

Financial Services

Steffen Greiner makes direct use of HSBC's F1 sponsorship.

Direct Injection Finance

Steffen Greiner is the man at the sporting sharp end of HSBC's private banking division. He has a huge advantage from the bank's direct involvement in the sport of Formula One.

By Marc Cutler

Photographs by Graham Fudger

HSBC has spent US\$ 25 million annually sponsoring Jaguar for the past five years, and on a brand image campaign to make itself one of the top global brands. It is believed to have spent the same amount backing up the sponsorship with marketing support, as well as an above-the-line campaign directly linked to the team that has probably cost as much again. So the total related Formula One investment is probably north of US\$100 million a year and has been since HSBC came into Formula One in 1997. Over eight years it is fair to say that it has invested more than US\$ 1 billion in direct and indirect Formula One promotions. Not an inconsiderable amount of money by any means. Like all marketing no one can really tell if it has worked. But what has definitely worked is the drive for new business in the Formula One community.

Formula One has delivered a valuable platform to win new business direct. Steffen Greiner, head of HSBC's sport and media desk, is the man charged with convincing Formula One's drivers and entrepreneurs to hand over their millions to the bank.

Greiner's division is a special segment in the corporate banking sector, designed to manage sports stars and other entertainers in financial matters. He looks after the

accounts for a number of Formula One drivers, but will not say which ones. Michael Schumacher and Mark Webber are both thought to have signed up for the programme.

In many ways, Greiner has found his sales pitch very welcome. Greiner believes that too many sports stars have been advised badly in the past. He says "Our mission is to protect their wealth. We want to avoid cases that have appeared in the past where sports stars have lost their fortune because they have been surrounded by a lot of agents and financial consultants that have consulted them in the wrong way. We want to guarantee that after their career they have sufficient funds available to maintain their lifestyle. With HSBC's name behind him. Greiner doesn't have any problem with credibility. Formula One has burnished the name for eight years.

"Our mission is to protect their wealth. We want to avoid cases that have appeared in the past where sports stars have lost their fortune because they have been surrounded by a lot of agents and financial consultants that have consulted them in a wrong way. We want to guarantee that after their career they have sufficient funds available to maintain their lifestyle."

Thirty-four year-old Greiner has inside knowledge of the type of service that sports stars need because he used to be a professional tennis player himself.

He competed on the satellite and challenge tennis tours but never made the top grade. When he turned 26 years old, he decided he had had enough and sought a career in the banking sector using his sporting knowledge as a base.

Now he helps HSBC to develop and sell a sports specific financial programme. He offers a number of specialised services for sports stars such as relocation strategies, insurance advice and financial planning. Greiner says: "It is important to have side services as well as asset management because when I approach sports stars these days and tell them just to transfer their money to HSBC, it is not enough to solve their problems." Relocation is an especially important service. For most sports stars, especially Formula One drivers it is essential to move to

a tax efficient domicile. But this can pose a number of difficulties, particularly if the star wants to move back to their home country at some point in the future.

Boris Becker recently revealed he had paid US\$30 million in taxes and fines in the past 10 years since he moved from Monaco to Munich. The punitive taxes, which have stripped the former tennis star of most of his fortune, forced his second relocation, to Zug in Switzerland. Becker has vowed never to step foot in Germany again. "I came back to Germany voluntarily in 1991 and have paid more than Euro 25 million in taxes since then. Becker said referring to his return from Monaco "For that I've got a kick in the rear end."

The Schumacher brothers have also been put under pressure by German tax authorities. German chancellor Gerhard Schröder

criticised tax exiles at a recent meeting of his Social Democrat party (SPD). "Our problem is neither the economic reforms we're making nor the Tax levels we have but rather what tax is actually paid here and not carted off into Switzerland or Luxemburg", Schröder told SPD members.

Ralf Schumacher has faced heated criticism for moving to Salzburg, Austria, just south of the German border, and for disparaging his home country.

He said last year: "Germany is simply a taxation jungle. I don't feel like having tax collectors on my heels, I don't want to be hunted down like Boris Becker or Steffi Graf.

That's why I used the chance to go abroad for tax reasons.

The situation has become so severe that there were suggestions that the brothers would be prevented from returning to the country of their home Grand Prix this year, although

this step was never taken and is probably unenforceable.

Yet it highlights the increasing importance of using an efficient financial advisor for drivers and other stars. Drivers can save themselves many millions of dollars if their taxes are handled in the right way. One tax efficient saving employed by Greiner is to hive off the sports stars image rights to an offshore company. For instance a driver based in the UK will be taxed on his earnings in the normal way but can house his image rights in, say a Monegasque company and pay the much lower tax rates in that area.

Greiner says: "Most sports stars these days earn more off the field than on the field. In Formula One drivers can earn more through endorsements than through the team.

We are specialised in structuring image rights in a tax efficient way. For example you can transfer image rights to a structure domiciled in a tax efficient country and the structure invoices the employer."

HSBC's research into the sports sector reveals that football is its biggest European market. Motor racing is a distant second followed closely by tennis. The research found that there are around 3,000 high net worth individuals in football, compared to 350 in motor racing and 300 in tennis. The report regards high net worth individuals as those with over US\$ 800,000 in assets.

But the wealth per person ratio is probably higher in Formula One than it is in any other sport. Winning just one client in Formula One can represent US\$20 million of business for HSBC. Greiner uses the HSBC sponsorship in Formula One to meet and greet the high net worth individuals he targets for his programme. He says: "The sponsorship absolutely helps to do this because it gives us the credibility in the segment. The hospitality is very good for keeping and finding clients. And in Formula One it is easier talking to agents because everyone knows HSBC."

He also targets drivers at the beginning of their career in the hope that they have the potential to make a lot of money at some point in the future. When Greiner signs up a

driver he will analyse every aspect of his lifestyle before putting together a relevant package. He says: "We take a driver and look at his whole financial situation, his family situation, his future expectations and so on. This is all linked to the cash he needs. We have to analyse what money is free and what can go into investments. Then we make the investment proposal."

Greiner's department specialises in discretionary mandates where the client transfers asset management over to the bank. The client merely decides whether to let the bank take a volatile, high risk approach or a more conservative approach.

Greiner believes that the service is perfect for Formula One drivers because they don't have much time to do anything with their finances. So they need to rely on others to invest their cash in the right way whilst they get on with the job of driving.

Greiner uses HSBC's involvement in Formula One to reach the right people. The Formula has undoubtedly

worked extremely well but a cloud is appearing on his horizon as HSBC gets ready to exit Formula One. Greiner admits it will make his job more difficult if, as expected, HSBC decides against renewing its sponsorship with Jaguar when it expires in the end of the season. Clearly, if HSBC pulls out it will be harder for him to do business in Formula One. Greiner gives the impression that the bank's participation has led to a lot of business in motorsport and it may keep a smaller involvement with Jaguar next year.

Greiner is not directly involved with this decision but he works very closely with the marketing headquarters in London. He is one of the few HSBC executives begging them to stay in the sport. As he says: "I'm on the front so I get a lot of feedback, a lot of input and I cooperate very closely with the sponsorship office. For my segment being introduced to drivers and entrepreneurs in Formula One the sponsorship has been fantastic."



Steffen Greiner, photographed at the Stella Artois tennis tournament, Queens Club, London on Wednesday 9th June 2004.