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“DuPont has been involved in many sports marketing programs, but our association with Rick Hendrick, Jeff Gordon, and NASCAR has been, by far, the most rewarding. Our customers and employees are deeply involved and enormously motivated by all aspects of our NASCAR association.”

—Edgar S. Woolard, Jr.
Chairman
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“The history of NASCAR is a tremendous success story, complete with heroes, drama, courage, and characters. We are proud to be part of the story that *The NASCAR Way* captures and chronicles.”

—John Wildhack
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“*The NASCAR Way* is very interesting. There’s a wealth of information here: a good mix of NASCAR’s history along with current information.”

—Torrey Galida
Manager
Ford Global Motorsport Marketing

“It is remarkable that 50 years of good, sound business by a very focused family has resulted in *The NASCAR Way*. Robert Hagstrom writes about how this sport is an opportunity for entertainment, marketing, and investing all in one package: NASCAR.”

—Don Hawk
President
Dale Earnhardt, Inc.

“A rare and accurate look inside the business of stock car racing—thorough and well presented.”

—John E. Graham, Jr.
President
Daytona International Speedway

“Robert Hagstrom has done a remarkable job of providing successful marketing strategies to the reader about NASCAR racing and the reasons why race team sponsorships sell products. He has woven an interesting and colorful racing history into a business-related chronicle.”

—Ben White
Managing Editor
NASCAR Winston Cup Illustrated

“Robert Hagstrom’s insights and observations about NASCAR and its business practices keep the reader’s attention from start to finish—just like one of our races!”

—Jim Hunter
President
Darlington Raceway

“Thanks, Robert, for taking me back to the Waldorf in November, 1996. Your vivid description of Rick Hendrick entering the ballroom brought a tear to my eye, but at the same time recaptured one of the great moments of my life.”

—Jimmy Johnson
Vice President and General Manager
Hendrick Motorsports

The NASCAR Way

The NASCAR Way

*The Business That
Drives the Sport*

Robert G. Hagstrom



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*Lovingly dedicated to Kim, Robert, and John, who
never fail to keep their dad entertained.*

FOREWORD

When Robert Hagstrom first approached us about doing a foreword for this book, my initial reaction was to pass. I've got a full plate without spending any time on a foreword for a business book on racing.

We were told Hagstrom had put together a pretty interesting overview of how NASCAR works. What makes us tick. It's a look at our sport from the business side. Hagstrom looks at NASCAR as a sanctioning association, he looks at the tracks as NASCAR's stadiums, the athletes (drivers) as our stars, the car owners and sponsors as our marketing partners, and he does it in a way that captures the overall "one big family" atmosphere that makes NASCAR racing such a unique professional sport. He also looks at the most important ingredient in NASCAR's business today: our fans, a cultural cross-section of Americans whose loyalty to NASCAR sponsors is unmatched in professional sports today.

My father (William H. G. "Big Bill" France) taught me long ago that hard work is the real foundation of any successful venture. With that in mind, I have bumped into Hagstrom everywhere I've

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been over the last two years: in the tracks' garages, in the corporate hospitality suites, in the pits, at our corporate offices, during our annual NASCAR Winston Cup Series Awards Banquet at the Waldorf-Astoria in New York, in the car haulers talking to drivers, in business offices talking to track owners, virtually everywhere.

NASCAR racing is a very complex business that requires solid business techniques and modern-day creative marketing plans. There's no magic, no tricks. It's really about hard work, and creating an environment where everybody wins.

Hagstrom's insights and observations bring a refreshing "outside" business perspective to our industry. We're glad he took the time to do it. We might learn something from it. That's the nature of our business. Learning something every day is truly the NASCAR Way.

William C. France
President, NASCAR

Daytona Beach, Florida
October 1997

PREFACE

I DID NOT come to NASCAR, the National Association for Stock Car Auto Racing, by one of the interstate routes that lead to its famous tracks. Millions of fans have reached NASCAR over the past several years by either attending a race or watching the sport on television. But my pathway was unique. I first came to NASCAR by reading an income statement and balance sheet, and what I saw was every bit as exciting as watching stock cars race at 190 miles an hour.

Soon after writing *The Warren Buffett Way* (Wiley, 1994), I had the opportunity to develop a new no-load mutual fund called Focus Trust. In my role as its portfolio manager, I look for companies that fit the investment parameters outlined in the Buffett book. My analysis has always included an evaluation of a company's business, management, and financial tenets.

First, I look for companies that are simple and understandable and have a consistent operating history. Second, for a company to succeed, it must have a management team that is honest and candid and forever works to rationally allocate the capital of the business.

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PREFACE

Third, the most valuable companies tend to generate a high return on invested capital and consistently produce cash earnings for their shareholders.

One of the first purchases by Focus Trust was a company called International Speedway Corporation (ISCB-OTC). International Speedway owns racetracks, including Daytona International Speedway, Talladega Superspeedway, and Darlington Raceway.

Using the methodology outlined in *The Warren Buffett Way*, it was very easy to see that International Speedway fit all of the investment tenets. Running a racetrack is a very simple and understandable business, and because the company has managed racetracks since 1949, there was a very detailed operating history to analyze.

The financial analysis of International Speedway revealed outstanding economics. The company has consistently been able to generate above-average returns on capital and significant cash earnings for shareholders.

The France family, led by Bill France, Jr., and Jim France, who own 60 percent of the outstanding stock, are known to be outstanding managers who have no trouble rationally allocating the resources of the company.

Looking backward, it was easy to see how International Speedway fit so neatly with all of the necessary investment tenets. But it was looking forward that triggered in me a deep sense of excitement. It quickly became clear that International Speedway stands to benefit directly from the robust economics of our country's largest and fastest-growing spectator sport.

To fully understand International Speedway, I first had to learn about NASCAR, the racing organization that sanctions races for twelve different divisions, including the popular Winston Cup series, the most competitive and popular form of stock car racing in the country. International Speedway, in turn, receives over 80 percent of

its revenues from NASCAR-sanctioned races, with the largest contribution coming from the Winston Cup series.

An educated guess about the value of International Speedway requires a detailed understanding of NASCAR. I knew I had to do some homework.

Over the years, many good books have been written about the sport of stock car racing, but none has probed the business of this sport. I set about to investigate the phenomenon called stock car racing and the business model that propels it.

What I found was eye-popping. It wasn't the obvious that overwhelmed me. I already knew that NASCAR Winston Cup races regularly house 150,000 race fans each weekend, and I was aware that television ratings place stock car racing second only to the National Football League. What I didn't know about was the intricate financial relationships that connect NASCAR with leading U.S. corporations, with drivers who are among the highest paid athletes in the country, and with millions of weekly racegoers. My research and interviews taught me that:

- Seventy of the Fortune 500 corporations are actively involved in NASCAR.
- NASCAR has become the most hotly sought property for media broadcast rights.
- The direct benefits of sponsorship-based marketing are in the seven- to ten-figure range.
- Top stock car drivers can make millions of dollars each year—not from racing, but from marketing—because they have a singular competitive advantage.

If you come to stock car racing with some unflattering preconceptions about the sport and the people who love it, the facts about

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PREFACE

the sport today will make you put those prejudices aside. You will find, as I did, that the world of NASCAR is rich with valuable business lessons. My purpose here has been to capture those lessons and, so that your ride is more enjoyable, to share some of the excitement inherent in this superb, uniquely American sport.

If you are looking for a lesson in sponsorship-based marketing,
If you want to uncover the investment opportunities available in
NASCAR,

If you want to observe the management skills of a three-generation
family business,

If you want to learn about the most successful business model in
sports entertainment,

Welcome to The NASCAR Way.

ROBERT G. HAGSTROM

*Wayne, Pennsylvania
November 1997*

ACKNOWLEDGMENTS

WHEN YOU START down a new road in life, people who are familiar with the path and who are willing to share what they know can be invaluable. I consider myself very fortunate that so many knowledgeable and generous people helped me understand “The NASCAR Way.”

First and foremost, I owe a great deal of thanks to the France family for allowing me the opportunity to understand this business model. Brian France opened the door and introduced me to his father, Bill France, Jr.; his uncle, Jim France; and his sister, Lesa France Kennedy. Writing this book was all the more pleasurable because of the kindness shown to me by this exceptional family.

The greater NASCAR family is a unique enterprise that includes the staff of the NASCAR organization, track owners, team owners and members, drivers, corporate sponsors, and media representatives. In all my years as a business analyst, I have never interacted with so many courteous and professional people.

A special thanks to Paul Brooks, director of special projects and publications at NASCAR, who was my liaison and never turned

down a request, and to Lisa Frandsen, Paul's assistant, who helped keep return phone calls to a minimum.

Also at NASCAR I wish to thank John Griffin, Blake Davidson, David Hyatt, Susan Moss, Doug Fritz, Judy Haydt, George Pyne, Steve Schiffman, Mike Helton, Gary Nelson, and Kevin Triplett.

If you are looking for the best in southern hospitality, the model is Darlington Raceway. Jim Hunter, its president, was invaluable to this project. He taught me much and treated me royally, not once but twice. Thank you, Jim. Thanks also to Bridget Blackwell, Russell Branham, Mac Josey, Pat Howle, and Harold King, Darlington's elder statesman and official ambassador.

John Graham, president of Daytona International Speedway, and Humpy Wheeler, president of Charlotte Motor Speedway, spent many hours teaching me the business of running a track. Thank you both.

I learned why corporate America has taken such a keen interest in NASCAR by talking with Bill Schmidt and Ed Shull at Gatorade, David Paro at McDonald's, Michael Hargrave and Marc Abel at Anheuser-Busch, Tim Garner at Garner & Nevins, Ed Stonich and Bob Yearick at DuPont, Kevin Kennedy at Ford Motor Company, and T. Wayne Robertson at R.J. Reynolds' Sports Marketing Enterprise.

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As you can see, book writing requires the efforts of many people. Even so, any mistakes or omissions are mine and mine alone.

Writing a book takes a great deal of time. For this project it also took a great deal of travel, which required me to be away from my family on several occasions. Some guys buy a convertible when they turn forty; I went racing. From the bottom of my heart, thanks to my family for their patience and forbearance. Truly, this book would have not been possible without their love and support. While I was busy writing and racing, my wife Maggie managed our household with grace and good cheer. She is a great mother and a wonderful wife. She is also my best friend.

R. G. H.

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The NASCAR Way

1

RIDING WITH ELMO

IT WASN'T UNTIL we came out of turn four at South Carolina's Darlington Raceway, that hot Sunday afternoon in September, that I really began to feel the full power of stock car racing. I had read about it, studied it, attended races, talked to drivers and team owners, and I thought I understood this quintessential American sport. But nothing prepares you for the *feeling* of tearing around a modern speedway at ninety miles an hour, the car holding a tight curve while tilting on a twenty-five-degree bank.

Fortunately, Elmo had a firm grip on the wheel of the slick black Pontiac Trans-Am, the official pace car of the Mountain Dew Southern 500. Safely belted into the passenger seat, all I had to do was grip my knees, open my eyes, and try to remember to breathe.

Elmo Langley, NASCAR's pace car official, sat stoically in the driver's seat. With a headset and attached microphone, he was in constant communication with the track tower as we headed down the front stretch. The radio crackled, "Second time by." Elmo flipped a switch and barked his response: "Ten-four, tower." He flexed the fingers of his hands, already perfectly positioned in the racer's "10 and

2" formation, and then suddenly picked up speed and punched the Trans-Am across the start-finish line.

The function of the pace car is to lead the race drivers in several controlled laps around the track as they gradually come up to speed. Elmo and I had two more laps to complete before the green flag would drop, signaling the start of the race. Directly behind us, neatly aligned in rows of two, thundered forty-two of the world's fastest stock cars.

Those drivers had earned their spot in this race two days before, in Friday's qualifying run, racing one lap against the clock. The driver with the fastest qualifying time gets the most desired position: the first row, on the inside; drivers call it "sitting on the pole." The second fastest qualifier gets the outside pole—the outside lane of the first row. The third and fourth qualifiers make up the second row, and so on down through the forty-second spot.

On the Friday before, Dale Jarrett took the pole for the Southern 500 by speeding around the track at 170.934 miles per hour. Jeff Gordon won the outside pole with a speed of 170.833. The slowest qualifier posted a speed of 166 miles an hour.

It's hard for most of us to conceive just how fast that is. I have driven calmly on the interstate at seventy miles an hour and even one time well over eighty. Just because my wife started to yell at me to slow down didn't mean I couldn't handle the car. But 170? That's twice as fast as I have ever been in a car. Today, during the pace laps, we're doing only ninety miles an hour, and yet it feels very different from my freeway escapade, particularly since just ahead of us is turn one, which angles straight up and then sharp left. My instincts are to ease up. Elmo has no intention of doing that. I try, unsuccessfully, to calm myself by calculating that we are going only half as fast as the cars behind us will, when the race begins.

Stock car drivers do things in cars that would make the rest of us faint. Try to imagine driving 100 miles an hour, then 120, then 160. Imagine keeping up that pace for three and a half hours; that's how long it will take to log 500 miles (that's what the 500 in "Southern 500" means). Now imagine forty-one other cars around you, all doing the same thing, just inches away from you, scraping against the side of your car and nudging your bumper as they try to pass you. And you can *never* slack off.

How fast are you willing to drive? How close are you willing to get to other cars? As you head into a turn, does your right foot tremble? Does your left foot come over and push down hard on your right foot to keep it from involuntarily lifting off the accelerator? To win a stock car race means that you are willing to drive faster than anybody else on the track. It means that you drive as fast as your nerves will let you go—and then faster. You, and every other driver in NASCAR, must forever chase the answer to the ultimate question: How fast is fast enough?

NASCAR's stock car racing is action-packed combat. There is no room for cowards in this sport. Once the green flag drops, the excitement, the danger, the intensity never stop.

As Elmo motored into turn one, the pace car began to drift high up on the banked turn. Elmo found his groove, where the car ran comfortably, only a few feet from the white concrete barrier that surrounded the track. The harder Elmo drove into the corner, the more I stiffened. Suddenly, halfway through turns one and two, the centrifugal force surged down on us. It felt like someone punched me right in the gut. My poker face blown, I gasped for air.

I sneaked a look at Elmo. His eyes were focused straight ahead, his hands held the wheel firmly, and although the microphone still covered his mouth, I could plainly see a smile. I rather think Elmo