

# Adapt or Die – Will Cycling Embrace the OTT Revolution? Part 1

*The Outer Line [has previously discussed the role that television](#) has played in the growth of pro cycling over the years, along with the [challenges](#) the sport faces as its traditional marketing models evolve. The collapse of cycling's "number of eyeballs" marketing method, and its failure so far to deliver new digital delivery models places the sport's future visibility and fan growth in jeopardy. In this article, largely researched and written by our new associate Spencer Martin, we discuss the current situation of producing and distributing cycling content, and in a future Part 2, we will assess the range of new, innovative and lucrative marketing strategies.*

The biggest races on cycling's schedule are quickly approaching. This means every fan is about to begin the familiar scramble [to find viewing options](#). As this desperate search begins once again, everyone will be left asking the same question: Why is professional cycling so hard to watch? The difficulty is due to a confluence of complex reasons, but the one thing that matters most is that as the sport's existing fanbase ages, it will be left with a smaller and smaller audience pool if there isn't a push to overhaul the current broadcast strategy. This will see the sport to wither, and eventually die, on the vine as competing entertainment options gradually steal market share. Fortunately, the rise of direct-to-consumer unbundled sports streaming products provides an incredible opportunity. This product, if packaged and sold effectively, has the ability to revolutionize the sport's broadcast model.

The current lack of a unified distribution and licensing strategy, coupled with the high production costs of televising the sport, has led to a situation where pro cycling is unable to create much meaningful or recurring media revenue. Hence, revenue in the sport continues to remain entirely dependent on team sponsors (purchasing naming rights or jersey placements) or race sponsors (buying banner or naming rights). This uncoordinated status quo allows cost-conscious third-party broadcasters to pick at will on the corpse of a once-proud sport, nickel-and-diming broadcast rights values down to the bare bones. Not only are the current stakeholders failing to maximize revenue potential, they are also neglecting their duty to proactively deliver pro cycling — in an exciting format — to a broader audience, to help to grow and diversify the sport.

Despite the developments and initiatives being explored and developed by other sports to create their own direct-to-consumer or "over-the-top" (OTT) digital streaming delivery models, professional cycling has thus far failed to develop or even map out a conceptual plan for any type of OTT model for the sport. These OTT models deliver content over an internet stream, eliminating the need for a consumer to subscribe to a cable or satellite provider's bundled package to have access to live sporting events. This lack of any general strategy for future digital delivery could be fatal for any sports league, let alone a niche sport like cycling that is highly dependent upon the patronage of a highly engaged fan base and sponsors for its financial sustainability.

**OTT streaming vs. traditional cable:** Traditional cable providers have experienced declining subscriptions and overall viewership, and their ability to monetize services has declined. In the past, these cable companies could bundle content a subscriber would likely never watch with a select few channels they regularly watch; this "package" was then leveraged to demand a higher price than the viewer would probably pay for just the few channels they actually want to consume. As digital streaming services like Netflix steal subscribers from cable, these traditional television companies are being forced to break up their bundled subscriptions and sell streaming packages direct-to-consumer. For example, HBO, traditionally a premium add-on to cable package, launched a streaming package that allows viewers to purchase directly without being forced to first purchase a cable package. The implications of this content being available direct from a creator without passing through a cable provider are massive. ESPN, which is considered one of the most robust cable channels, [has lost nearly 13 million subscribers](#) over the last 6 years.

**Current challenges:** The WorldTour professional cycling landscape is dominated by a small but disparate group of race owners and television rights holders. This means that there is no single authority or league that is able to make sound business decisions concerning overall television and distribution rights at the top level of the sport. Instead, the uncoordinated major race owners each make their own independent television deals. For example, four of the sport's biggest races, Paris-Roubaix and the Tour de France, the Giro d'Italia and the Tour of Flanders owned respectively by Amaury Sport Organisation, RCS MediaGroup, and Flanders Classic.

Amaury Sport Organisation, or ASO, is the [dominant player](#) in the race promotion and organization space. By virtue of its ownership of the Tour de France and numerous other WorldTour events, ASO wields effective control over much of the sport. But this fractured ownership of the major events has, to date, prohibited the different events from bundling their assets together for the purposes of an integrated television product — and to demand a reasonable value what they could be worth.

Adding to this challenge, each of these organizers cuts its own television contracts and rights licenses across the globe, sometimes able to command a high fee in cycling-friendly markets, but mostly scraping up lesser fees across many other smaller broadcast outlets. As a result of literally hundreds of contracts and broadcasting rights licenses, often with different durations, there is no way to efficiently unify all of the content. Worse, many of these contracts separate the online from the TV rights, further eroding the market value. This fracturing creates added-value in the short term for broadcast rights sellers like ASO, but since races bundled together carry more value than the sum of their individual parts, the value of the product is driven down. These strategies also create a fertile petri dish of online piracy. As more content distributors can claim a right to broadcast the content, more sources of pirated content are exposed to the web — because it is the distributor's responsibility to enforce the content copyright, not the race organizer. And it only takes a cursory search on YouTube for “Tour de France” to see just how pervasive content piracy has become.

**High cost, low value:** Another significant obstacle is that cycling is perhaps one of the most expensive sports to broadcast because it takes place on the road rather than in a stadium. A large array of highly-specialized and expensive equipment must be integrated to create compelling broadcast content: helicopters and fixed-wing airborne transmission relay systems, fleets of motorcycles, high-definition cameras and central production and satellite uplink trucks where the transmission feeds are mixed and rebroadcast out to the networks — and where the “play-by-play” announcers are often based. According to U.S. cycling TV producer Kent Gordis, the specialized camera equipment typically used to cover a race can cost as much as \$30,000 a day to rent. A major race requires three camera/motorcycle unit pairs and a helicopter to cover all the action, plus several additional fixed-site cameras. Helicopters can cost as much as \$5,000 per hour. It's no wonder that the expenses of broadcasting a race can quickly become overwhelming.

What is perhaps not as widely understood is that many cycling events — particularly those in the United States — must also purchase the air time to actually broadcast their event on a TV network. While TV channels compete with each other and pay huge prices for the right to televise more popular sports like American football, most bike racing events have to pay their own way. Indeed, the Tour de France is the only bicycle race broadcast in the U.S. that commands a rights payment — although it is quite minimal. Even in cycling-mad France, the national TV station pays only about €20 million to the race owner for the rights to televise the Tour de France — a rounding error relative to the €2 billion per year the English Premier League football rights [command domestically](#).

An underlying complication for the sport is that — outside of the Tour de France — professional cycling does not actually have a large fan base and television viewing audience in most regions of the world. Except for the intense focus on the Tour de France, media interest and revenues throughout the rest of the sport are surprisingly weak. The bounty represented by the Tour de France simply hasn't trickled down to the rest

of pro cycling. In the U.S. market, for example, even the Tour itself averages only a 0.1 to about 0.3 Nielsen Rating — meaning that only up to 300,000 people in the whole country are actually tuning in to watch each day.

Teams and riders have often proclaimed that there needs to be some mechanism for [sharing television revenues](#) across the sport, to help provide greater financial security. But unfortunately, inefficiently airing a niche sport on public television [doesn't yield significant television revenue](#). But these high operating and production costs combined with relatively low viewership numbers, and the lack of any kind of coordinated sport-wide television package for dedicated fans, represent the key reasons for why profitability is so difficult to achieve for a cycling event.

**Current streaming options:** Outside of traditional cable channels, [there are currently multiple OTT streaming options](#) from cable companies and streaming-only providers like Flo Bikes, Sling TV and Fubo.tv, including so-called “skinny bundles” in which your cycling content is packaged with a small number of other entertainment and sports programming options. While these services may help existing cable/satellite providers retain customers who might otherwise cancel their TV subscriptions, the race organizers often only recognize profit from the original TV broadcast licensing agreement, receiving no compensation for any subscribers who view the race online in the bundle.

Even more problematic from the consumer perspective is that these skinny bundles tend to be offered at high price points relative to the desire to just see the cycling, and often feature an extremely limited set of channel offerings. A combined and coordinated OTT cycling-specific service delivered straight from a unified group of race organizers would present a much more comprehensive offering and at a collectively much more competitive price — while simultaneously attracting a potentially much larger audience.

**Pirate streaming — the option of choice:** Despite the presence of pay options, the online channel through which the majority of savvy cycling fans watch racing is the plethora of available pirate streams. Links to these pirate feeds can be found on a variety of websites, including Steephill.tv and Cyclingfans.com, among other sites (both websites also link to legal broadcast feeds). These modern-day cycling pirate radio stations stream unauthorized feeds of races. The sites that link to them often create a better user experience than the current pay OTT streaming services. Steephill, for example, offers easy-to-find race profiles, breakdowns, as well as links to a deep library of news and analysis in a way that no legitimate OTT service has yet to effectively leverage.

Creating and distributing a proprietary streaming service cannot work while these pirate streams thrive. Each broadcast license-holder is responsible for the copyright of its own program; but with so many broadcast points, there are dozens of sources for pirated streams. To exacerbate this issue, many of these rights holders lack the financial and legal resources to crack down on a pirated feed. For example, even with Eurosport having exclusivity for the Giro d'Italia, many intrepid fans used YouTube's “Live” service to stream the race on their personal YouTube accounts, and during the 2017 race it was not uncommon to find 25,000 or more viewers watching a single one of these illegitimate streams for key mountain stages.

These pirate streams are an unfortunate side effect of the fractured broadcast license sales, and the effect is similar to another well-known cycling economics pain point: Shimano's retail model. Shimano has a wide-ranging volume-based sales chain, and eventually, its products are exposed to broad gray market re-distribution. Retailers across regions are undercut and damaged when third-party online retailers advertise, and deliver globally, at prices far below local retail. Compare this to a company like Rapha that has closed distribution and only sells through proprietary channels: Rapha can control product pricing down to the cent while still selling profitably online. Sport leagues that control their own OTT distribution typically watermark or digitally secure their product to track and trap piracy offenders, and lock in and grow the subscriber base.

Just the mere presence of pirated streams disincentivize potential consumers from using legitimate OTT streaming products. Sports leagues that provide their own OTT service police online pirate streams incredibly diligently and any available pirate streams are shut down almost immediately. A provider obviously cannot count on potential consumers to pay for a service that they can easily procure free of charge.

These pirate or outside market streaming options deny professional cycling the ability to sell OTT streaming services and measure their own media impressions. Most importantly, this fractures the viewing base to the point where audience data collection and targeted advertising — arguably the sport's strongest potential asset — cannot be utilized. The collective toll on the investment climate is real: when teams are not able to accurately calculate impressions, or measure audience demographics and exposure, they cannot effectively sell sponsorship packages.

**The problem with free:** Cycling in the European heartland has traditionally been broadcast on free-to-air public television channels. This model worked well when brands wanted to cast a wide marketing net — cycling being aired on every public TV channel in Europe provided the desired reach. However, as the advertising landscape has evolved, cycling has remained static, and this “moving billboard” push strategy does not command the premium it once did. Teams are failing to connect with their viewers with any level of digital sophistication, due to their extremely outdated delivery method for public and network television. A hypothetical “Watch Cycling” streaming service would allow the sport to capture more meaningful data and allow cycling's market strategy to evolve into a more attractive value proposition.

Airing races live on free, public television obviously undermines the sport's ability to monetize viewership. Traditionally, stakeholders were willing to take the higher viewership numbers offered by free television in order to sell sponsors — versus creating revenue from television deals. As the sponsorship model struggles to consistently deliver the revenue necessary to support the growing expenses of the modern WorldTour, these [greatly inflated viewership numbers](#) are helping teams less as brands begin looking for ways to deliver highly targeted advertisements, versus the blunt instrument of moving billboards broadcast on traditional TV.

While free-to-air TV makes monetization difficult, shifting events over to an exclusive cable channel also has the potential to significantly drive down viewership and hurt the fragile sponsorship ecosystem. RCS experienced this in the 2017 season after selling their broadcast rights for many important markets exclusively to Eurosport. Instead of prime position on a default public channel, major RCS properties like the Giro d'Italia and Milan Sanremo were buried on a niche sports cable channel. While Eurosport was able to leverage this into a great many new subscribers for itself, in selling the exclusivity to a single distributor with a limited subscriber reach, RCS saw reduced viewership overall for its key race properties.

While a free-to-air model will often net more viewers than a pay-model, former UCI president Brian Cookson acknowledged the profitability paradox when questioned on the matter at the Transforming the Business of Pro Cycling panel at the Play the Game Conference, “Cycling is so weak financially because most consumers consume it for free.”

**Going direct:** Cycling is competing with online search engines like Google and Bing, and with social media platforms like Facebook and Twitter for advertising dollars — but these online juggernauts have accumulated more data to target cycling's consumers than cycling as a business ever has. This means search engines and social media platforms know more about cycling consumers than the sport itself does. Whereas cycling's marketing has traditionally relied on general demographic surveys and data inferred from television viewership measurements, online search and social media track the exact consumer behaviors at the level of each individual person. It is small wonder that when potential sponsors decide between the possibility of converting a small number of cycling's audience into consumers and exactly hitting their target online, cycling loses out. Vacansoleil, which sponsored a ProTour/WorldTour team from

2008-2013, was one such sponsor which exited the sport to capitalize on search's greater marketing capability.

When viewers consume content through a traditional cable channel, there is a physical separation between viewer and the event. There is no meaningful exchange of information. When users watch content through a digital stream, they are inviting the content provider to learn everything about them, which then allows the provider to offer an extremely compelling product to advertising partners. The likely winning path forward in this sport or any other form of entertainment is going to be to play the digital game to the sport's benefit.

This targeted profiling means that there are ways to create an attractive value proposition while continuing to deliver content for free. If fans are going to watch the sport for free, this interaction needs to be converted into a value-adding product. The modern digital environment provides robust opportunities for harvesting value from digital ecosystems, by gathering authorized information about the person who is interested in the content. OTT is able to seamlessly insert personalized, targeted ads and purchase offers in real time, without interruption or signal degradation, within the content streaming to any viewing device, to encourage true one-to-one relationships with brands.

This kind of platform also opens up the possibility for a tiered pricing structure, where fans could watch select races and segments of races, such as the early hours of a Classic, as a free to view "freemium." Once engaged with the service, consumers can be enticed to buy a premium upgrade for a select bundle of higher-quality desired races, as well as have the option to opt out of advertising by purchasing a higher-tier of service, so as to see just pure, uninterrupted racing entertainment. Creating a self-contained freemium digital viewing environment would allow cycling's stakeholders to convert the viewers themselves into a product by gathering critical consumer data that can shape the sport's marketing strategies. This could even be an asset to help sell cross-market opportunities with new global sponsors and even other global sports leagues.

**Can cycling change gears?** Pushback, mainly the maximizing of short-term profits at the expense of effective direct-delivery, is especially unfortunate since professional road cycling is a sport that could mesh perfectly with this new wave of sports delivery approaches and mechanisms. The sport's longer races fit well with non-linear distribution — the ability to watch a program online at a convenient time, rather than at a set time on the calendar — while its short bursts of action during climbing stages or sprint finishes, serve up bite-sized pieces of content that can be effectively disseminated via social media platforms. But the disorganization of the stakeholders prevents them from seeing the big picture and potential value of aggregating and packaging a series of top WorldTour races into a simple but compelling streaming service.

All of this converges toward the biggest existential question cycling faces at the moment: Should the sport continue to bet on its free-to-air TV legacy, or is the sport better off with specialized direct to consumer delivery models that can be more effectively monetized? This question and the pathway for cycling to build and leverage its own self-contained OTT ecosystem will be explored in-depth in part 2.

*Spencer Martin for The Outer Line, April 11, 2018 (Editors' note: this article first appeared on VeloNews.com on March 28, 2018)*