

## Written evidence submitted by Kawasaki Motors UK

### Kawasaki Motors UK – Motorcycle Sport

On behalf Of Kawasaki Motors UK, the UK importer of Kawasaki motorcycles and with parent company being Kawasaki Heavy Industries, I submit details concerning the impact of Covid-19 on the sport related sector of our business, and also of the partners we work with in this sector.

We support (financially and technically) a number of official race teams across the British Superbike Championship. This is a 12 round series scheduled to run from April to October. As it stands currently, the series will look to commence in August (best case scenario and of course led by Government instruction), and will most likely mean that it becomes a reduced series in terms of number of rounds and also number of races. Therefore coverage on TV (Live on Eurosport) will be reduced, as will the number of spectators watching live trackside. Meaning both us as Kawasaki Motors UK and the teams we work with will be affected in the following ways:

Kawasaki UK – serious threat of loss of income from direct racing sponsorship. We are supported by Silkolene (an oil manufacturing and sales company) and receiving financial backing in return for exposure of their brand via our racing activity. With reduced racing activity, and also a loss in revenue for the sponsor due to closed retail businesses, there is a chance of a reduction in sponsorship payments as the year progresses. Additionally, our title sponsor has decided to withdraw sponsorship of the official teams from September onwards due to cash flow and other issues. This will be a loss of approximately £450,000 of sponsorship income to Kawasaki's official racing activities.

Kawasaki UK – potential loss of brand awareness due to events being cancelled. As a manufacturer, a large proportion of our Marketing spend is on racing, with the anticipated return on this spend being exposure of our brand to the tens of thousands of visitors trackside and hundreds of thousands watching on TV. Our teams, using Kawasaki machinery and displaying our logo help influence the watching public when it comes to choosing their machine of choice. Customers like to be associated with success. We have a strong racing program with a dedicated fan base and our success on track helps our dealers sell Kawasaki's over other brands when dealing with customers on the shop floor. Our social media, which again we use to help persuade customers to choose Kawasaki, is filled with racing related posts, so with no racing activity happening, this is another area we suffer from a brand promotion perspective. All of this will potentially lead to a reduction in sales and therefore loss of revenue and retained profit.

Kawasaki UK supported race teams – The race teams that we work with and support rely not only on financial backing from Kawasaki but also from external sponsors. It costs around £800,000 per year to run a team in the British Superbike Championship, so sourcing sponsors is critical. The two main avenues that the team give return to the sponsors investment is through brand exposure on the bikes and riders whilst out on track, but also through providing corporate hospitality at the circuits.

Of course if there are no races, then neither of these can happen which may result in current sponsors pulling out of their agreements. This of course doesn't just apply to title sponsors, this will include the smaller sponsors, who may only invest smaller amounts, but together make up a serious part of the team income as a whole.

Kawasaki UK Racing Business Partners – We also work with race teams who in addition run businesses related to racing sport. One of our race teams, who also acts as a technical support partner to our racing activity and supplies much of the Championship with product and repairs for their racing activity have suffered huge losses to their business. Latest figures show almost a 70% reduction in revenue versus 2019. (£38,000 in April 2020 v £135,000 in April 2019). This, in conjunction with lost income from sponsorship creates a very difficult environment to not only continue racing but to remain in business for the remainder of 2020, and also potentially in 2021 as the economic after effects of Covid-19 continue.

MSVR (Series Organiser) – The organisers of the British Superbike Championship are also suffering with the sporting events not taking place. They rely on income gained from ticket sales and also from external sponsorship to run their business and ultimately run these Championship events. With no racing, sponsors (who require a certain number of events to take place per year) will lose interest and look to invest elsewhere. If there is no racing in 2020, then perhaps the organisers will survive as there is no event related outlay (aside from the overhead costs of keeping the company viable and operating), but the effect on the 2021 series could be huge with attracting new sponsorship bound to be difficult as the country attempts to bounce back from an extended lock down period and the economic effect that will have.

Summary – we believe that Covid-19 has had, and will continue to have a serious impact on motorcycle sport in the UK. As with most sports, it relies on investment from a number of sources to function at the required level, and unfortunately, the pandemic has had a negative impact on too many areas that this sport relies on for us all not to suffer financial losses and hardship over the coming months and years.