EXECUTIVE SUMMARY

THE NATIONAL SURVEY OF MOTORSPORT ENGINEERING AND SERVICES

2000

A JOINT RESEARCH PROJECT COMMISSIONED BY THE

MOTORSPORT INDUSTRY ASSOCIATION

THE UNIVERSITY OF BIRMINGHAM

HENLEY Management College

Cranfield UNIVERSITY School of Management

Sports Marketing Surveys Ltd
Quality Research for Management Action

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EMTA

Published February 2001

PROGRAMME AIMS & RESEARCH DESIGN

Aims

- To provide a definitive statistical statement on the industry's scale and scope
- To quantify and understand the contribution of the industry to the UK economy and regions
- To provide an industry analysis of current trends and future scenarios
- To provide a basis for the generation of national and regional policy

Design

- The creation of a comprehensive industry database predominantly through a substantial postal survey of the industry
- The production of a 'thumbnail' matrix of the global geography of motorsport production
- A series of 12 'best practice' business case studies
- A postal survey of domestic participants in UK motorsport

AVAILABILITY

This survey is available in 2 publications - Full Research Study and Executive Summary, from March 2001, direct from the MIA, at the address shown.

1) Full Research Study (including Executive Summary)

This is the definitive 200 page study, published in CD format, which covers each module; the methodology; the analysis; together with graphs, tables and comparisons achieved. The results are taken from the 600 returns, plus the 3000 questionnaires from the UK competitors. A well - defined overview and statement of current trends and future scenarios (SWOT Analysis) is created, together with a framework for national and regional policy recommendations.

price - £250, inc VAT and UK postage

2) Executive Summary

This 20 page report, with free CD, summarises the major points arising from the National Survey. Each of the four modules is covered, in summary, by the leader of the respective member of the Research Team. In addition a National Overview is included.

price - £40, inc VAT and UK postage

To order

Please send your order, for UK delivery, with cheque /money order , made payable to :

MIA, Federation House, Stoneleigh Park, Warwickshire, CV8 2RF, UK

Allow 28 days for delivery

Queries

Should you wish to:
- Pay by credit card,
- Require a hard copy of the Full Research Study
- Require overseas delivery

please contact the MIA on:
Tel: +44 (0) 24 7669 2600 • Fax: +44 (0) 24 7669 2601
email: info@the-mia.com

THE UK'S MOTORSPORT INDUSTRY: SCALE, SCOPE AND FUTURE

The UK Motorsport Industry, and its regional heartland of Motorsport Valley, is now recognised as a 'global centre of excellence'.
This fast growing industry, which embraces motorsport, high performance engineering and services is predominantly based in Britain.
The Motorsport Industry Association (MIA), working closely with its project sponsors, commissioned this comprehensive study early in 2000. We created a research team with unrivalled experience within this sector.
The industry, and its cluster, internationally recognised as Motorsport Valley, has rapidly become a key exemplar of 21st century industrial policy. Knowledge generation, knowledge intensive firms, innovation, technology transfer, diversification and specialisation are central to this sector. It draws on technologies, expertise, finance and knowledge from manufacturing and services alike, and from around the globe, to produce world-class products, processes, services and results.
This National Survey will create a greater understanding of the 'essence' of the industry, and its contribution to the competitive advantage of Britain's economy.
We are certain that this will, in turn, reinforce that position and ensure a solid platform for its future development.

Chris Aylett
CEO - Motorsport Industry Association
January 2001
chris.aylett@the-mia.com

THE RESEARCH TEAM

Module 1

Motorsport engineering database and global geography matrix

THE UNIVERSITY OF BIRMINGHAM

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University of Newcastle

Nick Henry
assisted by Tim Angus

NICK HENRY, BSc., PhD., was recently appointed to a Readership in Urban and Regional Studies in the Centre for Urban and Regional Development Studies (CURDS), University of Newcastle. Previously, he was Lecturer in Economic Geography at the University of Birmingham. In 1997, he completed a widely publicised 18-month study of the British motorsport industry which included the identification and systematic investigation of Motorsport Valley. He is the author of numerous academic articles on the industry and In Pole Position: Motor Sport Success in Britain and Its Lessons for the World's Motor Industry, 1999, Euromotor Reports, Ludvigsen Associates Ltd, London.

TIM ANGUS, BSc., MSc., PhD., is a Research Associate at the University of Birmingham. He has recently completed his doctorate on the Italian Motorsport Industry.

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Module 2

Motorsport services database

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Henley Management College

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MARTIN BECK-BURRIDGE BSc., MA is Director of Automotive Studies, Co-Director of the Executive Development Programme and a Senior Lecturer in International Economics and Strategy at Henley Management College. As well as being a visiting lecturer, he is also a consultant to a number of major international companies. From 1994 to 1998 he was Group Director, Strategy and Human Resources, at Gresham Lion Technology. His main interests are the world economy and trade, globalisation and the impact of technological change. He is author of "Britain's Winning Formula; Achieving World Leadership in Motorsports", published by Macmillan.

JEREMY D. WALTON International motoring writer/author with 27 published books (has worked in UK, USA, Germany, France and Italy).

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Module 3

Best practice case studies

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Cranfield School of Management

Mark Jenkins
assisted by Nardine Collier

DR MARK JENKINS is a Senior Lecturer in Strategic Management and Director of the DBA programme at Cranfield School of Management. In addition to this post he has been a visiting professor at the University of Colorado and contributes to programmes at Warwick Business School and Cambridge University. He is responsible for the 'Business of Motorsport' module on Cranfield's new MSc in Motorsport Engineering and Management and has presented his research, which focuses on knowledge, innovation and performance in the context of F1 racing, at a number of leading international conferences.

NARDINE COLLIER is a Research Assistant in the Strategy Group at Cranfield School of Management. Nardine joined Cranfield in 1998 and is currently undertaking a part-time PhD on the relationship between strategy processes and the innovation performance of organisations.

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Module 4

Domestic motorsport participation

Sports Marketing Surveys Ltd
Quality Research for Management Action

Sports Marketing Surveys

Nigel Geach
assisted by Rebecca Stamp

NIGEL GEACH is a Director of Sports Marketing Surveys, responsible for worldwide sales and marketing. A large proportion of the work in which he is involved is within the Motorsports Industry. In addition to traditional market research, Sports Marketing Surveys provides media evaluation for Formula One, measuring the exposure and value of the sponsors involved.

Since joining Sports Marketing Surveys two years ago, REBECCA STAMP has worked on a large number of projects, including Racetrack, periodical research with F1 fans worldwide, providing information on their F1 viewing habits, sponsorship awareness and attitudes towards the sport. She graduated in 1998 with a first class postgraduate degree in Social Research methods from Surrey University. Sports Marketing Surveys is also an official supplier of the McLaren team.

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1.0 EXECUTIVE SUMMARY: THE NATIONAL OVERVIEW

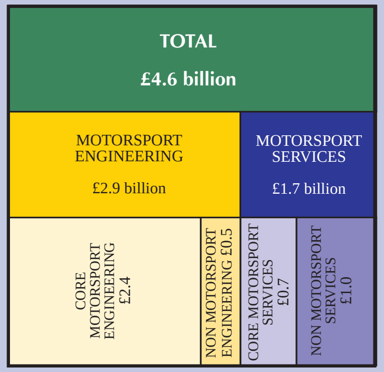
1.1 SCALE

- For the purposes of this research programme, the industry is defined as:

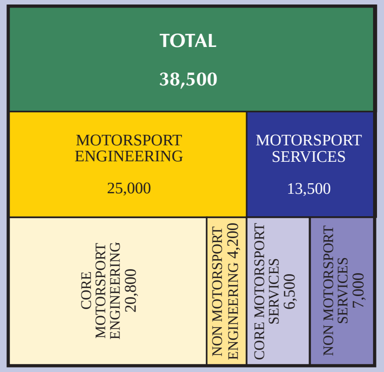
- a set of **engineering** firms involved in the practice of high performance design and engineering ranging from racing and rally car fabrication to kit cars and engineering consultancy to components
- a set of **service** firms involved in motorsport related activity ranging from event infrastructure and business services to sponsorship and merchandising

- **'core'** represents all firms who achieved 50% or over of annual turnover from motorsport activity
- **'non-motorsport'** represents those firms who derived between 1% and 49% of annual turnover from motorsport activity

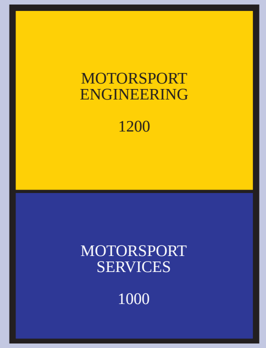
Annual Turnover



Employment



Firms



Growth

- The Top 50 surveyed motorsport **engineering** companies achieved, between 1990 – 2000:

  - 523% growth in average annual turnover
  - 227% growth in average employment

- The Top 50 surveyed motorsport **service** companies achieved, between 1990 – 2000:

  - 25% growth in average annual turnover
  - 12% growth in average employment

Turnover

- The annual turnover value of **motorsport engineering and services** to the UK economy is estimated at approximately **£4.6 billion**[1]. This figure equates to:

a) £2.9 billion turnover generated by motorsport **engineering**, of which:

  - £2.4 billion turnover is generated by 'core' motorsport engineering
  - £0.5 billion turnover is generated by 'non-motorsport' engineering

b) £1.7 billion turnover generated by motorsport **services**, of which:

  - £0.7 billion turnover is generated by 'core' motorsport services
  - £1.0 billion turnover is generated by 'non- motorsport' services

- The UK motorsport engineering and services sector produces over £2 billion worth of annual export earnings.

Employment

- Minimum estimated total UK employment generated by **motorsport engineering and services** activity is **38,500.** This figure equates to:

a) Minimum total UK employment of approximately 25000 persons generated by motorsport **engineering**, of which:

- 20800 persons are employed in 'core' motorsport engineering
- 4200 persons are employed in 'non-motorsport' engineering

b) Minimum total UK employment of approximately 13,500 generated by motorsport **services**, of which:

- 6,500 persons are employed in 'core' motorsport services
- 7,000 persons are employed in 'non-motorsport' services

Firms

- Core motorsport engineering and services companies are estimated to number 2200, of which:

  - approximately 1200 comprise motorsport engineering
  - approximately 1000 comprise motorsport services

- Over three quarters of motorsport engineering and services firms have been established within the last 20 years

[1] These figures relate to turnover as listed by respondents. Thus, this is not a figure of value added and aggregation can result in double-counting.

1.2 SCOPE

1.21 The UK Motorsport Industry: At the Heart of the Knowledge-Driven Economy

- The industry exhibits a variety of characteristics emblematic of the knowledge-driven economy:
- Clustering in Motorsport Valley
- High value added activity
- In combinations of both high technology manufacturing and services, including ‘creative’ activities
- High quality skilled labour force
- High rates of R and D expenditure,
- Reflecting innovation as day-to-day activity
- Networks of firms (large and small)
- High rates of new firm formation
- High levels of exports and global outlook
- Global sources of inward investment
- Growing role of venture capital
- Rapid adoption of e-commerce and Internet trading

1.22 UK Motorsport Valley: A Global Centre of Excellence

- Motorsport Valley is the premier ‘production’ site for global motorsport activity
- World-class activity ranges from fabrication, components and design consultancy to racing schools, testing and event management.
- The region is at the apex of large numbers of global partnerships (both with OEM’s and sponsors)

Motorsport Engineering Activity

- Approximately three-quarters of the world’s single-seat racing car production is British-built
- 80% of the 179 Formula One World Championship races have been won by British-built cars in the last 10 years, and 7 of the 12 teams are based here
- Around 90% of current US CART cars are British-built
- World class component manufacturers include AP Racing, Alcon, Goodridge, Xtrac, and Zytek
- In the last decade, British-built cars have won the World Rally Championship more times than any other nation
- The list of OEM motorsport activity located in Motorsport Valley includes Audi, BMW, Mercedes-Benz, Ford, Honda, Hyundai, Jaguar, MG Rover, Mitsubishi, Nissan, Renault, Subaru, and Vauxhall (GM)

Motorsport Services Activity

- Dominance of global motorsport services activity is less well known but highly significant
- The region includes the largest number of world-class racing schools
- London is the base for Formula One Management, the World Rally Championship organised by ISC and the world’s largest motorsport publisher, Haymarket.
- A number of motorsport services were “invented” in the region (for example specialist insurance)

'To understand the business environment of the motorsport industry, it must be recognised that:

PERFORMANCE ENGINEERING

- Motorsport is the public ‘brand’ of performance engineering
- Performance engineering represents high value added, low volume manufacturing, through the combination of high technology disciplines and creative design.
- Motorsport Valley is the world’s premier motorsport cluster
- Many world class performance engineering companies are located in Motorsport Valley

MOTORSPORT SERVICES

- Motorsport is part of the global sports and leisure economy (including the activities of marketing and sponsorship)
- Motorsport Valley is home to the still emerging sectors of motorsport services
- Many world class motorsport services companies are located in Motorsport Valley
- There are strong historical traditions, yet limited development, of motorsport participation in the UK

INTERDEPENDENCE

- The motorsport industry is growing through the mutual interdependence of engineering and services activities

1.3 FUTURE

Opportunities

- On a global scale, a still young and growing industry
- Emerging markets such as Asia Pacific and Eastern Europe
- Process of internationalisation of motorsport activity (for example, USA)
- The broader industrial applicability of performance engineering
- Growth of specialist motorsport services industry (for example, marketing and media)
- Develop grassroots UK competition and participation (for example, amongst women)
- Attract new sources of investment
- World class companies in both motorsport engineering and services able to take advantage of opportunities
- Promote the world’s premier motorsport cluster: Motorsport Valley UK

Threats

- Growing global competition
- Growing overseas ownership with the potential to weaken the cluster
- Growing gap between the most successful companies and the rest
- Skills shortages and lack of relevant training programmes
- Creeping loss of technological leadership in key areas (for example engines)
- Cyclical nature of the industry and the financial support from sponsors / investors

2.0 MOTORSPORT ENGINEERING: A UK PERSPECTIVE

2.1 *Research Body:*
The University of Birmingham and the University of Newcastle

Aims:

- To provide a definitive statistical statement on the scale and scope of UK motorsport engineering
- To quantify and understand the contribution of motorsport engineering to the UK economy and its' regions
- To provide an analysis of current trends and future scenarios

Methods:

a) Desk-based research to produce a matrix of the global geography of motorsport production.

b) A postal survey of the motorsport engineering industry.

The survey method included:

- The compilation of a motorsport engineering industry list
- A number of industry listings (including privately held lists) were accessed and combined to produce a survey population of 2573 entries
- Postal survey and 'chase' telephone call of the whole survey population
- Survey response rate achieved was 19% (ie. 418 usable returns)
- 'Gone aways' were high at 15% (381 entries)

2.2 The economic contribution of all motorsport engineering to the UK economy

- The turnover value of all motorsport engineering is estimated at approximately £2.9 billion
- *This figure equates to:*

- £2.4 billion of annual turnover generated by motorsport activity in 'core' motorsport engineering companies (where 'core' turnover is where more than 50% is generated by motorsport activity)
- £0.5 billion of annual turnover generated by motorsport activity in 'non-motorsport' engineering companies (where less than 50% of turnover is generated by motorsport activity)

- Note that in the 'core'

a) an average of 90% of annual turnover is generated by motorsport activity

b) exports represent 60% of motorsport generated turnover.

- The top three export markets listed by all firms involved in motorsport engineering are:

Europe	61%
The Americas	21%
Asia and Pacific	15%

- Estimated total UK employment generated by motorsport engineering activity is approximately 25,000 persons.
- *This figure equates to:*

- Total UK employment of approximately 20,800 persons generated by motorsport activity in 'core' motorsport engineering companies
- Total UK employment of approximately 4,200 persons generated by motorsport activity in 'non-motorsport' engineering companies

2.3 Core motorsport engineering: an economic profile[2]

- It is estimated that core motorsport engineering companies in the UK number in excess of 1200 in total
- Average annual turnover is £3,442,181[3]
  - which has increased by 263% in the decade 1990 - 2000, from £947,762
- Average employment per company is 23
  - which has increased by 92% in the decade 1990 - 2000, from 12 employees per company
- *Of average employment,*

- 83% is male full time
- 9% is female full time
- 4% is male part time
- 4% is female part time
- 70% of employment is classified as in a 'motorsport engineering discipline'

- 75% of firms have been established within the past 20 years
- 39% of motorsport engineering companies stated that they experienced recruitment difficulties; of which, 73% stated that local training was insufficient
- Overall, 44% stated that local training was insufficient for their needs
- 59% of companies had a web site in place
- 31% of companies buy and/or sell over the Internet

- The **top 20** surveyed motorsport engineering firms accounted for:

- 24% of national annual turnover in the core
- 16% of national employment in the core
- had experienced a 523% growth in average annual turnover between 1990-2000
- had experienced a 260% growth in average employment between 1990-2000

- The **top 50** surveyed motorsport engineering firms accounted for:

- 26% of national annual turnover in the 'core'
- 19% of national employment in the 'core'
- had experienced a 523% growth in average annual turnover between 1990-2000
- had experienced a 227% growth in average employment between 1990-2000

- The **remainder** of surveyed motorsport engineering firms:

- had experienced a 35% growth in average annual turnover between 1990-2000
- had experienced a 20% growth in average employment between 1990-2000

[2] These statistics are based on 243 responses [3] All turnover figures quoted in this document are unadjusted for inflation

2.4 The Global Geography Of Motorsport Production

Table 1 - **The Premier Tier**

	BRITAIN	*ITALY*	*FRANCE*	*GERMANY*	*USA*	*JAPAN*
Population (m)	60	58	59	82	275	127
Number of circuits	17	10	12	7	1200 (incl ovals)	21
Number of licences	34,000	22,000	25,000	10,000	385,000 (incl ovals)	n/a
ASN controlling body	MSA	CSAI	FFSA	ADAC	USAC, CART NASCAR, SCCA	JAF
Major championships	BTCC, F3, EFPA, GT, National Rally	F3000, ESTC, Karting	Le Mans, F3 National Rally	DTM, F3 Porsche Supercup	NASCAR CART IRL, ALMS	F. Nippon F3 GT
Industry specialism	Infrastructure aerodynamics	Aerodynamics wheels, karting	Engines Rallying	Saloons sportscars	Ovals, V8's spectators!	Engines Rallying
Markets	World	World	Europe	World	N. America	World
Key Firms .	See MIA website	Ferrari Dallara Tatuus	Renault Martini Mygale	AMG Porsche BMW	Roush Yates Panoz	Dome TOMS Ralli Art
Strengths	Very Strong	Good	Poor	Poor	Strong	Poor
Weaknesses	Weak	Poor	Good	Good	Poor	Good
Opportunities	Good	Poor	Good	Poor	Very Strong	Strong
Threats	Poor	Good	Poor	Poor	Strong	Weak

Very Strong | Strong | Good | Poor | Weak

Table 2 - **Emerging Markets**

	MEXICO	*BRAZIL*	*ARGENTINA*	*CHINA*	*MALAYSIA*	*SOUTH AFRICA*
Population (m)	100	170	37	1,265	23	43
Number of circuits	14	12	33 (incl, temp?)	1	3	7
Number of licences	n/a	3000	800	n/a	n/a	6000
ASN	OMDAI	CBA	ACA	CMSA	AAM	MSA
Major championships	F. de las Americas F3 Mexico Ford Mustang Chrysler, Neon	Sudam F3 Stock Car F Chevrolet	Sudam F3 (with Brasil) TC2000	F. Renault F. Campus Renault Spyder	Asian Festival of Speed	Formula Gti VSP Stock Car
Industry specialism	None	None	None	None	Finance	None
Markets	Domestic	S. America	S. America	Domestic	Asian	Domestic
Key Firms	Not Known	Techspeed	Berta	Not known	Not known	Autoquip, ATS
Strengths	Weak	Poor	Weak	Weak	Poor	Poor
Weaknesses	Strong	Strong	Strong	Very Strong	Strong	Good
Opportunities	Good	Poor	Poor	Good	Strong	Good
Threats	Weak	Weak	Weak	Weak	Poor	Weak

Very Strong | Strong | Good | Poor | Weak

2.4 The Global Geography Of Motorsport Production

- See tables on facing page for:
  - *Table 1* - **The Premier Tier**
  - *Table 2* - **Emerging Markets**

2.5 Opportunities and Threats

Opportunities

- The major **opportunities** identified by core motorsport engineering companies were:
  - New markets (USA, Far East)
  - The Internet
  - Developing new product areas
  - Developing grass roots motorsport

Threats

- The major **threats** identified by core motorsport engineering companies can be split in to two distinct groups:

  'Macro'

  - Global recession
  - Red tape
  - Strong pound/Euro
  - Price of fuel

  'Industry level'

  - OEM's strategy moving away from motorsport
  - MSA/political infighting
  - Too many racing series: too few competitors
  - Environmental concerns
  - Cheap motorsport imports and overseas competition
  - F1's dominance of the industry

2.6 Conclusions

- The UK motorsport engineering cluster is a world-class example of high technology, low volume, manufacturing
- Around 70% of the industry is located within the four Regional Development Agency boundaries of AWM, EEDA, EMDA and SEEDA that together comprise Motorsport Valley
- The sector has experienced major, and sustained, growth in both turnover and employment over the past decade
- Over two-thirds of employment is based within engineering disciplines and is heavily dominated by full time male employment.
- A significant level of this employment is generated by motorsport derived activity within a broad range of manufacturing companies
- The sector comprises:

  - a top 50 set of world-class companies that have experienced rapid growth in turnover and employment

  - an engineering base of 1000+ companies that has experienced modest employment growth with minor real increases in turnover
- A significant minority of firms view local training as insufficient. This figure increases substantially amongst the two-fifths of firms who have experienced recruitment difficulties
- The Motorsport Valley cluster is the premier world centre of excellence. Globalisation and growth within the motorsport industry highlights both opportunities for, and threats to, this cluster.

3.0 MOTORSPORT SERVICES: A UK PERSPECTIVE

3.1 *Research Body*:
Henley Management College, Centre for Automotive Studies

Aims:
- To provide a definitive statistical statement on the scale and scope of UK motorsport services
- To quantify and understand the contribution of motorsport services to the UK economy and its' regions
- To provide an analysis of current trends and future scenarios

Methods:
A postal survey of the motorsport services industry.

The survey method included:
- Compilation of a motorsport services industry list
- A number of industry listings (including privately held lists) were accessed and combined to produce a survey population of 1757 entries
- Postal survey of the whole survey population
- Survey response rate achieved was 11% (170 usable returns)
- 'Gone aways' were 10% (181 entries)

3.2 The economic contribution of all motorsport services to the UK economy

• The turnover value of motorsport services is estimated at approximately £1.4 to £1.7 billion.

• This figure equates to:
- £0.7 billion of annual turnover generated by motorsport activity in 'core' motorsport service companies (where 'core' turnover is where more than 50% is generated by motorsport activity)
- £0.7 to £0.1 billion of annual turnover generated by motorsport activity in 'non-motorsport' service companies (where less than 50% of turnover is generated by motorsport activity).

• Note that in the 'core'

a) an average of 90% of annual turnover is generated by motorsport activity

b) exports represented 25% of total turnover

c) approximately 11% reported that the majority of their turnover was generated overseas

• Respondents exported to a total of 38 different countries including The Americas, Europe and the Middle East.

• The three leading export markets were

- United States of America (more than 25% of the survey)
- France
- Germany

Employment

• Estimated total UK employment generated by motorsport services activity is approximately 13,500

• This figure equates to:
- Total UK employment of approximately 6,500 generated by motorsport activity in 'core' motorsport service companies
- Total UK employment of approximately 7000 generated by motorsport activity in 'non-motorsport' service companies

Of this, approximately
- 60% full time and 40% part time
- 65% male
- 35% female

• Since 1990 in the motorsport services sector:
- turnover has grown from approximately £290 million to over £1.6 billion
- the level of employment has grown from 7,000 to over 13,500

3.3 Core motorsport services: an economic profile

• It is estimated that core motorsport services companies in the UK number in excess of 1000 in total

• Average annual turnover in 2000 is £1,100,000
- which has increased from £170,000 in 1990

• The average number of employees per company is approximately 25 people

• 22% of the companies surveyed had been trading for more than 20 years

• 47% of the companies surveyed had been trading for less than 10 years

• 25% of the respondent companies reported recruitment difficulties

• The top 20 respondent motorsport services companies accounted for :
- 50% of the turnover generated
- had experienced approximately 25% annual growth in turnover since 1990
- had experienced an average annual growth in employment of 12% since 1990

• The top 50 respondent motorsport services companies accounted for :
- 60% of the turnover generated
- had experienced approximately 25% annual growth in turnover since 1990
- had experienced an average annual growth in employment of 12% since 1990

3.4 Opportunities and Threats

Opportunities:
- Increasing interest of major global corporate sponsors
- New formulae including increased global exposure of rallying
- Increasing globalisation of the sport at all levels
- Classic events and related 'nostalgia'
- Merchandising at all levels

Threats:
- Business recession affecting corporate advertising
- Global competition from companies related to 'corporate giants'
- Apathy to motorsport
- Diminishing spectators at national events

3.5 Conclusions

• The motorsport services sector provides a wide variety of services at all levels including;
- The oxygen of sponsorship; which includes TV, the media including journals, advertising and other media related activities
- Competition events, circuit activities, racing driver schools, the race / rally Formula management organisations, the impact of events on the local economy of hospitality, expenditure on travel, ticket sales and other related activities
- Professional services such as insurance, banking and financial services, travel and employment agencies, motorsport art, book sellers and retail merchandise

• There are a number of unresolved issues arising out of the survey which are as follows:

a) The validity of the statistical sample and therefore the accuracy of our estimates of total revenue and employment, within this module

b) The fact that we have had to estimate the statistics, revenues or details of a number of important companies and businesses in the sector including;
- Formula One Administration
- Formula One Management
- Television rights and sponsorship agreements

c) The economic multiplier of the races and events that occur around the country and add to the economic activity in the local environment

d) As stated in the book *Britain's Winning Formula*

"To concentrate upon the contribution of service industries, such as these, towards employment is to miss their true importance. Their short, and long term, advantages are the high values added, technologically advanced knowledge, specialised services, the growth potential and export contribution of these industries to say nothing of unknown future technological transfers."

4.0 BEST PRACTICE: UK MOTORSPORT CASE STUDIES

4.1 *Research Body*:
Cranfield School of Management

Aims:
- To generate a series of 'Best Practice' attributes that characterise the UK motorsport industry

Methods:
- A series of 12 firm case studies drawn from the motorsport industry. Case study firms were selected by the research steering group on the basis that they provided examples of leading edge firms in a variety of sectors covered by the engineering and services surveys.

The case study method included:

- Collation, review and summary of published material on case study firms.
- Semi-structured interviews with case study firm representatives (generally CEO/MD level).

4.2 Key aspects of best practice within the UK motorsport sector

• A Network of Relationships

- Firms develop long-term ties with customers, key supplier groups and other strategic partners.
- These relationships are used to build client relationships, develop know-how, innovate and to access skilled labour (see below).
- Firms are also focusing on working more closely with partners in terms of the movement of labour and the development of integrated communication programmes.
- Whilst many of the relationships occur within the cluster, these networks appear to becoming increasingly international.

• Accessing the Pool of Talent

- Whilst in other industries a firm might expect tens, if not hundreds, of reasonable applicants, this sector is likely to produce single figures of realistic candidates. Locating within the Motorsport Valley cluster significantly improves this opportunity.
- Whilst the turnover of skilled labour can be costly, a certain level is recognised to be necessary in order to prevent the organisation from stagnating.

• High technology as practical problem solving

- The constant pressure for increased performance creates ever-more radical designs and the use of advanced materials. Leading edge technology requires all aspects of the engineering process to continually interact in order to create the optimum outcome.
- Whilst many firms, in other industries, would see Research, Development and Innovation as separate activities, for these firms it is taken for granted as an integral part of the day to day routine.
- The generation of innovative ideas is not considered a problem; the challenge is to develop innovative ideas that work in competition.

• Balancing growth and unique expertise

- There is a clear awareness that growth has to be undertaken without diluting the level of expertise, by bringing in too many new employees at any one time.
- There is a recognition that the clarity and flexibility enjoyed as a smaller organisation must be retained in order to remain competitive. This requires the establishment of more formal processes, and the development of managerial skills, in order to maintain the quality of communication.

• Balancing passion with professionalism

- Whilst all the firms recognise the value of the enthusiasm which motorsport generates, they also recognise that it is important to balance this with a more professional business perspective.
- The need for further funding and investment means that firms have begun to move onto a more long-term, professional, business footing than that which sufficed in the past.

4.3 Constraints and Threats Facing the Case Study Firms

• Poaching of Labour

- The benefit of being located in Motorsport Valley is offset by the problem of losing skilled employees to other firms in the sector. Some respond by trying to reduce the number of people who are motorsport enthusiasts; others by locating themselves on the periphery of the Valley.
- Firms are increasingly entering into formal agreements with suppliers and customers, in order to recognise this issue more explicitly in their relationships with other firms.

• Restrictions on Labour Hours

- The implications of the European Community directive, on the number of hours in the working week, has particular implications for an industry that works to very tight deadlines and with highly specialised labour, which is very difficult to increase or substitute.

• Future viability of the motorsport industry in the UK

- Many case study firms commented on the cyclical nature of this industry. This included both different motorsport formulae growing and declining at different points, and inward investment levels from automotive manufacturers moving through cycles of growth and decline.
- A related issue was concern over exchange rates in the UK, and the threats these posed for many of the firms who relied heavily on exporting and overseas earnings.

4.4 Concluding Observations including Threats

• Threat: we fail to understand the particular distinctive qualities that makes motorsport unique and dominant in its sector

The characteristics drawn from these best practice case studies underline the distinctive nature of the motorsport industry from its related areas of automotive and aerospace. It differs from automotive in terms of the highly integrated and interactive nature of the design and production process; it differs from aerospace in terms of the focus on challenging deadlines and high levels of flexibility.

• Threat: we fail to recognise the mutual dependence between performance engineering and service sectors

For performance engineering firms, the Motorsport Valley network is the basis of the production process. For motorsport service firms the Motorsport Valley network provides the ability to develop trust and the business relationships needed to operate in this highly specialized context.

• Threat: we fail to recognise the role of the smaller firms in Motorsport Valley in creating the ladder of talent on which the Formula One and World Rally teams depend

Whilst there is criticism that the Formula One and World Rally teams draw off skilled labour, we observe a situation of mutual dependence where the 'base' of firms in Motor Sport Valley draw in high quality labour attracted by the pull of the F1 teams and develop their skills 'on the job'. The F1 teams then pull through from this pool. The significance of this is that the leading teams rely on the continual development of this 'pre-selected' pool, just as the other firms rely on the lure of these teams to attract higher quality applicants than equivalent engineering or service firms may enjoy. Both groups are therefore critical to this continual process which develops talent and skills.

4.5 Case Study Participants

1	B3 Technologies
2	Brands Hatch Leisure Group
3	Cosworth Racing
4	T.L. Clowes
5	CSS Stellar
6	Ford Motor Company
7	Hewlett Packard
8	Lola Cars International
9	MIRA
10	Pi Technology
11	Ray Mallock Limited (RML)
12	Xtrac

5.0 UK MOTORSPORT PARTICIPATION

5.1 *Research Body:*
Sports Marketing Surveys

Aims:
- To investigate a perceived decline in domestic motorsport participation

- To establish potential areas for the development of UK motorsport participation in the future

Methods:
- National postal survey of current and lapsed Motor Sport Association (MSA) competition licence holders.

The survey methods included:

- Postal survey of current licence holders.
- Population survey was 30,455 **current** licence holders.
- Response rate achieved was 24% (7,779 returns)
- 'Gone aways' were negligible
- Postal survey of 2,500 recently **lapsed** licence holders (ie. last 2 years)
- Results based on 100 responses

5.2 Sample profile

The following profile is based on 2000 current licence holders. These 2000 respondents were selected at random from the post arriving each day.

- Average age: 40
- 95% male, 5% female
- 57% married, 26% single, 13% living with partner, 5% divorced

- Top three national newspapers read:

-	Sunday Times	17%
-	Daily Mail	15%
-	Daily Telegraph	15%

- Top three motorsport publications read:

-	Motoring News	44%
-	Autosport	37%
-	Cars & Car Conversions	21%

- 79% have Internet access and 75% have access to email
- Top three sports participated in on a regular basis:

-	Swimming	30%
-	Football / Soccer	24%
-	Golf	20%

- Main road vehicles driven:

-	Ford	14%
-	Vauxhall	9%
-	Peugeot	8%

5.3 Moving in to, and out of, motorsport

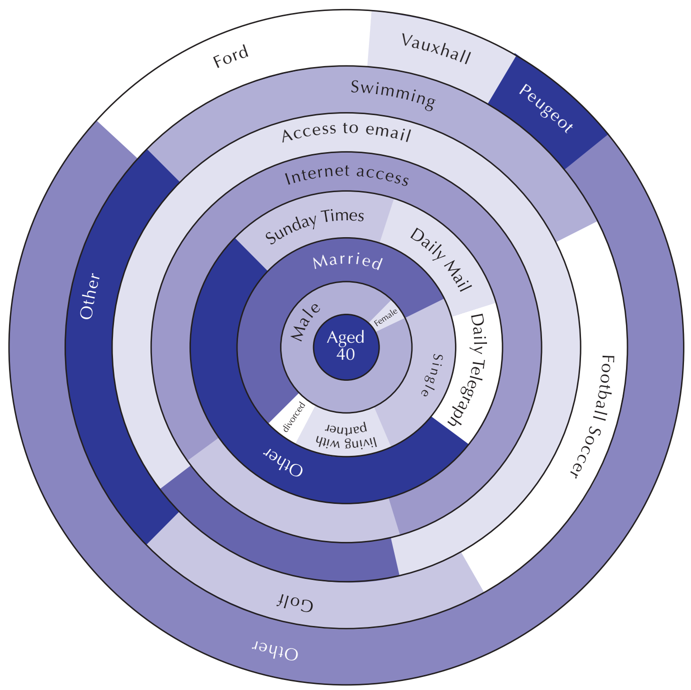
- Of respondents
  - 37% were introduced to motorsport by a friend
  - 24% were introduced to motorsport by their parents
  - 8% were introduced to motorsport through track days or racing schools
- 63% had introduced a new competitor to motorsport
- Three quarters (79%) will definitely renew their licence from the MSA next year
- Non-renewal will occur due to:

-	lack of funding	(50%)
-	other commitments to leisure / work and personal activities	(48%)
-	cost of obtaining a licence	(20%)

5.4 A set of highly committed participants

- On average, respondents spend 46% of their leisure time on motorsport related activity
- Of this time spent, the majority of respondents spend approximately 55% preparing for competitions, and 45% competing at venues
- On average, respondents had competed in 7 MSA licensed events over the previous 12 months
- Respondents have spent an average of £7505 on motorsport during the last twelve months (ie £1072 per event)
- On average, 40% of respondents' expenditure is covered by sponsorship of any kind and 60% is self financed
- 62% of respondents had taken part in non-licensed events in the last year
- On average, respondents had travelled a total distance of 2466 miles to compete in competitions over the last twelve months
- On average, respondents would be prepared to travel a maximum of 355 miles to compete in one UK event

Profile of current licence holder



5.5 Future participation in motorsport

- When compared with their expenditure over the past twelve months, 17% of respondents expect their expenditure to increase considerably and 34% expect expenditure to increase slightly, over the next twelve months
- Respondents anticipated competing in 10 events in the coming year - a 43% increase
- 21% of respondents said that they would definitely take part in non-licensed events in the next twelve months, a further 15% saying that this was very likely
- 19% of all respondents would be interested in becoming an organising official compared with 16% who would be interested in becoming a marshal
- 40% of respondents are interested in becoming employed in motorsport, with a further 9% already being employed in the industry
- Of those respondents who are already employed, or would like to be employed, in the motorsport industry
  - 54% said that they would consider formal training
  - 18% had already taken formal training
  - 20% had never thought about training before
- When asked what one thing they would change to improve the competitive motorsport events in which they take part, respondents were most likely to say

-	reduced costs and entry fees	(21%)
-	better facilities	(7%)
-	longer race	(7%)
-	wider advertising / TV coverage amongst the general public	(7%)

5.6 Accounting for lapses in licence holders

The following results are based on 100 lapsed licence holders.

- Only 5% of current licence holders were female compared to 15% of lapsed licence holders
- Lapsed licence holders were twice as likely to have been introduced to motorsport by their parents than current licencees, suggesting that there may have been a family rather than a personal interest
- Lapses occurred because of :
  - work, leisure and personal commitments (61%)
  - lack of funding (32%)
  - the cost of obtaining a licence (14%)

5.7 Conclusions[4]

- Once introduced to motorsport, participants commit a large amount of time, effort and expenditure to the sport
  - Nearly £250 million per year, of which 60% is self financed
  - Nearly half their leisure time is committed
  - Travel over 75 million miles annually to compete
- Introductions to motorsport occur predominantly through family and friends but few women currently participate
  - Over 18,000 participants had introduced a competitor
  - Only 1500 women are licence holders out of 30.000
- The majority of licence holders will renew their licence in the coming year and expect to compete in greater numbers of events. Non-licensed event participation is growing.
  - This would raise expenditure to over £350 million in 2001
- A significant number of respondents are interested in further participation in the sport, whether it be as a marshal, official or employment in the sector
  - 5,800 as officials; 4,500 as marshals
  - Nearly 12,000 wish to be employed in motorsport
- Around a quarter of respondents (8,000) were uncertain as to whether or not they would renew their licence
- Respondents want to see a reduction in the cost of licences, competition fees and the cost of motorsport in general

5.8 Opportunities for the future

Increase the number of licence holders:

- Encourage more female licence holders
- Incentivise licencees to introduce new competitors
- Prevent lapses
  - Offer advise on how to seek sponsorship and funding
  - Offer multi-year licences renewable by direct debit
- Reduce the cost of competition
  - Increase one day events with less travel
  - reduce costs of club level sports

Increase skill levels:

- Provide information on how to get more involved in motorsport and the industry
  - Careers and training
  - How to become, and the benefits of becoming a marshal or organising official

Commercial opportunities:

- Communicate with licence holders and motorsport fans via Internet and email – they are far more technical than the general population
- Increase promotion of motorsport events and TV coverage amongst the general public

[4] These figures have been extended directly from the sample responses and the total survey module

The Motorsport Industry Association commissioned and coordinated this survey, and wish to acknowledge the generosity of the following sponsors:

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MOTORSPORT INDUSTRY ASSOCIATION

The aim of the MIA is to provide a service and give advice to companies in the industry, and promote and protect their interests. We also provide information, assistance and encouragement to our membership in all aspects of business development, particularly in export sales opportunities and in liaison with government. We promote the achievements of our members, and those of the industry, to the business and general media.

The MIA was founded in 1994 and now has over 200 members, who transact over £600 million of motorsport business worldwide

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