

# Sports essays - formula one



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## **The effects on Formula One of the European directive banning tobacco advertising and associated sponsorship.**

### **Abstract**

In this piece we set out to try to determine the effects on the Formula One organisation that would be brought about by the European Union's ban on tobacco advertising. We investigate the issues by firstly attempting to establish whether Formula One tobacco advertising actually does pose a threat to health.

We then look at the actual evolution of the European Union's ban on tobacco advertising with the various responses that the FIA and Formula One management have made and contrast that to the actual actions which we can see that they have taken.

An examination of the actual amounts of money involved helps to put into perspective the difficulties faced by the Formula One management in trying to deal with the potential losses of revenue from an advertising ban.

We try to analyse the political issues that are relevant to the decisions that the FIA have to make and also examine the mechanisms that they have used to try to influence them.

Finally, having examined and quantified these issues, we outline the impact of the European Union's ban on tobacco advertising and the effects that it has had, and probably will have, on Formula One racing.

Formula One racing is a major player on the world's sporting stage. It is considered both glamorous and exciting. As such it is watched and followed

by millions of people across the globe. Because of this popularity it enjoys huge influence in our collective consciousness. Over the last 37 years it has courted controversy by balancing the enormous advertising revenue it receives for tobacco products against the various ethical and health considerations that are obviously consequent on that decision.

The history of tobacco advertising and Formula One stems from the original decision in 1968 for Gold Leaf to sponsor the Lotus 49, in return for prominent displays of its logo. The so-called “ fag packet on wheels” achieved a certain notoriety in the press and in doing so generated far more positive publicity and awareness than the tobacco company could ever have dreamed of.

We do not know what the value of this original sponsorship was in financial terms but in terms of the publicity generated, the value was colossal. This comparatively modest beginning started 45 years of controversy which is still both raging, and indeed possibly gathering momentum even today. The implications of that first black and gold logo appearing on the side of a racing car would be the precursor of the selling of colossally valuable real-estate (in terms of car panels, driver’s overalls and helmets) that would shape decisions as basic as just where and when Formula One Grand Prix races were held – if they were to be held at all – as Canada, Germany, Belgium France and Austria have all found to their cost. It has involved the governments of most of the Formula One participating countries. It has involved the European Union in making legislation specifically tailored to tackle the Formula One problem, and it has involved Formula One making public pronouncements while clearly pursuing an alternative agenda behind <https://assignbuster.com/sports-essays-formula-one/>

the scenes. It has nearly brought down Tony Blair's government and certainly has left a very unpleasant stain on his reputation and credibility. (see on)

In this piece we are going to try to evaluate the effects of the impending ban on tobacco advertising in all sports imposed by the European Union, particularly in its relevance to Formula One.

The first question that we have to consider is " Why all the fuss?" Just why is the European Union getting involved in an ostensibly minor issue which, on the face of it is only relevant to a small proportion of the sports-following public?

### Literature review

There is a quite extensive literature on this subject, ranging from the weighty legal documents issued by the European Union, including the academic comment on the subject, through to the mountains of opinions expressed in newsprint. In this review we shall present a critical analysis of a representative proportion of it and attempt to analyse all of the major perspectives that have been taken on the issue.

A good place to start is the excellent and comprehensive paper by Dewhurst and Hunter (2002) which is generally accepted to be an unbiased overview of the area. It is cited by a great many other papers as an authority. It provides a fairly current review of the position of tobacco advertising and sponsorship across the whole spectrum of motor sport. It is notable as it does not take a particular stance but is analytical in nature.

It analyses the role of sponsorship in its widest ramifications together with the benefit of both the advertising and association with the sport that the tobacco companies derive from their money and also the benefit that the racing teams derive from the money that they receive. It also provides a useful insight into the evolution of the culture of Formula One being associated with tobacco advertising from the beginnings of the clamp-down, through the advertising bans on broadcast media and then the bans on newsprint advertising and right through to the culture of reducing to public acceptance of smoking in general. Interestingly, this paper analyses, in financial terms, the costs and benefits that the tobacco companies secure from their Formula One exposure and we have quoted this in our article. It is well written and very readable. In essence, it underpins most of the thrust of this current article.

Blum (1991) looks at one specific aspect of the issue. He takes the example of Marlboro and how one brand managed to circumvent the effects of the television ban on tobacco advertising in the USA and in Europe. He points out the staggering statistic that, by sponsoring the 1989 racing season, Marlboro managed to obtain 5933 images of its logo or direct verbal referrals in a positive context. This is on Nationwide (probably also a large - although undefined world wide) audience.

Seigel (2001) went on to study the fall out from this observation. It soon became clear that the realisation the tobacco companies were effectively circumventing the advertising restrictions imposed in various countries triggered off the Master Settlement Agreement with the television companies and other media. The agreement was voluntary and restricted the tobacco

companies to their level of exposure in 1999. Seigel's paper details just how completely the tobacco companies paid public lip service to the agreement and then privately flouted it. It gives chapter and verse of blatant instances where the tobacco companies have taken marketing decisions that are economically based and then deliberately disguised to make them publicly acceptable.

A more up to date review is given by Carlyle (et al 2004). They specifically look at the role of one tobacco company - British American Tobacco - and just how this company has turned its marketing strategy to make Formula One sponsorship its prime mechanism of reaching boys and young men. Because it is comparatively recent, this paper also is able to examine the impact of the Asian markets - which have virtually no regulation on advertising - on the marketing strategy of the tobacco companies.

Specifically it charts a new emerging trend, that of the tobacco companies finding that it is profitable to actually own Formula One brands. With the effective acquisition of BAR, British American Tobacco became a major player in the battle with the Public Health authorities on a global scale. The ownership effectively allowed them to dictate just what their profile would be and exactly how they could market themselves in the area.

Kawane (2004) takes this argument and examines it further. He looks specifically on the impact that tobacco advertising has on the Asian (specifically Japanese) market and contrasts this with the various Public health initiatives that have been set up in Japan. He refers to a new development in the field of advertising. Japan tobacco has sponsored several

mobile trailers which it sends to car race associated venues (where public smoking is banned in Japan) These colloquially named “ SmoCars” allow smokers a haven where they can smoke legally in public places. He comments on the form of wording used by the companies to justify this new departure.

“ Japan Tobacco claims that SmoCar has been developed as part of the company’s initiative for increased coexistence between smokers and non-smokers in public spaces.”

Two papers on very similar subjects – the illegal shipment of tobacco products to Asia and China – reflect both the direct impact that tobacco advertising has and also the size of the potential market that there currently is in these countries. It shows the less than glamorous side of the arguments that we have been presenting in this article. Lee, ( et al. 2004) analysis the impact from 1979 to 2000 when the marketplace was effectively opened to the tobacco companies after their expulsion in 1950. To back up their arguments the cite extensively from documents that have been on file for many years but only opened to public scrutiny after a number of successful law suits in the USA. Collin, ( et al. 2004) looks at a different aspect of the same problem. They take an analytical view of the apparent complicity of Chinese Government with the tobacco companies. One of the concluding sentences of the study is:

“ BAT documents demonstrate that smuggling has been driven by corporate objectives, indicate national measures by which the problem can be

addressed, and highlight the importance of a co-ordinated global response via WHO's Framework Convention on Tobacco Control."

Both papers illustrate many of the points that we have cited in our arguments in the main article and are both well written and informative.

Hasting & MacFadyen (2000) return the argument closer to home with a look in a rather novel, but nonetheless relevant slant on the subject. The article is provocatively entitled "A day in the life of an advertising man". Its light hearted title belies a serious review as it examines a number of documents from the tobacco industry's advertising agencies. At the end of its examination, the paper comes to the conclusion that, as far as the tobacco industry is concerned, history reflects the fact that voluntary agreements are of no value at all (other than as a temporary smoke screen) and statutory enforcement is the only way to regulate the tobacco industry.

Watson (1997) reviews the evolution of the European Union's ban on tobacco advertising from its initial high hopes and aspirations to a watered down and late implemented ban in 2006.

He charts the various factors that have militated against the implementation of the ban together with the major players who wished to have it enforced and their concessions that had to be made in order to secure their eventual goal. He highlights the, often overlooked, problem of drafting legislation that will be effective in all of the member states without weakening the position of those states who already have a total ban on tobacco advertising. He cites unanswerable figures (that we have quoted elsewhere) that in the countries



that have successfully implemented a total ban on advertising, the per capita consumption of tobacco products has fallen by between 14-37%

The legal aspects of the European Union's ban on tobacco advertising is examined in a detailed paper in the European Journal of Law and Economics. It is relevant to our deliberations here because it examines the effects of a ruling by the European Union's Courts that the European Union did not have the right to impose a total ban immunohistochemical the presence of national legislation to the contrary. It upheld the right of each individual nation to set its own limits on economic activity.

We should, perhaps, accord the last place in our Literary Review to a very well written and eminently readable article by Chapman (2002). The author writes an article based on the obvious (but seldom stated) hypocrisy. He starts by observing that in the 2001 Melbourne Grand Prix Jacques Villeneuve's car disintegrated - a wheel killing a trackside Marshal. The author comments:

" A full coroner's inquest was held, followed by a review by motor racing's governing body Federation Internationale De L'automobile (FIA). One death was deemed worthy of a full investigation involving an international review team, front page reportage, and endless speculation about whether the 2002 race would be safe for spectators and officials."

This is in such stark contrast to the tens of thousands who will be injured and killed by the inhalation of tobacco smoke that is blatantly advertised on the sides of the Formula One's cars.

It compounds this analogy with another:

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“ While the racing fraternity routinely participate in road safety campaigns in recognition of their massive influence with the young who are over represented in road death statistics, promoting smoking to the same adoring fans seems to trouble few of them. “

We have discussed the hypocritical stance of the tobacco companies throughout this article and Chapman seems to encapsulate the whole situation very succinctly.

### Aims and objectives

The aims and objectives of this article can be outlined very succinctly. We aim to examine the effects on Formula One of the European directive banning tobacco advertising and associated sponsorship. We have already reviewed some of the relevant literature in the area. We shall be using that (and other sources) to examine the evidence to our investigation. We shall attempt to define the various issues involved including whether or not Formula One tobacco advertising does actually represent a real or imagined danger to the public health. We shall consider the finances involved and the political implication of decisions that have been made. We shall also trace the history and evolution of the European Union's ban on tobacco advertising before drawing appropriate conclusions of the actual effect on Formula One of the European directive banning tobacco advertising and associated sponsorship.

[Is advertising on Formula One cars a real threat to the Public Health?](https://assignbuster.com/sports-essays-formula-one/)

The issue of whether smoking is a personal health risk has been so well rehearsed over the recent few decades that it scarcely needs repeating here. Some factors are undoubtedly relevant to our considerations however.

Smoking trends have varied greatly over the past few decades. The actual prevalence of smoking has declined, as far as the general population is concerned, by about 40% since 1960 (CDC 1993) As far as the UK is concerned, this diminishing trend has actually levelled out over the last 15 yrs. (Dobson et al. 1998). It is particularly relevant to our considerations here that, with specific reference to the adolescent and young adult fraction of the population, the actual trends in cigarette consumption has actually increased (Nelson et al. 1995) (NCHS 1995).

The age range which has the current highest prevalence of smokers is the 20-24yr. age group where 42% of men and 39% of women report regular smoking (NCHS 1995). Many other studies have produced consistent and corroborating results, so we can have a considerable confidence in their validity.

The peak incidence of smoking is generally found to be at about 21 yrs. (Paavola et al 2004) which contrasts to the peak age for alcohol intake which occurs at about 28yrs. The relevance of these points will become clear later on in our considerations. One interesting, and possibly very relevant observation, that also came from this same study, was the fact that the incidence of smoking correlated highly with individuals who watched large amounts of television. There is possibly a link here as Formula One is clearly a prime time occupant of some television channels.

Also of relevance to our considerations here, is the study by Van Den Bree (2004) who found that the single biggest predictor of smoking and drinking in the adolescent years was the endorsement of that particular activity by the teenager's peer group.

There is little doubt that one of the major attractions of Formula One is the aspirational qualities that it appears to possess. Fifty years ago the aspiring teenager typically wanted to be a train driver. One could argue that a similar reverential status is now held by the racing driver who is perceived as glamorous, skilled and dashing and risking his life in his chosen career - all qualities that are commonly perceived as worthy of adoption in a peer-group scenario.

The thrust of this section is to try to establish the evidence to support the view that by sponsoring Formula One, the tobacco companies do pose a threat to the public health. There seems little doubt that the young adult (being the largest smoking group) and the adolescent (being the most impressionable group) are the two most important and potentially profitable targets for the tobacco companies in their advertising campaigns. (Teague 1973) This has been clearly demonstrated in the wake of some very prominent lawsuits in the USA.

As a result of these lawsuits a number of tobacco company documents were ordered to be released into the public domain. (Phelps 1998) (Schwartz 1998) these confirmed beyond a shadow of doubt that the tobacco companies were deliberately targeting the young adult and adolescent

market in order to try to create a brand loyalty and they were using Formula One as a suitable medium (For reasons already outlined) to do it.

Three examples are given here from the documents released at the trial

1957: A Philip Morris Executive writes that

“ Hitting the youth can be more efficient even though the cost to reach them is higher, because they are willing to experiment, they have more influence over others in their age group than they will later in life, and they are far more loyal to their starting brand “.

1971: An internal RJ Reynolds document outlines that

“ the lower age limit for the profile of young smokers is to remain at 14”.

(Pioneer press 1998)

1973: Claude Teague, Assistant Chief in R&D at RJ Reynolds, writes a paper:

“ Some Thoughts About New Brands of Cigarettes for the Youth Market”;

“ At the outset it should be said that we are presently, and I believe unfairly, constrained from directly promoting cigarettes to the youth market ... if our company is to survive and prosper, over the long term we must get our share of the youth market.

1974 Claude Teague also said in a memo to other executives:

Importance of Younger Adult Smokers

Why, then, are younger adult smokers important to RJR? Younger adult smokers are the only source of replacement smokers. Repeated government studies (Appendix B) have shown that:

■ Less than one-third of smokers (31 percent) start after 18.

■ Only 5 percent of smokers start after age 24.

Thus, today's younger adult smoking behavior will largely determine the trend of industry volume over the next several decades. If younger adults turn away from smoking, the industry must decline, just as a population which does not give birth will eventually dwindle. In such an environment, a positive RJR sales trend would require disproportionate share gains and/or steep price increases (which could depress volume)

(Schwartz 1998)

The whole area is clearly targeted at the young adult population - which is the best represented at a typical Formula One meeting. Formula One sponsorship is clearly therefore a very important asset to the tobacco advertising industry. (Phelps 1998)

The whole area of tobacco advertising being attached to Formula One is primarily to raise brand awareness, reinforcing the brand image and (hopefully) increasing the market share of the product. By association of the particular tobacco product with the image of Formula One that we have described it is hoped that the product will be perceived as "Cool, glamorous and exciting" (Cornwell et al 1998) (Irwin et al. 1994)

In a document which we shall comment on further later in this piece, the FIA (World motor Sport Council) commissioned a report (December 1998) to look at the evidence to support this view. The key findings in this report can be summarised as follows:

- that the tobacco companies were driven by an obsessive need to recruit *young* smokers to satisfy their market demands which required vast numbers of new smoking recruits – in the UK alone they need 300 new smokers a day – and that for decades tobacco companies marketed their products to young people, including to children too young to purchase the products legally
- that this obsession with new, young smokers is evident in companies' market research on teenagers, some as young as 12-, 13- and 14-years old and in one instance *as young as five years old*
- that studies showed that the majority of smokers start using tobacco while in their teenage years, and that hardly anyone starts smoking in their twenties but that those who started at around the ages of 12 or 13 years old often want to quit by the age of 16, concerned that smoking was damaging their ability to participate in sports. Knowing this, the tobacco companies sought to lure and addict children to cigarettes before the desire to stop grew strong, and sought sponsorship deals with sport to counteract any concerns they may have about the health dangers of smoking
- that tobacco companies knew that lifelong brand preferences are formed in the early teenage years and that increased visibility for their products could shape these preferences
- that sponsorship of Formula One is the jewel in tobacco's crown – it is the pinnacle of successful, glamour-laden global events with a massive potential to reach the young through both the televised events and the spin-off merchandise.

This evidence seems self explanatory. There is clear benefit for the tobacco companies to promote their goods to the young on the basis that they are the most susceptible to their advertising and that once smoking they are likely to continue. Their strategy is to present smoking as an acceptable pastime endorsed by a glamorous high profile sport that effectively negates the plentiful and contrary messages that smoking is bad for sporting performance.

There is further evidence to support this view. A survey of adolescent boys (Smee 1992) found that the boys who had stated that their favourite broadcast sport was Formula One, were more likely to name Marlborough and Camel cigarettes (brands associated with Formula One) than any other brand and were also more likely to have begun smoking within the following year (Andrews & Franke 1991). This same survey also found that in the age range of 12-13yr old UK boys, only 7% smoked, this proportion rose to 13% in those boys who said that their favourite sport was Formula One.

Further, and extremely important retrospective studies, looked at the effects of removal of tobacco advertising in the four countries France, New Zealand, Finland and Germany between the years of 1975 and 1993 and they found that the cigarette consumption (per capita of the population) had fallen from between 14 - 37%.

It follows from the evidence presented so far, that we can reasonably conclude that tobacco advertising associated with Formula One racing does form a threat to the Public Health. It poses a threat to the impressionable youth who may well wish to emulate their peer group by appearing "Cool,



sophisticated and glamorous” which is exactly the inference that tobacco advertising seeks to imply by associating itself with the “cool, sophisticated and glamorous” sport of Formula One motor racing. There is no reasonable doubt that tobacco smoking is a major deterrent to health. It clearly follows from this argument that the policy currently pursued by Formula One is having a deleterious impact on the Public Health on a global scale (See on)

How much money is involved?

The whole issue of Formula One advertising only really became an issue of public concern and debate when the whole area of tobacco advertising on terrestrial television became a censorship issue. This occurred in the UK in 1965, the USA in 1971 and Canada in 1972. It has since occurred in the vast majority of western countries although it has to be noted that a significant proportion of the far east (where Formula One racing is now starting to spread) there still is no effective curtailment of any type of tobacco advertisements in any of the differing forms of media.

The tobacco advertisers therefore had to turn to other mechanisms for getting their products into the public consciousness and sponsoring major sporting event that were to be broadcast seemed the way forward for them. (Ledwith 1984) (Stoner 1992). Formula One has a virtual monopoly of the broadcasting rights to their races world-wide and they have the ability to dictate a great deal of exactly what (and how) we, as the viewing public, see their races

One study on the subject discovered that Marlboro managed to obtain nearly 3.5 hours of “In-focus” exposure during the 15 races of the 1989 Formula

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One season. (Blum 1991) The same report stated that during the same season the name Marlboro was either seen or mentioned 5933 times. To equate that to a financial basis, between 1997 and 1999 the tobacco companies collectively managed to achieve 169 hours of advertising exposure in the USA alone which equates to about \$411 million in advertising value. (Siegel 2001)

To put this figure into perspective it should be noted that tobacco companies themselves are seldom the only sponsor of a team or an event. In Formula One the running costs are enormous. We can quote the figures for the 2001 season for the top three teams as Ferrari at \$284. 4 million; McLaren at \$274. 6 million and BAR Honda at \$194. 5 million. (Formula 1 Magazine 2001)

The actual spending of the money is harder to quantify in terms of figures but a fairly accurate estimate is thought to be that Philip Morris (Marlboro) in its sponsorship of Ferrari spends \$23 million on Michael Schumacher's salary and a further \$65 million for the privilege of having their logo placed strategically on the car and the overalls and helmets of the drivers (Saward 2001) (Donaldson 2001)

Similar orders of money are spent on the other teams Reemtsma (West) sponsors the McLaren team spending \$37 million to have their brand name prominently displayed( Saward 2001). British American tobacco who are the prime sponsors of BAR invested about \$47 million during the 2000 season (Donaldson 2001)

The collective total of tobacco sponsorship money invested in Formula One in the 2000 season was thought to be \$250 million (Grange 2001)

Despite all that we have outlined above, it is not only the exposure at race-day that is important to the tobacco advertisers, but there is also the visibility obtained by all of the “third party” pictures and co-sponsors. The tobacco product attains an added prestige boost when seen in the company of other high prestige products. A classic example of this came when Philip Morris (Tobacco) was a co-sponsor of a Formula One team along with TAG Heuer watches which provide the time keeping at Formula One races. TAG Heuer place a lot of newsprint and poster adverts and these show the Philip Morris logo on the Formula One car which, if it were advertising tobacco, would be prohibited but as it is purporting to advertise watches it bypasses this particular restriction.

In just the same way Benson & Hedges share sponsorship of the Honda BAR and Jordan teams so Benson & Hedges gain significant visibility through Honda advertising. This kind of relationship is quite risky from a Public Relations point of view (Both from the co-sponsor perspective as well as from the Formula One racing team's viewpoint).

Again if we consider the impact that the withdrawal of tobacco advertising revenue would have from Formula One then we should consider the recent case of TAG Heuer and Reemtsma (Makers of West cigarettes) the fall out from which did nobody any favours. In June 2001 the premier French newspaper Le Monde raised an objection to a TAG Heuer advertisement which prominently displayed a Formula One carbohydrate with an equally

prominent West logo displayed upon it. (Anon En France 2001) TAG Heuer was accused of violating French laws regarding tobacco advertising. It did manage to successfully defend itself by asserting that as an official sponsor of McLaren it was contractually required to use official team images. It was a situation that did not bring any particularly favourable publicity to any of the protagonists. Certainly none to TAG Heuer or West and it did not show Formula One in a particularly favourable light either. (Anon Tag Heuer 2001)

Although the financial impact of tobacco advertising on Formula One racing is quite clear from these figures There is also the converse argument which we have not considered yet. The sponsorship agreement locks in a sponsor for a certain finite period of time for a certain fee. But these agreements also impel the sponsors to utilise the racing team's photographs and other images on any piece of promotional material that links them with the sport. This represents another, less well publicised impact that withdrawing tobacco advertising sponsorship would have on Formula One. It is curious that high prestige brands such as Hewlett-Packard and TAG Heuer find themselves locked into a sponsorship agreement with products that, on the face of it, you would not expect to share a particular brand image.

The value of tobacco advertising to Formula One, or indeed the value of Formula One to tobacco advertising, can hardly be understated. It is only when one considers the absolute magnitude of the sums of money involved that one can fully appreciate the difficulties that Formula One would face if the tobacco advertisers were stopped from continuing their sponsorship of the industry. Despite their posturing and public statements, one can begin to

understand the enormous cash vacuum that would be left if Formula One voluntarily detached itself from the tobacco industry

### The evolution of the current tobacco ban by the European Union

The European Union's Directive on the banning of tobacco advertising in print, radio advertising and event sponsorship by tobacco companies is due to come into force on July 31st 2005. This is the culmination of a prolonged multifaceted campaign from many sources and has many potential ramifications for both the sport and its followers. We will highlight some of the important events in the evolution of this Directive. The Directive was originally published in 1997 with the intention that it would come into force in 2005

In November 1997 The then Health Secretary Frank Dobson announced on Radio while being interviewed by John Humphries, that the government would ban all sports sponsorship by tobacco companies

In March 1998 the FIA announced at the Australian grand Prix of that year that it was going to ban tobacco advertising from 2002. That would have been four years ahead of the time that it would have been required to do so by the European Union's ban on tobacco advertising. This was the so-called Melbourne Declaration.

The Melbourne Declaration was a timely statement put out by the FIA as a result of pressure from the world's media after the European Union's ban on tobacco advertising was first mooted. In essence it said that:

“ if presented with evidence of a direct link between tobacco advertising / sponsorship and smoking, it would act to eliminate tobacco advertising / s