The Pro Cycling Media Market: Challenges and Opportunities

(Co-Editor Steve Maxwell takes a comprehensive look at the cycling media landscape, reviewing the myriad challenges of recent years, and suggesting five key factors for future success.)

Introduction: In 2019, **The Outer Line** published a **detailed analysis** of the pro cycling media marketplace, highlighting over-capacity and predicting an imminent consolidation and industry downsizing. At that time, we estimated that there might be some 50 viable cycling media entities – ranging all the way from large and well-established legacy print magazines and websites to small podcasters, YouTubers, video producers, and independent "labor of love" bloggers. Print magazine subscription rates were collapsing as publishers increasingly gave away free digital news and editorial content. Endemic advertising was **rapidly decreasing**, as cycling-related brands migrated more of their ad spend to cheaper and simpler Google, Facebook or other social media and big tech platforms. In addition, more teams, events and athletes were producing their own content via social media – and thereby becoming less accessible to journalists. The confluence of all these disruptions seemed to be hastening the death of print publishing, and presaged an imminent but uncertain transition to a more fully digital future media market.

The challenges that confronted pro cycling media at that time reflected conditions in many other niche sports verticals, and many of those predictions have materialized. Change has happened faster than predicted, and niche sports media players have had to evolve quickly. Many traditional titles and familiar publishers are gone. Financial tightening and broader economic headwinds that began to develop in 2022 only intensified the pressure on media companies – triggering severe cutbacks and widespread lay-offs across all types of media companies. Blowback regarding layoffs and shuttered titles lit up social media, and the dust is unlikely to settle any time soon. This article examines the challenges and opportunities going forward – utilizing pro cycling as a microcosm to illustrate trends that are affecting much of endurance sports and outdoor media.

Background: Consolidation began in earnest in the cycling media arena several years ago. Among the key early transactions were Discovery's **purchase** of EuroSport and its follow-on **investment** in GCN; the **acquisition** of Competitor Group's endurance sports brands by Ironman; the purchase of *CyclingTips* by PinkBike; and the reacquisition of *CyclingNews* and *ProCycling* by Future Media.

But the primary consolidating force that eventually emerged in the endurances sports media field was Pocket Outdoor Media. **Formed in late 2017**, the company acquired a small and struggling sports media business from the World Triathlon Corporation – comprising four legacy sports titles (including *VeloNews* and *Triathlete* magazines) that were on the verge of closure. After stabilizing the original platforms, and following the implementation of a **new management team** and significant new investment in 2019, Pocket Outdoor Media quickly assumed the role of industry consolidator in the outdoor and endurance sports media field. During 2020 and 2021, the company conducted a rapid and broad-based industry roll-up, first acquiring a suite of titles from **Active Interest Media**, then several assets from **Big Stone Publishing**, a variety of smaller publishing and related companies, and ultimately purchasing ***Outside*** magazine and its various media properties. Shortly thereafter, the company also picked up the **PinkBike group of cycling**

platforms, including *CyclingTips*. By the end of 2021, the company had aggregated more than 30 different titles, including most of the major brands in North American outdoor sports.

After **rebranding itself** as Outside Interactive Inc. ("Outside") and bringing in **substantial additional investment**, the company tried to set about consolidating these various assets into a more compact and efficient organization. The basic strategy followed the logic common to most industry consolidations: (1) the industry was over-supplied; (2) many media companies were headed toward extinction, as they competed ruthlessly against one another for the same advertisers and readers in a crowded marketplace; (3) by rolling many titles together under one roof, the merged businesses could preserve the strongest assets, combine audiences and subscription bases, and maintain the best editorial talent; (4) the consolidated business could then be complemented with adjacent businesses – like sporting events, mapping services, photo apps and so on – to provide a more comprehensive and value-added bundle of services; (5) this would allow the company to attract and retain more customers; and finally (6) a more diversified and economically stronger player could emerge, able to offer more services to more customers over the long-term. Instead of three cycling titles competing each other to death, for example, one stronger cycling title could emerge – better-positioned to survive for the long-term.

Recent Industry Challenges: Many other social and global economic changes were occurring as Outside undertook this consolidation effort. Above and beyond the **unique** and **unprecedented** challenges of COVID, subscription/membership and advertising concerns continued to intensify. All media platforms realized they needed to **transition** their print operations toward digital – to shift their old paying print subscribers to some form of paid digital subscriptions or memberships, or put at least some of their content behind hastily fashioned paywalls. But – largely due to the widespread availability of free news and content – **most companies were still struggling** in this effort. Print subscriptions **were dropping** by as much as 20% per year while costs were rising – postage rates were soaring**;** newsprint costs doubled just during 2022. This confluence of factors put most media companies in an ever-tighter economic squeeze. Literally hundreds of broader news publications **were forced out of business** during this time period; others were swept up in consolidation, while fewer and fewer remained independent, fighting to survive. Cycling and other niche sports suffered the same challenges on a smaller scale.

The financial resources to support niche sport verticals continued to dwindle as equipment and accessory brands endemic to those sectors **continued shifting** their ad dollars towards **simple-to-use** and **easily configurable** social media or tech platforms. In some niche sports, ad page rates reportedly dropped by as much as 80%, while fill rates declined by 60%. All those dollars that previously supported news delivery, story-telling, tech and travel reviews and training programs were increasingly **redirected** by the big tech companies into their own research and investment areas – things like artificial intelligence, machine learning and the "metaverse." This left many niche sports media sites struggling to economically provide their legacy content.

Unfortunately, it wasn't just the commercial brands that were shifting their dollars and marketplace power away from the sport. Traditional media companies themselves often undercut their own positions by increasingly posting content and links on Facebook, Twitter and other sites. Over time, this allowed the social media companies to build better targeting engines and essentially say to endemic brands, "why buy from the publisher XYZ when we can give you the same audience for the same or lower costs?" Whereas

fifteen years ago, 100% of these brand dollars were staying inside to support endemic media, much of that spending was now going outside.

All these factors resulted in a fundamental shift of both dollars and market power – away from the original endemic media and sport, toward companies that don't really care about sports or the outdoors. Although many media companies and their advertisers still don't seem to fully recognize it, the long-term effect of losing all these dollars represents a fundamental threat to their own sport and livelihood. If this trend is not slowed or reversed, it could eventually spell the death of many sports media brands.

Current Conditions: Financial tightening and economic headwinds began to impact all industries during 2022 – and **media businesses** were particularly hard hit. On top of the internal and secular changes mentioned above, emerging economic uncertainties led to (1) greater caution and hesitation in terms of spending on the part of advertisers, and (2) a **slowdown** in the growth rate of long-term subscription or membership fees on the part of customers. Advertising revenue for many media firms collapsed during the second half of 2022; this quickly proved catastrophic for many players.

Cycling print media resembled a graveyard by the end of last year. Some print magazines like *RIDE Cycling Review*, *Cycling Active* and *CycleSport* had long since been shuttered. During 2022 a number of legacy stalwarts such as *ProCycling*, *VeloNews*, *Peloton*, *Bike* as well as newer and short-lived efforts like ***Beta*** and ***Stelvio*** all closed down their print operations to focus solely on their digital platforms. The venerable and more broad-based ***Bicycling*** was one of the only print publications still appearing on magazine racks. The larger and more digitally-oriented companies also faced an economic challenge, and Outside was no exception – conducting broad staff reductions in both May and November. New podcasts, newsletters and blogs began to emerge as a flood of laid-off former writers and editors struggled to retain their coterie of fans – all competing in a small market for the same readers and advertisers. Acrimony and bitterness ruled social media discourse, as disgruntled employees grappled to understand the larger forces at work, and the inevitable Monday morning quarterbacks vied to explain why new investment and industry consolidation had already failed.

Many observers are labeling 2022 as the worst year ever for cycling media. But it wasn't just the media. Major bicycle brands – including firms like Specialized, Zwift, Strava and Wahoo – also began to trim expenses, lay off staff and cut back on advertising. Some cycling media insiders seem to believe that the current upheaval is somehow specific to the industry, or the result of bad decisions at a handful of specific companies. However, the general issues facing the niche sports media industry **are virtually identical** to those facing **all media companies** – not just sports platforms. Cost squeezes and adjustments to the **rapidly changing marketplace** have caused **Disney**, Fox, Paramount and other larger public media companies' stock prices to fall by 50% or more during the past year. Massive lay-offs have occurred at most of the major companies, including **CNN**, the *Washington Post*, Paramount and others. As 2023 dawns, these **cutbacks continue** and uncertainties are intensifying, with many economists predicting that recessionary conditions will persist throughout the year.

Building Future Success: The cycling media industry may face its toughest internal and external

challenges in decades, but there *are* opportunities to shift direction, adjust strategies and succeed in the future. We believe that there are five key factors which will determine whether and how the cycling media can stabilize and reinvigorate its business model. While some of these factors may seem somewhat obvious, the ability to *adopt and actually implement* these strategies will largely determine who lives and who dies. Media firms must strive to:

(1) build back original advertising and find new commercial partners;

(2) develop a more authentic editorial brand and strategy – a "personality" to differentiate oneself from the competition;

(3) identify and define the specific characteristics and size of the target market they wish to serve;

(4) seek out and develop other new and complementary revenue sources that can be logically bundled with legacy media content to add value; and

(5) utilize the economic cushion of these strengths to grow digital subscriptions/membership revenues.

First, niche media platforms need to work even harder and interact more closely and productively with the primary brands in their markets. And that doesn't mean just trying to bring back traditional advertisers; it means broadening horizons as well, and identifying new potential partners. In the cycling sector, this includes the major bicycle manufacturers – including components, apparel and equipment – in addition to other retailers, training service providers, tourism destinations, environmental and "green" transportation groups, and so on.

For years now, many brands have been pushing their ad strategies toward companies that will likely never engage in their sport. As that happens, legacy media declines, and customers find it more difficult to decide what products to buy, what events to attend, or what places to visit. If these industry suppliers and endemic brands don't start to plow more of their advertising dollars back into their own industry, they are ultimately killing themselves. Hence, media companies must proactively work harder to convey the **severity** of this concern, so that endemic ad dollars start migrating back towards the dedicated media sites which follow and promote their sport. **Recent evidence** shows that, for the first time, the duopoly of Facebook and Google is **beginning to lose** some of its share of the $300 billion digital ad business. This is **encouraging news** for traditional media players, although thus far much of that shift is simply going to other big tech players like Amazon, Microsoft and Apple.

Some obvious ways to repatriate historical advertising revenues include exploring partnerships and diversification of **sponsored content**, building stronger affiliate relationships, promoting key events or hard good/soft good discounts, and other types of digital cross-pollination. If we want advertisers to help us, we have to look for new ways to help them. And there are plenty of ways to accomplish this without necessarily compromising independence; journalists will have to pragmatically balance editorial integrity against a tendency to cry wolf when asked to work more directly with clients to achieve better results. At the end of the day, media companies must foster a closer and symbiotic relationship between advertisers *and* customers; if any of these three parties are substantially weakened, the whole sport is jeopardized.

Second, media companies must strive to better create a unique editorial identity – a unique brand "personality" that is recognizable, and that is independent of any single editor. Companies must differentiate their product to stand out as a distinctive voice within their target community. A common criticism heard today is that many websites look the same – they often mimic each other, chasing after the same news stories, generating similar tech or travel pieces, and failing to differentiate themselves much in the marketplace. If one website doesn't look that different from another, neither is going to generate much customer loyalty. And even the largest firms shouldn't try to be all things to all people. It will be increasingly critical for firms to focus on developing this kind of clear brand strategy, and the authentic personality and purpose that will endear them to their specific community of customers.

Third, media players really need to better define and understand their target audience. This can't be over-emphasized. Even though broad participation in cycling has grown (particularly during the last few years), the cycling media has done a poor job of addressing and expanding its potential market. To their own detriment, most of the cycling sites have chased customers who look, think and ride like their editors, providing elite-focused coverage of interest to only a tiny and often vitriolic sliver of the overall enthusiast base. The main cycling sites often seem to be fighting over the same 250,000 skinny, white guys. Meanwhile, *Bicycling* magazine – disdained as a "proletarian" product – has maintained a strong business by successfully catering to a broader audience. Absolute scale is important in this business; if parochial cycling sites can't find it within themselves to broaden their horizons and address new audiences, they may be doomed to repeat the self-cannibalizing practices of the past.

Fourth, media firms must identify and affiliate with other products and services of interest to their customer base. For many, it will no longer be enough to simply provide the news and stories; that ship has sailed. New media companies must seek out opportunities for bundling different services together, to make subscription or membership in their services more attractive and compelling to customers. This could include things like bundled access to multiple paywalled websites, event and registration services, marketplace forums to swap ideas or trade equipment, training programs, collectibles or loyalty programs, and live sports programming. Additional utility-based revenue sources could include mapping or fitness apps, or external commercial and merchandising partnerships. Within the endurance sports market, for example, Outside has estimated that their average consumer is involved in at least three different activities – underlining the potential value of bundling. Highly successful bundling strategies have been developed in other sectors by companies like Disney, Walmart and Amazon. Scale will obviously convey competitive advantages in this regard.

Finally, firms that are able to make progress on these first four factors will have a cushion for survival, and

thus a far better chance to maintain and grow their subscriber or membership base. Building a comprehensive understanding of the size, characteristics and primary desires of targeted customers – and particularly that **core audience** that represents the bulk of digital engagement – will help facilitate the design of a specialized and high-quality set of products. As a firm builds that suite of products and services, it gradually becomes more necessary or indispensable to its audience, and membership grows.

Major media platforms like the *New York Times*, the *Wall Street Journal*, and the *Guardian* are often held up as models for other smaller media players to emulate. For some of these publications, digital subscription revenue is now more critical than advertising revenue (though that can bring its **own set of problems**). One of the best models to consider is the ***Times***, which has been able not only to preserve its news, commentary and opinion content, but has also bundled these legacy services together with new offerings – like sophisticated product review capabilities (**Wirecutter**), in-depth regional and local sports coverage (***The Athletic***), an array of games and puzzles, and detailed food and travel coverage – a diversified package which helps to build and reinforce the loyalty of online subscribers. The *Times* has consistently grown its digital base to **almost ten million** subscribers by bundling this more diverse set of offerings.

But there is a hard reality here, which must be understood by niche players – and that is again the issue of scale. The *New York Times* might have a potential digital audience of, say, 100 million people; if ten percent of that audience actually signs up, it will provide sufficient revenues to run a high-quality journalistic and economically viable business. On the other hand, the potential market for a niche sports digital membership may only be 250,000 people. Even if ten percent of those sign up for the service, it may not provide sufficient revenue to support a viable business.

From this perspective, many niche sports media sites face an existential challenge; for some, the total potential market – even under the most optimistic scenario – is perilously small. To have any chance of success, they will have to work even harder and be even more creative and innovative, in order to capture a significant share of that potential market. They will have to operate with a sharper pencil – assessing more accurately the size and interest level of their potential market, achievable audience conversion rates and subscription fees – in short, determining if the market is big enough to support a financially viable media business.

Maintaining Good Business Practices: While there are unique challenges facing the niche media industry, attention to standard "tried and true" business management fundamentals will always be critical for success. All of the basics that **we discussed** four years ago are just as important today, including the "blocking and tackling" type of day-to-day management skills; better monitoring and control metrics; better people management, guidance and motivation, and; an ability to recognize your weaknesses and fill in the gaps. Delineate your own strategy and then stick with it – don't worry about mimicking what everyone else is doing. Finally, maintain the proper balance between creative/content objectives and financial targets.

With respect to the last item, it is instructive to think of media firms as existing on a spectrum – with the creative/editorial features of the business on one end, and the financial/profitability aspects on the other. In

firms that are biased toward the creative side, management tends to view the reader as being the customer; with the help of advertisers, their main objective is to provide quality content to their readers. On the other hand, firms that lean more towards financial goals may view the advertiser as the customer, with the primary objective being to deliver maximum eyeballs. The optimal balance here is complicated. We all know media companies with great content that have expired because they failed to create enough revenue; at the same time, it is axiomatic that no media company can survive without good content.

Summary: Over the last two decades, the broad-based shift to digital and the creeping loss of advertising revenue has turned the media business upside down. The old models no longer work; many niche sports media operations find their longer term future in jeopardy. Media firms must continue to bang the drum more loudly on these challenges, while providing the kind of quality content and value that reinforces brand relationships and recurring customer revenue. They must also gently but constantly remind their customers that good quality journalism and editorial content are not free. If we as consumers want good content and more diversified services, we have to be willing to help pay for it.

Change in future media markets will be constant, digital behaviors will continue to evolve, and the pace of that change will probably accelerate. New and rapidly evolving technologies like artificial intelligence will likely complicate the industry in ways we scarcely imagine today. In striving to achieve a good balance between the five critical factors above, firms must be laser-focused on (1) constant innovation to produce and deliver the kind of differentiable and valuable content packages that advertisers are willing to invest in and customers are willing to pay for, and (2) building, scaling and efficiently managing a business that is proportional to the size of their market. When the chips are down, the important guiding light to remember is that there is still an audience out there – fans will continue to demand interesting news, stories, reviews, training programs, recreational suggestions and advice, and other content about their favorite sports. For many niche sports like cycling, it may not be a huge audience, but it is *still* there, and it *still* demands to be served. Media brands that can figure out how to build, scale and manage a business to tell the stories of a beautiful sport and satisfy – or delight – their consumers, will be able to achieve long-term financial stability.

Disclosure: Steve Maxwell was one of the founding partners of Pocket Outdoor Media, and is a minority shareholder in Outside. He writes regularly for VeloNews, but is not involved in the management of the company. Previously, he ran a boutique investment banking business serving the environmental industry. He is also the Co-Editor of **The Outer Line***.*