

Coronavirus Poses a Major Threat to Pro Cycling Sponsorships

Pro cycling managers are worried that the coronavirus COVID-19 pandemic could spell financial ruin for teams across the sport, as major sponsorship contracts could be annulled or ignored by the unprecedented strain placed on major companies by the virus. This sentiment was one of several alarming perspectives that were shared with The Outer Line by multiple team managers we spoke to about the mounting pandemic and its potential impact on the sport.

The Outer Line recently reached out to team managers to find out how they are coping with the racing shutdown in the wake of the COVID-19 shutdown. While it's clear that most don't want to speculate publicly about where things are headed, several were willing to speak off-the-record. Their general hope is that the sport will still be able to recover some of its season, and that sponsors will receive at least some return on their investments.

But there was also a begrudging acknowledgement that while teams may have theoretically binding agreements in place with their sponsors, these are also unprecedented times, and anything can happen.

Sponsors pay big bucks to see their names advertised on the moving billboards that are professional bike racers – and it's those bucks that allow pro cycling to flourish. The UCI allows each pro team to have two name or title sponsors, whose logos and names appear prominently on the team's jerseys. Those sponsors pay millions of dollars for the privilege. The way in which those millions are actually paid can vary widely; some sponsors pay in a lump sum at the beginning of the season, some pay monthly or quarterly, others pay based on incentive targets or when the team reaches certain milestone objectives.

Yet multiple team managers admitted that it's going to be pretty hard for the team to enforce a contract if the sponsor decides to walk away. As one team official observed, "Contracts are all well and good until the company becomes insolvent, or just decides not to pay. Then what's a team going to do?"

Regarding sponsorship contracts, Team Sunweb CEO Iwan Spekenbrink pointed out that sponsorship agreements often include clauses requiring compliance with relevant national laws.

"Teams and sponsors are simply complying with contracts, which in this highly unusual case means not racing, because it has been temporarily prohibited by law in most countries." But the fact that teams are holding up their side of the contract doesn't insure that their sponsors necessarily will.

And one team leader pointed out that a number of team sponsors are up for renewal at the end of 2020, implying that 2021 could see significant reductions in team budgets, with many riders needing to take a haircut.

The most immediate sponsor concern is the economic risk facing their own businesses; if their revenues are going to be significantly impacted by the coming economic downturn, companies could quickly lose interest in sidelight activities like sponsoring cycling teams. It is a given that most companies are going to face tough economic choices over the coming months, and those in certain hard-hit industries may even face bankruptcy. A few teams mentioned business interruption insurance, but few policies cover events like the coronavirus pandemic. Such extreme or unpredictable events are typically categorized as force majeure, or "acts of God," and are excluded from coverage.

The Outer Line doesn't have any specific financial information about individual companies, outside of public reports. However, it's clear that several pro teams are sponsored by businesses and industries which are already getting hit very hard as the global economy reacts to the spread of COVID-19. Teams Sunweb and EF Pro Cycling, for example, are both backed by companies squarely in the middle of the international travel and tourism industry, which is quickly grinding to a virtual halt. Other sponsors like

CCC, Trek and Mitchelton-Scott are largely focused around retail customer businesses, which are also likely to be hit pretty hard.

Largely lost in all the frenzy about the coronavirus is the fact that world oil markets are simultaneously in free fall, and several cycling teams are sponsored by entities which will be heavily impacted by declining energy prices. Bahrain-McLaren and UAE-Team Emirates are the prime examples, but this may also impact Team Ineos and other companies in the broader petrochemical and downstream industries. Astana, supported by Kazakhstan's sovereign wealth fund Samruk-Kazyna, which derives a large portion of its funding from the state oil and gas company, is already compromised; apparently riders there have not been paid in months.

On the other hand, teams like Movistar and NTT Pro Cycling are backed by companies offering core services that will likely be more in demand during this crisis, and hence could even grow and strengthen as a result of the coronavirus. Other teams, like Jumbo-Visma may also be in a relatively stronger position; their two key sponsors are in supermarkets – which are having record sales – and cloud computing.

For other teams, the situation is a little harder to predict. There are several WorldTeams which are backed by banking or insurance businesses – and it's hard to predict at this point how those industries will fare through the crisis. Companies like Deceuninck, Quick-Step, Bora, and Hansgrohe are largely dependent upon new building, remodeling and construction activities, which have slowed or stalled for the foreseeable future. Other teams, like Israel Start-Up Nation and Team Ineos, are essentially backed by wealthy individuals; given that global stock markets have collapsed by almost 30 percent in the last few weeks, such patrons may have other things on their minds than sponsoring bike racing teams.

Among the key second-tier ProTeams (formerly Pro Continental) there are several that would also appear to be at greater risk. Niki Terpstra's team Total Direct Energie is primarily a French oil and gas producer whose stock price has fallen almost 50 percent in the last month. The B&B Hotels-Vital Concept team, featuring Bryan Coquard and Pierre Rolland, is backed by a regional Brittany-based hotel chain; at this point, any hotel company not part of a major global chain like Marriott has to be somewhat concerned for its near-term future. And of course the same market factors will similarly affect women's pro racing, at a critical moment in its economic and structural evolution.

Team managers also cite longer-term worries. Even if the larger and more stable sponsoring companies decide to stick with their teams through this damaged season, there could be implications for relationships next year or beyond – as companies try to renegotiate terms and somehow mitigate the losses which will probably be incurred this year. What about the 2021 pro race schedule if there are still areas of the world under quarantine? What if there are fewer races to attend, or if some races are dissolved and fall off the calendar? Several team managers also bemoaned the lack of alignment on messaging between event managers and regulators; mixed messages that emerge in times of great uncertainty are hard to decipher, often misleading and not always very reassuring.

The elephant in the room at this point, and the worst-case scenario, revolves around whether or not the sport's marquee event – the Tour de France – will go ahead as scheduled, or at a later date. As we have [highlighted](#) many times before, a hugely disproportionate amount of the total revenue and visibility of the overall sport derives from this single event. If it was to be cancelled, the impact on sponsoring entities would be huge. Indeed, many contracts specify appearance in the Tour as a prerequisite. The impact of cancellation could be staggering. Some team managers and other officials privately worried that as many as half of the WorldTeams would collapse if the Tour is cancelled.

Given the devastating economic impact that will result from cancelling major sporting events like the Tour or the Olympics – it is little wonder that top officials like David Lappartient or Thomas Bach are hesitant to make a snap decision. At the same time, global healthcare concerns and coordinated efforts to stop the

pandemic obviously have far greater precedence and significance than the solvency of a pro cycling team or the traditions of a sporting culture.

And of course at the bottom of this economic food chain are the riders. If sponsors start to drift away as economic concerns deepen, teams will have little recourse. Going to court to sue your own sponsor is probably not a very practical approach, and as businesses across the spectrum are finding, insurance policies are unlikely to cover anything. The UCI does maintain a fund geared to guaranteeing rider salaries in the event of a team economic collapse, but that would last only two to three months. For those more precarious sponsors, team riders could find themselves out of a job, with little recourse. One manager pointed out the ripple effect this could have – of riders taking significant pay cuts, as a glut of talent floods the market when racing does start up again.

As Patrick Lefevere, the outspoken head of the longstanding team Deceuninck–Quick-Step said this past weekend, such developments could quickly upset the entire business of pro cycling, and could completely reset the landscape – from the top to bottom. Other team managers echoed this concern privately. The whole situation once again underscores the weaknesses in the legacy [business model](#) of pro cycling.

Other pro sports teams can better weather prolonged breaks, because they have built more independent models. For example, when the Denver Broncos' former stadium sponsor, Sports Authority, abruptly entered bankruptcy and was unable to fulfill its sponsor obligations, it didn't endanger the entire franchise; the organization could rely on other in-house revenue streams and valuable TV rights to fill the gap until they found another company willing to take over the sponsorship. If professional cycling can't somehow move to evolve its business model and reduce dependence on sponsorship, it may be feeling the economic effects of COVID-19 long after the pandemic subsides.

But the picture is not entirely bleak. Teams are doing a lot of [creative things](#) to stay active, remain engaged with fans and continue building value with sponsors. For example, NTT Pro Cycling team manager Doug Ryder said, "To ensure that we remain relevant for the period that there isn't any racing, we are focused on doing internal team-building with our partners/sponsors. Understanding that they are going through the same situations as we are, and trying to stay connected as a team, we are focusing on the three things we really care about – family, purpose and opportunity – and how can we do more now to continue engaging with our fan base."

Some hope that pro cycling could emerge stronger and more sustainable on the other side of this tragic pandemic – that perhaps this will finally force a wholesale reexamination of the sport, how it is structured, financed and managed. Said Trek-Segafredo team boss Luca Guercilena, "This emergency brings up the weakness of cycling business model, the absence of a long-term view for the teams, and our total dependence on the sponsor. There is a risk that some sponsors and their teams will be hit too hard to survive. We have to realize that teams and organizers are completely interdependent; now is the time to really work together to find solutions and to create a new model, coming out of this crisis – to sell the best product possible."

[By Steve Maxwell and Spencer Martin, March 24th, 2020.](#)