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STATE OF THE CITY

F1 races extended to 2021 amid scepticism about the economic benefits

By: Trinity Chua
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SINGAPORE (Sept 25): Henry Hooi, executive chairman of Hong Kong-based

private-equity firm pH Capital, was repeatedly interrupted last Sunday by the sound of screaming engines as he talked to Marc Warshall, finance director of Australia-based Creature Technology. But Hooi did not mind the noise of the race cars passing under the VIP Club Suite at the Singapore Formula 1 Pit Straight that day on Sept 16. “I like the atmosphere,” he says. “I get to meet guys like [Marc].”

Hooi and Warshall, whose company makes life-size robotic dinosaurs, were attending the 10th edition of the Singapore Grand Prix at the invitation of Ron Tan, CEO of **Cityneon Holdings**, a locally listed company that Tan has turned into a leader in “immersive exhibitions” with projects around the world. Tan is an ardent F1 fan and has attended most of the races in Singapore over the past decade. But many of those who attended parties like the one Cityneon threw last weekend were more interested in forging business connections and hatching deals. Hooi himself was on the hunt for “below the radar” companies for investment.

The Singapore Grand Prix claims to offer a spectacular weekend for visitors from around the world, combining gripping race action with scintillating all-day entertainment. And, while its popularity has waned in recent years, it is still viewed as beneficial to Singapore’s effort in projecting itself as a global city. Since the inaugural race in 2008, the event has attracted 450,000 international visitors to the city state and bagged \$1.4 billion in tourism receipts. The event has also been broadcast to about 780 million international viewers.

“When television viewers around the world were surveyed, a good percentage respond that they are more likely to visit Singapore and even invest in the country as a result of the perception formed from watching the Grand Prix,” says James Walton, sports business group leader at Deloitte Southeast Asia and Singapore. “Many local and international businesses also use Formula One as a networking venue where deals are struck in the various suites around the track.”

On Sept 15, Singapore confirmed that it would host the F1 race for another four years until 2021. At least 76% of Singapore residents reacted positively to this news, according to global media intelligence firm Meltwater. But some retailers located near the F1 action were less than thrilled. “Our store at Suntec City was affected quite dramatically because of the road closure, and most of our customers

are locals,” says Silvie Kneblova, general manager of Bellapierre Cosmetics. “I am not happy about it, but there’s not much you can do.”

A chef from Pasarbella at Suntec City estimates that sales fell 60% during the F1 weekend compared with an ordinary weekend. The chef, who has been at Suntec City for two years, says other tenants told him that things were no better in previous years.

At Peninsula Plaza, two merchants — a shoe retailer and a camera accessories seller — say sales have suffered as well. “Sales fell 30% to 40% over the F1 weekend,” says the camera accessories seller, “[The race] deters locals from coming to the city.”

Unlike Suntec City and Peninsula Plaza, Raffles City Mall was packed with people over the weekend. But some retailers there say sales were no different from a normal weekend. “Our sales during the F1 weekend this year were double the sales during the F1 weekend last year,” says the sales manager of Tommy Hilfiger at Raffles City Mall. “I think it is because **CapitaLand** has revamped the mall. But sales were about the same as an average weekend.”

Meanwhile, some private-hire drivers are also not enthusiastic about the continuation of the F1 race for another four years. “The F1 weekend sees better [prices] than a normal weekend but not as good as the surge pricing for a Friday night, which is at least 30% better than the F1 weekend,” says a full-time Grab driver who only wants to be known as Brandon. “I don’t quite like [the F1 weekend] because of the traffic jam. It takes 45 minutes to enter the [city] and come out.”

Ensuring gains are shared

Of course, whether a business is better or worse off during the F1 weekend really depends on which market it serves. “Many businesses based around the Suntec area reported decreased sales during the Grand Prix week, while retailers on Orchard Road and those that cater for the international and high-net-worth-individual crowd report significant increases that represent a boost to the economy,” Deloitte’s Walton says.

The government is working to reduce the inconveniences that some businesses

face during the F1 weekend and ensure that the gains are more widely shared. “Various government agencies and [the organiser] have been working closely with all stakeholders to capitalise on the buzz created by the event,” says Jean Ng, director of the sports experience development group at the Singapore Tourism Board. “Marina Square’s promotional booths within their property near Gate 7 have attracted F1 patrons and increased footfall to the mall.”

STB also says it has introduced significant measures to improve and maintain accessibility to the Marina Bay area. For instance, the number of days for road closures has been reduced from 12 in 2008 to six this year.

While some retail merchants may not see an immediate improvement in sales, some industry watchers argue that the race will bring longterm benefits to the economy. And, this would naturally benefit local businesses. As it is, about 90% of the night race is put together by local businesses, ranging from security firms to small-time F&B owners. Some of these companies have used the event as a test bed for new products, while others saw it as an opportunity to market their products to other countries.

Will enthusiasm last?

How much longer should Singapore host the F1 race? Clearly, much depends on its popularity, which has been sliding in recent years. In 2016, the daily average attendance was only 73,000, the lowest it had ever been in 10 years. Attendance at the most recent race should have improved, though — at least, going by ticket sales, which were up 19% against last year to 260,400.

However, the improvement might just have been a reaction to the possibility of 2017 being the last of the F1 night races in Singapore. “When people think it is the last race, it leads to a certain fear of missing out on the action,” says Sharon Ng, associate professor of marketing and international business, Nanyang Technological University. “Unless the organisers do something different in the next four years, I doubt it will hold up.”

Whatever the organisers do, the next four F1 races to 2021 are likely to be closely scrutinised for the benefits they bring to the local economy versus the

inconveniences everyone has to bear.

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F1 RACES

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DECLINING SALES

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