in 2022. Being associated with Formula 1 is synonym of luxury, but this powerful 'image transfer' tool can also backfire when a team associate itself with less-prestigious firms. This clearly shows how different Ferrari's and Haas's positions in the industry are, and therefore how the process of selecting or searching a sponsor is. Most of the times it is the firm who chooses who to sponsor and its decision is based on a market analysis prior undertaken. Questions a potential sponsor should answer are:

- What kind of firm is it?

This is a fundamental question as knowing what a brand represents is essential to choose what is the best entity one should invest in. Is it invested in renewable resources and pushing for a more sustainable living? Formula E might be best. Is it a technology firm committed to search for the latest innovations? Formula 1 is right choice. Other motorsport categories like MotoGP, Rally, WEC, IndyCar and NASCAR have very different peculiarities and therefore different sponsors who are associated with them.

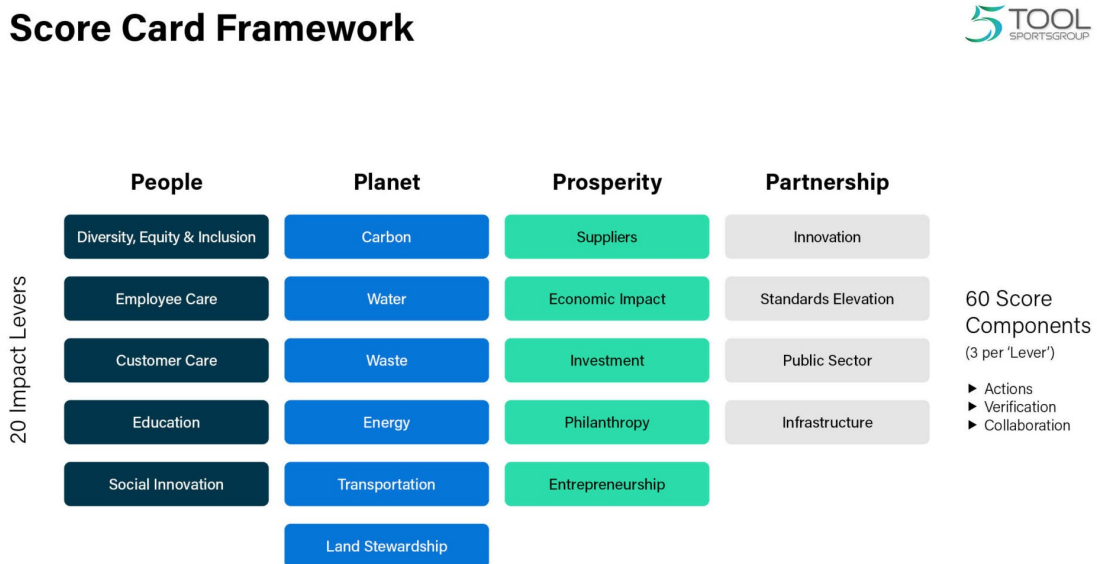
- What is its brand personality? Which are its values?

Once decided our field of interest, the firm should analyze what is the best strategy to perform. Should it sponsor an athlete or a team? Should it sponsor a single event or the sport itself? This goes down to a series of factors like personal preference - i.e. a brand has personal connections with an athlete and therefore decides to support him/her - economic situation, visibility, commitment and availability. Brand personality plays a huge factor here as one should associate itself with people who share similar values and identity to their own. An example is Giorgio Armani choosing Charles Leclerc as brand ambassador for its Made to Measure campaign (more on this on Chapter 2, Paragraph 2.2.3), whose personal image perfectly matches the one portrayed by Armani's creations. Choosing a driver who has a more

aggressive approach like Max Verstappen would not have been as effective for the different brand image and personality he shows off. On the other hand, he is the perfect subject of choice for a brand like Red Bull. This is also true from the other side of the story, the personality of potential sponsors influence teams' and athletes' decision of being sponsored.

To assess the 'goodness' of a sponsoring firm and to help firms identify what could be the best choice given their objectives, the 5T Sports Group, in partnership with Sports Pro - a leading sports media company for the business of sports internationally, created the 'Sports Partner Score Card' (see [Figure 1](#)). The aim of this analysis is to assess the suitability of prospective partners based on sustainability credentials and values alignment (Long, 2022).

Figure 1 - Sports Partner Score Card Framework.



Source: Long, 2022.

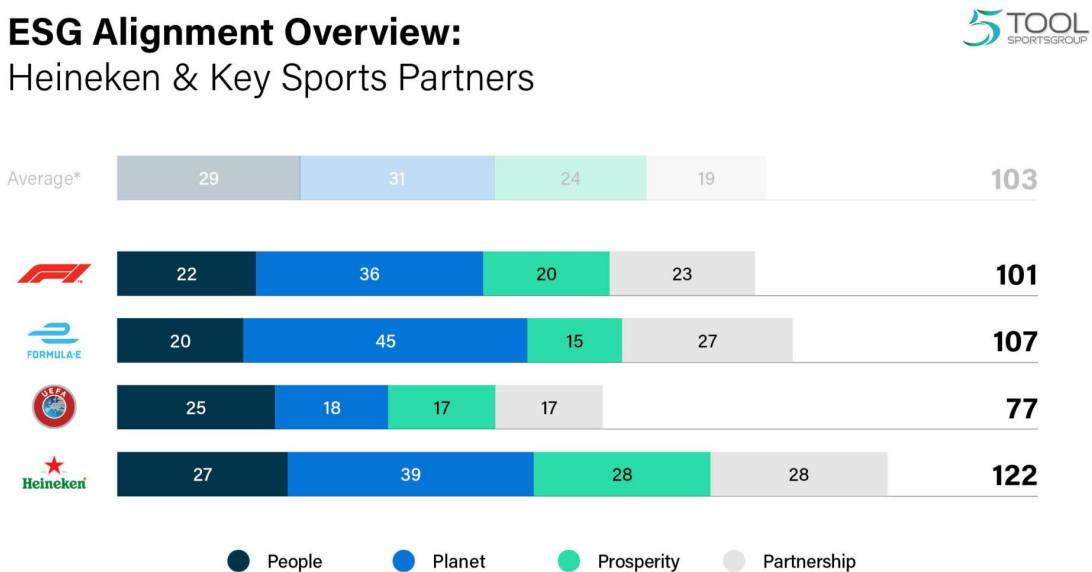
This scoring framework identified by 5T Sports Group³ works as an agile triage tool to assess potential pairings. This scouting report aims at identifying strengths and weaknesses of potential partners, analyzing companies through an ESG⁴ perspective, hence the division into four balanced categories: People (accounting for 25%), Planet (30%), Prosperity (25%), and Partnerships (20%). Each category is valued through an analysis of impact levers which

³ 5T Sports Group in a sports sustainability consultancy agency based in Vancouver, Canada.

⁴ Environmental, Social and Governance metrics are taken into account here.

encompass scores based on Actions, Verification and Collaboration. The maximum score for each lever is ten, with scores close to that value labelled as positive. An overall score of 100 shows an acceptable performance, with values over 120 characterizing strong ESG-driven brands. To explain better how the Sports Partner Score Card works, the Dutch beer producer Heineken is here exposed, given its widespread presence in sports such as Uefa (Football), Formula 1 and Formula E, in this example. A first look into overall ESG alignment between Heineken and these sports is illustrated in [Figure 2](#).

[Figure 2](#) - Overall ESG alignment between Heineken and its Key Sports Partners.



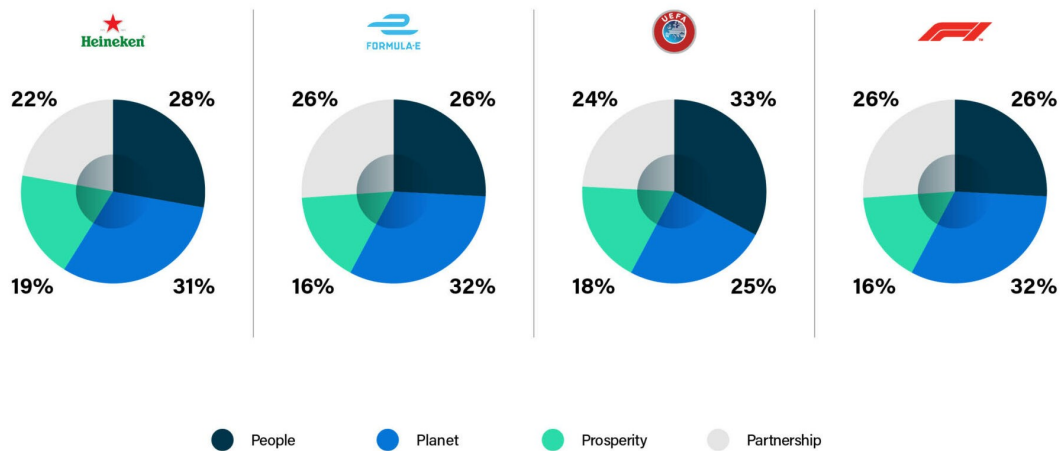
Source: Long, 2022.

What catches our attention in the figure above is the great alignment between Heineken and Formula 1's and Formula E's Planet scores, who have been consistently publishing sustainability reports for the past few years. On the other hand, Uefa puts greater effort towards anti-racism campaigns, for example, hence a greater score in People's commitment. These differences are logical given the fact that Football is a human-centric sport, while Formula 1 and Formula E have a greater impact on the planet, hence the efforts to reduce emissions at the minimum⁵. A greater comparison concerning priorities and focus of each entity is shown in [Figure 3](#).

⁵ Formula 1 aims to be Net-Zero by 2030. A new sustainable fuel will be adopted after 2025's change in regulations. Formula E, on the other hand, has always been an environment-centric sport.

Figure 3 - Priorities and Focus comparison between entities involved in the analysis.

Priority and Focus



Source: Long, 2022.

Deeper analysis regarding driving levers, transparency and shared priorities are later conducted, highlighting how each partner can help the other gaining a sustainable competitive advantage in a specific field, reaching its future goals in this way. With such detailed information in the hands of sponsor managers, powerful linkages can be developed, exploiting the sponsorship potential at its best.

When choosing an athlete to sponsor, rather than a team, a useful insight into Formula 1 drivers' personal brand is explained in the annual 'The 50 Most Marketable Athletes' report, published by Sports Pro (2022) in collaboration with NorthStar Solutions, an American coaching and consulting business agency. Among the Top-50, we can find 5 F1 drivers, with Lewis Hamilton standing third after Cristiano Ronaldo and Serena Williams. Three other drivers are included in the Top-100. The classification is drawn up considering scores concerning Brand Strength (out of 20), Audience and Reach (out of 50), and finally Economics (out of 30). The overall Marketability Score takes into account these three variables, determining the final classification. Parameters like competitive performance, profile risk, nationality, followers engagement and consumers perception all contribute to the final score, assessing the importance of a specific area over the others. Lewis Hamilton, for example, is the highest F1 driver on the classification and he is also the only one who presents

a Brand Strength score of 20 out of 20, addressing how valuable and solid his personal brand is perceived by his partners. The detailed evaluation shows sponsors which athlete could perform better as brand ambassador, thus maximizing both parties' outcomes. The rise in popularity of Formula 1 among other sports is backed by this research as the only non-Formula motorsport athlete we encounter in this classification is Kyle Larson, a NASCAR and IndyCar driver, standing 100th. A name who was surprisingly left out of the Top-100 is Lando Norris, who has a huge following among the Gen-Z but seems to be perceived as 'childish' by sponsors, who prefer a more mature approach like the ones of Charles Leclerc, standing 25th, or George Russell, standing 35th (Cowan-Brown, 2022). These behavioral considerations and audience perceptions are to be taken into account before the signing of an endorsement agreement, ensuring the choice of the best possible partner for the sponsoring brand.

- How much and for how long does the firm plan to invest?

This is an obvious question that shows how committed the company is. An economic analysis of the resources available to invest is mandatory, given the big amounts of money that run in the industry, especially in Formula 1. To ensure the best outcome for both parties, a long term commitment is what drives best results in the end. A long term vision to sports sponsorships seems to be the most efficient way to carry on this kind of investment.

- What does the firm want to achieve with this sponsorship?

Defining what the company wants to achieve with such investment redirects the firm again towards who can help it best to reach this result. Is its target brand exposure? Does it want to increase its brand awareness worldwide? This, for instance, was the ultimate purpose of the Ferrari Trento x Formula 1 partnership, deeply explained in Chapter 3. By partnering up with a global sport like Formula 1, Ferrari Trento elevated its name worldwide, competing with the most prestigious Champagne's names in the wine industry. Sales in foreign markets grew massively, reaching a +100% year-to-year in some countries too. All their activation operations were performed in order to reach such result, strengthening and increasing their brand awareness to a new worldwide audience. A subsequent partnership with Alfa Romeo followed, broadening Ferrari Trento's presence in Formula 1 not only in F1's own hospitality

and in the paddock club, but also in Alfa Romeo's garage, who gets Ferrari Trento access to exclusive experiences for their guests, strengthening even more their brand exposure.

- How is the firm going to contribute?

This last question leads the firm to define which category of sponsor it wants to be. Is it going to contribute in cash or in kind? Is it going to help the team with its knowledge and services or is it placing financial contributions on the table? Taking into account the analysis of Cobbs, Jensen and Tyler (2017) on sponsorships' resources, the authors identify three main categories of sponsors' contribution: performance-based sponsorships, financial sponsorships, and operational sponsorships.

The study mentioned above is based on the Resource-Based View, a managerial framework used to underline which strategic resources a firm can exploit to achieve sustainable competitive advantage in the market. Given that F1 teams' pool of resources are sponsors' contributions, an analysis on which kind of sponsors contribute the most to teams' success is necessary when establishing new relationships. Cobbs, Jensen and Tyler (2017) focus on how different types of contribution have a diverse impact on teams' survival rate over the years.

The first category taken into account are the performance-based sponsorships, defined as a high industry relatedness between sponsorship partners. The complementarity of available resources directly relates to competitive performance. Examples of this first kind of sponsors are automobile component manufactures, like Brembo or Dallara, but also other high tech engineering suppliers aimed at improving the performance on track. Sponsor product relevance is one key to high-fit sponsorships (Olson, Thjømøe, 2011). We expect this kind of contribution to be relevant to team performance over time but, given the cumulative knowledge curve, over time the importance of performance-based sponsorships diminishes as the team accumulates own understanding.

The second kind of sponsor category is given by Financial Sponsorships. Monetary resources are the most versatile form of contribution and they are essential to the survival of a Formula 1 team. In this context, financial sponsors are not only funds and bank, as its the case of Goldman Sachs with McLaren or Santander with Scuderia Ferrari, but also players who are by no means related to competitive performance or business operations, like Coca Cola

(McLaren), Red Bull (Red Bull Racing) or APM Monaco (Scuderia Ferrari). By providing the team with financial wealth, monetary resources can be allocated as needed by teams' managers, therefore resulting in a high flexibility. On the other hand, financial resources on their own wouldn't be able to sustain a long-term competitive advantage, although they happen to be much more relevant in the earlier stage of a team's existence.

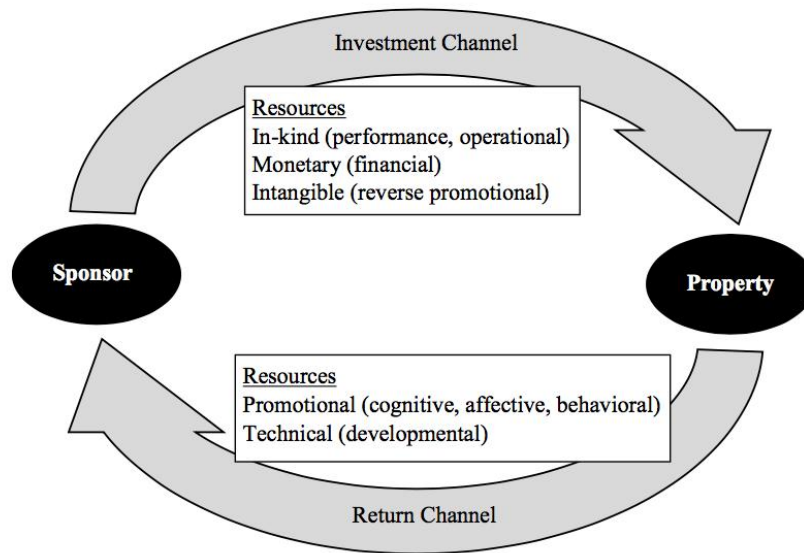
The last category analyzed by the authors are Operational Sponsorships, which encompass all those resources that contribute to the ongoing operation of an organization. They are not monetary resources and they neither contribute to increase track performance. This category is characterized by the commodity goods and services necessary for the continued functioning of a team and instrumental to accessing further resources (Brush et al., 2001). Operational sponsors include logistics partners, like Ceva Logistics for Scuderia Ferrari, human resources partners, such as Randstad for Scuderia AlphaTauri, or office supplies sponsors, like Epson for Mercedes. These resources are quite easily accessible and do not offer an important competitive advantage like performance-base sponsors, lacking the flexibility and liquidity of financial resources too. Operational sponsors, therefore, seem to be the least influential kind of sponsorship.

In the model analyzed by Cobbs, Jensen and Tyler (2017), a managerial constraint is introduced. As managing an increasing level of sponsorships requires an increasing level of attention by sponsorships managers, the number of sponsorships management is subject to diminishing returns. Having analyzed over 4 decades of corporate partnerships in Formula 1, the authors findings suggest that sponsorships based on operational resources should receive the lower priority, while empirical evidence suggests that younger teams should seek more performance-related sponsors and older, more established teams should focus on financial partners. "Sponsorship may be the most popular inter-organizational exchange mechanism in sports, but the resources available through sponsoring firms are heterogeneous in their utility" (Cobbs, Jensen, Tyler, 2017, p. 107), therefore creating the need to account for such disparity when developing a sponsorship strategy sustainable in the long run.

Another research by Cobbs, Jensen and Tyler (2022) shows that while the Formula 1's constructors standings is mostly explained by sport-specific details, performance-based sponsorship can indeed help a team reaching a significant competitive advantage. Conversely, financial and operational sponsors do not impact competitive performance over time. These

findings underline how a different strategic priority must be given when dealing with performance-based sponsors in the acquisition process on the part of the team, while also adding to the negotiating platform for sponsors able to provide performance-based resources. A conceptual Sponsorship Performance Cycle (see [Figure 4](#)) is suggested by the authors.

[Figure 4](#) - Sponsorship performance cycle suggested in Cobbs, Jensen and Tyler’s research.



Source: Cobbs, Jensen, Tyler, 2022.

In the picture above it is shown how different contributions made by the sponsoring firm - represented by the investment channel - help the sponsored entity. If these resources are not available to competitors (i.e. rare) and meet a competitive need (i.e. valuable), they might enhance the team’s performance (Cobbs, Jensen, Tyler, 2022). These resources can help the sponsored party reaching a competitive advantage that in turns gives the sponsoring firm a wider audience, increasing the brand exposure, promotional affiliation and so on. This is shown in the picture as the return channel, which should be of a higher value for the sponsor compared to the amount invested earlier. The challenge sponsor managers face is that while the investment channel is often represented by quantitative variables (i.e. money, number of technical equipment supplied whose value is easily quantifiable), the return channel is usually made up of qualitative variables, not easy to confront with numbers. Brand awareness is tricky to measure as it is difficult to translate into a proper value. While this study proves the existence of a Sponsorship Performance Cycle in Formula 1 for performance-based sponsors,

it is yet to be proven that this model can be applied for any sport. However, given the importance of sponsorships in motorsport - which accounted for \$5.75 billion in 2017 and are expected to grow at a compounded annual rate of 10% between 2020 and 2025 (Market Data Forecast, 2020) - it is safe to say motorsport represents a broad portion of general sports sponsorships.

Having established what kind of sponsor a firm can be, what it wants to achieve through sports sponsorships and what kind of resources a team needs, it is now time to take action. Successful partnerships are those which are carried out by brands who share mutual interests and a close relationship, not just economic value.

1.5.2 Building relationships

In the 'Beyond Victory' podcast presented by 2016 F1-Champion Nico Rosberg, the former CEO of Hugo Boss, Mark Langer, gives a speech on the importance of sports sponsorships (more on the over 30-year partnership between Hugo Boss and McLaren in Chapter 2, Paragraph 2.3.1), with a focus on relationships. He states that:

“partnerships shouldn't be ruled by contracts or compensations, they should be something authentic. People now have a feeling when a brand and a brand ambassador have a true fit to each other or not, it's much more than putting a logo onto someone and wait. If there's the right level of engagement, financial success will follow. Whenever there's a competition, we experiment peaks of engagement on our social medias. We want our partners to feel comfortable in the association, they shouldn't be seen as walking billboards, they should feel authentic in our clothes. It's not about increasing revenues in the short term, it's about creating a long-term partnership” (Langer, 2020).

What can be understood from his words is that engagement, the ultimate engine of a brand's success, is closely linked not just with fans but also with parties involved in a sponsorship, namely the team or the athlete and the brand itself. A successful sponsorship deserves the same attention of marriage needs to work out well over time. A marriage is a meeting of shared values by the spouses, they share common beliefs but they also lack something the other person has. By getting married, over time they learn how to better themselves thanks to these differences. However, as this does not happen in a short period of time, the spouses need to have a long and healthy marriage and that requires a deep level of commitment and mutual understanding of each other's feelings. What happens in

sponsorships is exactly the same, the relationship has to be nurtured over time in order for the ‘marriage’ to succeed. A similar understanding is exposed by Hoffman (2005), which analyses alliances with a managerial perspective. On this note, sponsorships, and more specifically partnerships, could be compared to managerial alliances between two or more firms. Managing a portfolio of alliances in a good way is crucial for the firm competitiveness and financial performance. Hoffman (2005, p. 121) calls for companies to “develop companywide standards” for the correct management of a multi-alliance portfolio. Hughes and Weiss (2007) focus instead on the principles that are able to improve an alliance success rate. They find five core activities that help an alliance’s growth:

1. Focus less on defining the business plan and more on how you and your partner will work together - sharing working methods and establishing common guidelines smooths the process;
2. Develop metrics pegged not only to alliance goals but also to performance in walking toward them - continuous check-ups and mid-path indicators are useful as they can identify problems making their resolution more cost-effective for the management, if they are spot on time;
3. Instead of trying to eliminate differences, leverage them to create value - as mentioned before, seeking a partner who excels in activities where the other firm is weak - and vice versa, improves learning curves for both parties. Cultural differences are taken into account too;
4. Go beyond formal systems and structures to enable and encourage collaborative behaviour - working together means actively collaborate with a partner to ensure the best outcome for both, parties are not competitors;
5. Be as diligent in managing your internal stakeholders as you are in managing the relationship with your partner - analyzing internal members’ behaviors is essential to avoid misunderstandings that might undermine the alliance.

In particular relevance to this topic, Bettina Cornwell is one of the industry researchers who calls for less ‘sponsorship as advertising’ and more sponsorship-linked marketing as authentic engagement. In her 2019 research, she proposes and discusses a “sponsorship

engagement model based on authenticity” (Cornwell, 2019, p.49). Cornwell thinks that sponsorship-linked marketing is more effective as it exploits fans’ passion for the sport as a mean of fostering true engagement with a brand. While traditional advertising is a passive form of marketing, sponsorships are able to catch individuals’ feelings thanks to the association with something they love: in this case, Formula 1. Customer engagement has been defined as “motivational, brand-related and context-dependent state of mind characterized by specific levels of cognitive, emotional, and behavioral activity in direct brand interactions” (Hollebeek, 2011, p. 790). Engaged customers might be more prone to think about a specific brand, feel pride when talking about it, and exhibit supporting behavioral interactions. In the sports sponsorships context, this emotional bond constituted by engagement can be exploited by both the sponsor and the sponsee. In fact, synergies might arise and these are often sought by marketing managers.

Engagement in sponsorships can be analyzed at different levels, the ones exposed in the research by Cornwell are:

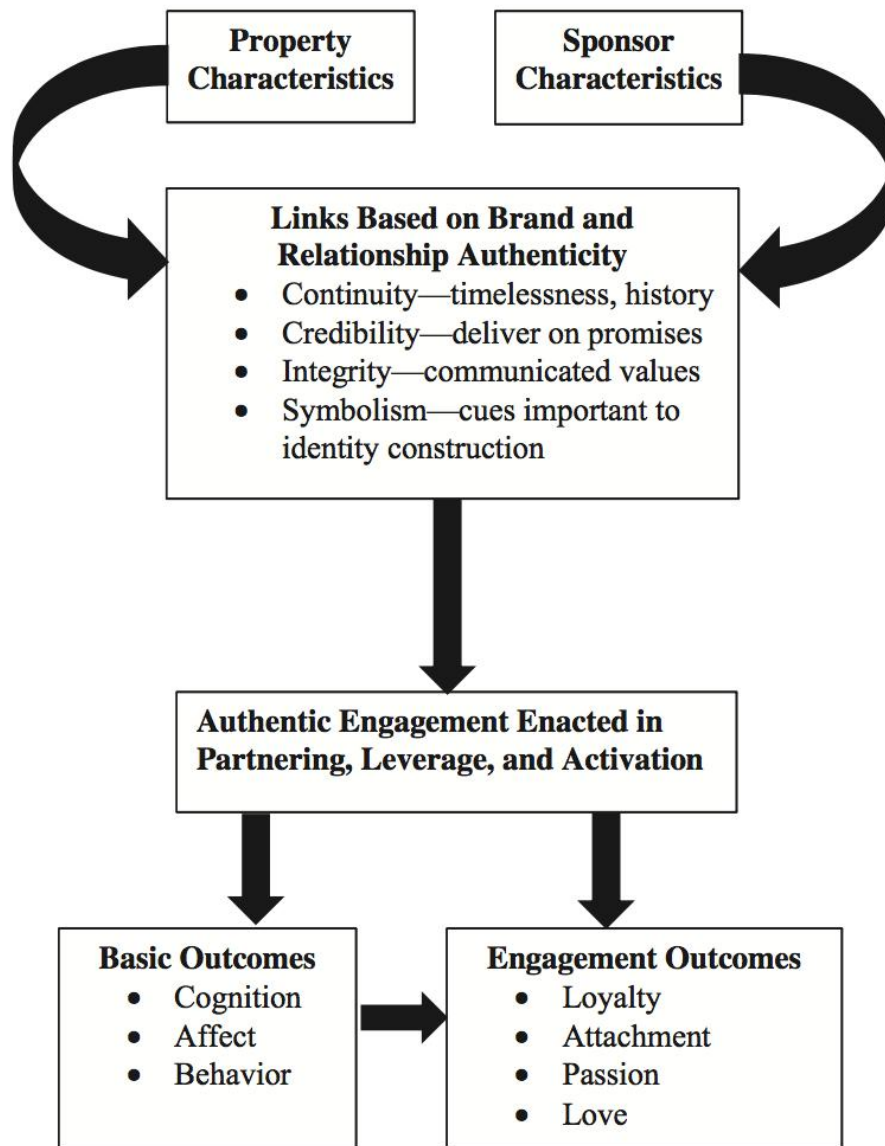
- transactional (direct) vs. non-transactional (indirect) engagement: an example of direct engagement might be buying a ticket for a sport event, while writing a review for that same event is considered a form of non-transactional engagement;
- customer-initiated vs. other initiation engagement: the engagement activity can be initiated by the customer or through a series of actions undertaken by the brand, the team, the sport, etc.;
- planned vs. unintended/unexpected engagement: planned engagement is the result of a marketing campaign aimed at increasing engagement among a specific audience, while unexpected engagement results from events like the win of an underdog (i.e. when Kevin Magnussen put his Haas on Pole Position in the 2022 Brazilian Formula 1 Grand Prix, the Haas socials experienced an unexpected increase of interactions on its social media accounts). It has to be noted that unintended engagement can also result from the backfiring of a marketing campaign, dedication attention has to be given to the topic;
- facilitating contributors vs. detracting contributors to engagement: events surrounding engagement might impact positively or negatively fan engagement. While the win of someone’s favorite driver might impact positively the fan experience at a specific event, a

context in which social protests arise is not favorable to fan engagement, i.e. the 2022 Saudi Arabian Grand Prix that took place under bombs dropped by Yemen over the Aramco oil facility. Several drivers and fans questioned the feasibility of running the Grand Prix in such negative and dangerous context;

- online vs. offline engagement: while new technology trends tend to give fans a seamless engagement experience, it is safe to diversify the two as people attending a Grand Prix experience on-site engagement, while people at home are able to interact and to live the experience thanks to social media and other similar platforms. The result tends to be stronger when facing on-site engagement.

The framework for authentic engagement (see [Figure 5](#)) proposed by Cornwell (2019) underlines the outcomes of authenticity generated by partnerships based on brand and relationship genuineness, which result into a higher satisfaction and emotional bonding. Given the nature of sponsorship relationships, the potential outcomes are available to exploit for both the sponsor and the sponsee, thus generating additional value for both.

Figure 5 - Sponsorship engagement based on brand and relationship authenticity.



Source: Cornwell, 2022.

The characteristics of potential partners, with their brand authenticity among those, naturally influence the sponsorship journey and, over time, the identification and development of the so-called ‘links’ (i.e. points of conceptual attachment between the sponsor and the sponsee) are able to generate authentic engagement outcomes thanks to the leveraging and the activation operations that follow the partnership deal. Among the engagement outcomes mentioned in the figure above, the word ‘love’ stands out. While passion, attachment and loyalty are metrics often talked about in marketing, love seems to underline an even stronger

bond between a brand and its customers. According to Batra, Ahuvia, and Bagozzi (2012), love for a brand is characterized by seven different elements:

1. passion driven behaviors reflecting strong desire to use it, to invest resources into it, and a history of having done so;
2. self-brand integration, including a brand's ability to express consumers' actual and desired identities, its ability to connect to life's deeper meanings and provide intrinsic rewards, and frequent thoughts about it;
3. positive emotional connection that is broader than just positive feelings, including a sense of positive attachment and having an intuitive feeling of 'lightness';
4. anticipated separation distress if the brand were to go away;
5. long-term relationship, which includes predicting extensive future use and a long-term commitment to it;
6. positive attitude valence; and
7. attitudes held with high certainty and confidence.

All the elements above suggest the love for a brand is a strong mean of transforming engaged customers into passionate brand ambassadors for the brand they love, reinforcing even more the connection between the two. In general, sports sponsorship - and in particular motorsport sponsorships - are able to deliver not only basic outcomes like cognitions, affect, and behaviors (i.e. awareness, recall, purchase, and image change) but also deeper, more meaningful and long-lasting powerful engagement behavioral outcomes which come from authentic engagement links.

1.5.3 Measuring the ROI

After having established which kinds of sponsors a team needs and how relationships with them are to be developed, it is time to measure the effective return on the investment of the sponsorship deal. The ROI can be defined as "the metric that measures the performance or the benefit of an expenditure" (Striler, 2016, p. 63). While sponsorship managers are divided in two factions, one that argues ROI represents a incomplete but still valid metric to measure

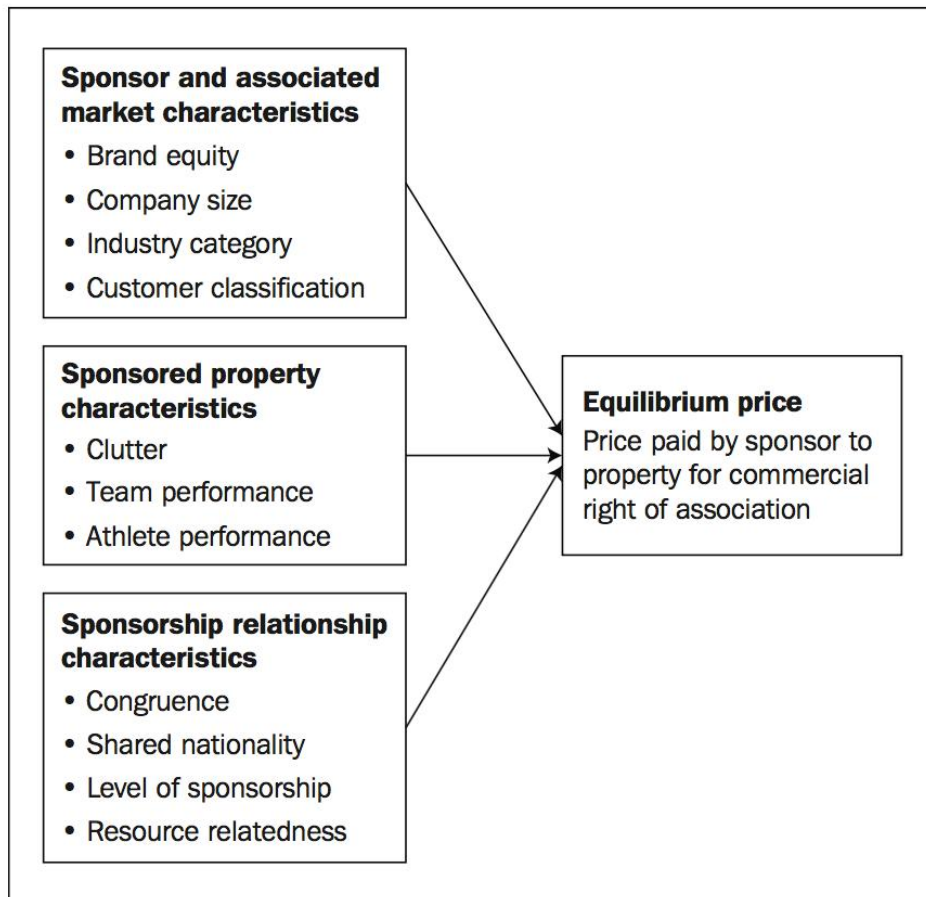
the effectiveness of a sponsorship, and another that refuses the adoption of such strict quantitative metric to analyse qualitative variables like feelings and perceptions, Striler thinks that when taking a decision regarding a sports sponsorship, 50% is potentially explained by numbers while the other half is down to “a gut feeling that you either have or not” (Striler, 2016, p. 64). Sometimes the success of a partnership is pretty evident and self-explanatory, and despite low results on paper, there is greater potential that cannot be explained by numbers.

Qualitative returns like an increase in brand awareness and brand exposure, or customer engagement are the main reasons that lead managers to invest in sports sponsorships. These variables are often not easy to quantify with numbers, that is why relying on balance sheets’ data to evaluate a sponsorship deal might be misleading. As a non-traditional marketing approach⁶, sponsorships do not have established metrics which enable comparisons across different projects and an efficiency measurement. Endorsements, event marketing and sponsorships incorporate emotional variables in their outcomes and therefore are difficult to measure. How do we quantify a fan’s passion for his favorite team? How intense is that feeling? Can we control fans emotions during a specific event? All these questions are impossible to answer with specific numbers. Jensen and Cobbs (2014) analyzed if it is possible to predict the Return on Investment in Sports Sponsorships. Conducting a research with a focus on Formula 1, the authors find that televised brand exposure is one metric utilized by corporate sponsors to determine the return achieved. However, televised brand exposure is correlated to track performance and the team’s longevity, i.e. in the 2020 Formula 1 Championship, Scuderia Ferrari faced its toughest season in years. Despite bad track results, it still was one of the most talked about teams on tv, and its screen time did not diminished much from previous, more successful years, given its history and longevity in the sport. A higher brand exposure, and therefore a higher televised screen-time, is higher for successful teams, resulting in a higher ROI for their sponsors. Successful teams however, require a higher premium price given the exposure they offer. In another research by Jensen et al. (2021), price premiums in international sponsorship exchange are analyzed. Taking into

⁶ A traditional marketing approach example could be print or broadcast advertising. As traditional advertising has established metrics to measure efficiency, it is easy to quantify the actual ROI of these projects and compare them to one another. Sponsorships on the other hand, incorporate qualitative variables like people’s feelings and passion which are difficult to measure with numbers.

account multiple years of prices paid for sponsorships in Formula 1⁷, the authors found that the sponsoring company’s brand equity and shared nationality with the sponsored team predicted price premiums, suggesting agency conflicts among advertisers. The conceptual model for the influence of sponsorship characteristics on equilibrium price is shown below (see [Figure 6](#)).

Figure 6 - Conceptual Model for the Influence of Sponsorship Characteristics on Equilibrium Price suggested by Jensen.



Source: Jensen et al., 2021.

An equation that took into account all variables exposed in the left side of the figure above was developed. Results showed that annual sponsorship prices ranged from a low of \$100,000 to more than \$110 million, with an average price of \$5.28 million for a single F1 team sponsorship. Variables like brand equity, shared nationality, and the level of sponsorship

⁷ Given the extremely high amount of money the car-development and the logistics of Formula 1 require, sponsorship pricing is a particularly important topic.

were fundamental determinants of sponsorship price premiums when controlled for team performance and driver quality, as well as the sponsors' company size, its B2B status, the industry in which it operates, the kind of resources provided, and the overall economic conditions. Even if all these variables influence the price premium with an heterogeneous intensity, it has been found that the sponsoring company's brand equity and the shared nationality with the sponsored team are the two factors that impact the most price premium. Respectively, brand equity results in a \$14.6 million price premium for each sponsorship, while shared nationality accounts for an increase of \$4.1 million. This analysis is useful for the understanding of the importance of price negotiations, as a fair price is essential to ensure both parties' interests are aligned and that they both maximize their outcomes. In the previous analysis by Jensen and Cobbs (2014), the authors argue that the low ROIs accounted by companies are the results of either overpaid sponsorship prices (i.e. explaining the importance of price premiums in the overall ROI evaluation) or firms are realizing returns that go beyond mere televised brand exposure - which is very likely given nowadays trends. Sponsorship fees' prices however do not fully reflect the total price paid by sponsors as they often commit additional investments to activating or promoting this association through mass media, events and targeted channels (Dees, 2011). A complete evaluation of a sports sponsorship's ROI is unlikely to be truthful given numbers explain only a small amount of the total benefits, mostly intangible, gained by firms.

1.6 Conclusions

In this chapter we have seen how sports sponsorships work, from the funnel of choosing the right sponsor - or who to sponsor, considering the team or the company's point of views, up to the challenging measurement of the return on investment. While authors argue that part of the ROI can be explained by price premiums, industry professionals do not rely solely on numbers whereas quantitative metrics can only explain one side of the true return of a sports sponsorship, which also comprises several qualitative aspects.

In the next chapter, a brief history of sponsorships in Formula 1 will be exposed, delivering several examples of how the theory explained so far has been applied throughout over 50 years of sponsorships in the sport, which heavily relies on sponsorships for surviving.

Chapter 2

2. Sponsorships in Formula 1

2.1 Introduction

In this chapter we will deep dive into sponsorships in Formula 1, introducing a little bit the world of motorsport. Beginning with a brief introduction about what is Formula 1 and why it is so exclusive and so relevant, we will be able to understand how a worldwide platform like Formula 1 could be a powerful tool for firms who want to promote their brand. An historical and modern representation of sponsorships in Formula 1 is given, considering also actual trends in the sports industry.

Sometimes sponsors are the reason a team can survive, being costs of operating in Formula 1 very high. Sponsors can induce teams to sign a certain driver over one another, purely for financial reasons. That is the case of pay drivers, the modern evolution of gentleman drivers.

Obviously, being Formula 1 the most expensive sport in the world, where money are the fuel of this engine, we cannot not talk about how the luxury world collides with F1, again, a platform for luxury brands to enter the world of racing without engaging into sponsorships far from their values and vision.

2.2 A brief introduction to Formula 1

Formula 1 is defined as ‘the pinnacle of motorsport’, being the highest class of international racing for open-wheel single-seater formula racing cars (Anon., 2022).

Formula 1, also referred to as Formula One or F1, is the top class category in the formulae championships. All formula cars must conform to a “set of rules” defined by the

governing body - the FIA (*Fédération Internationale de l'Automobile*⁸) - hence the use of the term 'formula'. The number 1, instead, refers to the 'grade 1' (previously accounted with the letter A), the highest grade for FIA race tracks, but could also be for F1 being the highest category in the formulae championships, made up of:

- World Championships, like Formula 1 and the latest new entry, Formula E;
- International Championships, such as Formula 2 and Formula 3;
- Regional Championships, like FRECA (Formula Regional European Championship by Alpine), Euro Formula, or the Asian F3;
- National Formulae 4 (ADAC Formula 4, Italian Formula 4, British Formula 4 and so on); and
- other formula series, like the American IndyCar, the Japanese Super Formula or the W Series.

Out of all these categories, from Formula 2 and below, they are all considered to be 'feeder *formulae*', leaving only Formula 1 and Formula E (recognized as World Championship by the FIA only in 2021) on top of the career ladder (Anon., (c) 2022).

Formula 1 is therefore the highest and most technological series in motorsport, blending "high tech and high glamour" (FIA, 2022), dating back to its inauguration in 1950, when the first World Championship for Drivers was born. Before 1950, the FIA approved a set of regulations in 1946 and the first non-championship Grand Prix was held in Turin in September of that year. The following year, in 1947, the first recognized Formula 1 season was held even though the Drivers' Championship only started in 1950.

⁸ The *Fédération Internationale de l'Automobile*, known as FIA, was founded in Paris in 1904. The initial aim was to "bring coherent governance and safety to motorsport" (FIA, 2022). Its most prominent role is to license and sanction several championships, Formula 1 among those. Its headquarters are in Place de la Concorde 8, Paris, but there are offices in Geneva (Switzerland) and Valleiry (France) too. The FIA also promotes road safety around the world. The current president is Mohammed bin Sulayem, former rally driver (ANON., (b) 2022).

2.2.1 Technology and innovation in Formula 1 beyond the racing world

Formula 1 is not all about racing, the technological and engineering side behind a Formula 1 car served also as testing field for many aerodynamic and mechanical innovations, firstly tested on F1 cars and then introduced in the automotive industry over the years. Enzo Ferrari, when Scuderia Ferrari was criticized for not generating positive results, used to say that the *Scuderia* is the R&D department of Ferrari Automotive (Turrini, 2002), therefore, even if it did not produce positive economic results, it was still worth the effort. For instance, nowadays active suspensions are a common specification in road vehicles but not many know that they were first introduced on Nigel Mansell's 1992 Williams (Anon., (d) 2022). The introduction of this technology helped Mansell dominating the 1992 F1 Championship with active suspension being later introduced in the mass production world. Other important innovations were paddle shifters, introduced by Ferrari, and the use of carbon fiber in the production of chassis firstly studied by McLaren in 1980s.

Innovations in Formula 1 do not only rely on automotive technologies but permeate even further in everyday world. Think about the Cardiff Hospital, who collaborated with Williams Advanced Engineering to study Williams' pit stop strategy to help them laying out its staff and instruments in operation theaters but also how doctors and nurses communicate with one another in an under-pressure environment. The collaboration between Williams and the Cardiff Hospital got on well and produced positive publicity, leading to several other UK hospitals asking Williams to study and implement these measures. Claire Williams, former Team Principal of Williams Racing, in an interview with 2016 F1 World Champion Nico Rosberg, commented the collaboration with the Cardiff Hospital saying: "if in F1 we can use the knowledge that we have, the skills or the technology to do something good in the wider world, then that's a great thing and I love the fact that we at Williams can play our part in that kind of stuff" (Williams, 2019). Williams Advanced Engineering was also approached by a company producing baby pods (see [Figure 7](#)) for premature babies, born with difficulties, that need to be transported into special incubators. Williams engineers helped the company coming up with a technology that reminds the one used to build the chassis of F1 cars (WAE, 2020).

Figure 7 - Williams Advanced Engineering's Baby Pod.



Source: wae.com

During the first wave of the COVID-19 pandemic, McLaren and Ferrari used their factories to produce ventilators for hospitals, also helping them to understand and analyze data with software and sensors that remind the ones used in Formula 1 (Masterson, 2020).

Formula 1 technology is not helpful just in the medical sector, in fact Sainsbury's - the big British supermarket chain - uses an energy-saving technology co-designed with Williams to improve the efficiency of its store fridges. "Initially created to divert air over and around race cars to allow them to maximize performance in store, it helps prevent cold air from leaving the cabinet, directing it back into the fridge" Sainsbury's commented. The supermarket group fitted over 400.000 Aerofoils to its fridges since 2017, decreasing the energy use by 15% which translated into saving almost 9.000 tonnes of carbon a year (Masterson, 2020).

All these examples make it clear to say Formula 1 is not just a fancy sport but it involves the best technologies, innovations, materials and the most skilled people in the racing, engineering, mechanical, economics, marketing, and communications departments. There is no other sport that can compete with all these fields at such a high level and the 'gold *aura*' fluctuating around the Formula 1 name is justified. The best drivers, the best cars with the best technology, racing in the most special circuits around the world with lots of VIPs attending races, can only offer the best platform for firms to promote their brand in the highest and most expensive sport to ever exist.

2.2.2 Gentleman drivers and pay drivers

Formula 1 changed a lot over its different eras but has always been a synonym of speed, excitement, and money. Formula 1 was born as a sport for rich people, there a lot of costs teams sustain to race in such a high and expensive category. In the past, the figure of the ‘gentleman driver’ emerged. These people were sons of aristocrats, coming from wealthy families who did not have problem paying huge amounts to race alongside the best professional drivers. Gentleman drivers raced for the pure joy of doing so and the passion for motor racing caught the heart of many rich heirs. Two important names to mention are Maria Teresa De Filippis, the first woman to be able to qualify in Formula 1, daughter of an Italian Count; and Wolfgang Von Trips, heir of a noble Prussian family. Von Trips was the very first gentleman driver to seriously compete for a World Championship title in 1961. Growing up in the family castle which happened to be near the *Nürburgring*, Von Trips drove for Porsche and Mercedes before stepping into a Ferrari in Formula 1, with the goodwill of Enzo Ferrari himself. In 1961, Von Trips was tightly engaged in the title fight alongside his teammate Phil Hill, with Von Trips leading the championship before he was killed in an horrendous crash in Monza. His Ferrari flew over the fence, killing 15 people who were nearby. Following his crash, his friends built a go-kart race track in his family’s land in Kerpen, Germany, and named it in his honor. Although Von Trips never won a championship, his legacy still lives in Formula 1. It was in the Kerpen Circuit that Michael Schumacher, a 7-time World Champion, first put himself in a go-kart as his parents were the circuit keepers. Years later, a young Sebastian Vettel, future 4-time World Champion with Red Bull Racing, made his debut at the Kerpen Circuit too (Tennant, 2022).

Over the years, gentleman drivers transitioned into modern-day ‘pay drivers’, people whose sponsors pay the team in order to get them a seat. Pay drivers bring millions into team cash desks and their money are often necessary to save smaller teams from bankruptcy. According to the definition of pay driver provided online (Anon., (e) 2022), a pay driver is “a driver for a professional auto racing team who, instead of being paid by the owner of their car, drives for free and brings with them either personal sponsorship or personal or family funding to finance the team’s operations. This may be done to gain on-track experience or to live the lifestyle of a driver in a particular series when one’s talent or credentials do not merit a paying ride”. In this case, the salary of the driver is usually paid by sponsors and included in the

sponsorship agreement. To sustain the more and more increasing costs of racing in Formula 1, teams have often relied on pay drivers even more in the last decade, especially smaller team who prefer a mediocre driver with a solid financial background over a feeder series champion with no budget. Therefore, talent is no more the main reason to get an F1 seat, as money are a necessity over a plus. To name a few pay drivers in the current 2022 F1 season, the names of Canadians Lance Stroll and Nicholas Latifi come to mind.

Lance Stroll, driving for Aston Martin Aramco Cognizant F1 Team, is the son of billionaire Lawrence Stroll, Canadian entrepreneur who supported his son during his whole racing career. Lawrence saved Force India from bankruptcy in 2018, taking over the team from Indian entrepreneur Vijay Mallya for £90 million and taking charge of £15 million debts (Spinello, 2020). Over the years, Stroll restructured the team, changing the name from Racing Point in 2019-2020 to Aston Martin Cognizant F1 Team in 2021, after purchasing Aston Martin shares in late 2020 (Micheli, 2020). It is interesting how the choice of ‘Racing Point’ as the name of the team affects the relevance of title sponsors. In 2019 Racing Point title sponsor was SportPesa, being ‘SportPesa Racing Point’ the full name. As most teams have the word ‘racing’ in the name of the team, think about Red Bull Racing or Williams Racing, having ‘Racing Point’ as team name, elevates the role of the title sponsor in people’s minds. In 2019, being the team named SportPesa Racing Point, the name and the logo displayed ‘SportPesa Racing’, making the name of the *Scuderia* disappeared and increasing the relevance of the title sponsor (see [Figure 8](#)). In 2020 Racing Point new title sponsor was BWT, an Austrian water technology company with a huge presence in motorsport sponsorships with its full-on pink liveries. Again, being the ‘Point’ in ‘Racing Point’ stylized, the logo increases the relevance of the sponsor as it could be displayed just as ‘BWT Racing’⁹ (see [Figure 9](#)).

⁹ It is easy to recognize how the BWT logo and name stands out in the 2020 title sponsorship with Racing Point compared to the current 2022 title sponsorship with Alpine, being Alpine’s full name BWT Alpine F1 Team.

Figure 8 - SportPesa Racing Point logo in 2019.



Source: SportPesa Racing Point on Twitter.

Figure 9 - BWT Racing Point logo in 2020.



Source: BWT Racing Point on Twitter.

Without Stroll's financial help, Force India's legacy - which started as Jordan in 1991 - would have disappeared from F1, not to mention also how many people that work behind the scenes would have lost their job. Moreover, as Stroll bought Aston Martin shares, he made possible the return of the famous 007 car brand in Formula 1, displaying an historic 'British Racing Green' livery. Previously, Aston Martin had sponsored Red Bull, showing its logo on the rear wing of the Austrian energy-drink team. Red Bull and Aston Martin however, parted ways after Stroll's acquisition in 2020. Although Aston Martin performances on track didn't impress lately, Lawrence Stroll has great plans for his team. He has set the target of winning the championship in three to five years, building also a new high-tech facility¹⁰ near

¹⁰ The new Aston Martin F1 factory will provide over 400.000 square feet of floor space, a new wind tunnel and a new simulator.

Silverstone and investing around £200 million in this project (Formula 1, 2021), increasing the workforce from around 550 people up to 800 (Formula 1, (b) 2021).

On the other hand, Nicholas Latifi, fellow Canadian, has been driving for Williams Racing since his debut in 2020, bringing in £30 million per year to race with the Grove-based team even if his father, Canadian billionaire Michael Latifi, owns McLaren shares, bought for £203 million in 2018 (De Geus, 2018), when Nicholas was still racing in Formula 2. At the time, both Michael Latifi and McLaren Group made clear that the deal would not influence Nicholas's racing career and the shares were bought only for investment purposes. The promise was kept by Michael Latifi who apparently does not have the same interest and involvement in the racing world as Lawrence Stroll does. Therefore, instead of buying-out a team for his son, he opted for a full-sponsored seat. Nicholas is backed by Sofina Foods Inc., his father's company who is specialized in canned food. In Canada, Sofina also distributes famous Italian food brands like Rio Mare, San Daniele, San Benedetto and Lavazza, with the latter being one of the main sponsors for Williams in 2020 (Spinello, (b) 2021). While the Sofina logo is displayed in the Williams rear wing, side-pods, and all over Latifi's helmet, Lavazza can be seen in both Latifi and Russell's racing suits, and car nose (Nugnes, 2020). The Italian coffee brand replaced ROKiT after its departure from Frank Williams's team, following a couple of years of bad results on track. Nutella is another Italian brand closely related to Nicholas Latifi and over the last two years, both Williams drivers have been seen indirectly promoting the chocolate creams on Williams's social media, mainly Instagram - through posts and stories - and Youtube, making challenges involving the use and display of Nutella.

Even if talent alone is not the main reason pay drivers find a seat in Formula 1, this does not mean there could be truly talented drivers who are also financially backed up. This is the case of Sergio 'Checo' Pérez, the Mexican driver whose sponsor Telmex played a major role in supporting him throughout his whole racing career. Pérez debuted in Formula 1 with Sauber in the 2011 season, alongside Japanese driver Kamui Kobayashi. Carlos Slim - the billionaire Mexican entrepreneur, Chairman of Telmex, the main telecommunication company in Mexico - is the key person behind Sergio Pérez in Formula 1. Telmex/Telcel and Claro, both brands owned by Carlos Slim, appeared in Pérez's liveries, helmets and racing suits over the last 10 years in Formula 1. Sergio Pérez is considered to be one of the most experienced

driver in the 2022 F1 grid, with two victories and a pole position under his belt, he played a major role in helping securing his teammate's Max Verstappen 2021 Championship. During the last race of the season, with both Verstappen (Red Bull) and Hamilton (Mercedes) standing with the same amount of points, the 24-year old Dutch champion opened up with his engineer Gianpiero Lambiase in a team radio, thanking the Mexican driver who kept behind the 7-time World Champion Lewis Hamilton in an epic battle: "Oh, Checo is a legend!" (Caronia, 2021). Over the years, Pérez has become probably the best driver at tyre management, skill often required for extreme race strategies, and has proved to be "a legend" at defending, gaining the nickname 'Mexican Minister of Defense'. That proves that not all pay drivers are relegated to battle for the second-last place. Pérez - whose money helped Force India first and then Racing Point later, to survive up until Stroll takeover - found himself without a seat at the end of 2020, almost announcing his retirement if a top team didn't offer him a contract. The only available seat for 2021 was at Red Bull, alongside Max Verstappen, who then fired Thai driver Alex Albon to get Pérez in. The choice was not based just on talent alone or, in this case, money, as Red Bull is a top team that does not need the Mexican £3 million per year coming in (Coglio, 2020). In Mexico, Pérez can count on a huge fanbase who threatened Red Bull to boycott all of its energy drinks in Mexico if they did not sign Sergio Pérez (Spinello, (c) 2021). The Mexicans threatened F1 to boycott also the Mexican GP, winner of the Race promoter's Trophy since 2015, and the next-door Austin GP, two important events in America for Formula 1. With Red Bull being not as strong in the US and Latin America as it is in Europe, Checo Pérez presented himself as the best promoter for the energy drink in such countries with such huge following and impact on the population. When his first victory came at the 2020 Sakhir GP, after ten years in the sport, 191 race starts, and with a midfield team who had never collected a win, the Mexicans were partying in Mexico City downtown, taking Pérez life-size cardboard cutouts in the streets. No doubt Checo is the perfect mix of how a driver should be: talented, experienced, famous and with a huge financial and national support.

2.2.3 Luxury in Formula 1

Especially in the last two decades, Formula 1 has moved into a higher audience in terms of status, engaging more and more VIPs and luxury brands into the sport. Being historically the most expensive sport in the world, and racing in places such as the streets of

Montecarlo, the association between luxury and Formula 1 naturally comes to mind. It is with no surprise that we find a broad range of luxury goods brands sponsoring drivers, teams or even a Grand Prix. The span of lux brands involved in Formula 1 goes from expensive watches like Hublot, Tag Heuer, Richard Mille and the most exposed of them all, Rolex, to hotels like JW Marriott, Ritz Carlton and Hilton, and then again from expensive champagne Carbon and the latest sparkling partner of Formula 1 Ferrari Trento, to fashion, with *maisons* like Louis Vuitton, Armani, Tommy Hilfiger, and lastly, technology brands like Bang & Olufsen and Bose.

Before heading into why these luxury brands are partnering up with the racing world, we need to understand better what is meant by ‘luxury’. According to Kapferer (2012), the term ‘luxury’ derives from the Latin word ‘*luxatio*’, which means distance: luxury is an enormous distance. Luxury goods therefore, with characteristics like uniqueness, scarcity, excellence, superior quality, creative designs and prohibitive prices, could be seen as means to ‘distance’ ourselves, elevating our status by owning or wearing a certain brand. Luxury brands want to be perceived as aspirational brands, inviting us to be part of a community and feeling like we belong there, with successful ones, whenever we buy a certain product. This is done through an association between brand values and brand image, and the lifestyle they are trying to sell us. Formula 1 has always been a difficult world to get into, both for drivers themselves but also for fans as ticket prices¹¹ are not even comparable to a football match ones. As we have stated in a previous paragraph, Formula 1 has always been a sport for rich people¹², it is an exclusive environment with international exposure and appeal, the highest category in motorsport. It requires the best technologies and innovation, the best engineers and the best locations around the world. It is then easy to notice how many things luxury brands and Formula 1 have in common. With alignment between brand image and brand values with those of a driver or a team, it is easier for brands to sell that particular lifestyle if associated with someone or something we already love, admire and support. Brands could also elevate even higher the status of the brand, potentially leading to consumers willing to

¹¹ Standing tickets for the upcoming Las Vegas Grand Prix 2023 are priced at \$500, with grandstands starting at \$2.000.

¹² Individual sports like Formula 1, tennis, or golf are often played by the upper class as they underline the importance of the single individual over the others, while team sports like football, volleyball or basketball are often played more by the lower class as they elevate values like team spirit, often missed by high-income individuals.

pay a higher price point for the product, just because the brand is associated with Formula 1 (Habets, 2021). As brands are not what they claim to be but what the customer perceives them to be, a brand association in this case is able to increase the perceived 'luxuriousness' of a luxury brand because "they sponsor a sport that is already 'luxurious' itself" (Habets, 2021). It is then different to sponsor a team, an athlete, a Grand Prix or Formula 1 itself.

When sponsoring a team, the winning ratio is obviously an important factor to keep into account. According to a study on factors influencing sponsorships by Donahay and Rosenberger (2007, p. 3):

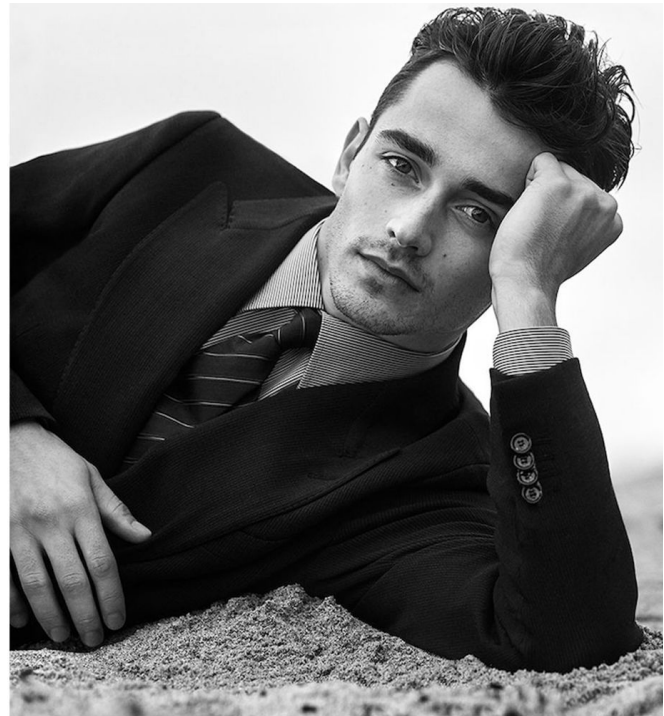
"sponsoring a winning motorsport team is associated with increased television exposure and with receiving the largest financial returns [...] whereas a team losing and failing to finish is viewed as detrimental to the sponsor's brand".

Poor performing teams could also have problems finding partners due to the lack of exposure and association offer. As stated by Bennett (1999), if this is the case, consumers may also perceive the source of any sponsorships to be "untrustworthy". For the same reason, in early 2020 ROKiT parted ways with Williams Racing because of the lack of on-track good results in the previous couple of years.

When a brand decides to sponsor a driver instead, they become associated with the athlete's philosophy, behavior, attitudes, image and personality. In order to maximize the benefit coming from the sponsorship, the brand has to find a person whose personal brand, belief and values are aligned with those promoted by the sponsor. Drivers then become brand ambassadors for the brand they are linked with, promoting their image not only on track or during media sessions but also during social events. The perfect 'marriage' between a brand and a driver could be well explained by Charles Leclerc, brand ambassador for Giorgio Armani. The 24-year old Ferrari driver was chosen by Giorgio Armani himself in early 2020 to be the face of the 'Made-To-Measure' campaign (see [Figure 10](#)).

Figure 10 - Charles Leclerc posing for Giorgio Armani Made-To-Measure.

GIORGIO ARMANI
MADE TO MEASURE



Source: Giorgio Armani - “Made-To-Measure” campaign 2020.

Armani explained that Leclerc perfectly represents the image of “a young promising and determined successful man”. Being an athlete for Ferrari, the most prestigious and iconic Italian brand in Formula 1, he has all the characteristics an Armani brand ambassador should have: “a fresh face, a snappy and athletic physique, typical of a sportsman but also the innate quality of easiness” (Armani, 2020). Charles Leclerc wears Armani in several social occasions, from the Amber Lounge party in Monaco, the annual gala dinner that takes place during the Monegasque Grand Prix, to his everyday walks around the Principality. Being Charles a good-looking and classy person, he is often described as the real ‘Prince of Monaco’. His personal brand image perfectly matches the one of ‘King Giorgio’, making Leclerc an excellent brand ambassador because his natural characteristics are aligned with the ones promoted by the brand. Armani is not new to the sports world, being also the official supplier for the national Italian olympic team. Armani, in an interview with Icon Magazine in 2020, said:

“both sports and fashion are an extraordinary way of representing and communicating contemporaneity, and offering, in the same way, the opportunity to fully express our personality. Athletes are bearers of positive values - discipline, abnegation, constant commitment and determination - and they have a huge following. Their image, even when they are not wearing a uniform, must be coherent and curated” (Armani, 2020).

These words perfectly explain the reason why Giorgio Armani likes to be associated with top athletes, having both of them a common vision and personality.

It has to be said that, given Formula 1 and FIA intrinsic rules, a driver can only be sponsored, on a personal matter, only if the sponsor is already associated with the team they are driving for, or if the brand is part of a group where one of the brands is sponsoring the team. In this case, Charles Leclerc couldn't have accepted to be a Versace or Gucci brand ambassador, for instance, firstly because the image of these two brands are far from the simplicity of Leclerc but, on the other hand, could have well suited Daniel Ricciardo's personality, now driving for McLaren. Lastly, both Versace and Gucci are not linked with Ferrari, while Armani is already official partner of the Scuderia, being the brand behind official Ferrari's suits, wore on special occasions and during transfers by drivers Charles Leclerc (see [Figure 11](#)) and Carlos Sainz Jr. (see [Figure 12](#)), former Team Principal Mattia Binotto, and the whole team of engineers and mechanics traveling with them.

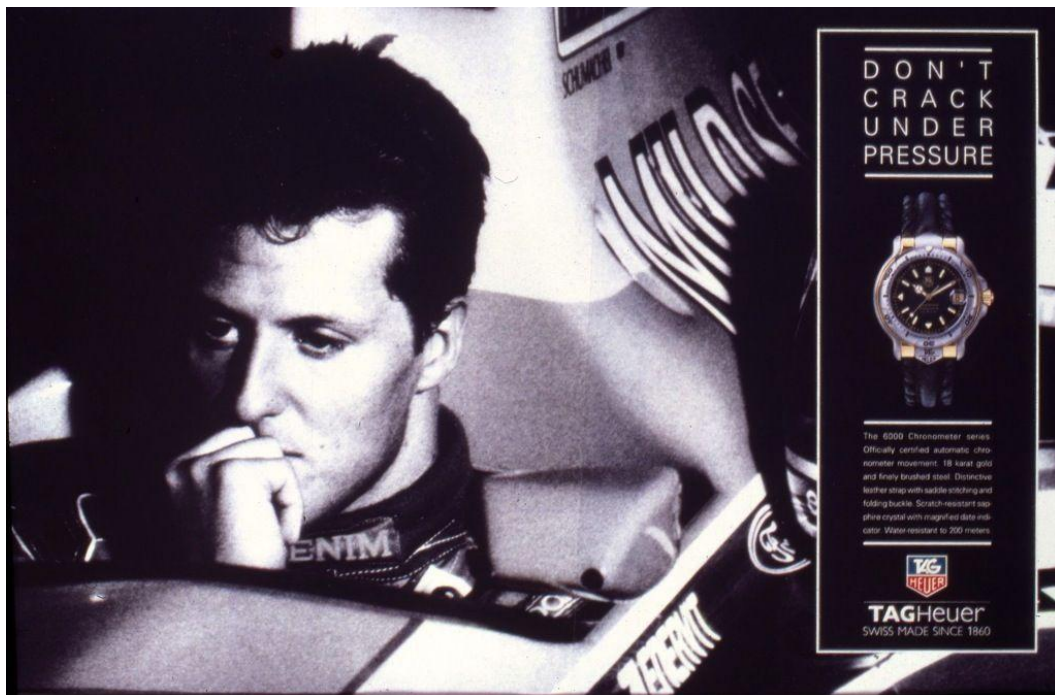
[Figure 11](#) and [Figure 12](#): Ferrari drivers Charles Leclerc (left) and Carlos Sainz Jr. (right) wearing the official Ferrari suit by Giorgio Armani.



Source: Scuderia Ferrari on Twitter (@ScuderiaFerrari), 2021.

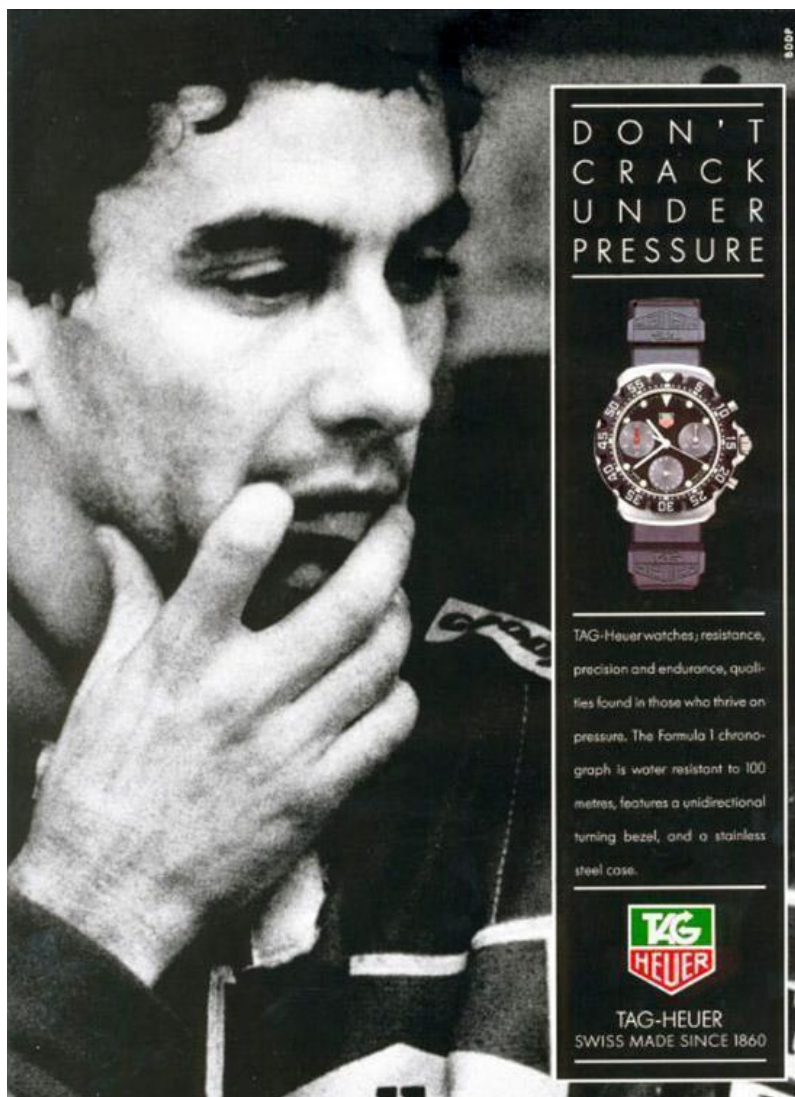
A category of luxury goods well established in the world of sponsorships in Formula 1 is the one of luxury watches. The most famous name in here has to be Rolex, partner of Formula 1 itself. During every Gran Prix, it is possible to see the Rolex logo displayed in the barriers, in several screens placed around the circuit or painted on certain curves, but, most of all, a Rolex clock is framed at the very start of every race, dictating the official time of the race start. The partnership between Rolex and Formula 1 has been going on for almost 10 years now, being the first sponsorship agreement signed in 2013 (Rolex, 2022). Rolex does not only sponsor Formula 1 but other prestigious competitions like the World Endurance Championship (WEC) as well, with the famous 24h of LeMans being part of the calendar, the 24h of Daytona, and the Goodwood Revival too. Other brands involved in the world of Formula 1 are Richard Mille, Hublot, IWC and Tag Heuer. The last one in particular, has been title sponsor of Red Bull Racing for years but before doing so, it has sponsored drivers like Michael Schumacher and Ayrton Senna, known to be two of the most talented drivers to have ever existed. In an early '90s Tag Heuer advertising (see [Figure 13](#) and [Figure 14](#)), we can see both Schumacher and Senna photographed in their cars and deep lost in their thoughts just before a race start.

[Figure 13](#) - Michael Schumacher for a Tag Heuer advertising in the early '90s.



Source: motorlat.com

Figure 14 - Ayrton Senna for a Tag Heuer advertising in the early '90s.



Source: motorlat.com

Tag Heuer watches are placed close to them and with the slogan “Don’t crack under pressure”, long used by the Swiss brand in their campaigns (Habets, 2021). The association between Tag Heuer and, Schumacher and Senna, reinforces the image and the reputation of the brand as if it is good enough for a Formula 1 driver, it must then be a really good watch. Having athletes promoting the brand, translates their attributes to the object of the advertising, in this case reinforcing the characteristics of ‘resistance’, ‘precision’, ‘endurance’, long associated with Schumacher and Senna during their racing careers (Habets, 2021). As we have seen, luxury brands endorsing the right driver’s personality are a powerful marketing tool to promote and increase the reputation and image of a brand to a wider audience, also given the international prestige and fame of Formula 1 that could open doors to different markets for brands involved in the sponsorship.

The last example of a luxury brand being involved with Formula 1 could be the French *maison* Louis Vuitton, official Trophy Travel Case partner for the Monaco Grand Prix since 2021. The French house signed a multi-year contract with *Automobile Club de Monaco* (ACM), revealing the first travel trophy case the week prior the start of the Grand Prix in the Monegasque city. Being luxury trucks and cases the core product at the base of Louis Vuitton's history, it made sense for the French brand to partner up with the most historic and prestigious race of the Formula 1 calendar. The travel case (see [Figure 15](#)) presented last year showcased the classic LV pattern in the red color of the Principality, with a big V on the front in the colors of the Monegasque flag. The V, as stated by Louis Vuitton during the announcement of the partnership, stands for 'victory'. "True to the art of travel, and united with the values of sport, from now on 'Victory travels in Louis Vuitton'" (LVMH, 2021). Michael Burke, Louis Vuitton Chairman and CEO, commented the announcement saying:

"the Travel Trophy Case will witness future victories and continue to carry legends", while Michael Boeri, President of the *Automobile Club de Monaco*, explained that "apart from being a major partnership with the flagship brand of the LVMH Group, we are delighted that the trophy awarded to the winner of the *Formula 1 Grand Prix de Monaco*TM can now safely travel in 'first class'. Louis Vuitton and the *Automobile Club the Monaco* are at once forerunners and project supervisors in their respective fields of expertise. Louis Vuitton is associated with the most coveted trophies in the world. This emblematic partnership allows the *Formula 1 Grand Prix de Monaco*TM trophy to benefit from this heritage, bringing unprecedented elegance into the world of motorsport" (LVMH, 2021).

In Michael Boeri's words, it is pretty clear how the two worlds both benefit from the association with one another, both benefitting from the 'luxury image and heritage' of the partner that is able to increase the perceived value of both parties. This partnership also tries to bring new upper-class fans into the sport, making the *Formula 1 Grand Prix de Monaco*TM 'the fashion event' to attend in the Monegasque city, instead of just a sports event. During the Monegasque race week in fact, drivers attend the Amber Lounge fashion event, where they parade all dressed up before the gala dinner, together with celebrities and other VIPs invited to the exclusive event. The whole week is about luxury at all stages, from cars to fashion, the trendiest annual event in the Principality is the Monaco Grand Prix.

Figure 15 - Louis Vuitton's Trophy Travel Case for the Formula 1 Grand Prix de Monaco™.



Source: LVMH, 2021

The influence between fashion and Formula 1 goes well beyond partnerships in the sport. If we have seen how fashion enters the world of Formula 1, the opposite can happen as well. In May 2022, Chanel presented its Cruise 2022/23 collection (see [Figure 16](#)), inspired by the *Formula 1 Grand Prix de Monaco*™. Chanel is not partner of the sport nor does sponsor any driver or team, however the ‘gold aura’ of the monegasque race inspired Chanel’s Creative Director Virginie Viard for the newest Cruise collection. The fashion show took place on the 5th May, 2022, at the Monte-Carlo Beach Hotel, attended also by the three Chanel’s Brand Ambassadors Kristen Steward, Tilda Swinton and Khadja Nin. On the catwalk, a couple of black-and-white checked dresses could have been seen, as well as a red racing suit, clearly inspired by Ferrari’s ones, a helmet with Chanel’s iconic number 5 on it, and a few more items celebrating the connection between Montecarlo and Formula 1. Several old footages of the F1 Monaco Grand Prix could be also seen in the official Chanel Monte-Carlo cinematographic trailer, directed by Sofia and Roman Coppola. This collection is the perfect example of how the luxury fashion world and Formula 1 are becoming more and more connected, given the reputation of F1 to be the highest ever level of sports.

Figure 16 - Looks from the Chanel Cruise 22/23 collection inspired by the Monaco Grand Prix.



Source: vogue.com

2.3 History of sponsorships in Formula 1

Over the years sponsorships in Formula 1 have evolved, reflecting marketing trends. With technology being a major driver of today's economy, it comes with no surprise the rise of crypto-currencies and metaverse companies in the last years. As new companies venture themselves into the sponsorships world, old ones are forced to leave the sport or reinvent themselves. This is the case of tobacco sponsors, like Marlboro, who is now present in Formula 1 as Mission Winnow. Even if some companies have now left Formula 1, some brands still benefit from the association with drivers or teams years later their sponsorship days, making their connection with this sport immortal in fans' minds.

2.3.1 Historical sponsorships in Formula 1

As stated before, Formula 1, due to its appeal, is a very powerful platform for companies who want to achieve outstanding results when it comes to sports sponsorships. The association with the highest category in motorsport exposes the brand to the eyes of millions of people who might be more interested in the brand due to their love for that sponsored driver

or team. When a sponsorship agreement takes the form of a ‘one-off’, meaning that the sponsor’s logo appears on the livery just for one weekend, the impact is quite limited. Instead, when a sponsor signs a long-term contract with a team or a driver, benefits from the prolonged exposure to the eyes of fans, building a sort of personal connection with them by sharing the same feelings during races. In over 70 years of Formula 1, many are the brand who are still associated with a team or a driver, even if the sponsorship ended years and years ago. This results in a spontaneous brand awareness, one of the most powerful indicators.

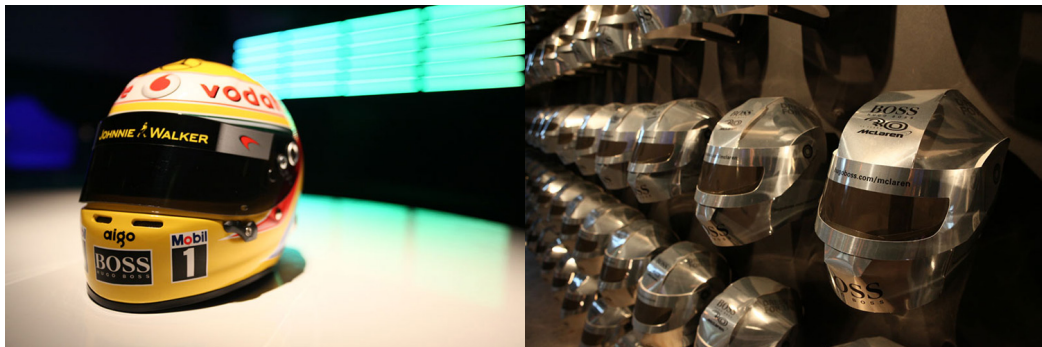
This is the case of Hugo Boss, now split into two distinctive businesses, ‘Hugo’ for a younger audience, ‘Boss’ for an older and more premium one. Hugo Boss has long history of sponsorships in different sports, from Sailing, to Golf, and again from Football to Tennis. When it comes to the latter, Boss recently sponsored the Stuttgart tournament, renaming it ‘Boss Open’ as title sponsor. The exposure for Boss even doubled when Matteo Berrettini, top Italian tennis player sponsored by Boss itself, won the final match. When it comes to motorsport, Boss is now involved in electric racing, being official clothing partner of Formula E and sponsoring Porsche too. In the past, Hugo Boss started sponsoring McLaren in 1981, during the top years of the Woking-based team, with that partnership lasting for over three decades. Boss now holds the record for being the most long-lasting sponsor associated with an F1 team. In 2011, when the contract between McLaren and Boss was renewed, Philipp Wolff, Director Communication at Hugo Boss at the time, said:

“the 30th anniversary of this extraordinary partnership, the longest that has been between a sponsor and a team in motorsport has ever given, is a clear sign of our success and a confirmation of our continuous commitment in sport” (Wolff, 2011).

Martin Whitmarsh, former Team Principal of the Vodafone McLaren-Mercedes Formula 1 Team in 2011, added that both brands, McLaren and Hugo Boss, share “the same values of quality, a commitment to style and a passionate pursuit of high performance and perfection” (Whitmarsh, 2011). With McLaren, Boss won 10 Drivers’ World Championships, 7 Constructors’ World Championships, 145 Grand Prix Victories and 132 Pole Positions. Boss then switched onto Mercedes for the 2015-2017 seasons, deciding to enter the electric side of motorsport after that experience. Even if nowadays Boss is no longer in F1, many still associate the German brand with the Brazilian driver Ayrton Senna, who drove for McLaren between 1988 and 1993. In 2011, on the occasion of the 30th anniversary of the partnership,

McLaren and Hugo Boss organized an auction to raise money for the Ayrton Senna Institute, a Brazilian NGO founded by the Senna family in the name of the driver who died in a fatal crash during the San Marino GP in Imola in 1994. The NGO helps create opportunities for human development to young Brazilians, supporting children into accessing a quality education, a cause close to Ayrton Senna's heart. Over 9.000 people were involved in the auction, with the main prize being two McLaren suits wore by Lewis Hamilton and Jenson Button and selected in a contest sponsored by Hugo Boss. The auction raised over R \$35.000 (Ayrton Senna Institute, 2011). Celebrations for the 30th anniversary were not over, in occasion of the Brazilian Grand Prix, Hugo Boss and McLaren hosted a party during the last day of the racing weekend. Over 600 VIP guests were welcomed by hostesses wearing racing suits in a full-branded place (see [Figure 17](#)), with a corner dedicated to Ayrton Senna and its racing days at McLaren. Metallic Boss mini-helmets decorated a wall, while the McLaren F1 car and race suits were exposed too (Lit Media Productions, 2011).

[Figure 17](#) - Hugo Boss x McLaren event in 2011.



Source: Lit Media Productions

Mark Langer, ex CEO of Hugo Boss and previously CFO of the brand, told Nico Rosberg in his podcast 'Beyond Victory' that:

“people tell stories, stories of victory and defeat. People love to hear the story of Ayrton Senna and the ones associated with him. Shared values and association, competitiveness and celebration in style are all elements that we recognize in the field of sports, that's why Boss is such a strong partner in many global sports events” (Langer, 2020).

Langer went on saying that at the Hugo Boss HQ, in the oldest building, there is an original Ayrton Senna's car displayed in the hall.

“Everyday thousands of people are passing through this 80s McLaren and you can see the name ‘Ayrton Senna’ on it. It’s always good to know where you come from and this is a very strong reminder. I see it as something younger generations should be proud of but also as a reminder to make something even greater than that, something that we could be proud of in 20-25 years from now” (Langer, 2020).

McLaren and Hugo Boss’ partnership seems to still be alive even in 2022, an inspiring story of success and benefits of association.

With a surprisingly turn of events, Hugo Boss announced at the Silverstone 2022 Grand Prix that the Boss brand would make its comeback to Formula 1, this time partnering up with Aston Martin Aramco Cognizant F1 Team. Boss will become the team’s Official Fashion Partner from 2023 (see [Figure 18](#)). The German brand will be responsible for developing the official team kit and travel suits, which will feature the Boss logo. To celebrate the announcement, the AMR22 of drivers Sebastian Vettel and Lance Stroll, will be displaying the fashion logo on their liveries. According to the official statement released by Aston Martin, the partnership with Boss “is set to explore and extend its collaboration beyond the track”, leading to the development of a limited-edition capsule collection featuring modern performance wear that will be released in 2023 (Aston Martin F1, 2022). As previously said, Boss departed from Formula 1 in 2018, favoring Formula E, because of a sustainability corporate vision that wasn’t in line with what Formula 1 represented. Following a change toward a greener environment, Formula 1 set the goal of achieving net zero carbon emissions by 2030, introducing a 100% eco fuel, with new regulations changes from 2026. Boss, therefore, stated that this commitment towards sustainability made them returning back to the sport, underlining how excited they are to work together again with the pinnacle of motorsport and the platform that Formula 1 offers to brands who enter the game.

Figure 18 - Aston Martin reserve driver Nico Hülkenberg wearing Boss.



Source: Aston Martin Aramco Cognizant F1 Team

Another brand whose name has been long associated with Formula 1 even after its departure is Marlboro. The famous tobacco brand had sponsored McLaren from 1974 to 1996, and Ferrari from 1973. The sponsorship with the Italian Scuderia still continues nowadays under a different name. Over the year, the role of Philipp Morris changed from title sponsor to second-tier sponsor. The Marlboro brand was a major one until 2008, when the FIA introduced a rule that banned tobacco producers from sponsoring F1 teams. Philip Morris International, however, returned in 2018 under the name ‘Mission Winnow’, an initiative promoted by PMI to support a tobacco-free future. Even if Marlboro itself is not present anymore in modern Formula 1, the Ferrari and McLaren liveries of Michael Schumacher (see

Figure 19) and Ayrton Senna (see Figure 20) still lives in fans' minds whenever the tobacco brand is mentioned. Through long-lasting sponsorships, like Marlboro and the previously mentioned Hugo Boss, it is possible to create a bond that lasts years after the contractual end of sponsorships. What was so unique about Marlboro was not just the logo but also how brand's colors melt with the car livery, leading to a seamless yet iconic brand placement.

Figure 19 - Michael Schumacher in a Ferrari-Marlboro racing suit.



Source: Getty images UK

Figure 20 - Ayrton Senna in his Marlboro-branded McLaren.



Source: Schlegelmilch Photography.

Lastly, another famous sponsor livery worth mentioning is the Williams FW15C (1993) with its outstanding blue and yellow colours, courtesy of the Camel sponsorship (see [Figure 21](#)). According to a poll conducted on the Formula 1 website, this Camel-livery Williams is the most iconic livery in the history of the Grove-based British team (Formula 1, (c) 2019). Williams, contrary to Ferrari, has always adapted its liveries to sponsors's colours, resulting in several color changes during its years in Formula 1. According to WTF1, probably the biggest F1 fans website, the Williams FW15C is again the most remarkable livery of all time. "For me, the early 1990s Williams liveries of blue, white and yellow epitomise the golden days of the team and remain some of the sport's most memorable cars" says Hannah Prydderch, journalist for WTF1 (Fairman, 2022). It is with no doubt that even years after the sponsorship ended, fans recall Camel being associated with Williams and with Formula 1, resulting into an everlasting powerful brand association in their minds.

Figure 21 - Williams FW15C (1993) and its Camel livery.



Source: formula1.com

2.4 Sponsorships in the modern era

Formula 1 follows trends and, in a sport so highly shaped by rules and regulations, it comes with no surprise that rules change for sponsors too. Since 1950, Formula 1 has seen thousands of different sponsors coming and going but the main rule change in the modern era has to be the ban of tobacco sponsors, major players until 2010. Some of them are still around under different names, some of them permanently left a sport that didn't welcome them anymore. As we will see later, reputation plays a huge role in dictating the success of a sponsorship deal. Choosing the right partner is essential and teams must be aware of who they are working with because sponsor's reputation could harm the team's image.

For what concern modern trends, sponsorships reflect what happens in the market. Going towards an ever-growing technology world that surrounds us, several Formula 1 teams partnered up with big tech companies first, and with crypto and blockchain firms later. As of 2022, all ten teams are sponsored by these companies.

2.4.1 Forbidden sponsorships

Long-time Formula 1 fans remember well how close were major Tobacco players and F1 teams in the 70s, 80s, and 90s. Since 2010s however, the association between F1 and tobacco seems faded but by no means gone.

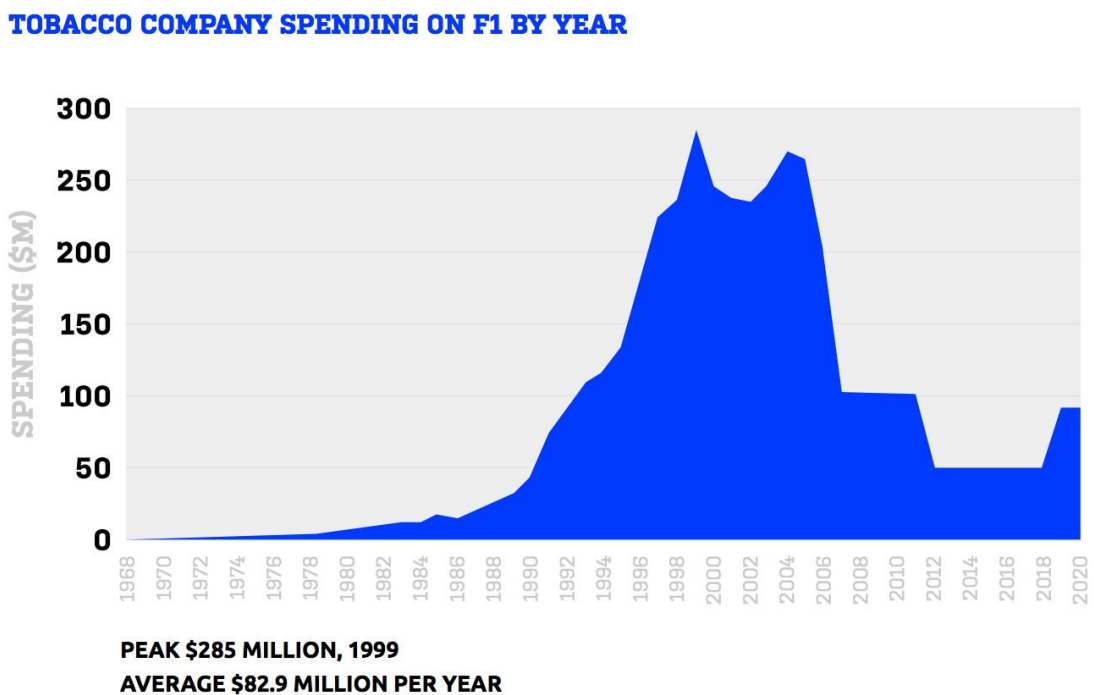
In the early days of Formula 1, no external branding on cars was permitted by the FIA, the governing body. This resulted in F1 cars racing with ‘blank’ monochrome liveries, usually displaying national colours. Examples of the application of this rule are the iconic ‘British Racing Green’ or the Italian ‘*Rosso Corsa*’. In 1968 fuel suppliers like BP and Shell parted ways with the sport, and tyre supplier Firestone started charging for tyres. Teams suddenly had to face higher expenditures, which led the FIA to welcome external sponsors to boost teams’ finances. Originally, only a few stickers were expected to make their appearance on race cars but when Colin Chapman’s Team Lotus suddenly changed its livery from traditional British Racing Green to a white, red and gold one to honor its sponsor Gold Leaf (Imperial Tobacco), it was pretty clear that the F1 marketing industry had changed forever. Lotus even changed its name to ‘Gold Leaf Team Lotus’, inducing major tobacco sponsors to enter F1.

According to a Formula Money research, made in collaboration with Expose Tobacco, Gold Leaf title sponsorship of the Lotus team between 1968 and 1971, was valued \$250.000 for three years (Expose Tobacco, 2020). Later on, between 1972 and 1978, and again from 1981 to 1986, Lotus raced with a black and gold livery when it was sponsored by John Player Special, and with a yellow one between 1987 and 1992, when Camel took over the role of main sponsor. Again, according to Formula Money, the title sponsorship of Lotus in 1990, accounted for \$13 million for a single year, keeping in mind Lotus was 6th in the Constructors Championship in 1989. During the 70s, other major tobacco players entered the game, the previously mentioned Philip Morris International, and Rothmans. PMI, with its most famous brand Marlboro, sponsored for many years teams like Ferrari and McLaren, making its name forever associated with these teams. Tobacco advertising on TV was not allowed, that is why these players saw an opportunity coming from sponsoring F1 teams, whose races were broadcasted internationally. Some TVs, the BBC for instance, even tried to reduce the broadcasting of the sport but there was no turning point. Money ruled F1 way more than advertising restrictions. Some teams got creative over the years, replacing tobacco brands with drivers’ names, team names, cheeky slogans, logos, pictures, or leaving a blank space in

countries particularly strict about tobacco advertising rules. Memorable is the case of Williams in 1997, when ‘Rothmans’ was replaced by an R followed by question marks. Another famous way of circumvent advertising rules was the use of barcodes, whose design resembled a pack of cigarettes. This was used by Ferrari even in recent days, after tobacco sponsorships were made illegal (Anon., (f) 2020).

According to the same research made by Formula Money (Expose Tobacco, 2020), tobacco spendings in F1 decreased massively after early 2000s (see [Figure 22](#)), when these companies were banned from sponsoring sports events. Eventually, they found a way to rise up again in 2018, following the creation of initiatives like ‘A Better Tomorrow’ for British American Tobacco, McLaren’s sponsor, or ‘Mission Winnow’ by Philip Morris International, sponsoring Ferrari.

Figure 22 - Tobacco company spending on F1 by year.



Source: Formula Money Sponsorship Database; tobacco and team company documents; historical F1 reports; Formula Money estimates.

Source: Formula Money, 2020.

In 1985, the European Community started taking action against tobacco use in Europe, proposing a directive in 1989 that would end tobacco advertising and sponsorship (Anon., (g) 2020). The tobacco lobby however, was able to delay the adoption of it and later annul the

directive in 2000, leading to it never being adopted in the span of a decade. Slowly, countries started to ban tobacco advertising on their own but it wasn't until 2006 that no tobacco brands had to be displayed on a F1 car. The main directive that led to this decision was 'The Tobacco Advertising Directive' (2003/33/EC), issued by the European Parliament on 26th May, 2003. The directive reads as follows:

“Sponsorship of events:

- i. Sponsorship of events or activities involving or taking place in several Member States or otherwise having cross-border effects shall be prohibited.
- ii. Any free distribution of tobacco products in the context of the sponsorship of events referred to in paragraph 1 having the purpose or the direct or indirect effect of promoting such products shall be prohibited.”

As the directive states, there should be no place for tobacco companies in F1 as of 2022, considering the fact that even if this directive is accountable only for the EU, 10 out of 23 races are held in Europe. Ethical and health reasons are the core points against the departure of tobacco players from the sport. Tobacco brands like the famous Marlboro left Formula 1 after 2010, but eventually managed to stick around through loopholes. The Law bans tobacco producer from promoting tobacco products in advertising and sponsorships, but they do not ban them from promoting other solutions. Philip Morris International can be found among 2022 Ferrari sponsors, although its deal is not as big as it was between 2018 and 2021, when it accounted as title sponsor. The American tobacco producer came up with 'Mission Winnow', an initiative promoted by PMI to ensure that one day all smokers quit cigarettes and switch to better alternatives. What are alternatives to good old cigarettes? Electric ones like IQOS or HEETS, both produced by Philip Morris. The same goes for McLaren, that is now being sponsored by 'A Better Tomorrow', a British American Tobacco's initiative that promotes healthier alternatives to usual tobacco. In the last years, McLaren featured different logos on its cars like Vuse and Velo. This means traditional tobacco brands like Marlboro might have left the sport, but certainly big tobacco players haven't. In order to comply to countries' different rules, teams remove these logos from their cars when racing in strict countries like France, where in 2020 both Mission Winnow and Estrella Galicia, an alcohol-free Spanish beer personal sponsor of Carlos Sainz Jr., were removed by the Ferrari livery.

2.4.2 Sponsorships and reputation

When a sponsorship deal is signed, both the sponsor's and the sponsee's brands are associated to one another. This 'marriage' is the reason why luxury brands enter F1, by being associated with a luxurious environment, they are perceived as being even more luxurious than they already are. This is the case of Louis Vuitton, mentioned in a previous paragraph, official Trophy Travel Case provider for the Monaco Grand Prix. Other brands, even if not as luxurious as Louis Vuitton, benefit from the image, the following, and the audience that Formula 1 is able to reach. On the other hand, as associations are a powerful tool, teams must ensure partners and sponsors on their portfolio do not harm their image. It is essential to choose the right organization to work with, as reputation of both parties could affect the other one, resulting in a negative association when it comes to brand image. As Hoffman (2005, p. 133) states, "a good reputation as an alliance partner increases the attractiveness of the company as a partner" and while managing a corporate alliances portfolio, managers need to make sure "problems in one joint project will not negatively affect other projects" (Hoffman, 2005, p. 131).

This is well taught by Mercedes and Kingspan, partners for just one race in the 2021 F1 season. The Brackley-based team announced the partnership with Irish construction colossus Kingspan during the second-last race of the calendar, taking place in Jeddah, Saudi Arabia. Mercedes was immediately submerge with indignation letters and messages on their social media accounts. Apparently, the German team did not investigate further into their sponsor's past or, probably, they did but decided not to care. Kingspan was under the spotlight after London's 2017 Grenfell Tower tragedy, where 72 people lost their lives after a fire spread up rapidly due to an inflammable cladding, provided by Kingspan itself. A committee of victims' relatives and survivors wrote a letter to Toto Wolff, Mercedes's Team Principal, revealing how distressful the news was, asking Mercedes to take action against the partnership. Michael Gove, UK's Housing Secretary, publicly criticized the action too. The MP warned Mercedes that the Kingspan deal could be enough to push a change concerning UK's sponsorship and advertising rules, in order to prevent such situations in the future (Habets, (b) 2021). The statement released by Gove reads:

"as Secretary of State, the planning controls for outdoor advertising spaces in England are a statutory responsibility that falls to me. Currently, broadly speaking, adverts displayed on

enclosed land, such as within sports stadia, or those displayed on vehicles, are excluded from direct control of the relevant authorities. [...] My cabinet colleagues and I will keep this system under constant and close review to ensure that the advertising regime remains fit for purpose and reflects the public interest”.

Kingspan involvement in the Grenfell Tower fire and its bad reputation, quickly affected their new partner too. Being F1 a global platform, the news spread worldwide, amplifying the shadow hanging over Mercedes. The 7-time World Champion Lewis Hamilton, driving for Mercedes, criticized his team’s new partnership, taking action by publicly distancing himself from it. Toto Wolff later apologized to survivors and victims’ relatives for “the additional hurt that this announcement has caused”, inviting them all to the Abu Dhabi Grand Prix, the last race of the season, to meet in person and discuss the incident (Yeomans, 2021). Eventually, Mercedes and Kingspan deal ended less than a week after the announcement, with the Irish brand disappearing from the Mercedes W12 for the last race of the season, taking place at Abu Dhabi’s Yas Marina Circuit. “Although the deal was born with positive intents, at this moment it is not feasible to continue our partnership, therefore we mutually decided to interrupt our collaboration” reported a press communication released by both Mercedes and Kingspan (Spinello, (d) 2021). The partnership was part of Mercedes’ journey towards sustainability and it was reportedly worth £4 million a year (Coyle, 2021).

Reputation is not a new concept when it comes to sponsorships and partnerships, and even if moral issues and ethics are more under the radar today, in 2011 McLaren faced a similar problem concerning a long-life partner: Hugo Boss. It has been stated before how strong Boss’ commitment to Formula 1 was and its relationship with McLaren lasted for almost four decades. Nevertheless, when Hugo Boss’ biography came out in 2011, edited by historian Roman Koester, the author affirmed the stylist Hugo Ferdinand Boss was close to the military nazi regime and was the official uniform supplier of the SS’ too. Boss quickly stated that the firm nowadays is completely different than what it was at the time, and they distanced themselves from Hugo Boss’ vision and thinking, adding their apologies. Ron Dennis’ McLaren, who had just come out from the famous spy-gate of 2007, the crash-gate of 2008 and the departure of the FIA president Max Mosley¹³ for allegations of sexual assault,

¹³ Max Rufus Mosley (1940-2021) was a British racing driver and lawyer, president of the FIA between 1993 and 2009. He was the son of Sir Oswald Mosley, former leader of the British Union of Fascists.

left the Woking-based team dealing with another shadow hanging over them to deal with (Panizzon, 2011).

The latest example of a team image being hurt by a sponsor reputation could be the case of Haas and Uralkali, a Russian potash fertilizer producer and exporter. Haas signed Russian driver Nikita Mazepin for the 2021 season, the son of a Russian billionaire, Dmitry Mazepin. It is of clear evidence that Haas signed the Russian driver for financial reasons, being Mazepin not the best driver available in the F2 grid. The American team had been underperforming for a few years, leading Team Principal Günther Steiner looking for more sponsors in order to replenish the team's cash-desk. Uralkali, Mazepin's family company, brought Haas several millions, becoming title sponsor of the team, now racing in a white, blue and red livery that resembles the Russian flag. Even if Nikita was permanently outshone by teammate Mick Schumacher, former F2 champion and son of the great Michael Schumacher, Haas needed Mazepin's money to run the team. Eventually, the Russian driver ended the season 21st in the standing, out of 20 drivers¹⁴. When the 2022 season started, Mazepin took only part in the Barcelona tests. When the Ukraine War started, Haas immediately parted ways with its title sponsor Uralkali. The Russian company was reportedly close to the Kremlin and Dmitry Mazepin attended an oligarch's meeting with Russian president Vladimir Putin, just a couple of days after the start of the war. Haas removed the sponsor from its official team name and from its livery, running with full white car during the Bahrain tests. Haas also fired its driver, replacing Nikita with former Haas driver Kevin Magnussen, who had left the team in 2020. Dmitry Mazepin and son Nikita Mazepin both featured in the European Union list of oligarchs sanctioned by the EU, with all their belongings in the territory being frozen. On its behalf, Uralkali went on with a legal action against Haas, asking the American team to refund \$13 million already paid and a further \$8.6 million as compensation for the loss of profits. In a statement issued by Uralkali, it is reported that Haas "failed to perform its obligations to Uralkali for this year's season [...] and shall request the immediate reimbursement of the amounts received by Haas" (Noble, 2022). Haas rejected the Russian company's claims, adding that it had a right to end the sponsorship deal because of a

¹⁴ Polish driver Rober Kubica replaced the Alfa Romeo driver Kimi Räikkönen when the Finnish one tested positive to a Covid-19 test. As Kubica ended his two races higher in the standings than Mazepin throughout the whole season, the Russian driver ended being the 21st driver out of 20 in the final standings.

clause in the agreement that Uralkali shall “not injure, bring into dispute, ridicule, or lessen the public reputation, goodwill or favourable image of Haas”. The matter, still unresolved, looks to be heading to court in a foreseeable future.

2.4.3 New sponsorship trends in Formula 1

The world of sports sponsorships closely follows market trends, and therefore takes into account environmental, social and economic dimensions. When it comes to Formula 1, as of 2022, the majority of sponsors and partners that can be found on those 20 cars are technology companies. The world has slowly been transitioning into a more digital reality in the last decade, and the arise of the Covid-19 pandemic has dramatically speeded up this process. Zoom, a video call platform that we have all been using during lockdown, has seen its turnover rose up by 326% in 2020, compared to 2019. Our habits have changed and now we are able to embrace more and more digital services that, sometimes, make our everyday life easier. As the Formula 1 sponsorship market follows this ‘digitalization’ trend, it come with no surprise seeing Zoom as Official Partner of Formula 1 itself. These brands had first collaborated during the 2020 season, when fans were not allowed in at circuits and races were being held behind closed doors. Zoom helped F1 setting up the Virtual Paddock Club experience, delivering virtual hospitality offerings, garage tours, drivers meeting with fans across the world, and so on. After the successful collaboration in 2020, the two global brands signed a multi-year deal from the 2021 F1 season and beyond, bringing fans closer and increasing F1’s fan engagement offer (Zoom, 2021). Video call softwares however, are not the only ones who benefit from this race towards digitalization. Cloud services, cybersecurity and cryptocurrency brands have made their entrance in the world of sports sponsorships, especially into Formula 1. Why is this sport so attractive for technology companies? According to Drive Sports Marketing (2021), a sports marketing agency specialized in Formula 1, Formula E, WEC and MotoGP, Formula 1 is dominated by technology because while other sports, like football or tennis, are ‘supported’ by the use of technologies like the VAR for example, F1 is ‘driven’ by technology. F1 cars are the pinnacle of the latest innovations and without softwares and data analysis, it would be difficult to set up a set of pit-stop strategies for the race, analyze entrance-corner speed and tyre degradation to name a few. In other sports, the human-athlete part always prevail on technology, while in Formula 1 they can’t work without one another, they need to coexist in order to perform. Apart from the

sporting side, Formula 1 is “where is made and then applied to other environments” (Drive Sports Marketing, 2021). When we think about the audience of Formula 1, 57% of fans are senior decision-makers and they are 49% more likely to work in an IT role than average. This makes tech brands even more interested in attracting these people, as they represent potential customers. Esports are another reason why technology is prevailing in the sponsorship sector. Formula 1 has its own Esport Championship, with every real team participating in this virtual competition too. According to Nielsen’s 2022 Global Sports Marketing Report, “there were 2.254 publicly announced Esport sponsorship deals globally in 2021 compared to 1.785 in 2020, making it one of the fastest global segments of the global entertainment industry” (ESA, 2022). The increasing importance of simulators and the use of augmented reality and artificial intelligence in F1 drivers’ training, contributed to increase the role these tech companies have in the sport.

Apart from data analysis softwares, cybersecurity and AI companies, companies who are spending the most in sports sponsorships are cryptocurrency ones. Cryptos are a digital currency that can be used for virtual transactions, each one of them being traced back by blockchains. Bitcoin is probably the most famous example of cryptocurrency. Cryptos can be used to purchase NFT, namely Non-Fungible Tokens, certificates of ownership of digital goods. F1 slowly started venturing into NFTs, with Pierre Gasly being the first F1 driver bringing NFTs into the sport (IT Info, 2021). The French driver collaborated with Fantom, partner of Scuderia AlphaTauri, Gasly’s team. This opened the window for other blockchain companies into the sport, making sense for these firms to partner up with F1 teams to offer unique digital goods to fans across the world. Aston Martin was the first team to be sponsored by a cryptocurrency, signing a deal with crypto.com in March 2021. Crypto.com is also Official Global Partner of Formula 1 since 2021, sponsoring Sprint Races and GPs like the ‘Formula 1 Crypto.com Miami Grand Prix 2022’. Red Bull Racing, instead, signed a sponsorship agreement with ByBit for a rumored amount of \$150 million over three years (Drive Sports Marketing, (b) 2022). As of 2022, most teams now have crypto partners, with the only exception of Williams which however announced one for the 2023 season. Even if cryptos financial potential seems to be dominating Formula 1 at the moment, it needs to be taken into account the sustainability aspect behind NFT and cryptocurrencies. Blockchain technologies consume a lot of energy and release carbon dioxide, during a creation process called ‘mining’. The environmental issue of cryptos could interfere with a Formula 1 that

aims to be fully green by 2030. This is also the reason why technologies companies, and cryptos in particular, are not a thing in Formula E, a similar racing championship with a totally different aim, making sustainability the core of the sport. Another issue worth mentioning is the so called 'crypto-winter'. If the first half of 2022 saw a boom in crypto-NFT sports sponsorships - even outside Formula 1, think about the NBA for example - the fall/winter season brought several problems to this industry. The hyper-volatility of the crypto market has always been questioned, as the lack of regulation on the matter didn't protect customers enough. The biggest event that led to the downfall of cryptos was the bankruptcy of FTX, a major partner of Mercedes. FTX was a crypto-exchange platform founded by Sam Bankman-Fried in 2019. In just a couple of years, the company grew massively and started investing big amount of money in sports. Examples are the FTX Arena in Miami, the Golden State Warriors' deal in NBA, the partnership with Mercedes in Formula 1 and several other athletes endorsements. At the start of the second half of 2022, Binance - FTX Chinese rival and partner of Alpine in Formula 1 - was meant to take over FTX. Following an investigation into the company's assets, Binance stepped down from negotiations. FTX investors saw their withdrawals denied and while Bankman-Fried was reassuring his stakeholders on Thursday 10th November, the following day Friday 11th November the company filed for bankruptcy, appealing to USA's Chapter 11. Sam Bankman-Fried suffered the fastest net-worth downfall in history, according to Bloomberg's Billionaires Index, seeing his assets going down by 94% in less than 24 hours. He was later arrested in the Bahamas a few weeks later. Following this crypto-bubble burst, Mercedes immediately removed all FTX logos from its cars ahead of the Brazilian GP (Brittle, 2022). While it is still not clear how Mercedes has been impacted by the news, apart from an obvious lack of funding, other sports entities sponsored by FTX are suffering several consequences. This is the case of the Golden State Warriors, as well as athletes endorsed by FTX such as Naomi Osaka, Tom Brandy and Steph Curry, who are now being sued by a class-action of FTX customers. The Golden States and the athletes mentioned are accused of having promoted the FTX business as "a viable and safe way to invest in crypto", says Elliot Lamb, a Canadian citizen who lost over \$750,000 after FTX's bankruptcy. FTX wasn't an isolated case as Crypto.com, mentioned above as one of the biggest crypto investors in Formula 1, suffered suspicions of failure after the event. FTX's bankruptcy left the market with very little appreciation and trust for these virtual instruments. Crypto.com's exchange token 'Cronos' lost over a billion of US dollars in November 2022. In addition to that, a token transaction worth \$400 million towards Gate.io, a sister company, fostered

bankruptcy rumors. Kris Marszalek, the CEO, tried to reassure customers but that didn't seem to work. According to Forbes ((b), 2022), as of 28th November, Cronos was still losing value, with a decrease of over 28% year-over-year compared to 2021. All digital currencies seem to suffer this negative trend, as both ether and Bitcoin lost 67% and 64% respectively (Spinello, (e) 2022).

What does this mean for the sports industry? A colder approach to crypto partners is needed, especially when Formula 1 positions itself as a luxury sport with a strong and reliable brand. The extreme volatility of these instruments, along with their environmental impact derived from blockchain technologies, might become an issue for sports teams and athletes. Specific due diligence into cryptocurrencies' social and economic impact may be advisable, prior to the signing of partnership agreements in the future. New trends might emerge, as energy drinks and technology companies took over the role of big players in the sport after the ban of tobacco and the restrictions on alcohol products. The sports sponsorship industry has proved in the past that it can suffer short term breakdowns and quickly reinvent itself with new players entering the game, increasing the overall value in the long run.

2.5 Conclusions

As we have seen, Formula 1 has a long track record of proven sponsorships, which keep evolving throughout decades, following constraints given by legislation and market trends. Considering the growth Formula 1 is experiencing in the latest years, its platform seems to be a powerful way for brand to advertise themselves. An international audience with a strong market positioning contributes to the appeal of Formula 1 in the sponsorship industry.

In the next chapter, a practical example of how a firm benefitted massively from its collaboration with Formula 1 is illustrated. Ferrari Trento seems to have found the perfect partner to internationalize its brand, positioning it next to big Champagne competitors like Moët & Chandon thanks to the luxury reach Formula 1 is able to deliver.

Chapter 3

3. Ferrari Trento and Formula 1

3.1 Introduction

After a theoretical introduction on sports sponsorships and partnerships, and their importance for parties involved, the following chapter will cover a practical example. Ferrari Trento, an Italian family-owned *spumante metodo classico* producer has partnered up with Formula 1 as Official Toast Partner of the sport. We will describe the process from early negotiations to the activation of the partnership, probably the most important step in the partnership journey. We will then conclude the chapter with a reflection on the Return on Investment for Ferrari Trento, who benefitted massively from its association with Formula 1's brand. The aim of this chapter is to investigate the reasons that lead Ferrari Trento to choose Formula 1 as partner and, more specifically, as a platform to boost brand awareness and leverage sales.

All the information reported below were given by Ferrari Trento's General Manager Simone Masè, and the Formula 1 Project Manager Pietro Bodrito, during multiple telematic interviews which lasted a total amount of two and a half hours combined. Photos and other medias are courtesy of Ferrari Trento.

3.2 Introduction to Ferrari Trento

Ferrari Trento has a long and fascinating story that goes back 120 years. At the beginning of the XX century, Giulio Ferrari, born and raised in Trento, came back from France - more specifically from the Champagne region - with a dream: to create a wine able to compete with the best French Champagnes. Being a sophisticated product that requires attention and time, Giulio Ferrari started producing selected champagne bottles¹⁵ in Trento, at the time part of the Austro-Hungarian Empire. He was one of the very first wine entrepreneurs to diffuse Chardonnay grapes in Italy. After Champagne wineries appealed for a protected

¹⁵ Following the *methode Champenoise*, or the *metodo classico* in Italian, each bottle takes between three to five years to be ready to open. Most operations are now carried out by automatic machines but some reserve wines are still made traditionally, with each bottle turned by hand.

denomination, Ferrari Trento couldn't exploit Champagne's name anymore, even if the *methode Champenoise* was the same. Ferrari Trento then became a *spumante*, with the diciture *metodo classico* as indication of the traditional production method. In 1952 Giulio Ferrari, aged and without heirs, left his company to Bruno Lunelli, a little wine shop owner in Trento's city centre. At the time, Ferrari Trento was making 9.000 bottles per year. Lunelli's sons and grandsons took over the winery, with the third generation currently managing the company now.

Ferrari Trento is an elegant sparkling wine which never lost the quality Giulio Ferrari pushed for. The company, as of 2022, produces six different lines:

- *Linea Classica* - traditional line, presents three different wines: Ferrari Brut, Ferrari Rosé, and Ferrari Demi-Sec;
- *Linea Maximum* - line reserved for restaurants and catering, presents the Ferrari Maximum Blanc de Blancs, Ferrari Maximum Rosé, and Ferrari Maximum Demi-Sec;
- *Linea Perlé* - a more sophisticated line that includes the Ferrari Perlé, Ferrari Perlé Zero, and three reserves, Ferrari Perlé Bianco Riserva, Ferrari Perlé Nero Riserva, and the Ferrari Perlé Rosé Riserva;
- *Linea Riserve* - Ferrari's most prestigious products include the Ferrari Riserva Lunelli, Giulio Ferrari Rosé, Giulio Ferrari Riserva del Fondatore, Giulio Ferrari Collezione, and Ferrari Riserva Bruno Lunelli;
- *Linea Gran Cuvée* - for special occasions, the Ferrari Gran Cuvée can be personalized in all sizes available;
- *Limited Edition* - special limited-edition wines dedicated to great protagonists of our time: the Ferrari F1® Podium Jeroboam (see [Figure 23](#)), and the Ferrari F1® Limited Edition with labels inspired by different Formula 1 circuits.

Figure 23 - The Limited Edition Ferrari F1® Podium Jeroboam, featuring the unique Ferrari writing on the side as the one showed during podium celebrations.



Source: ferraritent.com

As of 2022, Ferrari Trento is the biggest company in the Lunelli Group, which also encompasses the brands Tenute Lunelli, Bisol, Sargiva (bottled water), Segnana (spirits), and Tassoni (cedar) - the most recent acquisition. The group owns a two-Star Michelin restaurant too, called Locanda Margon. Ferrari Trento nowadays produces 6 million bottles per year, with a total of 24 million bottles in refinement stored in the winery. Counting over 300 employees, Ferrari Trento accounts revenues for €130 million.

Ferrari Trento wines are Italy's most awarded sparkling wines, with the first award dating back to 1906, when Giulio Ferrari's creations won the gold medal at the Esposizione Internazionale di Milano. According to Matteo Lunelli, CEO of Ferrari Trento and grandson of Bruno Lunelli, the proudest achievement Ferrari Trento got is the Producer of the Year title, won at the Champagne and Sparkling Wine World Championships. This award represents the quality, the history and the elegance of such wine that was able to beat the finest and oldest champagne *maisons*. This competition, always according to Lunelli, underlines how varied and competitive the sparkling wine world, making the winning even more meaningful.

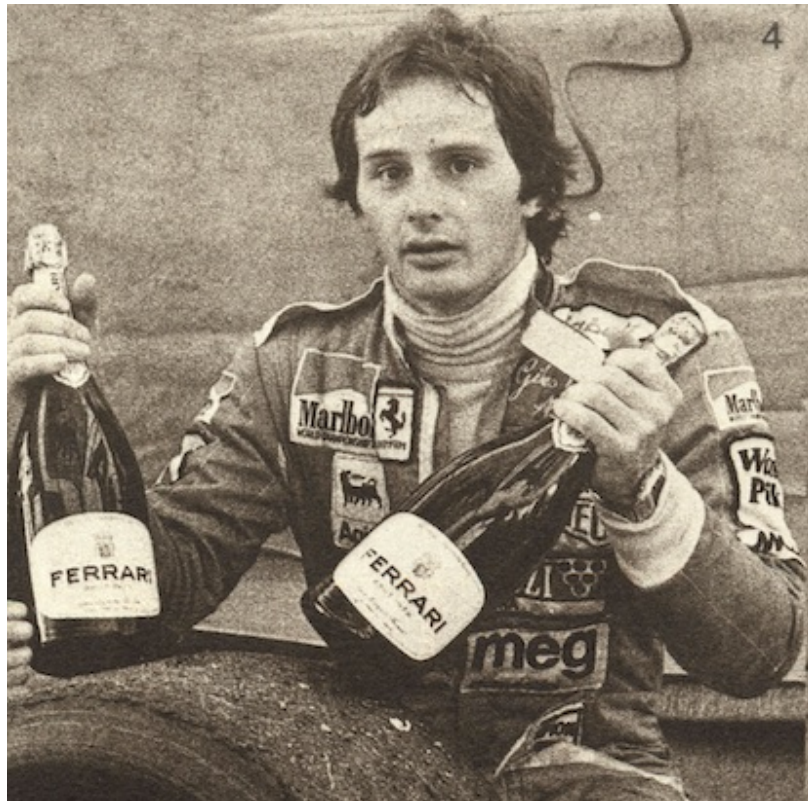
3.2.1 Ferrari Trento and its involvement in sports marketing

Over 120 years of history, Ferrari Trento has accompanied many celebrations. In particular, Ferrari Trento has been a long partner of sports successes.

The highest moment in Ferrari Trento's history in sports is for sure the partnership with Formula 1, but even before that, Ferrari Trento was involved in Basket, being official partner of A|X Armani Exchange Olimpia Milano, Sailing with Luna Rossa by Prada in the America's Cup, Football together with Juventus FC, and many more. Still, all these deals put together couldn't reach the numbers made by the partnership with Formula 1. This topic will be analyzed in details in the following paragraphs.

Ferrari Trento's journey in the highest category of motorsport is not new to these days though. The first appearance of the *metodo classico* wine on Formula 1's podiums date back to the 70s and the 80s, with drivers like Niki Lauda, Nigel Mansell and Gilles Villeneuve (see [Figure 24](#)) celebrating on the rostrum with a Ferrari Trento bottle in their hands. Over the years however, French champagnes dominated the sport, with Italian wines making one-off appearances every now and then. Champagne has always been an integral part of the celebration, however never getting the attention it deserved. The sparkling spraying moment never got to be the protagonist on the podium until Ferrari Trento took over, marking a turning point in how the audience perceive the celebration. This was possible thanks to several activation operations performed by Ferrari Trento during GPs weekends, both on and off the circuit. Such kind of relationship made possible the creation of a strong bond between the F1 management and Ferrari Trento, leading to a successful partnership for both parties.

Figure 24 - Gilles Villeneuve holding two Ferrari Trento bottles after a Formula 1 race.



Source: ferraritrento.com

3.3 Ferrari Trento: Official Toast Partner of Formula 1

In the following paragraphs we will deeply analyze all the steps Ferrari Trento undertook to be a partner of Formula 1, starting with the decision of sponsoring the sport, the process that led to this decision, all the activities needed to leverage the partnership (activation process), and finally, the measurement of the return on investment.

The main starting point is: what led Ferrari Trento to choose Formula 1 as partner? How is Formula 1's deal different than all the other deals signed by Ferrari Trento with other sports?

The first question could be answered in two ways, with both technical and sentimental reasons behind the choice. The Lunelli family has always been passionate about Formula 1, so it could be said that being the opportunity feasible for their finances, they took the chance. However, the main intention was driven by technical and economic aspects that Formula 1 offered to Ferrari Trento. According to Masè, there is no other sport in the world that makes the celebration toast such a special and frequent recurring moment. Being Ferrari Trento

partner of Juventus FC, their product appears only when the team wins a championship, occasion that occurs once a year or twice a year but only if the team actually wins both the Scudetto or the Champions League. What Juventus FC offers is a limited brand exposure and still, the toast isn't that central to the nature of football. Formula 1, on the other hand, makes the toast an integral part of the winning celebrations every Sunday - in case of sprint races, every Saturday as well. Spraying champagne - or *spumante* in this case - is a fundamental step, central to podium celebrations (see [Figure 25](#)).

[Figure 25](#) - Podium celebrations for Max Verstappen (left) and Charles Leclerc (right).



Source: ferraritrento.com

The frequency of product exposure Formula 1¹⁶ offers is much higher than what any other sport does, with currently 23 races on the go for the 2023 season¹⁷ and 6 sprint races¹⁸. This means half of the year is covered by race weekends with an international audience. While other sports fanbases might be larger but more casual, the average Formula 1 fan is usually deeply invested in the sport, paying more attention to details - and therefore sponsors - given how technical F1 is compared to football for instance, and this is another point to leverage in F1 partnerships. The growing audience, especially among the young generations, the entrance in new markets like the American or the Asian ones, the frequency of races, and the central moment of toast celebrations are all factors that lead Ferrari Trento to invest in Formula 1. Ferrari Trento is a renowned brand in Italy, however it suffers a bit the presence of big French champagne *maisons* - which have a much bigger budget and a well known history - on the foreign market, where these players dominate the scene. Therefore, the international exposure offered by Formula 1 was for sure appealing for the winery. Another aspect to take into account are Ferrari Trento's and Formula 1's shared values and beliefs, as well as the product offering and the market positioning. Ferrari Trento is wine with a specific personality, aimed to be drunk by a specific customer persona. The history, the label design, and the quality of this wine remind to an elegant and classy *spumante*, something luxurious to drink on special occasions. This fits perfectly Formula 1's identity, a luxurious sport for luxurious people, with an international mindset and an historic legacy. To quote Masè's words, "this partnership is the result of a perfect fit between Ferrari Trento and Formula 1". Another topic that adds to this sentence is the mutual interest both brands have towards sustainability. Formula 1 aims to be carbon free by 2030, pushing for a much needed change with the new green fuel that will be adopted by teams following the new 2026 regulations. Nevertheless, it's not just the fuel used by F1 cars that pollutes the environment. The most impactful activity is logistics that, due to the nature of the sport, requires the Circus to move frequently around

¹⁶ Ferrari Trento is present on Formula 2 and Formula 3 podiums as well, categories who often accompany Formula 1 during race weekends. W-series, an all-female series, is another category which sees Ferrari Trento's *spumante* on the podium.

¹⁷ The initial number of races for the 2023 Formula 1 season was 24. After the cancellation of the Chinese Gran Prix due to Covid complications in China, Formula 1 decided to leave out said race weekend from the calendar, instead of replacing it with the rumored Portimao (Portugal) or Istanbul Park (Turkey) circuits.

¹⁸ Sprint races offer a double exposure given the fact that two races take place during a race weekend, let alone the Qualifying moved on Friday.

the globe. To solve this, Formula 1 has been carefully selected new partners to help them during their journey towards a greener future. It is obvious that the environment issue is an important topic for Ferrari Trento too, given their product that comes from the earth. The company has been granted the 'Biodiversity Friend' certificate, issued by the Worldwide Biodiversity Association for their agronomic practices. A protocol for their grape providers has also been established. 'The Ferrari Vineyard: for a sustainable and healthy mountain winemaking industry' was developed in partnership with the Edmund Mach Foundation and its certified by CSQA, one of the strictest food quality certification schemes in Italy. Moreover, Ferrari Trento seeks to actively contribute to the Sustainable Development Goals (SDGs) of the 2030 Agenda. Ferrari Trento has also been making steps ahead in their journey towards Carbon Neutrality, whose emissions have been certified and offset by Climate Partner, a worldwide company specialized in evaluating and solving problems regarding climate change, using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. A detailed sustainability report is published yearly on Ferrari Trento's website too. To sum up, among many things Ferrari Trento and Formula 1 have in common, a committed push towards a more sustainable future is another reason behind their partnership agreement. Formula 1's environmental commitment has been attracting more partners in recent days as brands no longer fear being associated with a polluting sport.

There were never thoughts or indecisions about the choice of Formula 1 as partner for what concerns Ferrari Trento, as what F1 offers is unique and powerful. To sum up all the reasons behind this choice, we can include:

- natural fit between the two realities;
- shared values and beliefs;
- central role of *spumante* during podium celebrations;
- frequency of race events;
- media exposure, in particular international coverage and nature of events that expose the product to different markets;
- target audience, international and high-profile;

- commitment towards the environment - carbon neutral sport by 2030;
- passion for the sport.

If we had to find a limitation of what Formula 1 could offer to a wine brand, it would be the limited brand exposure on the so-called ‘dry markets’, i.e. countries who have strict restrictions on alcohol advertising. Examples include races in the Middle East, like Saudi Arabia, Qatar, Bahrein, but also some other countries like France, who bans every kind of advertising or exposure of such brands. Ferrari Trento is therefore not present on the podium of these countries, with *spumante* bottles replaced with unbranded rose water or other sparkling non-alcoholic beverages. However, the restrictions on brand exposure are limited to advertising and TV coverage, given the fact that Ferrari Trento is still present inside the paddock in different hospitalities and dedicated branded corners. The only exception, looking at the past 2022 season, was Saudi Arabia, where Ferrari Trento was not present at all. That however is expected to change soon, apparently from 2024 on. Dry markets do not harm the value of the partnership as they only represent a few exception on a vast calendar that accounts for 24 races at the moment of writing.

3.3.1 Early negotiations

According to Simone Masè, Ferrari Trento’s General Manager, the first talks about a potential partnership took place after the 2019 Italian Grand Prix in Monza. Ferrari Trento never entered such a big deal before so talks with Formula 1’s partnership managers were merely informative, as another contract with a French champagne was in place. At the time, Formula 1 had a deal with Carbon as Official Sparkling Partner of the sport. The following year, Carbon retired, leaving Ferrari Trento room for actual negotiations. Both parties met several times between September 2019 and March 2021, when the news broke on the medias. Before actual negotiations started, Ferrari Trento took F1 managers on a winery tour, telling them the history of Giulio Ferrari’s creation. It was essential for Ferrari Trento to explain deeply who they are, where they come from and how they work, in order to establish a solid relationship based on mutual fit, shared values and trust. Over a year and a half of preparation was needed to ensure the partnership draft was appealing for both Ferrari Trento and Formula 1. The main points discussed were the amount of money to invest - the exact amount is still not a public information but it’s rumored to be around millions of euros per year, the values

shared, the locations at the dispose of Ferrari Trento in the paddock, logo placements, and events. All details were eventually agreed on and the deal was signed.

The news was announced on March 2021. A press released was issued in both Formula 1 and Ferrari Trento's websites, followed by a press conference streamed online on Ferrari Trento's youtube channel. To emphasize the collaboration and the awareness of it among its audience, Ferrari Trento sent over PR packages to a selected number of influencers. The package included a limited edition F1 Ferrari Trento bottle, a branded glass, and a mini checked flag with Ferrari Trento's stylized logo on it. Several unboxing videos were posted online, along with a social media marketing campaign, to create buzz, curiosity and awareness among the target audience.

The immediate reaction of the public once the news was announced was positive, with an instant boost in sales for Ferrari Trento but most of all, an incredible international exposure and brand awareness to exploit.

3.3.2 Activation and other marketing activities

A sponsorship - or a partnership - without activation is reduced to a mere logo or product placement operation, resulting to be way less effective than a proper sponsorship campaign carried out in an organized and planned manner. Activation, as mentioned in Chapter 1, is an essential activity aimed at exploiting the benefits deriving from the association with said athlete, team, or sport championship. Before signing a sponsorship deal, management must take into account additional investments to be made above the one discussed with the sponsored entity. The usual relationship between the sponsorship fee and the activation investments is 1:3, meaning that if we spend 1 million on sponsorship fees, we need 3 more millions for activation operations, in order to carry them out in a proficient way. Activation activities include costs for inviting guests, either customers or influencers, set up promotional materials, transportation and preparation of wine bottles available to sell at the event, branded glasses, freebies packages, events organization and so on.

Ferrari Trento performs both 'above the line' (ATL) and 'below the line' (BTL) marketing activities. The former refers to general activities not targeted to a specific audience, aimed at being perceived by the mass and therefore exploiting a wider reach. The objective of these activities is to inform the public about a specific product or brand, that is why most of

these operations rely on mass communication media. Ferrari Trento does not advertise on TV through spots due to an internal choice, but carries out other promotional activities on TV such as product placement during the ‘Sky F1 Paddock Live’ program, race coverage, podium celebrations, interviews, etc.. Digital and printed media are also used. Other above the line operations involve influencers PR packages unveiling, activation of digital channels through brand ambassadors, and online promotion of live experiences (i.e. a race weekend vlog posted online by a Ferrari Trento guest). When it comes to below the line activities instead, operations are carefully tailored for a specific target audience: company stakeholders, customers, journalists, potential partners and leads, influencers. While above the line activities are much more costly compared to the return on investment they generate, below the line operations are usually more rewarding. The production of media content tailored for a specific audience, or live experiences (i.e. attending a Grand Prix in person) that permit the guest to truly ‘live’ the brand are the most effective ways of engaging with stakeholders. Experiential marketing is at the core of sports sponsorships, that’s why engagement connected to a beloved sport event is so effective. In the Paddock Club, Ferrari Trento sets up a corner that not only serves as a *bar*¹⁹ but tells the brand history as well. Experiencing at 360° the Ferrari Trento brand, immersed in a sports context where passion is a crucial element, is a powerful tool to leverage in order to boost engagement. Ferrari Trento has a shop corner as well, where limited edition bottles dedicated to famous F1 circuits are available to buy (see [Figure 26](#)).

Figure 26 - Ferrari Trento Limited Edition Monza bottle.



Source: ferraritrento.com

¹⁹ Over 10.000 Ferrari Trento branded goblets are present during each race weekend.

Another activity organized at the paddock was a charity auction of signed Ferrari Trento bottles, turned collectable pieces for Formula 1 fans. “Investing to be visible in the paddock area is essential”, says Masè, as that is where the highest audience of F1 fans is. A lot of VIPs attend regularly F1 races and this turns the paddock into a powerful window shop for brands who are present there. For what concerns activities outside the paddock instead, Ferrari Trento organized several events in partnership with other brands during the last two years of activity in Formula 1. Examples include a ‘Sports Illustrated x Ferrari Trento’ party in Miami, during the same race weekend; and events with Riva Yatch, Pirelli, and Alfa Romeo too. The latter is another partner of Ferrari Trento for what concerns the sporting environment, as the wine company sponsors the Suisse racing team.

3.3.3 Ferrari Trento and Alfa Romeo F1 Team Orlen

As mentioned above, Ferrari Trento is not only partner of Formula 1 but of an F1 team too. The sponsorship of Alfa Romeo F1 Team Orlen was announced on both parties’ websites on the 22nd April 2022. In the press release both Matteo Lunelli, CEO of Ferrari Trento, and Frédéric Vasseur, Team Principal of Alfa Romeo F1 Team Orlen, underline the pleasure of joining forces to work together, given the strong Italian roots that unite both brands.

This sponsorship is a natural extension of the main partnership with Formula 1. According to Pietro Bodrito, Ferrari Trento F1 Project Manager, being present in an F1 garage offers not only a wider brand exposure - that is however limited given the restrictions on alcohol advertising²⁰ - but most of all, gives them access to exclusive experiences, like attending a race directly in Alfa Romeo’s box, or meeting drivers on their way to the race track. When guests are offered these one of a kind experiences, they will tend to remember these moments with positive feeling, reinforcing the connection with the brand experienced. In such events, Experiential Marketing is a very powerful tool to exploit as it is able to permeate the audience’s minds and deliver long term returns (i.e. converting a normal customer into a brand lover). Being the official sparkling partner of the Alfa Romeo F1 Team Orlen, Ferrari Trento is present at all events organized by Alfa Romeo, both on and off track.

²⁰ The Ferrari Trento logo is not present in the car livery or on drivers’ racing suits, given the restrictions of alcohol advertising. However, Ferrari Trento is present with its products in Alfa Romeo’s hospitality. Its logo is only exposed on the back of their garage and on Alfa Romeo’s website.

3.3.4 ROI and implications for the brand

While expenses are easier to measure as they are recorded, the return on investment is much trickier to explain as it is composed by both quantitative and qualitative variables. The former includes measures like sales revenues and number of customers, while the latter - the most difficult ones to analyze - refers to brand awareness, brand perception, and so on.

Masè states that the partnership with Formula 1 is the biggest deal Ferrari Trento ever signed and the return they got exceeded all their expectations. Their timing was also crucial as Ferrari Trento arrived at the exact moment the sport grew massively worldwide. With the help of Drive To Survive - the Netflix docu-series that became a case study, the use of social media previously forbidden by former F1 owner Bernie Ecclestone, and an overall approach to a younger and worldwide audience, Formula 1 peaked its popularity in 2021. In addition to that, the 2021 Abu Dhabi Grand Prix was the most watched sport event of the season, surpassing the Super Bowl, with a total of 108.7 million viewers worldwide.

Following the announcement of the partnership, in March 2021, the immediate reaction of the public was extremely positive, resulting in an immediate growth of brand awareness, backed by online researches. Although this variable couldn't be scientifically measured, empirical evidence gathered through stakeholders accounts suggests the increase in brand awareness to be well-founded. What mattered the most for Ferrari Trento was to reach a global audience, making their brand one to be spontaneously recalled by foreign consumers. Ferrari Trento is obviously stronger as a brand in Italy than in the rest of the world. After almost two years of being present in Formula 1, Masè said no other investment in the history of Ferrari Trento accomplished these results. In their biggest markets outside of Italy - still not as important in terms of revenue sales as the Italian one, previous March 2021 - sales increased with percentages from 50 to 100% year-to-year. The main foreign markets that benefitted the most appear to be the USA, Japan, the United Kingdom, Switzerland and Russia, at least up to the Ukraine War sanctions. Deeper internal analysis were investigated but specific results are not available to the public and therefore, not written in this elaborate.

Given the characteristics of the *metodo classico*, each bottle takes years to be ready for sale. Even if the demand from the public grows, it is not possible to increase the production in the short term. Even if the production process length was shorter, it would still be difficult to

increase production because of supply constraints. Grapes can only grow on a specific delineated territory and to ensure quality - characteristic which has always distinguished Giulio Ferrari's wines - Ferrari Trento is trying to select its demand by increasing prices. The economic results of the Formula 1 partnership are not to be seen as a quantity increase but rather as a revenue increase. Price increases are the natural path of moving up the luxury ladder, bringing the product to a new level of aspiration. Choosing to sponsor a sports event means riding the feelings of passion, authenticity and desire of fans, benefitting from the experience lived on track or from the memories made during the sports season. This adds a sentimental value to the product which now becomes an aspirational good, something to consume on special occasions, when you want to be reminded of a specific feeling or memory, or when you want to feel victorious as a driver on the higher step of the podium.

3.3.5 Future trajectories

Masè states that the collaboration with Formula 1 was the most rewarding investment Ferrari Trento ever did. The partnership will expire at the end of the 2025 season, with big players like LVMH - its famous brand Moët & Chandon had been a long time partner of the sport - who might make important comeback offers. Ferrari Trento would like to renew the deal with FOM²¹, given how successful the partnership resulted to be. They will have to deeply analyse the competition, paying attention to new entrants who might change the game, and put an appealing offer on the table. The future is uncertain, given how much Formula 1 is growing at an exponential rate, and it has to be taken into account that Ferrari Trento is a relatively small family-owned Italian player compared to big champagne names who can afford to invest much more.

Apart from Formula 1, Ferrari Trento will continue to invest in sports on a smaller scale too, as they have always done in recent years. Sports partnership are valuable and now that they benefit from Formula 1's name association, their prestige and worldwide fame will trace a flourishing path for them. Keeping a foot on the luxury world, Ferrari Trento has recently announced a partnership with Missoni too. A limited edition bottle of *spumante* encapsulated in a Missoni-dressed bottle. The common Italian roots aren't the only reason behind this news, it's clear that now Ferrari Trento has entered even more the luxury world also thanks to the exposure and the increase in brand awareness that Formula 1 gave them.

²¹ Formula One Management.

The future might be uncertain at the moment, given the contracts with Formula 1 expires in 2025. The renewal depends on economic factors, on an internal note, and on competition factors, as a profitable industry attracts many new entrants. What is certain is that this collaboration will go down in history and even after years, many fans will be able to recall the brand given its association with many successful and emotional moments Ferrari Trento has accompanied, as we have seen in the case of Hugo Boss with McLaren or Marlboro with Ferrari. Such powerful legacy never dies in the minds of costumers and fans. Ferrari Trento has stepped up its game in terms of market positioning, strengthening its presence in the luxury wine industry thanks to the internationalization and the increase in brand awareness that gained thanks to the partnership with Formula 1. New market opportunities and collaborations with important luxury names will come up, an example being the recently announced Ferrari Trento x Missoni partnership. What is certain is that shared values and a common vision are essential factors to develop a strong a successful partnership.

3.4 Conclusions

The Ferrari Trento's example seems to be a perfect match between what Formula 1 represents and offers to its partners and what Ferrari Trento wants to achieve with this collaboration. Shared values and a strong relationship are at the base of the development and the success that characterize this partnership, that will last until 2025 for the time being.

Even if the future seems uncertain, given the lower negotiation power Ferrari Trento has over big competitors like Moët & Chandon, the international results of this partnership will not disappear overnight. Ferrari Trento will have to keep making great marketing investments to stay relevant in a global audience but the centrality of podium celebrations in Formula 1, with their product and logo placed on the rostrum almost every weekend for half a decade, might still live in consumers' minds, therefore it might deliver such results even after the expiring of the agreement.

The importance of sports sponsorships

This elaborate aims to explain the importance of sports sponsorship in today's world, delivering an explanation on why and how firms should exploit their full potential to achieve maximum outcomes.

Starting with a theoretical approach to sports sponsorships, with a particular focus on their relevance in Formula 1 given the nature of the sport, the literature offers an analytical view on different aspects of sponsorships. After having illustrated the sponsorship funnel pipeline, from the intention to use such non-conventional marketing technique up to the final investment decision, we have seen how marketers tend to differentiate the nature of contributions in three categories, namely performance-based resources, financial resources, and finally, operational resources. It is important to underline how these contributions differently affect a team's on-track performance, as heterogeneity in the distribution of resources might create competitive advantage when such resources are not available to competitors (i.e. rare) and are considered valuable (i.e. bring exclusive knowledge to the team). It has been proved that performance, financial and operational sponsors have a different impact on F1 teams, considering also other variables such as years in the sport and track records. Performance-based resources should be the priority of younger teams, as they significantly contribute with a knowledge competitive advantage, while older teams, whose knowledge curve is characterized by diminishing returns, should focus more on getting financial resources. Prioritizing different contributions is important for sponsors managers as teams face a managerial constraint too, leading to the selection of a few essential partners in order to maximize their activity. When we switch our focus from the earlier stage of the sponsorship journey - aka tracking resources inflows - to measuring the effective return on investment of such deals, we face an additional challenge. While there is not a common belief in the industry, many argue that it is not possible to evaluate the full benefits of a sponsorship using traditional numerical metrics like the ROI. As a non-conventional marketing approach, sponsorships cannot be evaluated using standard indicators like the ones used for advertising. TV coverage is, however, a metric that can explain part of sponsorships ROI, but it has to be remembered that it is also influenced by price premiums. Most benefits are intangible and difficult to measure given the qualitative nature of parameters like people feelings and

perception towards a brand. Most of the times, partnerships work as a result of values alignment and a shared future vision of both parties involved.

Continuing our analysis with an historical approach to Formula 1, several examples of old and new sponsorships are here taken into account to explain both the good and the bad spectrum of carrying out such investment in the sport. Image transfer and association are among the tools that contribute to a brand's sponsorship success in the minds of customers. Such associations might be so powerful that are able to deliver effects even after years the partnership ended, as in the case of Hugo Boss with Ayrton Senna's McLaren. As Formula 1 is synonym of luxury and expertise, a prior research into a sponsor's business activity is advised, in order to avoid reputation PR disasters that backfire for a team or an athlete. It is indeed important also from an economic perspective to not harm a team's image and financial needs, especially considering new market trends like the dangerous volatility of cryptocurrencies and their important investments in the sport.

Finally, a practical example of what it means to be a partner of Formula 1, or of one of its ten teams, is depicted in the last chapter, covering the journey of Ferrari Trento in the sport. From a rather small (compared to the other Champagne industry players) Italian family-owned firm, to becoming the Official Toast Partner of Formula 1, Ferrari Trento saw its sales peaking worldwide, with an increase in revenues of even 100% year-to-year in certain foreign markets. The great exposure offered by Formula 1's international audience, both online and offline, resulted in a massive increase of brand awareness for Ferrari Trento, especially in markets where it not considered a big player. Through additional investments in activation operations, Ferrari Trento is maximizing the value of their partnership with the sport, extending their presence in the paddock announcing a partnership with Alfa Romeo F1 Team Orlen too. Several on and off track activities are carried out to exploit experiential marketing at its best. Future trajectories are still to be traced, as the increase in popularity Formula 1 is experiencing at the moment of writing attracts many firms, important French Champagne's *maisons* among those, whose financial prospects are much bigger than Ferrari Trento's ones for obvious reasons. The deal, expiring after the 2025 season, will for sure deliver increasing returns given also both parties' commitment to increase the role and the importance of celebrations in the sport. A perfect marriage of values is at the roots of this agreement who is being carried out in an efficient and scrupulous way. A future evaluation on the total outcomes

of this partnership will be interesting to study, given the change in trajectory Ferrari Trento gave to sparkling moments in Formula 1.

To conclude, sponsorships, in particular sports sponsorships, are powerful tools firms should take into consideration when evaluating a marketing plan, going beyond traditional advertising and taking advantage of the audience's feelings towards a particular interest - a sports team or an athlete - and benefitting from such association, as shown by the Ferrari Trento example. If the whole process is not carried out with due diligence and a marriage of interests from both parties, the sponsorship journey transforms into a dangerous process that could backfire, resulting to be an expensive not-so-great investment. A proper market analysis should be executed prior the signing of sponsorships agreements.

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- Valtteri Bottas, 2020 Sochi GP.

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- Martina.

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