BMC in Crisis: The Same Old Problem

Cycling's long-standing investment and sponsorship challenges are once again taking center stage. Just a few weeks ago, Deloitte Consulting was rumored to be the lifeline that would allow the soon-to-be-former Team BMC to continue as one of the WorldTour's "super-teams." The main surprise concerning Deloitte's potential commitment as a new sponsor for BMC was that the brand might leave its partnership with the Dimension Data for Qhubeka program. However, it now appears that Deloitte's appetite for investment is below what is needed to support BMC's current reported $30 million annual budget, and without additional backing the team may now be headed for life support.

Pro cycling sponsorship presents a fickle and constantly changing business proposition. It had been generally understood, with Andy Rihs' health declining in recent years, that the team's run might eventually come to an end. Still, BMC's unfolding situation now stands out like an exclamation point to a long-standing truth – few if any teams in this sport have long-term financial security. But this is just the unfortunate circumstance for one patron-backed team. Year after year, as we have discussed many times before, pro cycling teams struggle to identify, attract and lock down new investors, and to manage their expenses in the face of rising WorldTour complexities and demands.

BMC has generally been considered a super-team in terms of its overall budget. However, in competing against its primary rival – Team Sky – it has run into a brick wall. It simply hasn't been able to outperform Sky in the races which deliver the widest global appeal. Greg Van Avermaet's Classics and Olympic wins weren't high-profile enough; potential Grand Tour winners Richie Porte and Tejay Vangarderen haven't lived up to their potential (despite Porte's win on Sunday in the Tour de Suisse); and the team hasn't won the Tour de France since Cadel Evans' victory in 2011.

By comparison, Quick-Step Floors – among the sport's longest-lived individual team sponsors – invested less in 2017 in the latest version of its team (rumored in the $10-11 million range for naming rights) and won more races (58 versus just 46 for BMC). Like many businesses which invest monies in the pursuit of a big payoff, the longer it takes to achieve that return on investment, the more likely the investors are to pull the plug.

While bike and component suppliers are ubiquitous in the sport's sponsor circles, global corporate entities like Deloitte are not. Doug Ryder, who runs the Qhubeka South African-based team, diligently built a strong relationship with Deloitte, and secured it as a financial partner. Ryder, unlike most other WorldTour team operators who push a commerce-first philosophy, has a team with a social mission that works to enhance the market image of his sponsors. But sponsors have ever-evolving corporate objectives; having dipped its toe into pro cycling's marketing game, Deloitte may have seen an opportunity to take more of a leading brand role with BMC's program, and to gain further exposure via the team's contenders for the Tour de France. What cycling sponsor wouldn't if it had the chance? (At the time of this writing, it is not clear exactly what Deloitte's role in pro cycling will be beyond 2019; no one is talking.)

Many of the naming-rights level sponsors of ProContinental and WorldTour teams are successful brands to be sure, and some have been in the sport for decades. Most of these long-time supporters have been reinforcing their positions in the core European markets – companies like Quick-Step or Lampre – or are foreign brands attempting to make inroads into new European markets – like what Garmin achieved during its backing of Slipstream Sports. But a strictly Eurocentric approach may also be slowing the sport's potential and longer-term outreach to global audiences and new markets.

It bears repeating that the primary financial support for pro cycling is not broadcast licensing, or ticket sales, or merchandising when we consider these challenges. These substantial sponsor donations from patrons and corporations, in exchange for marketing exposure, are precisely what keep the sport alive. And given the potential brand image risks due to doping scandals and the recent declines in viewership numbers, the pool of those potential economic sponsors appears to be shrinking; companies are not exactly beating down the sport's doors to make investments.

BMC's current plight raises the question of how the sport can change its value proposition to encourage more investment. One key area already discussed is the sport's broadcasting and licensing model. But there are other changes that could quickly create a positive incentive for teams right now – and some of them are painfully simple. For example, it may be time to ditch the sport's outdated regulations regarding team identity and branding. Currently, teams are governed by a strict sequence of UCI codes (1.3.036 through 1.3.038) which stipulate where and how a sponsor logo must appear on the team's clothing, but which sometimes restricts the team's ability to capitalize on market changes to enhance its revenues, as we discuss below.

First, the primary sponsor's logo must *always* be the most prominently displayed on team clothing, and to be the name of the team. The process for adding, swapping, and registering sponsorship changes is time-consuming and hugely bureaucratic. Even if a team has opportunities for short-term sponsors or marketing placements for important regional races or specific races in emerging markets, by rule it can only modify its kit design once per season and for just one race. Furthermore, those new brand logos would have to be smaller and overshadowed by the team's primary sponsor's logo placement, unless the team went so far as to re-register under a new name with the UCI. And again, the UCI would have to approve each of these requests. Given the highly competitive nature of sports entertainment marketing, and compared to how other league sports capitalize and celebrate the team jersey as a billboard, these kinds of nit-picking regulations seem archaic and highly counter-productive.

What if a team like BMC could independently value its jersey chest space for $3 million at Flanders, and $10 million or more at the Tour de France? What are all of those placements actually worth if you could tailor your program specifically to the marketing possibilities inherent in each race throughout the season, vs. the current one-time, averaged formula lump-sum investment model? The need for these kinds of changes inevitably drive many observers back to consideration of some kind of franchise model – which would allow team owners to respond faster to market opportunities with technology-driven sports content strategies, and where team could better help steer the economics in partnership with the race organizers. The BMC case shows that team owners need more than a three-year UCI license to offer sponsors what they're looking for.

Almost every major niche sport that is successful today, from e-sports to mixed martial arts to surfing, has a dedicated online platform and licensing strategies which lower the barriers for viewership to engage and energize new fans. Many sports have experienced rapid global expansion and connection with new markets, especially through social media and these sports content platforms. But right now, there simply is little flexibility for cycling team owners to maximize the value of their teams. Sports and entertainment markets are moving faster than the sport's regulator, and pro cycling's content licensing and delivery model limits its market reach to its potential global audience. It is increasingly apparent – from the buyer's perspective – that sponsorship of a WorldTour team is difficult to justify without the guarantees of global reach, exposure, or stability as part of the package.

In some respects, some of the more entrepreneurial team owners have made inroads in cycling's sponsorship game, but this has been limited in scope. As mentioned earlier, Qhubeka has leveraged a long-term social mission to successfully boost its sponsors' brand image. Slipstream Sports has perhaps come closest to operating like a franchise, leveraging public perception of its American team identity to rally a fan base; it has hit some roadblocks, but managed to secure a last-minute deal. Just two years ago, we argued that the former IAM Cycling Team's assets and license could have been snapped up at a bargain price, and remodeled as a blank slate for an entrepreneur to enter into the WorldTour arena – not as just another team, but as a mature team sponsorship vehicle on which the owner could build a long-term sports marketing business. But with no buyers, the team was only worth the physical assets it liquidated when it closed down.

BMC has been one of the sport's most successful programs, but that still might not be enough to replace its sponsor and compete at its previous capacity – something the highly successful Team High Road also experienced several years ago before it folded. It can be argued that cycling needs to present more value and manage its risks better to elicit those primary corporate, named-sponsor investments in the future. The sport's dependence on the Tour de France is now becoming too obvious in that value proposition. When one considers the rising operational costs, heavy WorldTour appearance demands, and stagnating viewership numbers, a three-year WorldTour license might not be worth three weeks of airtime each July to potential team investors.

BMC might be the biggest team to date to reach this impasse – and hopefully it may yet survive in a some capacity. But with every team fighting to secure sponsors from that same pool of possible investors, pro cycling's stakeholders should not wait any longer to consider serious structural shifts like franchise licenses, simple regulatory reforms to encourage marketing flexibility and novel investments, and new global outreach strategies that could unshackle its economy. This seems like a no-brainer.

Steve Maxwell and Joe Harris, June 20, 2018