

ECCH Collection

The Shell-Ferrari Relationship

*This case was written by **Julie Verity**, Independent Author. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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The Shell-Ferrari Relationship

Shell started collecting customer data on a worldwide basis in 1996. Now in its fifth year the Global Brand Tracker researches consumer opinion in more than 50 of Shell's markets accounting for roughly 96% of the Group's Retail business. The information provided is increasingly important to the Group, occupying a central role in the organisation's decision-making processes. The research is the major route through which the Group is becoming more consumer orientated.

It was to this database that the global brand team turned when re-evaluating their sponsorship of Formula 1 and the Ferrari team. From the process, Shell gained valuable insights into customer behaviour which resulted in many internal changes, some of which were beginning to deliver bottom line and brand improvements in 2000, including an estimated saving on their Global Advertising production costs of \$11.6m and significant savings from being able to provide turnkey promotion packages.

Single most important learning

Minds are like parachutes, they work better when they are open!

A major conclusion from Shell's review was that the Group was not maximising its return from its relationship with Ferrari. One of the reasons for this was that many internal minds were closed to the marketing possibilities that existed there. Analysis of Shell's database provided the information needed to challenge these attitudes.

The Pecten and the Prancing Horse

Shell and Ferrari have worked together for many years. The relationship reaches back as far as 1947 to the very beginnings of the, by now, legendary Ferrari team. During the Fifties and Sixties the bright red cars of Ferrari dominated motor racing. During this period, the reputation of Shell and Ferrari for technical excellence, innovation and success were closely knit. The team's founder Enzo Ferrari, in his trademark purple ink, wrote: *Shell...worked closely with us to help us resolve the numerous problems related to our use of fuel and lubricants. Shell has always acknowledged the paramount importance of racing experience and this has enabled it to achieve remarkable results.*

Enzo's words reflect the essence of the relationship at that time, one of technical collaboration, striving for engine, lubricant and fuel performance perfection. When the historic partnership between the Pecten and the Prancing Horse was renewed in 1996 it was again about reaping the potential technical synergy between two dedicated innovators, but it was also about building positive brand associations. The global brand team in London recognised the prize that the Ferrari brand could bring to Shell. The benefits of aligning the Pecten with the Ferrari values of dynamism, success and passion were compelling. As one Advertising and Communication manager said: *We share professionalism and expertise, but there are a lot of emotional values associated with Ferrari that we would like to have linked with Shell. Ferrari is about Passion and Romance. The name is a dream for most people.*

In 2000 the relationship between these two huge international brands was once again up for discussion. In preparation, Shell turned to its customer research for evidence of how well the sponsorship was performing for them. Their findings led to sponsorship renewal, but the process also revealed valuable insights into differences between customer and management mindsets, the typical outcome of which was under-exploitation of the potential in the relationship. As a result, a new approach was adopted both to the relationship with Ferrari and to internal management. The results of these changes were beginning to demonstrate business benefit during 2000 and plans are in place which hope to realise further value for the Shell brand and its businesses in the near future.

The Problem with Sponsorship

According to Financial Times/Sports Marketing Surveys, sports sponsorship is a major global industry with worldwide expenditure rising from \$7.7bn in 1990 to a projected \$19.5 bn in 1998¹. Despite these levels of expenditure, disciplined processes of research, evaluation and 'business-case justification' have been slow to emerge *because there is no standard unit of measurement and evaluation that has the habit of laying bare personal success or failure for all management to see.*

Specific research conducted by Research International² on behalf of Shell amongst companies using sports sponsorship on an international scale also concluded that:

Evaluation of sponsorship activity was seen as a complex area for which no rigorous method currently exists.

The relative value of sponsorship activity in the overall marketing mix was seen to depend upon the specific brand and business objectives: some companies valued image-building activity and exposure, whilst others valued opportunities for PR activity and providing hospitality to key clients.

Inside Shell such perceptions of a lack of evaluative rigour and widely differing views on the role of sponsorship were clearly evident. It was difficult for some to see past their own view of sponsorship as limited to corporate hospitality. Others saw the sport as irrelevant and often quoted

¹ FT Report: Maximising the Value of Sports Sponsorship, 1999

² August 1999

their local customer base as being as uninterested in Formula 1 as they were themselves. Some found it difficult to believe that the relationship could deliver tangible business results such as improved sales. As was noted in the sponsorship evaluation report, *Sponsorship (and global sponsorship of F1 in particular) tends to generate extremely polarised opinion amongst Shell Management - 'love it, or hate it'.*

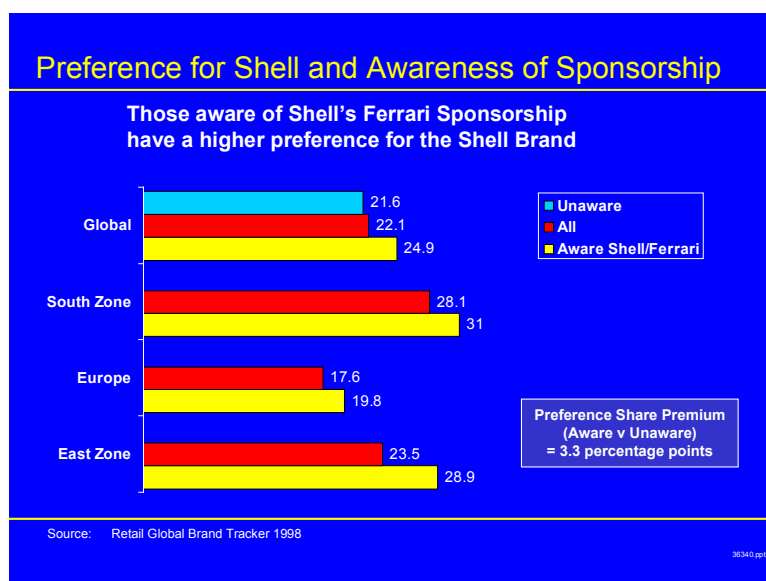
The fact that no real industry methodologies existed for testing the worth of the Ferrari relationship to Shell meant that the global brand team would have to devise a disciplined approach of their own – which they did.

Looking Inside for Insights

Since 1996, Shell has been tracking how customers perceive the products and services it offers. Now in its fifth year, the Global Brand Tracker [GBT] researches customer opinion in more than 50 of its markets accounting for about 96% of the Group's Retail business using a range of consistent brand image marketing metrics. This database includes customer responses to a series of questions directly related to Shell's F1/Ferrari sponsorship activities. This, therefore, proved an invaluable place to look for meaningful insights into market place results of the Shell-Ferrari association.

i) Awareness and Preference

When analysed in detail with other information from the GBT, it became clear that awareness of Shell's sponsorship of Ferrari was linked with a significantly higher preference for Shell.



Whereas the overall global average preference for Shell was 22.1%, among motorists aware of the Shell-Ferrari sponsorship this preference increased to 24.9%, a significance preference 'premium' of 2.8 percentage points.

Some 17% of motorists were aware of the Shell-Ferrari relationship and they had a 3.3 percentage point higher preference for Shell, which was equivalent to a 0.5 percentage point increase in global preference for Shell. The global brand team were able to quantify the financial benefit likely to

accrue from this preference and therefore knew that this was of major significance to the Group's financial performance.

Because of the importance of this implication, further investigations into the linkages between awareness of the relationship and a higher preference for Shell were made. Research International looked at the variables that were likely to influence this relationship and concluded that regardless of high or low usage of Shell, and high or low interest in F1, awareness of Shell's sponsorship of Ferrari had a significant positive impact on preference for Shell.

From this work, the team drew the conclusion that where awareness of the Shell-Ferrari relationship is created effectively, there is a significant impact on Shell brand preference (and thus on Shell's business performance).

ii) Awareness and Purchase Behaviour

Probing the GBT database in a different direction allowed Shell to draw the second conclusion that consumers who were aware of the Shell-Ferrari relationship had a higher propensity to purchase from Shell.

The 17% of motorists who were aware had a 3.9 percentage point higher purchase share than those not aware, which was equivalent to a 0.6 percentage point higher global market share for Shell. This was also translated into an estimated financial return to Shell.

Not wanting to rely on internal analysis alone, the global brand team used two additional methodologies to pin down the financial benefit of the relationship, one of which was commissioned from external suppliers³. With four assessments of the worth of the Shell-Ferrari relationship available, the global brand team were confident that sponsoring Formula 1 brought positive financial returns to the Group. They estimated the range of this return to be between one and three times the cost of the sponsorship.

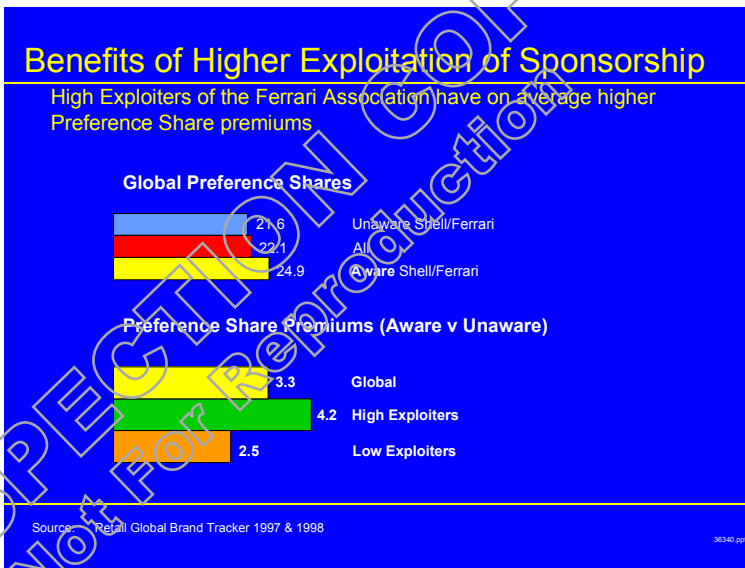
Changing from Within

The global brand team now had valuable information about the potential worth of the Shell-Ferrari relationship. Next, they turned their attention to understanding how well Shell had exploited the relationship and what they could learn from best practice around the Group.

Looking again at the information in the GBT database, it was clear that marketing units around the world had used the relationship, but unevenly over time and across countries. Generally, high exploiters generated higher consumer awareness and a higher preference for Shell. This was so even among consumers who claimed to have no interest in Formula 1. On this basis there was little consumer rationale for the low exploitation in some markets, as the data showed consistently high levels of consumer interest in Formula 1 across countries, irrespective of whether they hosted a race.

From this analysis, the global brand team quantified the loss to Shell from under-exploiting the relationship was in the region of twice the cost of the sponsorship.

³ Brand Finance



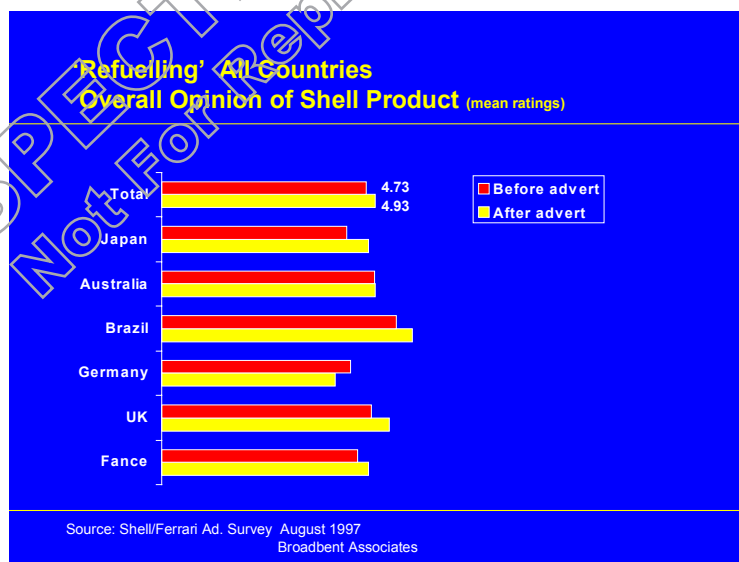
Being able to prove that consumers across the world were consistently interested in Formula 1 and that building awareness of Shell's association with Ferrari could deliver bottom-line improvements, was a major step forward for the global brand team. This customer insight was, as one of the team said, *a major contradiction and challenge to the internal assumption that sponsorship is only about corporate hospitality or corporate imagery. This work linked the relationship with business performance. When we talk to non-exploiters we can talk objectively and take-out the personal bias that has been in the decision-making in the past. Our findings have been genuinely surprising to some people, we are changing mindsets.*

The work led to some significant changes inside Shell. These included

- a different focus for the Shell-Ferrari relationship – toward a more explicit connection between the Ferrari brand and Shell's main fuel and lubricant products. This resulted in
 - a changed emphasis of centrally-produced advertising from statements about the two organisations working together to more active marketing exploitation promoting the association in terms of benefits to motorists
 - direct endorsements on product packs and pumps of differentiated fuels
- greater internal belief about the benefit of and consequently, greater use of global advertising executions and turnkey promotion packages across the Group. As a result
 - global advertising production cost savings in 2000 estimated at £11.6m
 - consistent and high quality advertising around the world
 - substantial savings on turnkey promotion packages
- specific recommendations about (and first examples of) using the relationship as a fully integrated part of the marketing mix, plus active monitoring of exploitation
- greater understanding about how to manage sports sponsorship as a marketing tool.

Communicating Differently

Globally produced, Ferrari based advertising was not new to Shell. Executions using the Prancing Horse plus images and sounds of Ferrari cars alongside the Pecten had been produced since 1997. Advertisements like 'Refuelling' (1997/8)⁴ were known to result in consistent improvements in consumer attitudes to Shell and its products in a wide range of countries (including Argentina, Australia, Brazil, Czech Republic, France, Germany, Hong Kong, Japan, Portugal, Saudi Arabia, Singapore, Spain, Thailand and the UK).



However, the key components to these increased scores derived primarily from improved perceptions of Shell's relatively high-level attributes such as technological leadership, overall quality (because Shell's products are used by experts) and professionalism. With the benefit of the insights from the GBT analysis, what the global team wanted to achieve now was explicit communication of the Shell-Ferrari relationship in the context of consumer-relevant benefits. JW Thompson produced new creative ideas designed to make target segments of motorists more aware of the benefits in Shell's products derived from Shell's close relationship with Ferrari.

The earliest of the new executions – Waves⁴ – using the sea as the unifying communication idea, proved that centrally-produced advertising could deliver against the objectives. Research in Portugal following the Ferrari-based campaign improved consumers' reasons to prefer Shell fuel significantly. As a result, Shell Portugal recorded increased sales of its unleaded gasoline products as well as a significant improvement in the product mix with more customers buying its higher octane, higher margin product.

⁴ reel available

'Waves' Tracking Research - Spain and Portugal, 1999 'Waves' Impact:

• Shell Top of Mind	15%	➡	19%	(+4)
• Currently using Shell	17%	➡	22%	(+5)
• Preference	16%	➡	18%	(+2)
• Preference reasons:				
- product performance	8%	➡	23%	
- product attributes	45%	➡	68%	
- total product related reasons for preference	53%	➡	91%	
• Ad appeal was 20% higher than competitors (BP, Mobil, Galp)				
• Impressions from Ad:				
- cares about clients	43%	➡	54%	
- advanced technology	41%	➡	57%	
- quality products/services	36%	➡	52%	

Source: Quaestio Research, Portugal

'Traffic'⁵ was developed to support Shell's new premium high performance fuel, Shell V-power/Optimax, a product targeted at 'responsible performance seekers for whom their car is a prized possession.' The execution (a computer-graphic style of film) was used as the launch commercial in Argentina in 2000 and as follow-up advertising where the fuel was already in the market. The execution tells the story of our hero fish facing the cut and thrust of today's traffic with the help of Shell's new performance fuel. The voice-over asks us -*What difference do you think a petrol developed with Ferrari would make?*- as we watch our hero dodge and weave through the long vehicles and marlins on his journey to reach his destination - safely.

When tested in six markets around the world, using Shell's standard test, results proved the positive impact of the Ferrari link. Qualitative feedback was summarised, *The mention of Ferrari adds veracity to performance product claims in all markets. It appears to be part of the 'magic' in the potion.* Quantitative testing in Argentina also showed significant changes in consumers' views about Shell after watching 'Traffic'.

Shell 'Traffic' Advertising Survey Argentina - Before and After Significant Improvement Post Viewing

- **Company Attributes**
 - Produces the best petrol
 - Produces petrol which improves the performance of my car
 - Takes the lead in producing new fuels
 - Has new ideas relevant to me
 - A dynamic company
 - A company whose products I like to buy

Source: Broadbent Associates

⁵ reel available

Effective Use of Resources

A significant shift in use of centrally-produced Ferrari-based advertising occurred within Shell with the change in emphasis to more product-centred messages. Use around the Group was not tracked consistently before 'Wave', but in the memory of those in the global brand team, only a handful of marketing units had incorporated these early global executions into their communication strategies. In comparison, since 'Wave', sixty-four countries had used the advertising, a change which Shell estimated had resulted in production savings of \$11.6 m.

Global Advertising Production Cost Savings			
		Cost (\$m)	No. of Countries
Wave	(Fuels + Helix)	2.20	39
Traffic	(Fuels)	0.75	9
Seascope	(Helix)	1.40	16
Total		\$4.35m	64
Cost per Country		= \$68,000	
Normal Local Cost per Country		= \$250,000*	
Saving		= \$182,000/Country	
Total Saving		= \$11.6m	
* - based on 1999 cost saving calculation			

365340.ppt

As with all change in large, complex organisations, this new positive management attitude to centrally-produced and tested creative work, was not driven solely by the insights produced from the GBT. Changes to the internal structure of Shell were supportive since these were also aimed at improving the consumer orientation of the organisation. But, the information from the GBT allowed the global brand team to challenge personal assumptions held by local managers. Understanding the strength of the Ferrari message when associated with Shell and the universal interest in Ferrari, forced local marketers to make the case for **not** using the Ferrari-endorsed communications, something local managers found difficult to do once the commercials were tested in their country.

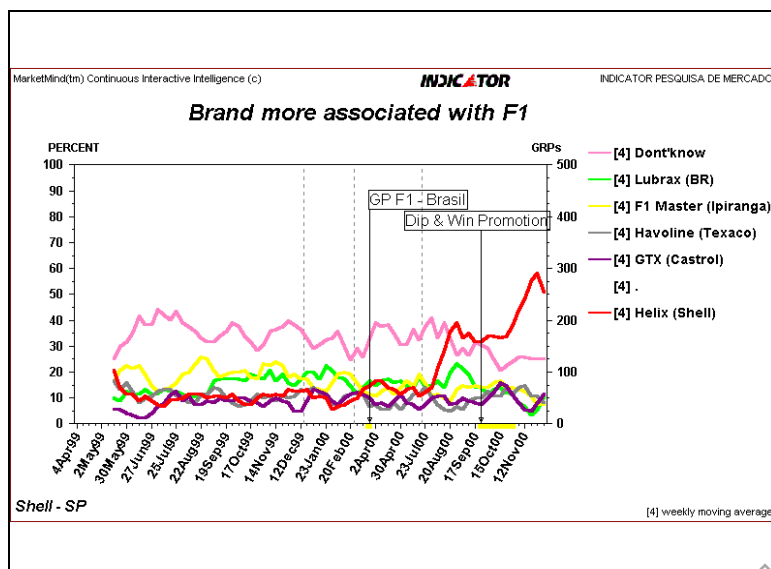
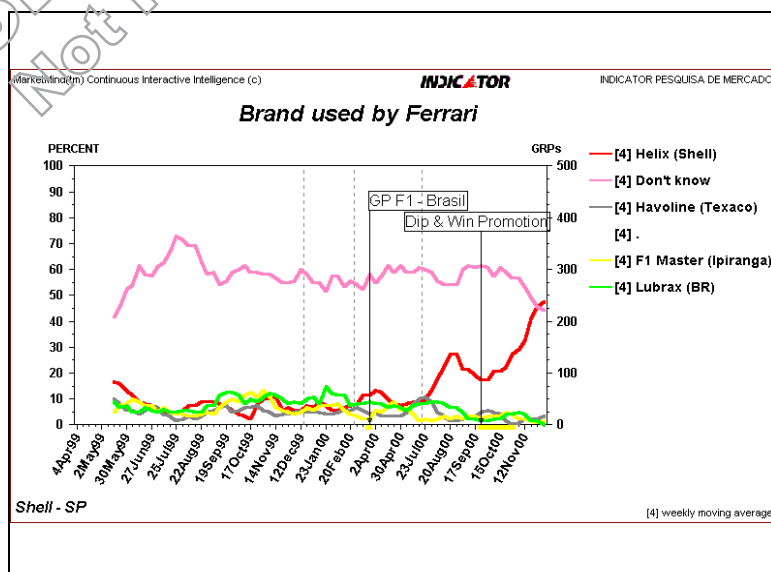
Shell Brazil provide an example of a marketing unit using the global Seascope advertisement⁶ in conjunction with a Ferrari-linked promotion at the service station as part of their Shell Helix (lubricant) revitalisation campaign. The TV campaign ran during October and November 2000. Seascope is rich with images of Ferrari sports cars scorching around test tracks and through sea waves. Ferrari and Shell engineers monitor the cars performance with sophisticated equipment and the soundtrack tells how, with Shell Helix, the engine stays calm. The voice poses the question, *if Shell can protect a Ferrari, who better to protect your car?*

Understanding that although powerful, this advertising would not motivate Brazilian customers to have their oil-levels checked by Shell attendants at service stations and, knowing from market research that 25% of these customers actually did need oil, Shell Brazil ran a point-of-sale

⁶ reel available

promotion simultaneously with the TV campaign. Customers agreeing to have their oil checked and topped-up where necessary, were given a 'dipstick' which could turn a winning pink, or a losing white, when exposed. The prize for a pink dipstick was an official Ferrari polo shirt. The promotion had a planned duration of one month (October 5th to November 1st) which had to be cut short at some sites due to its popularity, 750 service stations supported the promotion and 1.6 million dipsticks were 'dipped' of which 1% were winners.

In the context of a highly competitive market with at least seven high-profile competitor lubricant brands the results were dramatic. Shell Helix sales at promotional sites rose on average by 17% and fuels sales through the core network increased by 1.17%. Market research highlighted other significant gains, for example, preference for Shell Helix increased from 3% to 9%, awareness increased from 23% to 30% and consumer knowledge and awareness about the association between Shell and Ferrari also improved dramatically.



Opening Minds

Insights about how consumers respond to the Shell-Ferrari relationship has enabled major changes in Shell and delivered hard, bottom-line results. The data has provided the means for the organisation to learn. In an era when gurus tell us that the only sustainable competitive advantage companies can have is the ability to learn faster than the competition, research is what ultimately determines success. That is why Shell are not stopping here. Early in January 2001 a new seven-country qualitative research programme starts, designed to find out more about how consumers think about the Ferrari brand, its associations with Shell and how it could work more effectively for Shell's businesses.