

**MBAK 6895**  
**Decision Assignment 2**  
**IndyCar**

The origins of IndyCar can be traced back to the formation of Championship Auto Racing Teams (CART) in 1978. For the first seventeen years of its existence, CART dominated auto racing in the United States, and open-wheel racing enjoyed greater notoriety than other forms of racing. However, Tony George, president of the Indianapolis Motor Speedway, was concerned that CART was beginning to lose sight of the interests of American open-wheel racing by holding events in foreign countries, putting too much emphasis on racing at road courses instead of oval tracks, and focusing too much on promoting top foreign drivers as CART stars. In 1996, George created a new open-wheel league that would compete with CART, the Indy Racing League (IRL). Team owners were forced to decide whether to remain with CART or move to the new IRL. The IRL–CART feud distracted both leagues and as a result thrust stock car racing into prominence, making stock car racing the favorite motorsport in the United States. By 2001 an ESPN Sports Poll survey found that 56% of American auto racing fans said stock car racing was their favorite type of racing, with open-wheel racing third at 9% (drag racing was second at 12%). Finally, in 2008 the IRL and CART reunited, with the new corporate entity now known as IndyCar.

The auto racing leader in the U.S. motorsports market is NASCAR (National Association for Stock Car Auto Racing). NASCAR fields three racing circuits in the United States: the NASCAR Cup Series, the Xfinity Series, and the Camping World Truck Series. The league has become popular as it has focused on marketing drivers, especially young drivers. Many racing observers believe that open-wheel racing could have been as popular as NASCAR is today if it were not for the split which destroyed attendance, sponsors, and television interest.

Today, IndyCar's market footprint is typically a [17-race schedule](#) (all but one or two races are in the U.S. with the other(s) in Canada). A season schedule includes a mix of oval tracks, road courses, and street races. Rather than focus solely on racing action, the unified IndyCar Series has marketed races as a "Festival of Speed." In addition to a race, fans had access to such activities as kids' zones, beach volleyball, wine tasting, or live concerts. One description of this approach is "We throw a party and a race breaks out. We don't want people to come out and sit in metal grandstands for three hours and get sweaty and get sunburned and go home. We want stuff going on everywhere." The festival concept appeared to be a success. For instance, the street race at Long Beach, California, attracted an estimated 200,000 people during a three-day event, including more than 80,000 people on race day.

Another way IndyCar engages fans is through a membership community it created called IndyCar Nation. Fans can join one of four levels—Rookie, Pit Crew (for ages 13-17), Champion, or Legend— with Rookie being free and the other levels having an annual membership price of

\$24.95, \$34.95, and \$99.95, respectively. Benefits vary by level, with some of the membership perks including garage passes, driver press conference access, autograph session fast pass, and IndyCar merchandise discounts. IndyCar Nation offers fans a deeper connection with the sport through richer experiences beyond passive consumption of races.

Both optimism and uncertainty existed as IndyCar in the years following reunification. Optimism arose from business partnerships with Coca-Cola, Orbitz, and the National Guard. A partnership with Mattel brought Hot Wheels–branded IndyCars to retail stores and IndyCar Series events. A new media broadcast partner, NBC Sports Network, gives the IndyCar Series much more coverage each week than offered by ESPN, although NBCSN has a smaller audience reach. IndyCar had successes in finding series title sponsors, too. Izod became the series title sponsor in 2010. Verizon took over as series title sponsor in 2014. Team owner and former driver Michael Andretti believes the cost advantage of attending IndyCar races compared to NASCAR gives the league an upper hand in reaching fans.

An area of uncertainty plaguing IndyCar for years has been lack of driver star power. Over the years, some top drivers have moved to NASCAR to race on a larger stage. Fan favorite Danica Patrick left IndyCar to compete in NASCAR after the 2011 season. Another blow to IndyCar’s growth prospects came when Dan Wheldon, another fan favorite, was killed in a horrific crash in the 2011 season finale. Had technological innovations to IndyCar’s machines made the sport too dangerous for its participants?

Today, NASCAR towers over IndyCar in the United States in terms of sponsor support and audiences. The average television audience for NASCAR races is approximately 2.5 million viewers in the U.S., compared to around 1.1 million for IndyCar. As a result of NASCAR’s popularity and growth, it was able to negotiate a 10-year TV broadcast contract with Fox and NBC that runs 2015-2024, while IndyCar has struggled to secure a favorable long-term television deal. Uncertainties about TV broadcast partners affected IndyCar’s ability to attract a series naming rights partner to follow Verizon as it considered not renewing as title sponsor after its five-season deal expired after the 2018 season.

In a bit of a surprise move, Japan-based data services company NTT became title sponsor of the IndyCar Series before the 2019 season. While continuity of having a title sponsor was seen as a positive, the choice of a foreign business-to-business company as title sponsor for a league eager to attract new fans was a curious one to some industry observers. One sports marketing expert had a different take, noting that NTT does business with around 80% of Fortune 100 companies. It is possible that NTT client hospitality at races could attract other companies to become IndyCar partners. NTT is a well-funded, trustworthy partner that can use its resources to inject technology into the series.<sup>1</sup>

A new chapter for IndyCar opened in late 2019. IndyCar team owner, motorsports legend, and businessman Roger Penske announced he was buying IndyCar and the Indianapolis Motor Speedway (IMS) for an estimated \$350 million. IMS is the moneymaker in the portfolio Penske acquired. Sponsorship and media rights are two of the areas in which IndyCar lags its chief US

rival, NASCAR. It is estimated that NASCAR gets over \$800 million per year in broadcast rights fees from Fox Sports and NBC Sports. IndyCar's exact broadcast rights revenue is unknown but assumed to be a fraction of what NASCAR receives.

One motorsports industry executive thought Penske's acquisition would help IndyCar: "The opportunity for IndyCar to differentiate themselves from other racing series has now taken a step forward because Roger brings a level of thinking and business acumen that is going to be something to be leveraged for the benefit of the speedway and series."<sup>2</sup> It is hoped Penske's passion for racing and business expertise pay off in a resurgence for IndyCar. At its peak, IndyCar races regularly drew 100,00 people. Today, other than the Indy 500 race attendance averages around 30,000. The new owner plans to update Indianapolis Motor Speedway and plans to bring more sponsors to the series that would not only be a source of revenue but help advertise the sport.<sup>3</sup>

Auto racing has enjoyed the status of being the fastest-growing spectator sport in the United States. Unfortunately, open-wheel racing experienced a period of decline while other forms of auto racing grew. IndyCar is a distant second to NASCAR in terms of popularity. And, IndyCar has lagged NASCAR in creating driver star power and sponsor interest. Going forward, IndyCar must strengthen its standing in the American motorsports market if it hopes to remain relevant.<sup>4</sup>

### **Decision:**

IndyCar is overshadowed in the USA by NASCAR. A decision must be made and delivered to IndyCar CEO Mark Miles on how to position the brand.

Recommend brand positioning IndyCar should use going forward. Focus on a point of difference IndyCar possesses that would allow it to set apart the brand from competition. Justify your decision by drawing support from the concepts of brand equity and brand positioning.

*Prepare your response in a Word document and upload to the dropbox folder for Decision Assignment 2. Submission deadline is Saturday, May 2, at 11:59 p.m.*

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<sup>1</sup> Adam Stern (2019), "NTT Settles in as IndyCar Sponsor," January 21, accessed February 3, 2020 at <https://www.sportsbusinessdaily.com/Journal/Issues/2019/01/21/Marketing-and-Sponsorship/IndyCar-NTT.aspx>.

<sup>2</sup> Adam Stern (2019), "Penske in the Driver's Seat," November 11, accessed February 3, 2020 at <https://www.sportsbusinessdaily.com/Journal/Issues/2019/11/11/Leagues-and-Governing-Bodies/Penske.aspx>.

<sup>3</sup> Andy Uhler (2020), "Penske Buys Indy 500, Hopes to Rejuvenate the IndyCar Business," February 4, accessed February 8, 2020 at <https://www.marketplace.org/2020/02/04/penske-buys-indy-500-hopes-to-rejuvenate-the-indycar-business/>.

<sup>4</sup> Robin Miller (2008), "Miller: A Brief History of CART," April 16, accessed March 30, 2012 at <http://auto-racing.speedtv.com/article/miller-a-brief-history-of-cart/>; "Andretti Has Eye on Regaining Market Share," *Street & Smith's Sports Business Journal*, May 18, 2009, 19; Tony Fabrizio, "Racer Danica Patrick Embraces Celebrity Exposure," *Tampa Tribune*, February 27, 2009; Reggie Hayes, "What's Next for IndyCar?" *Fort Wayne News-Sentinel*, July 1, 2009; Terry Lefton, "Ad Sales Encouraging as IRL Launches Season," *Street & Smith's Sports Business Journal*, March 30, 2009, 8.