

Tapping Cycling's Hidden Goldmine - Part 2

As outlined in [part 1 of this series](#), professional cycling has a broadcast problem. Cycling is currently broadcast on free-to-air TV in the European heartland, while pay options are either expensive and/or not available in a unified viewing package at many other places around the globe. The fractured nature of race ownership and extreme splitting of TV rights across markets makes it difficult for a single entity to bundle together digital broadcast rights in a direct-delivery model. In this article, we examine how a global content delivery model could be built using the now ubiquitous over-the-top (OTT) web model, globally connecting the sport to its fans, attracting new fans, and opening new revenue opportunities.

The Tour of Flanders is a beautiful event and consistently provides thrilling racing, but U.S.-based cycling fans were disappointed to find that one of the biggest and best races on the cycling calendar was nowhere to be found on television. Fans wishing to watch the race through a legitimate web stream had to purchase FuboTV's subscription streaming service, which costs about \$54 per month.

For the Tour of Flanders, this left a market of millions of potential viewers in the world's largest economy inaccessible. Many other bike races are in the exact same situation.

This type of under-representation has to be addressed in order for the sport of cycling to open new revenue channels, build a more sustainable economic model, and minimize the effect of expiring sponsorship deals. But to get there, the sport needs to connect with its fans with a better value proposition, leverage new technologies effectively, and cooperate to unwind years of content license undervaluation and market saturation.

Connecting with fans: One of the core issues in many cycling broadcast markets like North America is that a significant number of major cycling races cannot be watched on legitimate channels. Fans literally can't connect to the broadcast content. To give an example of how invisible major races can be in the United States, Trek Bikes CFO Chad Brown — a company that sponsors a WorldTour team — had to resort to [asking his Twitter followers](#) what, if any, platform provided viewing for one of the biggest one-day races on the calendar, Milano-Sanremo. If the person cutting the checks to a WorldTour team is unsure of how to watch races, what chance is there for a casual viewer?

The lack of exposure has forced many viewers — most of whom may be willing to pay for a cycling broadcast — underground to pirate streaming sites. This makes cycling content difficult to monetize and has built a culture where viewers expect to consume the content for free instead of paying to view. It is proving incredibly difficult to reverse this embedded pirate-viewing culture. Even Brown [admitted on Twitter](#) that he resorted to pirate feeds to view Milano-Sanremo when the pay OTT service he purchased proved difficult to navigate. A high-profile bike industry decision maker is knocking on the door and offering to pay for a service, but without a functioning structure there is nobody on the other side to take the money.

Another issue is actually a golden opportunity: connecting fans to each other. Fans increasingly want to engage with each other over sports events and expect to find social media communities which facilitate these interactions. There are millions of such digital conversations taking place at any moment, sometimes on dedicated online sports platforms, and many others on Facebook pages and Twitter accounts. But during any given race, many of cycling's fans are isolated from the broadcast and only connect via social platforms which are not owned or tied to the sport in any way.

A league-owned digital platform could deliver and benefit from this demand and play a more influential role in delivering cycling to consumers. Such a platform can nurture the community interactions which drive fan loyalty, build deeper emotional connections for the sport, and add value to the online experience.

Consolidate interests: Major cycling races are caught in the paradox of being owned and controlled by competing entities: lack of cooperation between the race owners is a high barrier to consolidate these assets into a unified package. There is no scarcity of bike races and there are too many sources for racing content, which ultimately dilutes the licensing value of all the individual races.

Unifying seemingly dissimilar races into a pro league seems impossible, but the upside is real. While not an apples-to-apples comparison, England's top-flight soccer Premier League overcame the fractured interests of its individual clubs to end its existing television model and maximize its broadcast assets. The top 20 teams created this new league in order to directly control and benefit from the distribution and sale of their media rights. Although controversial at the time, this move has led to the Premier League clubs generating [more revenue per team](#) than any other team in the world, with the majority of that revenue coming from broadcast rights.

While there are deep-rooted nationalistic and competitive factors standing in the way of cooperation, the precedent of economic growth and stability is too big an upside to ignore for everyone in the sport to not consider negotiating in that direction.

Bundled or unbundled cycling content? The biggest argument for consolidation of licenses for the race content is value. While many different web streaming services have the capability to deliver the sport to more fans, this also requires die-hard fans to carry multiple bundles and packages to be able to watch a full calendar of WorldTour-level content. Rather than simplifying the consumer options, content producers have ignored conventional wisdom by reducing the economies of scale, offering too much product, not having enough delivery options, and increasing the expense to obtain the product to the point of turning off consumers altogether.

FuboTV is currently the best streaming option for North American cycling fans; a comparison of [race schedules](#) shows that Fubo offers by far the most extensive race schedule. However, the cost of this service is \$54 per month, which works out to a substantial \$648 per year for a streaming service that actually doesn't offer every key professional cycling race.

The bulk of Fubo's bundled fee covers a selection of traditional television channels for \$45 per month, while the cycling viewing package is an additional \$9 per month. If a Fubo customer already has a cable TV subscription, they are paying twice for many duplicate channels (in their cable selection and the Fubo bundle), instead of simply paying \$9 per month for an unbundled cycling offering. In contrast, Eurosport offers its streaming-only Player service to markets outside of the U.S., which delivers nearly the entire race calendar for a little more than \$70 per year.

There are a number of other cycling OTT streaming services offered at a lower price point than FuboTV, but these services don't currently offer the same wide-ranging schedule. For example, the NBC Sports Gold Cycling Pass package is priced at \$30 annually for a mixed schedule of ASO's main events like Liège-Bastogne-Liège, Critérium du Dauphiné, and the Tour de France, along with a selection of UCI events including the world championships. FloSports recently launched its FloBikes OTT service, offering a year-round schedule of second-tier but historically important races like the Tour of the Basque country, Tour of the Alps, Tour of Switzerland, along with a few domestic races like the Rochester Twilight Criterium, for \$30 per month, or \$150 per year with a 12-month commitment.

FloBikes, FuboTV, and NBC Sports Gold are each playing a card in the North American market, carving out niches with unique race portfolios, different value propositions, and dissimilar strategies based on their costs to acquire content. Whether bundled like FuboTV or unbundled but incomplete like FloBikes and NBC Sports Gold, how many fans are committed enough to purchase all three services?

A more coordinated and strongly enforced content licensing model could potentially reduce the disarray

either by forcing a contraction in the market or logically splitting the calendar content across different providers, or both. For example, creating a classics partner and a grand tour partner, or even a partner for broadcasting the entire women's calendar, which is still a roadblock for the growth of women's elite cycling.

The DIY alternative: As we have discussed ad infinitum over the past several years, cycling's basic economic model has always been on tenuous ground and it needs to build revenue streams that reduce dependency on the sponsorship model. What if the sport could create an ecosystem that enables teams to create a sustainable revenue source, as well as encourage and reward teams for creating meaningful engagement with their fanbase?

[USA Crits](#) recently launched a service that creates this option. It has a pay-per-view service that allows fans to purchase a \$55 season pass with access to live races plus video on-demand events from previous seasons, and video profiles of the participating teams. A portion of this fee goes directly back to the teams and the events. A unique dimension of this streaming is an affiliate program where payments can be earned by select teams and entities that refer viewers to the live stream.

Slipstream faced a potential sponsorship shortfall in 2017 and raised over \$500,000 directly from its fans. While its ability to crowdfund was impressive, it would have been more useful for Slipstream if it were able to offer something truly valuable in return. Teams would have a stronger business model if fans were able to purchase a streaming service through an affiliate model; the fans could have access to every available race their favorite team is racing, but with a direct benefit to support that team.

USA Crits is limited to criterium racing and leaves room for future expansion, but the subscription revenue sharing model could be a test case for potential services launched at the WorldTour level. An expanded version of this type of affiliate program would have the potential to drive revenue for participating teams, as well as editorial platforms and other marketing partners, and would reward these entities for fostering healthy fan engagement.

There is a precedent for a league- owned and created direct-to-consumer service experiencing success. A consortium of Major League Baseball's principal team owners has created MLB Advanced Media, which is regarded as the gold standard for live sports OTT direct-delivery. While this has been immensely successful for the MLB, entities like ASO lack the financial resources to build out their digital delivery systems. If ASO wished to deliver its product via digital streaming, it would need to find a digital partner that can provide the infrastructure. It would also likely be concerned that providing content directly to consumers would drive down the value of its Tour de France television broadcast rights.

Free-to-air or pay-per-view?: Should the sport continue to bet on its free-to-air TV legacy, or is it better off adopting direct-to-consumer delivery models that can be more effectively monetized?

This is a difficult question and one that needs to be tactfully handled. The Premier League took its product from free-to-air TV in the early 1990s and experienced massive financial success in the subsequent years due to the increased value of its broadcast rights. However, cycling isn't soccer — it isn't played in a stadium and lacks soccer's universal ability to tap into nationalistic and regional culture drivers. Abruptly pulling cycling's content from the traditional free-to-air channels in the most popular viewing regions could have catastrophic effects without the means to deliver that content economically, and globally, to the sport's paying fans.

Oliver Duggan, head of media at Rapha, believes there is a middle ground between pay-per-view and free broadcasting which cycling has not discovered. Speaking at the Play the Game Conference last November in the Netherlands, he said "There is no reason we have to restrict a certain offering and it would be harmful to do that. If they can come up with a model that broadcasts live sport for free online,

and then has a tiered subscription model. There are so many different content streams within the sport. There is a hybrid between these two that creates a revenue stream for media companies, as well as the teams and athletes, without restricting the audiences.”

The value of freemium: “Freemium” is an option that can entice fans to become content subscribers by offering a certain amount of free content before requesting payment or an in-kind contribution to view a complete show. For example, the NCAA allows fans to view up to three hours of “March Madness” basketball tournament coverage for free, directly on its website, after which the stream ends and the consumer is prompted to enter his or her cable provider credentials — or purchase an online subscription to see the rest of the games.

Placing races behind a paywall will not strangle casual interest from the sport if cycling carefully uses this strategy. A potential driver for converting fans over to a hypothetical online service is the offer of free viewing for certain races — perhaps even a classic or two, stages in grand tours — as a hook to drive subscriptions of premium racing packages that include every single event.

Freemiums also have the potential to drive revenue back to the sport through consumer sampling. Cycling’s OTT providers can build their freemium service around the capture of consumer information: to view the content for free, a consumer could be required to create a profile, receive an access code via email, and share some web browsing or profile details in order to run the streaming player. In this way, the consumer provides a more accurate marketing profile for cycling’s marketers, instead of attempting to inefficiently push advertising out to an unknown audience. This creates a different version of the advertising model, one which can pull targeted content into consumers’ current digital feeds, versus pushing advertising out indiscriminately.

Leverage rider data and archival footage: The sport of cycling has a valuable archive of old races and live rider data that could be captured and packaged in a multitude of ways. Cycling currently lacks any type of statistics capturing and indexing. A premium level of a streaming service could let viewers purchase access to both live and historical data, along with second-screen information that could be used to calculate for viewers what the percentage chance each breakaway has of staying away, or of the likelihood a certain rider will win by sprint — and provide instant recall to the races that rider has won in such a manner.

To date, cycling has not presented its supporting information in a cohesive, consistent, and compelling fashion despite the availability of technology to do so. The sport could be made more understandable and exciting with just a few visual cues, rider metrics, and geo-location enhancements, all of which could be integrated into a premium OTT experience with minimal cost impacts.

Driving digital value to save the sport: The television model is fracturing and the sport’s traditional audience is aging out. Cycling needs to turn the digital corner and shift from a traditional distribution model that fails to offer any meaningful interaction between viewer and product.

NBC Sports Gold currently owns the license to broadcast the Tour de France, which is the sport’s most widely viewed and valuable event, around which it could build an inclusive WorldTour OTT package. But there is an opportunity for a service like FloBikes to create a single cycling portal for racing content in the Americas. Few North American races can afford TV broadcast time-buys, but connecting with dedicated fans via an OTT service could increase viewership and provide race organizers with valuable revenues. [The Larry H. Miller Tour of Utah has demonstrated](#) that U.S.-based races can thrive by relying on OTT streaming for live viewing. USA Cycling could drive up the value of spots in its new Pro Road Tour calendar by helping such an effort along, either as a broker to connect online sponsorships or as a partner/investor in the service.

Internationally, delivery of cycling's most valuable content by a proprietary OTT service can help drive the sport's overall future growth. Even though the majority of pro cycling's viewership takes place for free in Europe and Great Britain, dedicated fans outside this traditional market have the proven financial means, access to technology, and emotional connection to the sport to pay a premium for its content.

Cycling is also a diverse sport of many disciplines. While the big draw has been men's pro road racing, there are rich opportunities for delivering comprehensive cyclocross, mountain bike, women's racing, and national racing calendars on a global scale. In short, cycling has only just scratched the surface of its digital potential. How the sport delivers its content effectively through technology, to connect with and value a growing and affluent fan base, will have a big impact on pro cycling's future profitability.

Spencer Martin for The Outer Line, April 11, 2018 (Editors' note: this article first appeared on VeloNews.com on April 4, 2018)