

Zwift's eSports Play Could Win Big

The 2019 professional road racing season is well underway around the world, from the elite women's and men's UCI WorldTours, to national calendar pro racing, right down to local events. Races seem to start earlier and earlier each calendar year, especially with many events taking place in the southern hemisphere and Middle East – and the pace is as fast as ever.

One reason for the fast start is the growing number of riders who live and train in warm weather climates during the off-season. But another facilitator could be the explosive growth of indoor stationary training platforms. Most time-stressed or weather-shuttered riders dread riding indoors, but a rapid evolution in technology and new products has transformed the indoor training landscape in just a few years. Zwift, in particular, has made a big push to expand the popularity of its platform and online racing products, and this change could influence the future of competitive cycling as it makes competition more accessible to more riders.

Zwift's startup success story has been shared many times in the business and cycling press, but it bears repeating that two cycling-savvy entrepreneurs — Zwift's co-founders, Eric Min and Jon Mayfield — turned a fledgling app for connecting turbo-trainers online into a worldwide phenomenon in just a few years. There have been over 1.1 million subscribers to the Zwift platform in the last four years, and that number continues to grow. The company is hesitant to disclose an exact number of "Zwifters," because the number of active users fluctuates with the seasons. However, the addition of competitive racing to its product strategy has become a key market differentiator.

Casual or social Zwift riders constitute most of its users today, but many competitive riders began using the service to coordinate pre-season workouts with teammates or coaching programs. "Informally, up to a quarter of Zwifters were already creating races," said Chris Snook, Zwift's PR manager, "that spurred development of an 'events' platform inside Zwift, where up to 300 informal races take place every day with results posted for everyone to see." At the same time, many pros have begun using Zwift as another social media channel, like a Twitter or Instagram account, but for their online training exploits, allowing other riders of all abilities to connect with and virtually ride with those pros. Soon, according to Snook, a model for eRacing began to emerge.

Competitive online racing isn't a new idea, but no company had been able to create a format with a compelling rider experience until Zwift made it a priority. Companies like Peloton focus on connecting users to ride together online via instructor-led training classes — a natural complement to its physical training studios and ubiquitous spin bikes. (Peloton declined to speak with *The Outer Line* about its business model or competitive landscape.) Other companies like Nordic Fitness and Echelon have joined that market, each offering its own 'spin' on personal fitness and the athlete experience.

But whereas these market competitors require their subscribers to use (and invest upwards of \$2,000 in) a compatible "smart" stationary bike to participate on their respective platforms, Zwift took a more pragmatic approach. Anyone with a simple indoor trainer and a speed sensor that connects to a compatible app can join the Zwift community using their existing bike. Smart hardware such as power meters and computer head mounts — equipment costing around \$400 — can improve the online experience.

Riders can synchronize their existing power meter with Zwift via ANT+ or Bluetooth, and their wattage output is then cross-referenced with their manually-provided weight, to create a watts-per-kilogram reading; this is then used to calculate speed in the virtual world. If the racer does not possess a power meter, Zwift uses algorithms in its platform to calculate watts based on the rider's body dimensions and cadence, which becomes the rider's velocity and performance on the virtual course. (eRacing participants must either sync an on-bike power meter or a power output-compatible turbo-trainer that enables real-time changes in resistance for climbing, wind conditions, and other virtual racing factors, and there are a variety

of Zwift-ready trainers already on the market.)

[The Zwift Academy project](#) built the foundation for its eSport activities. Zwift Academy was a season-long competition in which participants raced against each other online, and the winners were rewarded with pro contracts. The success of the first two editions, plus the popularity of Zwift's Events and lower barrier of entry of using the platform, led to the first unofficial 'National Championship' online races in February 2018. Barely a year later, Zwift staged an official National Online Criterium Championship for Cycling Australia license holders. Emboldened by these incremental successes, Zwift launched the international KISS (literally, Keep It Simple, Stupid) racing series. And the company will soon hold officially sanctioned championship races in conjunction with British Cycling and its license holders.

According to Snook, "We are pushing forward with a complete eSports platform. We've launched the KISS Pro League for cyclists in the UCI women's and men's ProContinental and Continental divisions, with over a dozen teams enrolled so far, including Axeon, Cofidis, Israel Cycling Academy, Madison-Genesis, Canyon, Vitus, and others. Plus, we will add high-powered wildcards teams which are born from the Zwift community – composite teams of virtual riders to compete against the pros – like a Zwift Academy team comprised of semi-finalists from our previous competitions."

The development of Zwift's online racing appears to have several near-term strategies, many of which will expand its eSports platform opportunities in partnership with national cycling federations. The company's influential boosters — who recently pumped a remarkable [\\$120 million Series B investment](#) into the company — are betting on a unique combination of factors proven elsewhere in online gaming that could accelerate cycling as an eSport, rapidly build new revenue streams, and boost the company's value.

Zwift will use the 2019 KISS series as a demonstration year and refine its eSports model from the learning process. From a revenue perspective, the KISS Super League will focus on streaming. For example, the upcoming British Zwift eRacing National Championships will be the first televised Zwift race broadcast live on BT Sport. "Live venue racing will be central – this sort of racing lends itself to a (traditional) TV audience. There is nothing planned or confirmed in this regard as yet, but the potential is there," said Snook.

Though the company is not divulging how many riders it expects to compete, or the number of countries it is negotiating with to add a Zwift championship, it has focused on the capability to stage a 2024 Olympics test event to showcase virtual competition to a global audience and start the path to become a medal event.

Despite the impression many have that eRacing, and to an extent eSports in general, are not 'legitimate' sports competitions, electronic-based competitions have immense popularity, with massive profits and international recognition. [The fastest growing segment of sports entertainment](#) are tournaments around such popular game platforms as Call of Duty and League of Legends. eSports were a demonstration event at the 2018 Asia Games, and will be an official medal sport at the upcoming [2019 Southeast Asia Games](#).

Zwift believes that it can disrupt cycling's status quo in various positive ways.

"We don't have any ambition to replace or take over traditional cycling," says Snook, a former UCI Continental rider. "We just want cyclists to be able to ride outdoors and indoors. By creating a realistic virtual outdoor experience when riding indoors, riders will have more opportunities to ride more often." (In addition to co-founders Min and Layfield's cycling background, Zwift's Vice President of Business Development, Mike McCarthy, was the 1992 World Professional Pursuit Champion.)

Zwift has no problems attracting competitors to the platform and its racing league.

“Athletes tend to approach us, rather than the other way around regarding participation,” added Snook.

In a way, Zwift has been able to justify and reinforce the legitimacy of its service and its events through the informal endorsements of high profile riders already using the platform. Zwift Academy drew over 10,000 applicants per season in the fight for a pro contract, and KISS Super League races have pulled in over 100,000 live-stream viewers (aggregated numbers from various streaming platforms) per event.

The success of Zwift’s Events and the Zwift Academy point to the bright potential for online racing, but all this success doesn’t come without some scrutiny. First, Zwift admits its current average subscriber largely reflect road cycling’s narrow demographics – white, male, and roughly 40 years old – and it may struggle for a while to broaden that market reach. In a larger sense as explored [by Joe Lindsey in his analysis](#), the Olympics goal is a strong and coordinated marketing push to expand its potential market globally.

Second, the convergence of athletic output and the virtual nature of Zwift’s platform indicates two other potential problems on its horizon: authenticity of results, and integrity. Zwift has a first-mover opportunity to create an entirely new genre of eSport based on physical exertion and teamwork, not just a virtual environment. And hence, the authenticity of the athletes is paramount in this virtual world — in that the height and weight of the athlete have drastic effects on the algorithms Zwift uses to calculate watts and course-related effects such as wind drag and incline. Similarly, integrity speaks to the equipment being used by the rider when connecting to a Zwift event — whether the equipment is accurately reading out the rider’s data, or worse, has been hacked to read out favorable numbers. And of course, there is the possibility of actual doping, just as in real-world sports.

According to Zwift, there is already a degree of self-policing among Zwift members, who are quick to point out (especially on Twitter) when a rider is performing impossible efforts; some have gone so far as to reference previous performances by an individual rider on other platforms like Strava. Zwift is also adding two elements to its KISS league to minimize the potential for cheating – in-person height and weight measurements, and – in partnership with its national cycling federation related championship races – anti-doping tests to be administered by that nation’s anti-doping governing body.

British Cycling will perform bike checks at its upcoming events, just as with its existing road national championships. Zwift’s equipment checks are much different than the random cursory checks for motors in bikes at UCI races, and to level-set the entire field for the UK races, smart-trainer manufacturer Wahoo has joined as an event partner and every rider will use a pre-calibrated KICKR.

Regarding technical integrity, Zwift’s will likely have to add refinements in future software and app releases to improve the overall experience. (One of the biggest complaints is that when the rider’s connection lags or temporarily disconnects, they are dropped from their event.) At the same time, the company must avoid adding barriers to entry that could limit its growth due to cost of the equipment, or via proprietary software and equipment standards. “In the future, fully connected and feature-inclusive devices could reduce the variabilities,” says Snook of the platform’s accessibility and electronic integrity, adding, “We are hosting industry summit conferences with the manufacturers and panel guests to find standardization solutions without limiting innovation.”

While Zwift can recommend certain smart-trainers based on known accuracy or require all teams and riders to compete on the same equipment, anti-doping may be a difficult riddle to solve. Zwift can calibrate equipment via body measurements for live, in-person events and championship races to guarantee technical validity. But if a rider is doping, the controls are carried out by someone else, which could lead to challenged outcomes and major headaches.

There are alternative testing programs such as the [Voluntary Anti-Doping Association](#) which could reduce some perceived uncertainties of working with the UCI, national federations, and national anti-doping

bodies. One solution proposed by Zwift is an electronic version of WADA, which it calls ‘ZADA,’ that scrutinizes rider performances in detail – including past performances and training files the riders will be obliged to share – to spot anomalies in their watts output.

As covered earlier, many researchers are working towards a model for definitively identifying performance enhancement [through power measurement](#). However, there is no consensus yet as to what that will look like, who will administer or manage the data, and how power-indicated “doping” positives might even be adjudicated. “I think it’s too early to say whether or not this information will be opened up for peer review,” said Snook, “There will be many different stakeholders involved in the process of establishing Zwift racing as a sport — the UCI, cycling federations, Zwift, manufacturers, and potentially also organizations like the IOC.”

These risk factors highlight challenges on the eRacing frontier. Whichever path it takes to build its eSports brand, it will only succeed if fans believe in the product. The KISS League proves that Zwift can build a compelling participant and viewing experience, but what really counts are the results. Cheating has traditionally and historically marred cycling; if Zwift gets hit with a podium scandal early on, will its fans get turned off, and does that big bet on racing go bust?

Those risks could lead to big rewards. Zwift is pitching the KISS format as the most sustainable form of cycle racing. As we have often pointed out in *The Outer Line*, the business model in pro cycling is overwhelmingly dependent on sponsorship, and it has almost no recurring revenues. Zwift’s model has no real costs involved in organizing its events, and it has such a large participant base that it can fill “virtual stadiums” across multiple online streaming platforms like Facebook, YouTube, and Twitch to create broadcast value. This could potentially represent a major evolution in the overall sport.

The eSports ‘stadium’ model is already profitable. Current eSports championships stage high profile tournaments in arenas to drive ticket sales, increase streaming revenues, and encourage fan interaction, but to also provide the sanctioning body with control over the integrity and authenticity of the results. Based on favorable streaming performances to date, Zwift believes it can build in sustainable revenue sharing in its eSports model, offering teams a cut of the event revenues and future commercial opportunities inherent in live broadcasts. It also plans to add race announcers and presenters to build a unique fan experience and improve the viewing atmosphere.

Zwift’s sees its platform as a new riding discipline and a compelling way for people who have limited free time to engage in cycling – not a replacement for traditional road cycling. It also promotes self-discovery and helps its subscribers to find out if they have what it takes to go fast against their peers. And whereas Strava is an athletic social media platform where riders can compare themselves with others they already know or are networking with, Zwift presents a different dynamic where athletes can ride with each other and compare and interact in real-time. This type of social networking isn’t based on the last ride you uploaded, but rather, the ride you are doing right now, and with potentially many new riders you are connecting with on that ride from all corners of the globe.

That is a compelling argument for why Zwift will succeed in building a new global sport. All of cycling benefits when new subscribers join the platform, especially when dedicated Zwifters catch the competitive bug and try their fitness in the real-world. In that sense, Zwift might be just the kick traditional road cycling needs to give people the confidence to join group rides, take out a racing license, and encourage new racers to take on the open road.

Joe Harris, March 27, 2019