

The research of formula one Asian market analysis

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Abstract. F1 has always been a global sport and has not missed a single race since 1950. This sport has great attraction and strong commercial value. Many countries have gained great popularity through holding F1, and their international status will be improved to a certain extent. In the 1990s, F1 decided to go global, not just in Europe. The rapid development of Asian economy has won the favor of FIA. Today, F1 has held grand prix in more than ten Asian countries. However, the development of the Asian market does not seem to meet expectations. Several Asian countries have terminated their contracts for various reasons. At present, North America has become a new potential market. Based on data, this paper investigates the development environment of the Asian market and compares it with the place where the Grand Prix is held, and finally analyzes the reasons for the failure of the Asian market. The main reason lies in the lack of brand influence and localization. Finally, it puts forward feasible solutions. Research contribution: the research results of this paper provide a theoretical basis for the practice of formula one.

Keywords: Formula one; FIA; Asian market.

1. Introduction

Formula One (also known as Formula 1 or F1) is the highest class of international racing for open-wheel single-seater formula racing cars sanctioned by the Fédération Internationale de l'Automobile (FIA). The World Drivers' Championship, which became the FIA Formula One World Championship in 1981, has been one of the premier forms of racing around the world since its inaugural season in 1950. The word formula in the name refers to the set of rules to which all participants' cars must conform. A Formula One season consists of a series of races, known as Grands Prix, which take place worldwide on both purpose-built circuits and closed public roads [1]. F1 has not been absent for any year since 1950. Every year is a separate season, and drivers and teams will challenge for the championship of the year. The driver with the highest points will win the driver's championship of the year, and the team with the highest points will win the manufacturer's championship of the year. Formula one is a global sport. Many manufacturers have won honor and fame through F1, such as Ferrari. They are the most successful team in this sport, winning the most manufacturers and drivers' Championships. Mercedes Benz has also gained many fans in recent years. As a brand with a long history, McLaren has also made remarkable achievements.

2. Background

In the early days of Formula One racing, most grand prix was held in European countries. It is generally believed that this is not a race, but a racing festival. The incredible rise of this sport is attributed to British business tycoon Bernie Ecclestone, who turned F1 into a stable business operation. In 1974, in order to develop F1 into a more standardized, safer and more commercial international sport, six team owners initiated the establishment of the Formula One racing constructors Association (FocA). The tasks and functions of FocA are mainly to ensure the comprehensive interests of F1 teams, organize the teams together, organize and coordinate the internal relations of the association, and strive for more rights and interest's protection of FIA on behalf of the members of the association. The association's greatest success was that it obtained the right to negotiate the amount of television broadcasting from the FIA [2].

Bernie became Secretary General of FocA and was finally elected chairman of FocA in 1978. At that time, there was still a lot of randomness and freedom in the organization of F1 events. There

were no mandatory regulations restricting F1 teams to participate in the scheduled events. Therefore, some teams decided to conduct separate commercial negotiations with the event organizers on the rights and interests of participating in F1 events, such as participation fees and the benefits of television broadcasting.

3. Analysis

3.1 Developing process in Asian market

In the 1990s, globalization became more intense and the relations between different countries became closer. At the same time, globalization makes sports more competitive, and global audiences have the opportunity to see more games. For example, in the 1990s, the Italian Football League Serie A was called the little world cup, because it was highly competitive, making the game very interesting. At the same time, it has attracted a large number of excellent international players to join local teams, such as Ronaldo and Maradona. Bernie also quickly felt the business opportunity. He thought it was time to push F1 to more countries, not only in Europe. Bernie quickly discovered the potential of the Asian market. At that time, only Japan held the Grand Prix. Thirty years later, ten Asian countries have signed contracts with FIA, including developed countries such as Singapore and South Korea, as well as large economies such as China and Malaysia. It can be said that F1 is now a global sport. According to the data survey, F1 has a total audience rating of 2 billion each year [3]. The number of people paying attention to the competition is also about 500 million. Bernie's contribution is very important to reach the present level, but can it really represent Bernie's success in expanding Asia?

Let's take a brief look at how F1 entered Asia step by step. Before 1995, only Japan held the Grand Prix in Asia. In 1997, Malaysia became the first step to expanding the Asian market. The local government announced the construction of the Sepang international circuit, which eventually became the end of the F1 race in 1999. At the same time, F1 also negotiated a contract with China, and the China Grand Prix originally scheduled to be held in Zhuhai in the same year was finally canceled due to insufficient indicators of the Zhuhai international circuit. However, China decided to build a new circuit in Shanghai, called Shanghai international circuit, which was finally held in 2004. In the same year, the Bahrain International Circuit was built in Sakhir, becoming the first middle eastern country to hold the Grand Prix. Bernie's plan is far from that, so in 2007, the United Arab Emirates, South Korea, India, and Singapore became new sponsors and joined the racing calendar. In 2008, the Singapore marina bay street circuit became the first Grand Prix held at night in history. Subsequently, the Yas Marina circuit from the United Arab Emirates joined the 2009 race. Subsequently, the 2010 Korean Grand Prix was successfully held. After the 2011 Indian Grand Prix was included in the schedule, it achieved success in the explosive growth of the Asian market. In 2016, the Baku circuit in Azerbaijan entered the race calendar as one of the European Grand Prix, further strengthening the market. In recent years, there have been many new faces in Asia. In 2021, Saudi Arabia and Qatar held their first Grand Prix respectively, with good results. In addition, Bernie once wanted to bring F1 to Vietnam, but unfortunately, Bernie finally gave up this idea. However, in the second year after Bernie retired, the FIA officially announced its cooperation with the 2018 Vietnam Grand Prix to be held in 2020. The above actions are undoubtedly the best proof of the opening of the F1 Asian market. [4].

It is undoubtedly profitable for Bernie and F1. Holding grand prix usually needs to pay hundreds of millions of dollars, which is enough for FIA to continuously promote its brand and continue to promote it. However, in recent years, the operation of the Asian market seems to be getting worse and worse. With the arrival of the epidemic, many racetracks have been announced to be closed. F1 has also begun to pay attention to other markets. At present, it seems that they have made a good response to the promotion of the North American market.

3.2 Current situation with Asian F1 market

F1's development of the Asian market has undoubtedly brought a lot of profits, but it seems that F1's Asian audience has not grown and stabilized as expected. The following is the process of F1 development in Asia.

Although F1 has come to more than 10 Asian countries for Grand Prix in the past 20 years, the good times are not long, and many countries have announced the indefinite or permanent suspension of F1. In 2013, South Korea announced that they would not renew the contract of the track with FIA, which indicates that this track will not appear on the race calendar in 2014, and F1 will not come to South Korea in the short term. At the same time, India has also announced that it will not hold a Grand Prix in the 2014 season, although its contract has not yet expired, and it is rumored that India will return to the race calendar in 2015. However, they failed to return to the race calendar, and these two tracks eventually became the history of formula one.

Perhaps the above two countries are just interested in the moment, but in 2017, Malaysia, which hosted the 19th Malaysian Grand Prix, also chose to withdraw from the race calendar. In 2018, they did not sign a new contract, which may be difficult to appear in the future. However, at this time, we still think that there is still room for development in the Asian market. South Korea, India, and Malaysia may only be special. In 2018, Vietnam signed a contract with F1 to hold the first Vietnam Grand Prix in 2020. And then in 2019, The 1000th F1 Grand Prix was held at the Shanghai International Circuit., Those news shows F1's trust in the Asian market and its recognition of its ability.

However, the outbreak of a novel corona virus in 2020 changed the development of F1. Due to the epidemic, the match originally scheduled to start in Australia in March was postponed to Austria in July. Because of the epidemic, many countries announced the suspension of the Grand Prix. Only Bahrain and the United Arab Emirates held the Grand Prix in Asia this season, and the rest of the Grand Prix was completed in Europe. Turning back to the Asian region, China became the first country to announce the suspension of the operation, because covid-19 was very serious in China at that time. Subsequently, Vietnam and Azerbaijan also announced the suspension. Later in the year, Singapore and Japan, which were originally scheduled to hold the Grand Prix in the third quarter, also temporarily announced that they would not hold the Grand Prix because of the epidemic. This year's impact on F1 was huge. In addition to Asia, the markets in North America and South America were also hit.

In the 2021 season, although the Azerbaijan Grand Prix returned to the calendar and Saudi Arabia and Qatar entered the calendar as new tracks, China, Japan and Singapore continued to be absent because of the epidemic. At the same time, Vietnam announced that it would stop cooperating with F1, indicating that Vietnam would not hold grand prix in the next few years. For the Asian market, the loss seems to outweigh the gain

In contrast, F1's influence in North America seems to be gradually increasing. In 2021, the Grand Prix in Canada, the United States and Mexico successfully returned to the race calendar, and the number of spectators was also increasing. In 2022, the Miami Grand Prix was officially announced before the season, and was successfully held in May, with a large number of fans. Soon Las Vegas will join the 2023 race as a new track. At this time, North America will have five grand prix, including the Mexican Grand Prix, the Canadian Grand Prix, the Austin Grand Prix, the Miami Grand Prix and the Las Vegas Grand Prix. These tracks have successfully attracted more fans for F1 in North America.

3.3 High input but low income

Holding a Grand Prix is very expensive. Countries hosting F1 Grand Prix need to sign a contract with FIA, which is a very high cost. The existing formula one circuit is bidding for the contract for this season's F1 race. The cost of hosting the competition ranges from US \$15 million (Monaco) to the US \$55 million (Qatar and Azerbaijan). On average, holding the Grand Prix costs about US \$40 million a year and brings about the US \$700 million (about one-third of its annual revenue) to F1 every year. [5] Old circuits such as Monza, Spa, and Silverstone have traditionally paid lower fees

because of their long-standing presence in the calendar. Therefore, newer tracks must strive to enter the calendar, thereby paying more hosting privileges. Depending on the duration of the contract, these costs may increase by 5% annually during the contract period, which makes it a very expensive business. This has led to an increasing number of small countries being excluded from the calendar.

The minimum requirement for holding a Grand Prix is also very obvious, which is to build a high-quality circuit. The total value of building a permanent circuit alone is more than 270 million US dollars, and the cost of the Yas Marine international circuit and complex facilities is more than 1 billion US dollars! This does not include all additional costs, such as FIA track inspection and paperwork to obtain an FIA level 1 license to host the race first. Therefore, it is not difficult for us to understand why South Korea, India, and Malaysia have given up holding F1 one after another. The economic development of these countries is not particularly good, and the inflation rate is unstable. [5].

3.4 Insufficient influence

The lack of local influence is still a difficult problem to solve. Although holding F1 is a win-win choice in most countries, such as some racetracks in Monaco and Italy, the tourism industry can promote development through good-looking competitions and good facilities every year, and ultimately make profits. However, in Asia, low attendance is a common phenomenon. The racing culture in Asia is not as strong as that in Europe. The best automobile companies are all located in Europe, such as Ferrari, McLaren, Mercedes Benz, Renault, etc. these brands can attract many fans and become loyalty and glory. There are several well-known automobile companies in Asia, most of which are in Japan, such as Honda and Toyota. This is why Japan became the first Asian country to host F1 because it has enough racing culture. Therefore, although F1 can promote the development of tourism and improve the national reputation, it is also based on the number of fans. In 2013, the attendance rate of the Indian Grand Prix was less than 40%, and less than 40000 people came to the track with a capacity of 100000 [6]. Even if the ticket price is reduced, it will not attract more people. Due to improper line construction and weak infrastructure in South Korea, many viewers gave up the idea of watching on site. Although Malaysia has hosted many sessions and received good responses, Malaysian locals prefer Motorcycle Grand Prix, football and other sports to F1. The attendance rate has also been declining, resulting in losses and eventually withdrawal from the schedule. Similar situations have occurred in other countries. The attendance rate of the Chinese Grand Prix is only about 70%. The attendance rate of the 2016 Singapore Grand Prix was 10% lower than that of previous seasons [7]. Fortunately, it was properly handled and attendance recovered in 2017. However, with the outbreak of novel coronavirus in 2020, the attendance rate in some countries began to decline again. According to the epidemic control, many countries chose to hold empty competitions or reduce the number of spectators, and even some grand prix competitions chose to stop to fight the epidemic. The Chinese Grand Prix, the Japanese Grand Prix and the Singapore Grand Prix are all examples of suspension. Although it was announced in the past two years, it was eventually cancelled due to the epidemic. This year, Australia returned after leaving for two years. The Japanese Grand Prix and Singapore Grand Prix in the calendar were also provisionally determined to be held, which was different from the previous two years, when they were temporarily replaced by other tracks. China is the only country still fighting against novel coronavirus. In fact, the Chinese government's goal is zero cases, which is very difficult. Therefore, particularly strict measures will be adopted for import and export. According to the current situation, the probability of holding F1 in the past two years is very low. But don't worry. At present, FIA has extended the China Grand Prix to 2025 [8]. With the addition of Zhou Guanyu, the first Chinese driver in 2022, China's enthusiasm for F1 is expected to be higher than in the past few seasons.

In contrast, Europe has a better racing culture. Racing originated in Europe, and Europeans pay more attention to automobile sports. Having a good racing culture is only one of the reasons for its popularity. With the change of epidemic policy, most countries have relaxed control. It seems that the status quo of the Grand Prix in Europe has been restored this season, and tens of thousands of

spectators can be seen in the competition. Excellent drivers come from all over the world. Many countries have their own drivers. Home drivers can often get more support from local fans. For example, the 2021 world champion Dutch driver Max Verstappen is regarded as a national hero of the Netherlands, and fans all over the world are supporting him. Mexican driver Sergio Perez can also make a sensation in Mexico City, just like he won the podium in his hometown last year. Britain has several active drivers, including seven-time world champion Lewis Hamilton and excellent driver George Russell. Even without home drivers, the team can attract supporters, such as Ferrari in Italy and Red Bull in Austria, which can also improve home attendance. This is very scarce in the Asian market. According to the survey, 21 drivers participated in the Grand Prix in Japan, which is the largest number of drivers in Asia [8]. At the same time, Honda and Toyota participated in F1 as manufacturers and achieved good results. This is also the reason why the Japanese Grand Prix can cause heated discussions. Besides Japan, India also has two drivers. Narain Karthikeyan participated in the Indian Grand Prix in 2011 and 2012. Unfortunately, he lost his seat in 2013, which is also one of the reasons for the low attendance of the Indian Grand Prix in 2013. In Malaysia, only the driver Alex Yoong has driven for a short time, while in South Korea, there is no former driver, so it is difficult for local people to have much interest.

4. Conclusion

More careful economic planning to minimize losses. Many tracks have suffered losses one after another, especially for some new tracks. For many different reasons, some are not attractive enough, some are due to the epidemic, and some are due to poor playing conditions. For some countries, holding F1 maybe just a spur of the moment, or they may want to quickly increase the attractiveness of their own countries. South Korea, India, the United Arab Emirates, and Malaysia are all such examples. In the 1990s, Malaysia proposed the Wawasan 2020 plan [10], the vision calls for the nation to achieve a self-sufficient industrialized nation by the year 2020, encompassing all aspects of life, from economic prosperity, social well-being, educational world-class, political stability, as well as psychological balance. To achieve Vision 2020, Mahathir lamented that the nation required an annual growth of 7% (in real terms) over the thirty years 1990–2020, so that the economy would be eightfold stronger than its 1990 GDP of RM115 billion. Therefore, the Sepang circuit played a good role in promotion. Malaysia's economic plan is relatively well planned. Unfortunately, Sepang finally left the race calendar under economic pressure. However, India and South Korea did not seriously consider their economic development, and they could only withdraw from the market at a loss in the end. The UAE has also suffered some losses in recent years, but they are rich in financial resources, have no economic pressure, and have high local popularity, so they can continue to adhere to it. Therefore, for some countries that want to enter the race calendar but are not very optimistic about their economic situation, it is recommended to consider their long-term development first and make full preparations for the failure of the Grand Prix. Careful planning will be more conducive to national development, and at the same time, it can increase attraction and influence.

Improving the popularity of F1 in the local area can attract more viewers. As mentioned above, in countries with insufficient racing culture, insufficient attendance is a very common problem. Such a problem is very troublesome for the organizer. The lower the attendance rate, the less the income will be. The ticket price can only drop all the time, and finally, the organizer will lose money. The best way to have an active F1 home driver or team is the best way to attract spectators. In those countries that have successfully hosted F1, most of them have excellent teams or drivers, so more domestic spectators will be attracted to watch the race eventually. There are also many examples. Ayrton Senna made the Brazilian people fall in love with F1, and the whole people went crazy. Finally, he also attracted excellent Brazilian drivers like Rubens Barrichello and Felipe Massa to enter the F1 paddock and achieved good results. Now the Interlagos circuit in Brazil has become a classic circuit, which cannot be separated from the play of many excellent drivers in Brazil, who have successfully made Brazilians fall in love with this sport. Owning a top-level team can also attract many fans, such as

Ferrari. Although Italian drivers have failed to achieve good results after the new century, and Ferrari's performance in recent years has been completely unqualified, there are still many tifosi who continue to support it. The history of the team and strong attraction are the key factors

If there are no teams and drivers, we can also attract more spectators by improving our visibility. The best example is the United States. The American people's favorite motorsports are the local NASCAR and Indy cars. They don't know much about F1. Looking at the development of F1 in the United States, although Grand Prix has been held on as many as seven tracks, Americans' attitude towards F1 has always been general, and many people still prefer NASCAR and Indy races. After 2008, the US grand Prix even missed several seasons in the calendar. It was absent until 2012 that F1 began to promote in the United States after returning with the new Austin circuit. Every year, different teams do promotional activities in the United States. Red Bull F1 team even drove its F1 car from the west coast to the east coast of the United States, attracting many local fans. On 23 January 2017, Liberty Media completed its acquisition of the Formula One group, from private equity firm CVC Capital Partners for \$8 billion. After the American company took over, media communication became the mainstream promotion mode, and even Netflix began to withdraw from the F1 series of TV series. Drive to Survive, which was highly praised. Finally, the United States added the Miami Grand Prix in 2022, and also joined the Las Vegas Street Grand Prix in 2023. At that time, the United States will hold three Grand Prix in a year, which is a successful case of promotion.

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