

## Hy-Vee's IndyCar Weekend

### Introduction

Racing is synonymous with advertising. Whenever someone imagines a racecar they probably think of Jeff Gordon's rainbow Dupont car or a Marlboro colored Ferrari, the brand that sponsors the racecar is front and center and usually the most recognizable part of it. The advertising goes far beyond the hood of the car as has been parodied in movies like *Talladega Nights: The Ballad of Ricky Bobby* (2006), everything at a motorsports event is drenched in advertising, from the walls on the track to the drivers awkwardly trying to thank all their sponsors in the post race interview. This creates tons of opportunity for a brand to be seen, but it can be difficult for a brand to cut through the noise, many have tried, few have succeeded. This is the story of a midwestern grocery store chain that took a chance advertising through motorsports and ended up being a case study on how to do it right.

### Brief Overview of the State of Motorsports Advertising

At it's core, the main reason racing is so interlaced with advertising is due to the high cost of competition. The top IndyCar teams expect to pay over \$10 million per car per year (Flow Racers), and that figure is viewed as affordable compared to a more expensive NASCAR or Formula 1 car. Since most people do not have, or are not willing to spend, that kind of money, a high paying corporate sponsor is necessary for a race team to be able to keep the lights on.

A business model entirely reliant on advertising becomes problematic whenever viewership declines, which is the problem the industry has been facing since the mid-2000's. The Daytona 500, NASCAR and the nations highest rated race year over year, has more than halved from over 19 million viewers in 2006 to just 8.9 million in 2022. (Statista) IndyCar specifically has had issues that date further back to the 1990's when the organization was split into two different racing leagues, and today is viewed as the third biggest motorsport in the United States behind NASCAR and Formula 1.

The decline in motorsports viewership is almost a mirror image of the rise of social media and the advertising associated with it. It suddenly wasn't worth it for a company to spend millions of dollars to put their logo on a car when they could reach an equal or greater amount of people on Facebook for a fraction of the price. Compound this marketing revolution with a car industry that was struggling after the 2008 recession and you have a recipe for disaster for motorsports. The industry to this day is still trying to adjust their business model to fit into today's world.

### Hy-Vee

Hy-Vee was founded in 1930 by Charles Hyde and David Vredenburg. (Hy-Vee.com) The small general store focused on quality products and customer service and in the past 90 years has grown to over 93,000 employees across over 285 locations across 8 midwestern states, including its home state, Iowa. (Contify) Today the company brings in over \$12 billion annually and is ranked as a top 3 best grocery store chain in America by consumers. The company is still

known for their customer service, which can be summed up in their slogan, “A Helpful Smile in Every Aisle” (Hy-Vee.com).

The company is operated under an employee owned model where about 45,000 employees collectively own the biggest share in the company. This model shows how the company is dedicated to the people who work for them, in fact the current CEO, Randy Edeker, started working for the company in 1981 part time in one of the chains store’s and moved up the latter until he was named CEO in 2012. (Iowa Business Council) Under his direction the company has expanded it’s boundaries outside of the mid-west and continues to move into the south east, recently opening stores in Indianapolis, Nashville, and Birmingham.

While looking to expand their brick and mortar locations, Hy-Vee would also like to advertise their Hy-Veedeals.com ecommerce store, as the sector has grown for years now and shows now signs of slowing down. From 2019-2020 brick and mortar sales grew 6.9%, in the same timeframe ecommerce grew at 32.1% (Ward). The company has taken notes of the obvious trends and marked e-commerce as one of their top opportunities (Market Line).

The chain has been looking for ways to gain national attention as it expands and the idea struck it’s CEO when he was watching *Drive to Survive* a Netflix docuseries that focus’s on Formula 1. Since the debut of *Drive to Survive* in 2019 Formula 1 has exploded in popularity, increasing it’s viewership by 70%, 65% of which is in the key 18-49 demographic (Martin). The show has generated a renewed interest in all forms of motorsport with NASCAR and IndyCar both receiving slight bumps in viewership in the past few years. For the first time in years it seems like people are beginning to care about motorsports again. Edeker soon got in contact with Bobby Rahal, an IndyCar Team owner and business man who has a prior relationship with Hy-Vee, and got the companies name on the side of the car as a way to dip their toes in the water of motorsports sponsorship in 2020.

Their test run on the Rahal owned car was a success and the partnership quickly expanded into a multi year deal. IndyCar ended up being the perfect vehicle for the company to market through, both companies are based in the Midwest and both have predominately midwestern followings. Racing on national television was great way for the brand to been seen nationally, and it just so happened that the markets that Hy-Vee is looking to expand into (Nashville, Birmingham, and Indianapolis) each host a yearly IndyCar race.

The company has also been searching for something that could become a focal point for their summer advertising. One of the chains competitors is based in Kansas City and is able to use the local professional baseball team to advertise with in the summer months. Hy-Vee was looking for an event they could use as sort of an anchor for their summer advertising efforts (Martin).

## **Iowa Speedway**

Iowa Speedway is owned by the International Speedway Corporation (ISC), a subsidiary of NASCAR. The race track was closed during the pandemic, and as the sanctioning body who

owns it announced new races in Los Angeles and Austin, Texas the track in Iowa was seemingly left to rot in the cornfields.

That was before Hy-Vee had a conversation with IndyCar CEO Roger Penske. Penske's vision was to turn the speedway into IndyCar's Sturgis, the biker rally in North Dakota. Sturgis is in the middle of nowhere and yet thousands of bikers travel from all over the country make the pilgrimage every year for the event. If North Dakota could throw a huge event, why couldn't Iowa? The two entities partnered up, signed a lease with ISC to operate the race track for a weekend, and started planning what they hoped would become the biggest IndyCar event outside of the titular Indy 500.

As the track had sat abandoned for a few years, it required some upgrades. As part of the deal Hy-Vee would invest their own money into updating the race track and making it ready for visitors. It is highly irregular for a corporate sponsor to step up in this way, usually the track itself is the one responsible for any such upgrades. However Hy-Vee chose to make an investment for a few reasons, for one it would prove their commitment to the event and their home state of Iowa. Secondly it would allow them to install their own signage around the track and increase the brand's visibility in person and on TV (Example 1).

### **Planning and Promotion**

Hy-Vee decided to go big or go home and wanted to make the race weekend something special. To do this they would host not one, but two races that weekend with the Hy-VeeDeals.com 250 on Saturday and the Hy-Vee Salute to Farmers 300 on Sunday. The Saturday race was promoting the chains online retail store, while the longer Sunday race was organized as a thank you to the Iowan farmers who have kept the Hy-Vee stores stocked. The "Salute to Farmers" would also showcase that Hy-Vee is a proud Iowa company who will remain committed even as they spread further out of the Midwest.

The racing was planned to just be one part of the event. Hy-Vee was also planning on bringing big names to the event to give it a music festival like atmosphere. Tim McGraw and Florida Georgia Line were hired to play pre and post concerts for the Saturday race, and for the Sunday race the grocery store chain hired husband and wife duo Blake Shelton and Gwen Stefani to play before and after. University of Iowa Women's Basketball star Caitlin Clark and Olympic Gold Medalist gymnast Shawn Johnson, an Iowa native, were brought in. Mark and Donnie Wahlberg were also in attendance promoting that their Wahlburger's products were now available in Hy-Vee stores. (Stern)

In the lead up to the event Hy-Vee was promoting it heavily within its stores across the state of Iowa. Hy-Vee had put up ample signing and displays promoting the event in the entrance to its stores (Example 2) Stores sold special products such as co-branded jar of fruit punch moonshine made with Sugarland's Distilling Co. along with diecast cars and t-shirts for the event. The displays featured cardboard cutouts of Jack Harvey, the driver of RLL Racing car that is sponsored by Hy-Vee. (Example 3) According to Harvey, he was getting stopped on the street by people everywhere and said it felt like a home race to him, despite the British driver never having been to Iowa before (Fryer).

Along with the promotions instore, at the track Hy-Vee opened up 2 “pop up” locations to bring the store expensive to attendees. The “pop up” stores were built inside modified shipping containers and were placed at the track. (Example 4) The stores sold outdoor essentials such as sun screen, water, and paper towels. Attendees were also able to place a grocery order on Hy-veedeals.com and pick it up at the temporary locations (Stern). These stores would be especially useful for the people who camped at the track, giving them the option to pick up anything from the website on sight.

One last event planned for the weekend was the food truck challenge. 50 local food trucks were invited to the event and parked around the track tracks property. The fans would then vote for their favorites and the most popular would win a cash prize (Martin). This event helped the weekend in multiple ways. For one it helped promote local Iowa businesses, but it also provided an engaging way for fans to purchase concessions along with offering attendees a wide variety of different options.

### **The Event**

The Hy-Vee IndyCar weekend opened on Friday July 22, 2022, grandstands were open free to the public for anyone to watch Friday’s practice sessions.

The Saturday after was billed as “Kid’s Day” Hy-Vee brought in 1,000 local kids and had family friendly events planned throughout the day. The headlining event was an exercise and basketball shooting contest led by Iowa Basketball player Caitlin Clark. The 250 mile race was won by Josef Newgarden driving a Hitachi sponsored Chevrolet.

Sunday’s Salute to Farmers brought in 1000 local farmers invited to the race by Hy-Vee. Through a business to business deal with Google, the race was now known as “Hy-Vee Salute to Farmers 300 presented by Google.” The race was won by Mexican driver Pato O’Ward who drove the papaya colored Arrow-McLaren-SP number 5.

### **Results**

In the end the event sold out with about 40,000 people making the trip to Iowa Speedway for the weekend.

In total it cost Hy-Vee over \$10 million between racetrack renovations, promotion, and paying for musicians. (Fryer)

The event drew a TAD (Television And Digital audience) of 957,000 on Saturday and 743,000 on Sunday. (Contify)

The event garnered 142,000 views on Tik Tok, the most of any IndyCar event in 2022 (including the Indy 500).

Kiki’s, a Mexican-American food truck based out of Newton, Iowa won the food truck challenge and the \$25 thousand grand prize.

When asked about ROI, Edeker said, “There is no ROI for us. I can promise you that right now. We aren’t complaining about that. We see it as a marketing event to keep our name

out there and for the state of Iowa. If you look at the people traveling here, staying and camping, that's not all coming to Hy-Vee. We think there will be an ROI for the state of Iowa, and we are OK with that."

Which seemingly implies that the company has lost money on this deal, however it seems like this event was about much more than just making money, at least during year one. Edekar adds, "It's a tough time for our employees and for our customers with the economy, inflation, and prices. We want this event to bring some light into everybody's day right now and we think it's worthwhile. We think it's a good investment to help Iowa."

Hy-Vee signed a 3 year contract with IndyCar and Iowa Speedway to sponsor the event. The 2<sup>nd</sup> Hy-Vee IndyCar weekend is scheduled for July 22-23, 2023.

### **Conclusion / Is motorsports advertising worth it?**

If you were within any motorsports circle, you saw the Hy-Vee logo all over your twitter and Instagram feed's the weekend of July 23-24. Hy-Vee through it's race sponsorship was able to get their regional brand in front of national audience and expose themselves to a group of people who probably had never heard of them before. While going national, they were also able to put a spotlight on their home state of Iowa who built the company into what it today. Hy-Vee with this event ha accomplished all their goals, but they would not confirm if they saw a return on their over \$10 million investment.

However as the company pointed out, ROI was not their goal. They wanted to get their name in front of more people as the company expands into new markets, and they wanted to create a special event for the state of Iowa. It appears that Hy-Vee's has a long term goal with this event, hence the reason they signed a 3 year contract instead of a shorter term deal. Hy-Vee did this so when a new Hy-Vee grocery store opens up in the area the people who live there will already know what to expect when they go in, and this particular event gave them a unique opportunity to enrich the experience of their hometown customers while also meeting new ones.

For a smaller company attempting to become a national brand, motorsports sponsorship appears to be a great strategy on making that step. However for a larger company that is already well known, there is no evidence presented in this document that would suggest that motorsports sponsorship is a worth while investment.

If an other grocery store chain such as Wal-Mart or Whole Foods attempted this same event, it probably wouldn't work as well for them. Those brands are already well known by the general public and don't have the regional connection with their shoppers like Hy-Vee does. Hy-Vee also did not just slap their logo onto the weekend and expect to make a profit on it, they went above and beyond what is expected of a race sponsor and scheduled extra events and brought in musical acts, which definitely brought in more people than the average race would. A promotion like this can be very effective, but it requires a lot of time, effort, and money to make it work, and frankly there are probably cheaper and easier ways to achieve the same goals. However the people who left Iowa speedway that weekend left feeling a new stronger connection to the brand, and that is a metric that is difficult to sum up in numbers.



## Appendix

### Example 1

#### Hy-Vee branding in Turn 1



Image Property of IndyCar (2002)

### Example 2

#### Speedway Area Store Entrance on Race Weekend



Image Property of Hy-Vee (2022)

### Example 3

#### A Hy-Vee store display featuring driver Jack Harvey.



Image property of reddit user u/NothingHatesYou (2002)

Example 4

One of the “Pop Up” Stores



Image Property of Adam Stern (Twitter: @A\_S12) (2022)



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