

## Santander and Formula One (B)

### Introduction

Following the first race of the 2010 season, Banco Santander was in the spotlight as all three podium finishers of the Bahrain Grand Prix proudly displayed the Bank's logo on their jumpsuits (see Exhibit 1). Ferrari's Fernando Alonso in first place, followed by teammate Felipe Massa in second and McLaren's Lewis Hamilton in third, not only represented the most promising talent in F1, but also the Bank's allegiance to its customers in Spain, Brazil, and the UK, respectively. The race had been viewed by over 26 million people in these three countries alone,<sup>1</sup> and announced to fans that Santander had enthusiastically expanded its ties to F1.

### Raising the Stakes

Following a season of rumors and debate, Santander determined that the best course of action would be to strengthen the relationship with F1 but reduce its commitment to Team Mercedes McLaren in favor of a team with greater global brand penetration. According to Director of Communications, Corporate Marketing and Studies Juan Manuel Cendoya, this was the culmination of Santander's F1 aspirations:

“During the first years, we were ecstatic to be with McLaren. However, our investment had been cautious and the presence we had with that team had been limited. When the possibility of joining Ferrari presented itself, we decided to take advantage of it. This was only made possible, however, by the strategic vision of President Botín and CEO Alfredo Saenz and their support of a marketing and sponsorship plan whose purpose was to make Santander one of the world's most renowned financial institutions.”

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<sup>1</sup> Santander Group presentation.

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This case was prepared by Professor Julián Villanueva and Julie Michelle Ziskind, Research Assistant, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. June 2011. The writing of this case was sponsored by DIRCOM Professional Association.

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## *Ferrari*

In September 2009, Santander and Ferrari announced a five-year agreement estimated at €40 million (\$52 million) per year (€200 million, or \$260 million, in total),<sup>2</sup> which was more than twice its initial investment in McLaren. Also, Santander's move once again coincided with that of Fernando Alonso, who Mr. Cendoya referred to as "the third part in the winning triangle of Santander-Ferrari-Alonso"<sup>3</sup> especially for Santander's Spanish market.

According to Santander's research at the time, "Ferrari" generated seven times as many Google searches as "McLaren" and was searched more often than "Real Madrid" and "Manchester United" combined.<sup>4</sup> It was also responsible for 85% of all merchandise sold at races (with over 2,000 products ranging from €5 to €48,000 (\$7 to \$62,400<sup>5</sup>) and was considered the "favorite" F1 team by over half of F1 viewers.<sup>6</sup> According to Santander's Director of Research and Branding Isabel Garcia:

"The power to call on Ferrari is far greater than that of McLaren and the advantage of Ferrari is that it's broken down into targets. With Ferrari, you can target the top layer of [customers] who own a Ferrari and have that lifestyle and exclusivity, but you can also target the fans that come to the races with their entire bodies painted. It's up to you how to articulate your promotional campaign."

Furthermore, Ferrari offered Santander a unique opportunity because Marlboro, Ferrari's title sponsor, was greatly restricted by tobacco advertising regulations. This allowed Santander to gain the type of exposure usually available only to title sponsors, at a secondary sponsor investment (see Exhibit 2). In fact, the Ferrari chassis granted Santander so much logo space that one Spanish reporter wrote: "From whatever angle the car is photographed, the Santander Bank logo is clearly visible. This is a great success for the marketing negotiations of the bank".<sup>7</sup>

The "fit" between the two brands was considered positive by both parties. Ferrari President Luca di Montezemolo praised the brands' shared values, such as "striving for excellence, a passion for competition and an international approach,"<sup>8</sup> and the matching red corporate colors facilitated co-branding. This was symbolically represented during the deal's presentation event, where Emilio Botín presented a red Santander jacket to Luca di Montezemolo – an honor extended to only a select few.

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<sup>2</sup> Miguel Jimenez, "La llama del Santander brilla con Ferrari," *El País*, March 15, 2010, [http://www.elpais.com/articulo/economia/llama/Santander/brilla/Ferrari/elpepueco/20100315elpepueco\\_5/Tes](http://www.elpais.com/articulo/economia/llama/Santander/brilla/Ferrari/elpepueco/20100315elpepueco_5/Tes).

<sup>3</sup> "Bienvenido, Alonso," Banco Santander and F1 Newsletter, no. 1, September 30, 2009, <http://www.santander.com/csgs/StaticBS?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1265274221635&cachecontrol=immediate&tsbinary=true&maxage=3600>.

<sup>4</sup> As of 2010.

<sup>5</sup> Banco Santander, internal presentation.

<sup>6</sup> *Ibid.*

<sup>7</sup> Miguel Sanz, "El Ferrari más español con el Banco Santander," *Marca*, January 10, 2010, <http://www.marca.com/2010/01/20/motor/formula1/1264003356.html>.

<sup>8</sup> "Santander and Ferrari Seal a Formula One Alliance," press release, September 10, 2009.



The activation plan for Ferrari included new cross-branding sponsorship features such as the “Ferrari Card” (Ferrari-branded credit card) available in Spain, Portugal, Brazil and Mexico, the use of Fernando Alonso as the face of Santander Seguros (the bank’s insurance division), increased investment in Ferrari merchandising for clients and shareholders, Ferrari-branded university scholarships, and sponsorship of the Ferrari Driver Academy.

The alliance with Ferrari also offered Santander a strategic advantage in emerging markets. In 2010, Santander had planned special publicity appearances at the Bahrain and Chinese Grands Prix, reinforced by Ferrari’s standing as the premier F1 brand. Entry into these geographies had historically been difficult for western brands, but fellow Ferrari sponsors like Etihad Airways and Mubadala Abu Dhabi could offer Santander the advantage of support from the inside. As Director of Research Services and Public Policy, Alejandra Kindelán explained,

“[the sponsorship] expresses that we are a serious international bank and we demonstrate this by being actually present in China [for example], on the Chinese racetrack. They see our brand, our logo, and they understand us. It gives us much more credibility than any other type of advertising.”

### *Additional F1 Investments*

With Ferrari, Santander secured a more powerful global ally, but it still needed to maintain brand strength in its key local markets. Recognizing the significant role that McLaren had played in Abbey National’s rebranding and looking to continue that relationship with its 20 million UK customers,<sup>9</sup> Santander also renewed its sponsorship of McLaren (although to a lesser extent). In 2010, the Bank secured large logo placements on the McLaren drivers’ suits; however its logo was removed from the car itself as well as from the uniforms of mechanics and other team members.

Furthermore, in 2010 Santander dropped the sponsorship of Renault through its Universia brand but renewed its title sponsorship of the British, German and Italian Grand Prix, while becoming a secondary sponsor of the Brazilian, Spanish and European Grand Prix as well<sup>10</sup> (see Exhibit 3).

According to Juan Manuel Cendoya,

“Sponsorship of the races is a perfect complement to the [sponsorship of] teams and offers increased and stable brand presence. Team sponsorship creates emotion, passion, and brings us closer to the drivers, who are heroes in their respective countries, making them commercially outstanding. What leads to success, however, is the right combination.”<sup>11</sup>

<sup>9</sup> “Santander Extends McLaren Partnership,” Formula 1 website, September 14, 2009, <http://www.formula1.com/news/headlines/2009/9/9931.html>.

<sup>10</sup> Miguel Sanz, “El Ferrari más español con el Banco Santander,” *Marca*, January 10, 2010, <http://www.marca.com/2010/01/20/motor/formula1/1264003356.html>.

<sup>11</sup> “Bienvenido, Alonso,” *Banco Santander and F1 Newsletter*, no. 1, September 30, 2009, <http://www.santander.com/cs/StaticBS?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1265274221635&cachecontrol=immediate&tssbinary=true&maxage=3600>.



The total costs of the additional McLaren and track sponsorships were estimated at around €10 million (\$12.5 million) by F1 fan websites and forums.

## The Podium (Results)

As early as mid second quarter, the Santander team was already seeing positive results from Ferrari, as the return on investment for the entire 2010 season was projected to reach the unprecedented amount of €250 million (\$325 million<sup>12</sup>). In addition, *Paddock Magazine* estimated that the advertising value for the first seven (of nineteen) races alone had been €28.4 million (\$36.9 million) (see Exhibit 4).

Mr. Cendoya publicly announced that

“Just between the pre-season and the [season opening] Bahrain Grand Prix, Santander generated €25 million (\$32.5 million) in returns. The total return on investment for McLaren [sponsorship] had been €80 million (\$104 million) for the entire year of 2009. This demonstrates both the quantitative and qualitative advantages of the Santander-Ferrari alliance.”<sup>13</sup>

The benefit of the new alliance was also evident in terms of fan interest in the 2010 F1 season across Santander’s key markets. Between 2009 and 2010, viewership for the season opener went from 2.1 to 5.6 million in Spain, 5.3 to 10.5 million in Germany, 4.3 to 4.7 million in the UK,<sup>14</sup> and more than 25 million in Brazil.<sup>15</sup> Internally, the response to Ferrari was optimistic, with 96% of surveyed employees agreeing that it was an important tool for generating business (whereas only 57% thought so of McLaren) and 91% agreeing that it was a better match for the Santander brand.<sup>16</sup> The continued support of McLaren, however, was also important, since the team was doing well on the track, which provided significant podium exposure (see Exhibit 5).

According to the Director of Corporate Marketing and Branding, Ms. María Sánchez del Corral,

“Santander’s alliance with Ferrari was well suited for strengthening the key characteristics of our business model: efficiency, market leadership and geographic diversification. A global sponsorship initiative, as opposed to multiple local sponsorships, is more efficient because it consists of one centralized negotiation process. The team we have associated ourselves with also shares our passion for leadership in their respective field, and the geographic distribution of F1’s audience reflects Santander’s most important markets.”

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<sup>12</sup> Banco Santander, internal presentation.

<sup>13</sup> “Las audiencias en televisión se duplican en el primer GP de F1 del año,” *Banco Santander and F1 Newsletter*, no. 7, March 15, 2010, <http://www.santander.com/cs/cs/StaticBS?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1265274221744&cachecontrol=immediate&tssbinary=true&tmaxage=3600>.

<sup>14</sup> *Ibid.*

<sup>15</sup> Banco Santander, internal presentation.

<sup>16</sup> *Ibid.*

Mr. Cendoya concluded, “In my opinion, the leadership of our Chairman, Emilio Botín, has been very important for our success. It has allowed us to involve various company areas and departments, which was crucial.”

## What's Next?

According to Zak Brown, from Just Marketing International, “Formula One is essentially a marketing and entertainment platform without borders”<sup>17</sup> to which Toyota’s General Marketing Manager Andy Fuchs adds that the ideal sponsors are “globally operating corporations who have a clear desire to establish new brands or wish to build awareness in new and emerging markets.”<sup>18</sup>

Santander’s use of F1 reflected these notions. The next set of challenges would lie in adapting and maintaining its strategy.

### *The US Market and Sovereign*

In 2008, Santander bought the remaining 75% of Sovereign Bank (it had bought the first 25% in 2006), marking its first full entry into the United States. Sovereign added 750 new branches to Santander’s global network, but also posed a challenge to its marketing strategy. F1 was not prominent within Sovereign’s local market in the northeastern United States, and although F1 had previously organized races in Indianapolis, Indiana, these events were never as popular as they were in Europe and Asia. Americans generally preferred NASCAR, another motorsport, to F1,<sup>19</sup> and the rivalry between F1 and NASCAR made choosing the correct communications platform for this audience more complex. However, F1 planned to return to the U.S. with a new track in Austin, Texas,<sup>20</sup> which could rally the fan base and possibly benefit Santander.

### *Competitive Threats*

Another challenge for Santander would be defending its interests in F1 from competitors. Although several financial firms had historically been active in Formula One, in recent years their presence had dwindled due to the financial crisis. Credit Suisse pulled out of BMW-Sauber in 2009 and ING and RBS left Renault and Williams, respectively, after the 2009 season. Santander’s results, however, could motivate financial players to return as the global economy recovered. UBS, for example, announced that it would join Allianz, DHL, and LG as a Formula One “Global Partner” in the 2011 season, with the goal of establishing a “big, big brand presence at races.”<sup>21</sup> This could pose a potential threat to Santander’s investment, although at the moment Mr. Cendoya dismissed it by saying,

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<sup>17</sup> Christian Sylt and Caroline Reid, “The Business of Formula One – Volume Two,” *SportBusiness Group*, April 3, 2006, p. 116, <http://www.sportbusiness.com/products/reports/the-business-of-formula-one-vol-1-2-160235>.

<sup>18</sup> Ibid.

<sup>19</sup> Nathan Hook, “NASCAR vs. Formula One,” *Helium*, November 12, 2008, <http://www.helium.com/items/1235170-nascar-vs-formula-one>, accessed September 26, 2011.

<sup>20</sup> Formula 1 United States website, <http://www.formula1unitedstates.com/formula1.html>.

<sup>21</sup> “Formula One Signs up UBS as Global Partner,” *BBC News*, August 23, 2010, <http://www.bbc.co.uk/news/business-11063192>.



“In my opinion, the entrance of large and recognized companies as F1 sponsors is good because it reflects the power and importance of the sport’s audience. Furthermore, UBS is going to have presence on billboards but not in a team, and because of this there will not be any direct conflict with our sponsorship goals.”

### *Exit Strategy*

A final issue that Santander would eventually need to consider would be the design of an exit strategy for when it chose to withdraw from F1. Although some companies, like Marlboro, had sponsored F1 teams for decades, according to some experts, “it takes three to five years to get the best return on investment.”<sup>22</sup> By the time Santander’s current contract expires in 2015, it will have been active in F1 for eight years.

Over the next years, Santander will have to navigate these and other challenges in creating a communications platform to engage its diverse audiences and stakeholders. However, the glamour and intrigue surrounding the F1/Ferrari alliance would not be allowed to eclipse the original goal. As Juan Manuel Cendoya explained,

“Sponsorship is just another part of the greater positioning strategy. Granted, it’s an attractive part, but it’s still just one part. What is most important is the original objective, which is creating a strong, international, and unified brand, based on a strong and successful business model with strong and recurrent results.”

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<sup>22</sup> Christian Sylt and Caroline Reid, “The Business of Formula One – Volume Two,” SportBusiness Group, April 3, 2006, p. 116, <http://www.sportbusiness.com/products/reports/the-business-of-formula-one-vol-1-2-160235>.

## Exhibit 1

### Podium at the 2010 Bahrain Grand Prix



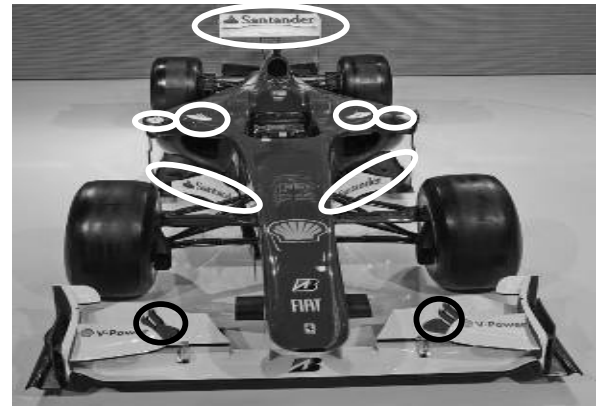
Source: Documentation provided by the company.

**From left:** Ferrari driver and second place winner Felipe Massa (Brazil), Ferrari driver and first place winner Fernando Alonso (Spain), Ferrari Team Principal Stefano Domenicali, and McLaren driver and third place winner Lewis Hamilton (UK).



## Exhibit 2

### Santander Presence on the Ferrari Car and Drivers' Uniforms







## Exhibit 3

### F1 Schedule for 2010

<b>Grand Prix</b>	<b>Date</b>	<b>Sponsorship Activity</b>
Bahrain	March 14	Increased Publicity Presence
Australia	March 28	
Malaysia	April 4	
China	April 18	Increased Publicity Presence
Spain	May 9	Title Sponsor
Monaco	May 16	
Turkey	May 30	
Canada	June 13	
Europe	June 27	Title Sponsor
UK	July 11	Title Sponsor
Germany	July 25	Title Sponsor
Hungary	August 1	
Belgium	August 29	
Italy	September 12	Title Sponsor
Singapore	September 26	
Japan	October 10	
Korea	October 24	
Brazil	November 7	Title Sponsor
Abu Dhabi	November 14	

Source: Santander Bank presentation.



## Exhibit 4

### Estimated Advertising Value Equivalent for F1 Brands (2010)

Brand	Team(s)	Estimated Advertising Value	
		Million dollars	Million euros
Red Bull	Red Bull, Toro Rosso	152	116.9
Vodafone	McLaren	46.3	35.6
Santander	Ferrari	36.9	28.4
Petronas	Mercedes	35.2	27.1
Renault	Renault, Red Bull	30.7	23.6
Kingfisher/Fly Kingfisher	Force India	21.5	16.5
Total/Elf	Red Bull, Renault	18.9	14.5
Shell	Ferrari	9.6	7.4
Mobil 1	McLaren	8.0	6.2
Johnnie Walker	McLaren	6.9	5.3
Virgin/Virgin Racing	Virgin	6.2	4.8
Whyte & Mackay	Force India	6.1	4.7
Philips	Williams	6.0	4.6
Marlboro	Ferrari	5.7	4.4
Mercedes	Mercedes, McLaren	5.6	4.3

Note: Data covers all brands with on-car coverage in the first seven races of the 2010 Formula One season. The data covers exposure during the race itself only and does not include pre-race events, podium celebrations or other sessions.

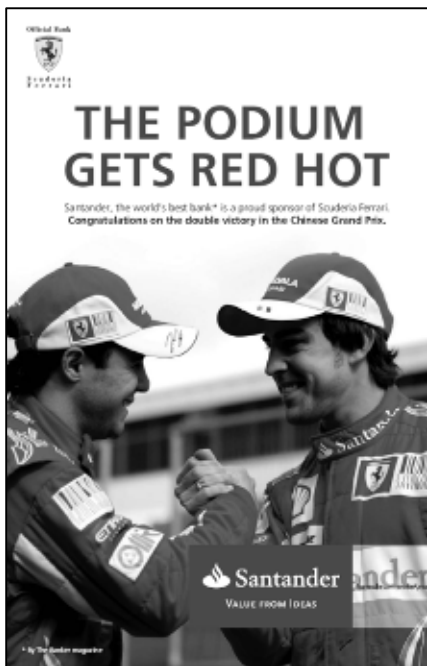
Source: Paddock Magazine.

**To Be Read:** Red Bull would have needed to spend €116.9 million (\$152 million) in paid advertising in order to receive the same amount of media exposure as it has received as a result of sponsoring the Red Bull and Toro Rosso F1 teams during the first seven racing events of the 2010 season.

# Exhibit 5

## Podium-driven Advertising in 2010

### Ferrari:



Source: Document provided by the company.

### McLaren:



Source: Document provided by the company.



Source: Document provided by the company.