Steering a High-Speed Marvel

By Christopher R. O’Dea

When rain caused the postponement last February of the Daytona 500 from 1 p.m. on Sunday until 7 p.m. on Monday, it seemed like a very bad break. But “The Great American Race,” the opening event in the NASCAR season, gained viewers as it went on. With dramatic action, which included a crash that caused a truck filled with jet fuel to explode in a fiery ball, Fox television won the ratings battle against original prime time programming on its rival networks. According to Fox, the 2012 event was the most-watched Daytona 500 in the network’s history, with more than 36.5 million unique viewers.
NASCAR Cup winner and racing superstar, Jimmie Johnson
Auto racing is clearly not just a niche activity for low-viewership hours. NASCAR today cuts a wide swath across the American sports and business landscape in terms of revenue, attendance, TV ratings and champion athletes. With a fan base of nearly one-third of the adult population of the United States, NASCAR generates $150 million in economic impact on average for each of the 36 races, topping $7 billion annually, with licensed merchandise sales adding another $1 billion to $3 billion. Attendance at the tracks drives an unprecedented degree of brand activation — the Holy Grail for sponsorship marketers striving for an emotional connection that converts racing fans to consumers. The vast audience that watched this year’s Daytona 500 sparked chatter about whether racing belongs in prime time, like the N.F.L., the ultimate TV juggernaut.

NASCAR naturally influences car manufacturing, a core American industry. Each of the four manufacturers that compete is developing NASCAR vehicles that will look like the cars we drive, bringing back the heady days of “win on Sunday, sell on Monday” competition. The cars are a response to fan demand, and will open new opportunities for carmakers and corporate sponsors as racing teams reconfigure layouts and paint schemes and roll out new marketing campaigns.

The 2011 season was arguably the most competitive in NASCAR’s history, with the championship in contention until the last lap of the last race of a grueling schedule. Reversing a four-year viewership decline of 25 percent through 2010, NASCAR’s overall viewership rose 10 percent on average in 2011, with a 17 percent increase in the coveted 18-34-year-old male segment pacing the rebound.

Just as NASCAR’s rise has reflected the rise of the Sun Belt, the sport is now flexing its economic muscle to advance social causes through a green strategy and attracting non-profit organizations as car sponsors. In a dynamic shift, nonprofits as large as AARP have engaged with NASCAR to raise awareness of key issues.

Family Owned
NASCAR is unique in sports. The rules of the sport are controlled by a private family-owned company; team owners do not have a stake in the sanctioning body as they do in traditional leagues. Teams and drivers operate as independent contractors. With annual costs of $20 million or more for each car, the sport requires significant capital, which is provided by corporate sponsors eager to tap the buying power of the NASCAR fan base. Sponsorship places stringent behavioral and commercial demands on drivers, who function as corporate representatives for many of the world’s top brands.

Charlotte, N.C., is the hub of the racing world in America and headquarters for most NASCAR teams. The city recently completed a building complex that includes NASCAR’s Hall of Fame and an adjacent state-of-the-art studio that could serve as the nerve center of its broadcasting network, and it operates a research and development center dedicated to design, testing, safety and green tech solutions.

Sponsorship has grown enormously as a marketing strategy in the past decade, as companies seek better ways to reach customers, and NASCAR’s long history with the sponsorship model gives it an edge in the increasingly intense competition for eyeball time from mobile fans with a dizzying array of sports options. The business side of the pit road rests on the collective experience of its teams and drivers at structuring major sponsorship deals — and then using the latest tools and technologies to turn fans into loyal, often multigenera-
tional customers. While most leagues grant monopolistic franchises bound by geography, the Pocono Raceway CEO, Brandon Igdalsky, notes that in NASCAR “there is no home turf — only racing fans.” That makes NASCAR the first digital-ready league, tailor-made for the way today’s wired fans follow sports — and the way businesses market their brands.

Running from the Law

NASCAR has come a long way since William “Big Bill” France Sr. founded the organization. Stock car racing originated in the hills around Bristol, Tenn., where enterprising bootleggers needed to outrun federal agents; they began modifying “stock” cars to gain an edge in speed and handling on steep, dark, mostly unpaved roads. Short dirt tracks provided a more law-abiding outlet for competitive zeal. Some of those drivers made their way to Florida’s sand flats, where their impromptu races caught the eye of a local gas station owner.

Big Bill France moved to Daytona, Fla., from Washington, D.C., in 1935 to escape the Great Depression. Daytona Beach was the site of land-speed record attempts at the time. With a reported $100 stake and talent as a mechanic, he opened a gas station and car repair shop. By some accounts, France entered the race at Daytona Beach in 1936, took fifth place and began managing the course in 1938. Stock car racing caught on across the Southeast in the 1940s, drawing ever-larger crowds, but problems remained. Race promoters were known to skip town with prize money, leaving race winners holding nothing more than a checkered flag. And rules varied from track to track.

Convinced that racing could reach its potential only if these problems were solved, Big Bill convened a group of drivers, promoters and businessmen in late 1947 at the Streamline Hotel and made the case for common rules for races, a regular schedule and a centralized organization to oversee the effort. The plan won support, and by February 1948 the National Association for Stock Car Auto Racing was formed. According to the Streamline Hotel’s Web site, “when the meeting adjourned, no one knew if the organization would be successful; some skeptics believed it would never work.”

How wrong they were. NASCAR racing today is the nation’s No. 1 sport in terms of attendance and fan loyalty. Today’s racing teams are complex organizations that run almost year-round. Drivers are the stars, but behind every driver is a team — sometimes numbering 50 to 60 people — dedicated to each car, supported by centralized groups of engine, chassis, suspension and aerodynamic technicians. In a business where success is reckoned in thousandths of a second, the difference between winning and losing comes down to the quality of leadership and talent management across the sport.

Setting the Course

NASCAR’s current head, Brian France, Big Bill’s grandson, recently took his leadership team on a deep dive into every aspect of NASCAR, producing a five-year strategy to anticipate change and keep NASCAR moving forward. The 2012 season has seen the unleashing of an industry action plan intended to raise the level of collaboration to create the best opportunities for sponsors, whether at the track or in the cybersphere, with new and compelling fan experiences. While Monday Night Racing may be a few more laps down the road, NASCAR’s current tagline is “Everything Else is Just a Game.”

“NASCAR is leading from the front,” said France, whose goal is to build on the successful platform that his grandfather created more than 60 years ago. Through the largest and most comprehensive independent research project any sports league is believed to have undertaken, NASCAR has gone beyond typical fan marketing research to develop ethnographic studies that yielded fresh insight into what attracts fans to its brand of racing. One output of that research was an action plan that consists of seven planks that promise
to deliver increasingly compelling competitive and entertainment experiences for the fans, thereby improving business results for sponsors, while breaking new ground in the use of sponsorships to support environmental and social causes. What’s more, the drivers, the stars themselves, are part of this and NASCAR’s marketing team has created programs to help drivers become better spokesmen (and spokeswomen) for the industry. In the process, NASCAR is helping fans learn more about drivers earlier in their careers, while better preparing drivers as they rise through the ranks.

“We tend to work on our weaknesses,” France said. “We’re a self-critical culture, looking at things introspectively to find things we think we can build on.” France works mostly with a core team of top executives, but said it’s not uncommon for him to reach out to people downstream. “It’s the only way I know how to approach things, and that sets the agenda.”

His agenda for NASCAR is ambitious. The new strategy is to tap key growth levers: defining the next-generation fan (younger, more mobile and wired, increasingly Hispanic, better informed about sports, and attention-challenged); helping drivers with their own brand mapping; launching a “SWAT team” to collaborate with teams and track owners to develop media opportunities and capitalize on them through at-track events and promotions; and building a digital presence second to none. And it’s working. The France message has resonated across the sport, with teams, drivers, track owners and crew chiefs giving him high marks for vision, innovation, and vigorous, creative leadership.

“NASCAR gets it,” said Joe Gibbs, who heads one of the major teams in the sport, fielding three Toyota cars in the NASCAR Sprint Cup series. Gibbs would know. The 20-year NASCAR team owner has unique perspective, with three Super Bowl championships as coach of the Washington Redskins in the National Football League, as well as three NASCAR Sprint Cup championships at Joe Gibbs Racing. Gibbs counts some of the world’s most sophisticated consumer and B-to-B marketers as sponsors, and his racing organization went international in 2007, becoming one of the first teams to use Toyota cars in the Cup series.

The difference between football and NASCAR, Gibbs said, is that “you don’t need to have a sponsor to play football.” In the sponsorship financing model, each NASCAR driver is not just an athlete, but a highly visible representative of several major brands and numerous smaller sponsors. He or she participates in advertising campaigns as well as off-track appearances with sponsors and their clients, which can include race-day hospitality tents, on-track special events and video appearances at sponsor companies.

Activated Branding

In the 1970s, consumer brands eager to tap the sales potential of loyal NASCAR fans took the sport into nationwide marketing channels beyond the core motor sports outlets. Showing drivers on point-of-sale displays and in national ad campaigns — “with their helmets off” — created a generation of drivers who became household names, said Steve Phelps, NASCAR’s chief marketing officer. NASCAR is actually “less over-indexed” in the Southeast than most people expect, Phelps notes, while stronger than expected in the Midwest and Northeast. Only in the West is NASCAR slightly below the national average in brand power.

Ken Butler recognized the marketing potential of NASCAR’s fan base in 2000. As chief operating officer of Aaron’s Inc., whose stores sell furniture, appliances and electronics to consumers with credit issues, he sponsored the naming rights for a race at Atlanta Motor Speedway, where Aaron’s is based. But Butler asked if the race could be lengthened a few laps so it could be named the “Aaron’s 312,” to promote the company’s lease-to-own program.

Butler began sponsoring a car after he met Cup driver Michael Waltrip at a Shania Twain concert. The partnership has enabled Waltrip to grow into a three-car team with a championship contender in 2012, while Aaron’s developed a strong marketing platform. The No. 99 “Dream Machine” was originally named for the array of “dream products” that Aaron’s sold for $99, and the company later moved the desig-
Driving for a Cause

NASCAR’s appeal as a sponsorship venue continues to reflect United States social trends while breaking new ground. Leading the way is four-time champion Jeff Gordon, who became the sport’s first crossover star after he started winning races and titles almost from the moment he entered the Cup series in the early 1990s. Now Gordon has a three-year contract with AARP; it is the first time a major nonprofit organization has taken a primary sponsorship of a NASCAR Sprint Cup car.

“I love doing charitable work,” Gordon said, “but I’d never represented a cause.” Gordon’s sponsor is Drive to End Hunger, a policy and grass roots initiative by AARP and AARP Foundation focused on the issue of hunger among older people in America. Food insecurity — the choice between a meal and medicine — confronts more than 9 million people over the age of 50 every day, said Jo Ann Jenkins, president of AARP Foundation. That’s a 78 percent increase in the last decade. The deal with the No. 24 car “is more than a sponsorship,” Jenkins said. “It’s a partnership with like-minded people — Jeff Gordon and the entire Hendrick team.”

Reflecting NASCAR’s strong core and its increasing mobile and digital reach, the Drive to End Hunger registered 982 million touch points with fans in 2011. These include page views at the AARP and Drive to End Hunger Web sites, interactions through social media like Facebook and Twitter, media coverage in traditional publications and broadcasts, as well as visits and donations at the Drive to End Hunger mobile trailer at Sprint Cup races. While AARP has multiple programs focused on hunger, “we use NASCAR as the main messaging platform to get people engaged,” Jenkins said. The impact wasn’t lost on NASCAR, which asked AARP for permission to use the partnership as a case study at its 2011 post-season sponsorship summit. In 2012, two other nonprofits got involved. The American Coalition for Clean Coal Electricity, an advocacy group representing coal producers, electric utilities and railroads, signed on to sponsor Dale Earnhardt Jr. and his team, JR Motorsports, in several Nationwide Series races, and ethanol producers also sponsor a car.

Drive to End Hunger took over primary sponsorship for Gordon after DuPont reduced its commitment during tough economic times in 2010, after two decades on the hood of the No. 24. That set the stage for another first for Gordon. “I learned what it takes to put food on the table for all these people — the food banks and all the volunteering,” he said. So far so good — the drive has helped deliver more than 8 million meals to older Americans since its creation.

Driving for a Cause

Nation to the No. 55 car on the Waltrip team to commemorate the founding of the chain in 1955. Aaron’s added its mascot, Lucky Dog, to its on-air marketing when it added a lucky dog graphic to its broadcast package — the term refers to the first driver who is not on the lead lap when a yellow caution flag slows racing; that driver gets one lap back, and race announcers called him or her a “lucky dog.” But the luckiest dog might be Butler — Aaron’s has grown from fewer than 300 stores to nearly 1,960 while working with Waltrip.

The power of NASCAR sponsorship is that “you can bring your brand right into the playing field,” France said. And digital tools allow NASCAR to multiply the impact of branding on the track. A major part of France’s strategy for the sport was to bring its digital rights back in-house. NASCAR decided it had to be master of its own destiny, able to control production, editing, packaging and rights management for the full range of NASCAR intellectual property. The move created a new digital division that will eventually require new hiring, Phelps said.

The digital dialogue is growing rapidly. In 2011, NASCAR.com averaged approximately 6 million unique visitors per month, with page views totaling 802 million, according to Omniture, an online marketing and Web analytics business owned by Adobe Systems. Racing fans — especially younger ones — are on the move, and the mobile version of NASCAR.com (m.nascar.com) experienced tremendous growth in 2011, with page views up 138 percent over 2010, to 159 million.

As the title sponsor of NASCAR’s premier racing series through at least 2016, Sprint brings its brand to life by taking fans inside the garage. NASCAR requires that communication between drivers and their pit crews during races take place over public analog channels and NASCAR Sprint Cup Mobile, an application available on Android devices exclusively from Sprint, essentially turns a mobile device into a race scanner.
on race days. The app delivers the live-race radio broadcast, lap-by-lap live telemetry and in-car audio for all 43 drivers and NASCAR officials. More than 3.1 million fans used the app in 2011. “Race fans are very good wireless customers,” said Steve Gaffney, vice president of corporate marketing for Sprint. “They spend more and stay with us longer.”

It is part of Sprint’s brand activation, which includes more than 1.2 million active followers for the Miss Sprint Cup Facebook page, and the Sprint All-Star Announcers contest for this year’s NASCAR Sprint All-Star Race. The All-Star Announcers contest afforded Sprint the opportunity to integrate NASCAR fans, in a highly visible fashion, into the spotlight event of its season. Twenty fans were chosen and their videos were seen on SPEED’s pre-race broadcast as the official driver introductions at the event.

Green for NASCAR? Critics scoff. But NASCAR Green is the kind of reform “that sustainability advocates would like to see across the economy,” Matthew T. Bodie, a St. Louis University School of Law professor and associate dean, noted in a recent paper. “NASCAR is an example of the ‘imbedded corporation’ — a firm working within a complex set of partnerships, contracts and other economic arrangements. Sustainability makes sense within this framework.”

NASCAR Green encourages research and innovation in fuel efficiency, solar power and environmentally sound handling or recycling of everything from motor oil and batteries to beverage containers. Like social media, the green effort draws in corporate sponsors. Coca-Cola sponsors recycling bins at tracks, and 3M has begun deploying a sustainable fire suppression fluid in the No. 16 3M Ford Fusion of Greg Biffle, a driver for Roush Fenway.

One of the most successful partner projects is the solar energy farm at Pocono Raceway, which began supplying all electricity for the track in 2010 — and putting enough excess energy back into the local grid to power about 800 homes in the area. Igdalsky, Pocono’s CEO, said the project saves up to $500,000 per year and draws a steady stream of visitors. “It’s put us on the map in all sports.”

Winning Organizations

Like participants in every sport, drivers and teams want to win. “Race wins help us in a number of ways,” said Jimmie Johnson, a five-time Sprint Cup champion. “The obvious one would be winning,” he added, in order to lock in a spot in the Chase for the Cup — the final 10 races that determine the championship. “Once that goal is accomplished, it’s a matter of getting the team rested and prepared for the finals.” To do so while delivering a return on investment to sponsors is a talent management challenge that falls to Marshall Carlson, president of Hendrick Motorsports. Carlson and the crew chiefs of the team’s four cars must inspire top-notch performance from teams encompassing a surprisingly wide range of expertise. Under NASCAR’s rules and competitive conditions, teams can gain only transient advantages from equipment, he said, “so it’s all about the people.”

The organization, founded by Rick Hendrick, numbers over 550 individuals, with 70 to 75 percent of them employed in the competition and development divisions, the rest in other business functions like marketing and accounting.

Hendrick’s main goal would sound familiar to many CEOs: leverage information and competitive intelligence across the four teams to win more. With one of the longest and best records in the sport, Hendrick has figured out how to make that happen most of the time; this year, the organization won its 200th Cup race, a singular achievement. Hendrick’s leadership model tends toward internal talent development starting on the shop floor. No organization is ever prepared for the kind of tragedy that struck Hendrick when a 2004 plane crash claimed the lives of 10 key company and sponsor personnel, including the founder’s son, Ricky, and brother John, who was president at the time. Carlson, who first worked at Hendrick as a summer intern while in college, was named president in 2011.

Crediting the founder, Carlson subscribes to four pillars of leadership: talent, unity, speed and focus. “You can’t beat talent,” Carlson said. And Hendrick has plenty: Jeff Gordon in the No. 24 AARP Drive to End Hunger car and Johnson in the No. 48 Lowe’s car have nine championships between them. Dale Earnhardt Jr., in the No. 88 Diet Mountain Dew/National Guard car, is the most popular driver in NASCAR, as well as the most valuable name in the sport. Completing the roster is Kasey Kahne, in the No. 5 Farmers Insurance car, who took his seat in 2012.

Turning talent into success demands unity of purpose and action. At Hendrick, when any car gets a win or a championship, every member of the competition group receives the same bonus. Similar programs provide incentives to marketing teams to execute programs that deliver superior results to sponsors. Unity enables the organization to operate at the tempo that infuses this sport: high speed. Carlson said, “Focus is pretty easy to see — every week there’s a scoreboard and we’re ranked in an unbelievably clear way.”

The Track Experience

For track owners, the window of opportunity for capitalizing on Cup races is short. A case study is the independent Pocono track. Though its seating of just over 76,800 makes Pocono a moderate facility on the Cup circuit, where a dozen tracks seat upward of 90,000 fans, its capacity tops many ball-sports parks.
Wheels and a special section of grandstands for Twitter users, an idea tweeted by an activated fan. Igdałsky spends an hour a day with fans on Twitter and Facebook. “People are absorbing the sport in different ways,” he said.

While digital channels are vital for reaching younger fans, there’s no replacing live racing, he adds. “When you’re at the track, you see it, feel it, hear it, taste it and smell it. It hits every sense, and it sucks you in.”

It’s Car Racing, After All

There’s no racing without cars, and fan loyalty to automakers fuels a “win on Sunday, sell on Monday” approach that has never left the sport. Big teams often have multiple ties to the manufacturers that supply their racing gear: Rick Hendrick is one of the largest Chevy dealers in the country, Roger Penske’s empire includes a Dodge engine plant, and Jack Roush of Roush Fenway Racing has long operated a Ford shop near Detroit that rivals an auto factory.

Long relationships between carmakers and established racing teams can pose obstacles for new entrants. Even in the big-money world of NASCAR, carmakers’ racing budgets are limited. Gibbs switched to Toyota in 2007 in part to become a bigger fish in the pond. Toyota began working with NASCAR in 2000 in a regional series, and had a solid relationship with the league’s technical group when it entered the Camping World Truck Series to support the launch of the Tundra, its first full-sized pickup in the United States. “It’s not just about the competition on the track; NASCAR provides a tremendous opportunity to reach out and activate,” said Les Unger, national motorsports manager for Toyota Motor Sales U.S.A.

Reflecting just how mainstream NASCAR has become, in April Forbes magazine named Johnson the most influential athlete in America — for the second year in a row. Asked about the honor, Johnson told the Fox broadcast team he felt honored by the award primarily because it validated Big Bill France’s dream that stock car racing drivers be recognized as athletes.

Today, Big Bill’s grandson is driving the Dream Machine that’s NASCAR, readying the sport for the next Dale Earnhardt or Jimmie Johnson, always attuned to how the racing looks on the track. Because in the end great competition will fuel success for this most American sport. As Igdałsky sums it up, “On any given Sunday, anybody can win.”

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