



# The Business Of Racing:

## Target, Chip Ganassi Walk The High-Dollar, High-Performance Tightrope

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**T**here's still snow on the ground outside of the Target Chip Ganassi Racing (TCGR) IndyCar headquarters in Indianapolis.

There's a good reason that the 2011 season starts in St. Petersburg, Florida – there's a pretty good chance there will be no snow on the ground in Florida in March.

But the work to prepare for the season has been going on for months. Racing at the level of the IZOD IndyCar series means you don't just get to pull into the pits, check the oil level in the race car, and send the driver out. At this point in the year – mid-February – much of the theoretical work has been done. Now it's time to finish building the cars, tune up the pit crew

and take care of the million details that go into making a successful racing operation.

Target and Chip Ganassi have created one of the most successful racing operations in the history of IndyCar racing. TCGR goes into its 21st season of IndyCar with eight championships and 80 wins – including three Indianapolis 500s – in the trophy case. (The team recently had to move several of its second- and third-place trophies out of the front room of the facility because the first-place trophies had crowded them out. Nice problem to have.)

This level of success does not happen by accident. It takes two key elements: Someone to provide, as one team member (whose name will not be revealed) says, “a s\*\*\*load of

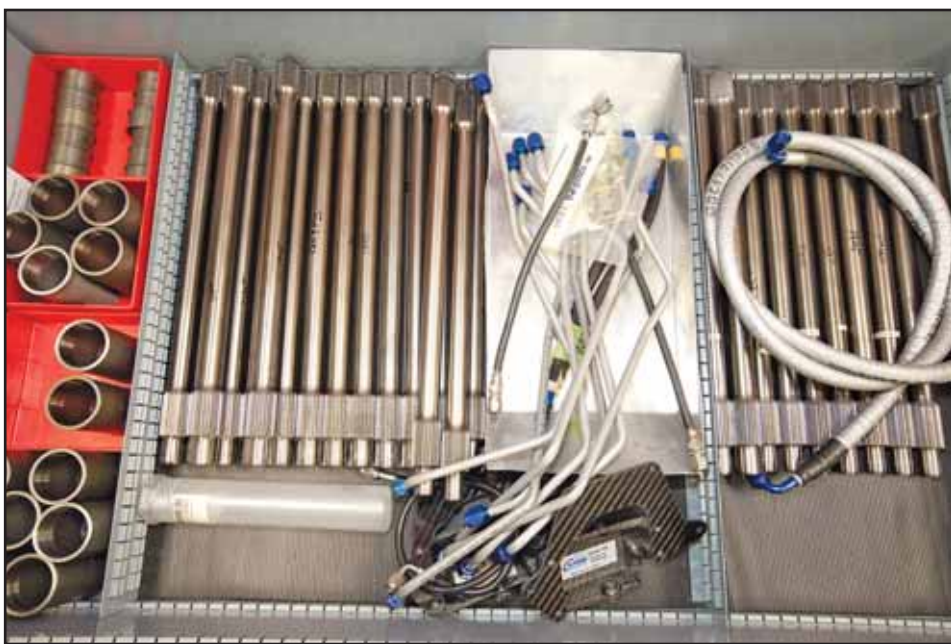
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### About This Story

During a recent lunch with Grand Prix Association of Long Beach President/CEO Jim Michaelian and Director of Communications Chris Esslinger, Long Beach Business Journal Publisher George Economides asked if any local media had ever visited one of the teams involved in the annual running of the Toyota Grand Prix of Long Beach to present a “behind-the-scenes” look at how the team prepares for the racing season. They did not recall that ever occurring. Economides said that would make an interesting story since most race goers see only what occurs on race weekend and have no idea about all the pre-season work involved. With Esslinger's help, Target Chip Ganassi Racing based in Indianapolis agreed to open its doors to the Business Journal. Contributing Writer Michael Gougis and Staff Photojournalist Thomas McConville were sent to Indianapolis in mid February and filed this story and accompanying photographs. To download a pdf, go to [www.lbbj.com](http://www.lbbj.com).



The main assembly area in the Target Chip Ganassi Racing facility in Indianapolis, Indiana. The assembly room is spotless, everything has its place. The tube-framed cars are Daytona Prototype cars for the Grand-Am series; these two had just come back from the Rolex 24 at Daytona, where the team dominated.



Input shafts for the Dallara/Honda IndyCar chassis/engine combination. You don't even want to think about how much money is pictured here.



You select gear ratios for each individual track, concentrating on maximizing the drive out of each corner. Each set of six gears costs \$750 or so, and is replaced after practice on Saturday at every race. Let's see, that's \$750 x 17 races x two cars . . .

money,” and people who know what to do with that money. You can't just buy wins in this business. The history of motorsport is littered with the remnants of high-dollar projects that have failed to cross the finish line first. Toyota spent eight years in Formula One, threw – by any conservative estimate – more than a billion dollars (that's billion with a “B”) at its two-car team, and never won a race.

Target Chip Ganassi Racing allowed the Business Journal an opportunity to tour its Indianapolis race facility, home to its Target IndyCar and TELMEX Chip Ganassi Racing with Felix Sabates Grand-Am racing teams. Each is stunningly successful, as is the Earnhardt Ganassi Racing with Felix Sabates NASCAR team. In 2010, Ganassi's teams won the Daytona 500 and the Brickyard 400 in NASCAR, the Indy 500 in IndyCar, and a few weeks ago, won the Daytona 24 Hour sports car race (actually, not just won, but finished 1-2) in Grand-Am competition. The team took the 2010 IZOD IndyCar title, and will field not just Scott Dixon and Dario Franchitti in the Target cars for 2011, but Charlie Kimball and Graham Rahal in a separate two-car team in IndyCar racing.

The tour of the shop makes it clear – even at the “humble” level of IndyCar racing, essentially a “spec” series where teams

compete with identical chassis, bodywork, tires and engines – the amounts of money spent to win are staggering. While neither Target nor TCGR will share how much money they spend on this, they will tell you how much stuff costs. It quickly becomes clear that it’s a question of how many tens of millions of dollars each year Target invests. This is big business, with huge amounts of money on the line. Target writes big checks, and demands big results. “At the end of the day, Target needs to see a return on its investment,” says Barry Wanser, team manager/racing operations.

One quick anecdote to illustrate the point: In the IndyCar/Grand-Am facility, there is a room devoted to transmission rebuilding. It looks not far off from an operating room – it is spotless. On one wall there are rows of steel drawers. In just one of those drawers are the input shafts (basically, like the driveshaft on your car) for the Indy cars. Those input shafts are about \$1,500 each. And in that drawer those input shafts are stacked up like toothpicks – there are at least a couple dozen of them. We’re talking easily \$30,000 or more in spare inventory of a single transmission part. In one drawer.

Target picks up the majority of the bills for this. To understand why, you have to understand what Target does, and how motorsport works in Corporate America, circa 2011.

## “They Don’t Just Write Us Checks . . .”

One of the most oft-repeated lines in racing is the following bitter riddle:

How do you make a small fortune in racing?  
Start with a large one.

Chip Ganassi is one of the few guys on the planet who might disagree with you. He’s started with Target’s large fortune, but delivers a huge return on that investment to Target.

Let’s start with the large fortune. Target Corp. is No. 30 on the Fortune 500 list.



Team Managers, from left, Scott Harner, Grant Weaver and Barry Wanser in front of some of their masterpieces

Target’s annual revenues hover around \$65 billion. Target has the money to invest in a racing team – and the word invest is used deliberately, because Target has to make a return on its investments.

“Target Stores have benefited from its racing alliance due to the sponsorship’s reinforcing support of the Target brand. These enhancements have positively impacted Target’s core business, plus its suppliers, guests and team

members,” says Jessica Carlson, a spokesperson for the retailer. “The business of racing has much in common with any other business. At the core, it’s about connecting with our guests. Racing delivers a valuable marketing venue to help create this connection. Through auto racing, Target builds its own brand equity and helps achieve a variety of business goals.

“Corporate sponsorships are vital to the continued success and survival of motorsports. In turn, Target motorsports teams continually work to showcase the relationship between sponsors and teams. In addition, the Target motorsport teams constantly look for creative ways to maximize visibility for the sponsors, drivers, owners and team.”

Back in the late 1980s, Target was growing rapidly. In that decade, Target had expanded into California, Arizona and the Northwest, opened distribution centers on this side of the Rocky Mountains, and bought stores in the Southeast. Target was transitioning from a regional retailer into a national chain, and it needed a focal point for its new national identity of being not only discount, but hip and trendy.

Chip Ganassi graduated with a degree in finance from Duquesne University in

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Every inch of a race-winning IndyCar that can be seen on television has advertising value. This John Deere logo is located inside the cockpit.

Pittsburgh in 1982. That was also the year he first raced in the Indianapolis 500. In the cockpit, Ganassi was never among the front runners at Indy, with a best qualifying effort of 11th in 1982, and a best finish of 8th the following year. In 1984, a brutal high-speed crash at Michigan International Speedway left him with a concussion, broken bones, smoke inhalation and effectively ended his driving career.

But Ganassi was not done racing. His driving experience came in less-than-front-line cars – of his five Indy 500 starts, his car broke four times, and the only time he finished, he was five laps down on the winner. Perhaps that experience fueled Ganassi’s desire to win – one of the most frustrating things to experience as a racer is to feel that you have the talent to succeed, but not the equipment. Ganassi became co-owner of Patrick Racing, and that team won the 1989 Indy 500 with Emerson Fittipaldi.

Ganassi had proven that his team could deliver wins at the highest level of American motorsports. Such wins might provide the necessary national exposure and image, say, to an up-and-coming retailer seeking to make a name on the national stage.

Ganassi started his own IndyCar team in 1990, backed by Target. They have been partners ever since. Target is not merely a sponsor; “They don’t just write us checks,” says Scott Harner, team manager/administrative operations for the IndyCar/Grand Am shop and race programs. Adds Grant Weaver, team manager/shop: “I think every one of us has a Target employee discount card in our wallets.”

Target Chip Ganassi Racing employs 88 people full-time in the IndyCar and Grand-Am programs. The 76,000-square-foot, two-story building was built specifically for the team in 2000. Target (which has a subsidiary that designs things like the interiors of stadiums, universities and hospitals) designed the interior of the building and picked the colors. Target’s managers come through the facility to study operational techniques. And Target negotiates terms of sponsorship for the team with outside companies, then dictates placement and size of logos on the cars (which are not stickers but painted on and are finished to show-car standards. Seriously, up-close, the cars are works of art. It takes 48 hours of labor to paint one in the in-house paint shop. The paint is part of the aerodynamic package.)

Why? What does Target get in return? More than you might think.

## How To Get 4.5 Billion Media Impressions A Year . . .

First, there is the media exposure. While IndyCar racing is not as popular as it once was, the Indy 500 remains one of the single



The truck bay. Space for nine semi tractor-trailers if you pack them in tight, retired race cars stacked to the rafters, and a polished, spotless floor. The trailers can run \$300,000 or more, and are carefully designed and built to deliver cross-country everything needed to win an IndyCar race. Every bit of the Ganassi shop screams professionalism – and an obsession with winning.

most watched television events in the world. There are firms that calculate the dollar value of the media exposure created by the television broadcasts of races, the stories written about the events and all other contact between the company’s logo and the public.

In a media landscape where companies are desperate to break through the clutter and get noticed, Target’s racing efforts generate 4.5 billion (again, that’s billion with a “B”) media impressions a year. Target gets its logo on the front page of the sports section of newspapers across the country, in color, attached to a sport that is generally viewed as exciting and modern. That is an editorial space and image-building opportunity that Target literally could not directly buy at any cost.

Secondly, Target gets to use the race team as a point of negotiation for the companies it partners with. Energizer batteries, Gillette shaving supplies, companies like these are

associate sponsors for TCGR. Space in a Target is valuable retailing real estate. Target, like any other retailer, negotiates every element of the retailing process – shelf space, product location, placement in advertisements, etc. Target also negotiates logo space on the cars with those companies.

And if space in a Target is valuable real estate, imagine what the cost-per-square-foot runs on the Indy 500-winning car. Every inch of the car is a potential income-generator, and is used as such. There are logos placed in the inside of the cockpit – because the in-car camera can pick up that logo during a racing broadcast, that becomes real estate that can be marketed. The sidepods go to Target, and the big associate sponsors – GlaxoSmithKline, for example – get the engine cover, the wings, and the wing endplates. If you think of Target Chip Ganassi Racing as a promotional tool for the retailer, you’ve got the right idea. And



It takes an entire fleet of vehicles to support the two race cars at the track – and even more vehicles to get everything to the track.

obviously, the promotional value to Target is directly linked to the team's performance.

Target gets one other thing – a focal point for its executives to meet with executives from other companies. Target uses the races to bring together the movers and shakers from its vendors for a little face time and some handshaking. At such meetings, America does business.

At the IndyCar race at Infineon Raceway in Northern California in 2009, the team managers said, Target execs and their families spent a long weekend with the executives from other companies and their families. They golfed, toured wineries and generally had an awesome time.

Then, after Franchitti won the race in a Target Chip Ganassi Racing car, the Victory Lane celebration went on for hours – all the sponsors, all the associate sponsors, got their picture taken in Victory Lane. The post-race technical inspection (to make sure the cars complied with the rules) performed by the sanctioning body waited. The mechanics, anxious to get the cars serviced, packed and back home, waited. This was not protocol. But business was being done. This was Target's return on its investment.

This return only happens because on any given day, any time the Target cars take the track, they have a legitimate shot at the win. And that's where the money goes – into winning.

## “Seconds Are Nowhere . . .”

“Wins are all that count in our business. Seconds are nowhere – especially to our sponsors.” – American racing legend and Indy 500 winner Mark Donohue, wrote in his autobiography, “The Unfair Advantage.”

It's not just that Ganassi wants to win. The team has to win to justify the continued investment from its sponsors. No team could survive on the prize money handed out to the winners. That, at this level, is kind of a joke.

Look at it this way: For 2011, the IRL (Indy Racing League) gives the top 22 of its full-time teams each a stipend of \$1.2 million for the season. At each race other than Indy, first place earns you a \$35,000 bonus. Winning the Indy 500 doesn't hurt, with a guaranteed prize of \$2.2 million for the 2011 race, and winning the series championship doesn't hurt either, with a \$1 million bonus. So let's say you got the stipend, won Indy, the title, and all 16 non-Indy races in 2011. Grand total earnings: \$4,960,000.

TCGR starts the season with seven chassis for its two drivers. Each of those cars costs \$375,000. If you want a motor for your car, you have to lease one from Honda; that was a \$935,000 expense for the 2010 season. Add in suspension, electronics and other widgets, and when the team ships the cars to the overseas races, they value them at \$1.5 million each. When the team rolls to a race, there usually are four cars on the transporters (more on those in a second). So one way to look at this is that every time the team hits the road, it has more money tied up in the back of the trucks than it stands to earn if it won every race of the series.

To attract and keep the cash flowing in, a team like Target Chip Ganassi Racing has to win. Winning attracts sponsors; sponsor money allows you to win. Winning requires a holistic approach. It starts from the bottom.

At the heart of the Indianapolis shop is a 10-bay car assembly and disassembly work area. On the day we visited, the BMW-powered Grand-Am cars that took the 1-2 finish at the Daytona 24 Hours were in two of the bays, literally in pieces. Indy cars and IndyCar projects occupy the other bays. The bays are spotless, like operating rooms. Crew members incessantly clean bits of the cars. The cars are disassembled after each race, with the engines going back to BMW or Honda, and the rest of the car dismantled, crack-checked, cleaned, consumable parts (like transmission gears) replaced and the entire car carefully re-assembled.

The team managers work from an elevated platform above the work bays. Surrounding the central work area are specific rooms



Composites technician Doug Keller (left) and Chief Mechanic Kevin O'Donnell discuss bodywork fitment in the paint and body shop.

devoted to parts of the car. As pieces are needed, they flow from the specialty rooms into the central assembly area. It is very much a coordinated production line, on very tight deadlines. When the next race is 2,000 miles away, the truck must leave the shop on time. You don't get to wait around while someone looks for a transmission bearing.

The engines come from Honda and BMW intact and sealed, but the team does its own

transmission work. (Every Saturday night of race weekend, each car gets a new gear cluster – \$750 plus labor). The team has a fabrication room, where suspension components are carefully shaped – you don't just leave regular round tubing hanging out in a 200 mph breeze – and other ancillary parts are made.

The irony is that, in theory at least, IndyCar is a relatively inexpensive series (compared to something like Formula One, where budgets

for two-car teams are measured not in the tens of millions per year, but hundreds of millions). IndyCars are not only pretty cheap in racing terms, but the specifications are fixed so, theoretically, you don't have to run a full-time aerodynamics testing program. And with everyone getting the same engine, you don't spend tons of money chasing that last horsepower (it's the last one that's the most expensive).

So how do you win reliably when everyone



Part of the machine shop, located just off the main assembly area. You don't just go buy parts for an IndyCar or all of the ancillary structures needed at the track. And if you want to win, you make sure that you have the parts necessary to do the job – in hand and on time.



Bill Cavanaugh welds together a suspension component. Note how the tubing has been shaped for aerodynamic efficiency.



Andy Schneider puts together an Xtrac gearbox (from England) in the transmission room. The gearboxes come apart and get cleaned, inspected and rebuilt after each race.



Pit stop practice takes place every day. Here Team Manager Barry Wanser drives the electric car into the mock pit lane. A second gained in the pits can make the difference between being pictured on the cover of the sports page and being mentioned in the copy – on the jump . . .

has the same car, the same motor and the same tires? You find the places where you can spend money and dig for improvements there. For Target Chip Ganassi Racing, that means two key areas – knowledge and preparation.

## Getting To The Top Isn't An Accident

To cut costs, testing is limited by the Indy Racing League. But there's no restriction on the amount of time you can lease on a supercomputer, running simulations on aerodynamic configurations. And if that sounds complicated and expensive, well, it is. When asked how much money the team spent on computerized aerodynamic research, Weaver literally giggled, while Harner said, "You're talking about computers that most people don't have ..."

To be fair, with the economic downturn, the cost of supercomputer consulting has gone down. Still, ask the guys in mid-field how much time they spend on a Cray supercomputer. And the team takes full advantage of this knowledge. Remember, you've got a spec chassis, with spec bodywork. Starting from a fully assembled car, the team spends about 200 man/hours fitting a specific set of bodywork to a specific chassis. When they are done, they know

exactly how that specific car/bodywork combination will respond to the air at speed. As little as possible is left to chance.

Computers also allow the team to run simulations on how the car will perform at a track before the team even unloads. Gear ratios, wing settings, weight distribution – all of these are adjustable, and with computer simulations, the team hits the track for practice with a good idea of what the circuit will demand from the car. So while other teams may be making major changes in their cars, the Ganassi crew typically is fine-tuning a car that's already better than three-quarters of the field.

And stacks of cash allow you to do that fine-tuning better than others. For example: the Dallara/Honda (chassis/engine) combination needs to have ballast added to it to get it up to the league's minimum weight. The team first builds the cars as light as possible, down to analyzing whether a particular nut actually requires having a washer behind it, Wanser says. Then, the team uses the skid plates at the bottom of the car to adjust the front/rear weight distribution. You put a Plexiglas skid plate where you don't want weight; put a brass one where you do. The computers tell you what to shoot for in terms of car setup; the resources allow

you to get as close as possible to that target.

Any given race starts when the team starts preparing for the season. Ganassi tries to build in every advantage from the moment preparation starts.

Out back, in the truck bay, the team parks the semi tractor-trailers that move the equipment from race to race. The team rolls four of the big 18-wheelers for each race; three with cars, parts, equipment, and one designed as a hospitality center. There's also another truck that sells memorabilia – t-shirts, etc. (As an aside, think of this return for Target: Race fans pay for the privilege of wearing clothing branded with the Target logo. Those articles of clothing wind up in the fan's home, giving Target even more exposure, in the home, on a daily basis. Nice!)

The trailers by themselves can run well over \$300,000, depending on how they are set up; "At least we're sponsored by International Harvester," Wanser muses, looking at the tractors that the team doesn't have to buy.

The trucks travel about 45,000 miles a year – each – and they carry a staggering amount of equipment. It's not just the race cars and tools and spare parts. It's the fleet

of scooters (all repainted in Target colors) used to get around the pits. It's the structures erected in the pits that hold the bank of computer monitors that track the 20 to 25 channels of live data transmitted from the car as it fires around the course. The hospitality truck isn't really a luxury. The team travels with 36 people, most of whom take a charter flight to the track, and they don't have time to dash off to Taco Bell in the middle of race weekend.

Really, in every corner of the shop, you are reminded of the money that goes into the program. Once you understand that, you understand why the team has a trainer and all of its full-time employees in the on-site gym every day. You understand why the paint jobs look like glass. You understand why the team went through the trouble of developing and installing an electric drive system into one of its race chassis. Obviously, you can't fire up a Honda IndyCar engine indoors. With the electric drive system, even during the days when there is snow on the ground outside, the team still can practice pit stops indoors. You understand why a dozen or more of the employees stop what they're doing at 11 a.m. and come to the specially-surfaced mock pit lane in the truck bay and practice pit stops – every single day.



Dario Franchitti and the Target team in Victory Lane at the Toyota Grand Prix of Long Beach, 2009.

Every little place where an edge might be found, Chip Ganassi Racing tries to exploit. That's what Target is paying for – the edge that takes your car from second to first. In terms of what Target demands from Ganassi,

Donohue's words ring true – and not just about racing, but about the high-stakes competition to get your company noticed by the public.

Seconds are nowhere. ■

## Indianapolis Motor Speedway Hall Of Fame



The Hall of Fame at the Indianapolis Motor Speedway. Inside, the Speedway has on display a selection of significant race cars. For example, shown here are one of the early Lotus rear-engined cars (number 92) that revolutionized the design of Indy cars forever; one of the old-school roadsters (98); and one of the wildest experiments to ever take to the track in the 500 – a gas turbine-powered Lotus (70). The gas turbine quickly was banned after threatening to make piston-powered cars obsolete. The museum also preserves for posterity a glimpse of what it used to be like at the Speedway for the competitors. Here an old roadster (14) sits in a re-creation of one of the garages in the Speedway's famed Gasoline Alley. (Photographs by the Business Journal's Thomas McConville)

