

## Gambling on Pro Cycling's Future

The lack of an expanding and diverse fan base is close to the top of the list of pro cycling's many economic challenges. Despite big marketing gambits like new races, new formats, and foreign starts for the Grand Tours, the sport hasn't really pushed very far beyond its established viewing base over the last couple decades. [For reference](#), NBCSN's live coverage of the first fifteen stages of cycling's Tour de France in 2017 averaged 298,000, down from an average of 336,000 viewers in 2015, and an average of 1.6 million viewers [in 2005](#) (when it was known as the OLN Network). The general strategies employed by the media have failed to broaden the WorldTour's appeal to fresh, new and younger audiences as effectively as they could have.

However, the sport may soon be able to literally bet on a bigger economic prize. The US Supreme Court recently struck down a 1992 Federal law, the Professional and Amateur Sports Protection Act (PASPA) that effectively limited legal sports betting to one state. As a result, sports like cycling now have an open and legal pathway to start capitalizing on the estimated \$150 billion in illegal wagers on professional and amateur sports that Americans already make every year – and possibly a cut of the wider global wagering.

The US is not professional cycling's biggest market, but it does have one of the world's most robust betting economies. Pro cycling is widely perceived to be a complicated sport – with its Grand Tours, Classics, and multiple layers of points-related competitions – but what if it were presented in a new way for neutral bystanders to figuratively put skin in the game? Legalized sports betting has potential to drive new fan interest in niche sports like pro cycling by creating a financial incentive for those fans to get more engaged in its history and competitive strategy, and in turn drive the demand for live viewership.

**Integrating Gambling Into Future Revenue Growth:** While sports betting has been legal for years in the United States, it has been restricted to select casinos in Nevada, black-market offshore wagering operations and illicit bookies. Sports betting has also been legal in Australia and western Europe (the U.K., for example, has the biggest legal market) for years. Sportradar AG, a Switzerland-based data company that monitors international betting markets for fraud, estimates that €1.5 trillion (\$1.8 trillion) in wagers are placed worldwide annually, with the vast majority going through unregulated markets.

In the US, annual illegal sports wagers are estimated to total somewhere between \$50 billion and \$150 billion, while Nevada's official record of legalized betting tallied just \$4.8 billion in 2017. These simple numbers indicate the massive untapped gaming potential in the United States. Additionally, as administrative friction in betting markets is decreased, with new wagering options technologically enabled for bettors, the size of this market is likely to significantly rise.

Countries with existing robust legal gambling can serve as examples of sports betting coexisting with live sports, but these only scrape the tip of the iceberg in terms of potential new innovations and approaches. A number of US telecommunication and media companies are already ramping up to deliver integrated betting alternatives on their entertainment platforms, across a wide range of sports.

Verizon, for example, is [rumored to be making a huge play](#) to position itself to host mobile gambling for the major US sports leagues. The company already possesses streaming rights to some National Football League and National Basketball Association games, which opens the door to integrating real-time betting applications alongside live broadcasts. Verizon CEO Lowell McAdam and NBA Commissioner Adam Silver have already discussed a joint investment to develop features like quarter-by-quarter fantasy betting in basketball games. Verizon and the NBA believe this feature could boost fans' interest and engagement in live games, even otherwise boring ones. This kind of in-game, real-time wagering could tap into a fan base that is currently being courted by a multitude of other mobile game apps and interactive entertainment options.

Massive revenue boosts have been forecast for the sports which can most quickly mobilize media, business, and technology partnerships to hit the ground running. Mainstream franchise owners like Mark Cuban are reportedly excited about the legalized gambling announcement, as they feel this allows them to integrate themselves into the betting infrastructure and get a piece of every bet that takes place on their teams.

These opportunities extend well beyond the big-time professional sports leagues; smaller-market sports and college athletics – particularly major TV events like the “March Madness” tournament – already attract major legal and illegal wagering.

**How Can Cycling Place Its Own Bet?** So what about pro cycling, where one can already wager in limited markets? How can this development be leveraged to drive broader interest and viewership in the sport?

At first glance, cycling would appear to offer many varied and interesting alternatives for in-race and live wagering. For example, real-time betting lines could be developed for intermediate sprints or mountain ascents, top five finishers, top team and so on. However, as we have pointed out previously, [pro cycling lags behind](#) most other sports in terms of its broadcasting options and market reach. Revenue opportunities for teams and race organizers have been limited to date, because the sport’s premier race schedule is scattered across multiple platforms, with no single party able to consolidate the broadcasting rights in a coherent or monetizable way. Building an integrated viewing and betting platform will be difficult to implement in the short-term but it should certainly not be impossible, given the powerful financial incentives on the table.

Over the longer term, a betting platform that is integrated into the viewing experience, perhaps similar to France’s TVG betting/viewing network, could popularize cycling similarly to what TVG has done for horse racing. Furthermore, road cycling provides a perfect, untapped market for similar “numbers nerds” and gamblers to sink their teeth into. Some of cycling’s long transitional stages, which often trend towards long and uneventful stretches until the final sprint, could be recast as the time to study ever-changing race situations and strategies, in order to place a wide variety of bets. A Grand Tour stage that was previously long and boring, with even just a few new intermediate sprints, suddenly becomes an asset that entices bettors to engage with the content and wager on the outcomes.

At its core, bicycle racing is a game like any other, with ever-evolving action that could be uniquely leveraged for positioning bets. Bets could be placed on when, or if, the early breakaways will be caught. Odds would change as the gap increased or decreased, which would aim to drive engagement during periods that currently offer little to no entertainment value. These type of bets could be extrapolated out to other complicated – or even frivolous – wagers on who will be the first rider over the first classified climb, the first GC rider to be dropped on the stage, how far out Thomas De Gendt will attack, or how many times Chris Froome will glance down at his stem on the final climb.

An over-the-top web streaming platform, integrated with real-time online gambling, has the potential to unlock a lot of the monetization issues facing cycling broadcasts, and could provide stable revenue streams to the stakeholders. And from the sport’s media and commentary perspective, it also opens up endless opportunities to monetize informational content, as many cycling fans already subscribe to multiple sports gambling podcasts, websites and newsletters.

**Current Legal Cycling Gambling Examples:** There are many contemporary examples of legal gambling on the sport of professional cycling. Unfortunately, due to the small pools of bettors, the odds are often quite unattractive to those who might otherwise gamble on the sport. These downsides could be remedied if cycling wagers were brought under the umbrella of major American sportsbooks with the market liquidity to increase the incentives of bettors by virtue of more appealing odds.

Cycling has always suffered from the huge economic disadvantage of not having loyal, regionally-based supporters like stadium-based sports leagues. However, the convenience of any new viewing/betting platform, whether connected by smartphone or tablet, interactive TV, or laptop could potentially entice a wide variety of new participants into the cycling sports economy. This could increase the interest and viewership in demographics that aren't currently watching, in turn bringing more revenue for the sport to reinvest in its broadcasting reach.

A major upside for complex niche sports like professional cycling is that major gambling institutions don't have dedicated experts or informational systems in place. The lack of meaningful historical data, and the overwhelming amount of analytical noise in professional cycling, makes it difficult to predict future performances using just a spreadsheet. Highly knowledgeable cycling fans will have a strong advantage over an institution with a lesser knowledge of the sport when it comes to weighing the odds.

As one brief example, the top two favorites for the upcoming Tour de France on the sports betting site, SkyBet, are Richie Porte and Chris Froome. Porte has never finished on a Grand Tour podium, while Froome is coming off an extremely difficult Giro d'Italia win, which makes a Tour de France win less likely. And arguably, the odds for other Tour suitors, who are building into form and capable of capitalizing on any Froome or Porte weakness, are underrepresented. These kinds of circumstances make betting an extremely ripe proposition for many die-hard cycling fans.

**Increasing the Pool:** Gambling is a major driver of broadcast viewership for many major US sports. Viewers tune in to watch the outcome primarily due to the bets they have placed, as opposed to being passionate about or appreciating the beauty of the game. Many fans already place bets through illicit channels, or play daily fantasy leagues in which participants earn money based on the actual statistical performance of their pre-selected players, in real-world competitions.

Real-time betting opportunities could reinforce current fan interest and simultaneously attract potential viewers to watch the live broadcasts, building up and strengthening the sport's fan base. Demand for more hours of live coverage in all of the sport's markets would increase in step with the wagering, forming a positive feedback loop. The first cycling-based system that integrates race viewing with the odds making and betting could set a new tone for how, and why, fans tune into the sport.

**Potential Downsides:** While there are many potential upsides, there are also some big downsides and possible moral pitfalls that could come with high-volume legalized sports gambling. Chief among these are the incentives for corruption. Match-fixing, and the potential for compromised competition, are major concerns for nearly every sports league around the world, and certain sports are already struggling with various forms of corruption. Two Malaysian badminton players were recently caught taking bribes to throw matches, while FIFA discovered referees (who were slated to officiate the 2018 World Cup) were caught taking bribes.

Sports gambling is legal in many major cycling viewing markets, and some comfort can be taken from the fact that this hasn't yet led to widespread race-fixing. Several years ago, the [Australian publication RIDE](#) published an article after sports gambling was legalized in Australia, that expressed concern for widespread race fixing. Since that legalization, there haven't been any proven cases of races being fixed due to betting odds. (There have always been controversies of riders "gifting" races – which is often viewed more as an indication of good sportsmanship or gaining/fulfilling a favor than cheating or corruption. This, and the contentious issue of "buying and selling" races will be covered in a future article.)\

Gambling could pose a real concern for cyclocross, track, BMX, and mountain biking. However, road cycling has the advantage of having a large number of roughly equally-matched participants squaring off against each other in well-organized teams – which increases the variables and makes it very difficult to fix

a race. While the current UCI president David Lappartient [raised the possibility](#) that in-race two-way radio communication could potentially be used to alter races, no professional riders or directors asked believed it was possible to fix a race due to the nearly endless possibilities of race outcomes.

Many people believe that legalized gambling will lead directly to an increase in sporting fraud and corruption, but the facts don't support the assumption. In US sports, the negative impact of gambling upon the game was perhaps most prevalent in the early and mid 20th century – when sports gambling was run almost exclusively by organized crime syndicates. This was most famously exemplified by the infamous [1919 Black Sox Scandal](#). As outlined in Eliot Asinof's 1963 book *Eight Men Out: The Black Sox and the 1919 World Series*, the "fix" was funded and organized by the famous gangster Arnold Rothstein.

There has been more contemporary match-fixing and point shaving, but almost all have been exclusively related to illicit betting. Although it may at first seem counter-intuitive, it actually becomes more difficult to compromise the integrity of sporting events when these betting markets are legitimized and monitored. Points-shaving scandals like that of disgraced NBA referee Tim Donaghy (who manipulated game scores to benefit mafia associates to whom he was indebted), and the 1978-1979 Boston College basketball team scandal, were the results of organized crime's attempts to exert control over US gambling.

Today, house oddsmakers and law enforcement can intervene when large bets, or swarms of bets, suddenly go against the norm. The US Federal Bureau of Investigations (FBI) maintains an entire division focused on illegal sports gambling. Legitimate sports betting markets can be properly monitored with sophisticated anti-fraud software that detects over-leveraged positions on obscure prop bets, and other suspicious activities. The US Securities Exchange Commission (SEC) has used big-data monitoring to successfully detect nuanced insider-trading schemes, and the major American sports leagues are likely to adopt similar methods to closely monitor bets on their events.

However, the larger the market, the bigger the payout for the conspirators. Any manipulation such as the bribing of a referee, or points shaving can have a huge effect because the current closed-system in sports gambling has limited regulatory auditing, and this is a blind spot for illicit activity. A legitimized and integrated gambling structure will need to include a regulatory and enforcement organization to monitor the volume and context of betting data, and alert race-organizers and governance officials to any suspicious betting activity before, and during the events.

The incentive for gambling-related corruption is more prevalent in non-centralized leagues, and when athletes are under-compensated. League structures like the NBA and NFL, which have strong players associations and collective bargaining agreements for revenue sharing, have a lower risk for corruption than more disparate and wide-ranging organizations like FIFA, or those which rely on unpaid labor like the NCAA. This is the reason major NCAA sports have suffered with point-shaving scandals in the past, and are concerned now about the ramifications of wide-spread legalized gambling.

Race-fixing risks can be reduced by channeling dividends from legalized gambling back to a profit-sharing structure that fairly compensates the athletes. As we have argued many times in the past, a stronger and more cohesive riders' union is a prerequisite for meaningful change and advance in the sport. A collective bargaining agreement which includes dividends on any legalized gambling revenues collected by professional cycling would also exponentially increase the funds to sustain teams, build race viewership, and appropriately compensate the riders.

**A Reality That Can't be Ignored:** Legalized gambling is coming to professional cycling's various disciplines, like it or not, and it has the potential to drastically alter the sporting landscape. It will drive a new economic reality, helping to boost media properties, accelerate the use of editorial and forum-based communities to sell premium content, build up a new fan base, and nurture other revenue streams like merchandising. However, checks and balances will also have to be set up to prevent abuse and collusion

amongst riders and teams, and to manage the risk of race outcome manipulation.

Professional cycling has historically stacked the odds against itself by allowing proven innovations and revenue opportunities to pass it by. The emerging sports betting landscape will have wide-reaching social, economic, and technological implications, but it could also be the catalyst for rapid reforms. There are undeniable upsides and risks, but if cycling can build its own integrated gambling and viewing platform, or find the right partners to build a joint venture, the entire sport could benefit. The only gamble for cycling's key stakeholders now is how quickly the sport can adapt to the coming changes, and benefit from the opportunities.

*By Spencer Martin, with Joe Harris and Steve Maxwell – Originally published on VeloNews, June 27, 2018*