

Changing the Business Model of Pro Cycling – Introduction

Despite its legacy of scandal and its many challenges, professional cycling is a beautiful and compelling sport to watch, and it remains one of the most under-valued potential investments in the global sporting market. Few sports put the fans so close to the action as it happens, and few sports offer as much potential return on investment to sponsors and investors. But even as pro cycling seems poised to finally climb out of the dark and pervasive doping era of the last thirty years, the sport still suffers from numerous challenges and potentially threatening problems:

- a financial model which is almost entirely dependent upon unpredictable commercial sponsorship – leading to an undercurrent of “paycheck insecurity,” a lack of long-term team sponsor and race organization stability, and general uncertainty about the future of the sport
- a confusing governance structure which is riddled with potential conflicts of interest, which is still dealing with the scandals of the past, and which is insufficiently equipped to insure fair competition and the future growth of the sport
- an outmoded and constantly changing competitive structure, with a race calendar that is overlapping and often too densely packed to build viewership and develop talent in a cohesive, competitive manner, and
- a drug testing and policing program with overlapping authorities, which often is not up to the task, and which can be inconsistently and often inequitably applied.

The arrival of Brian Cookson and his executive team to the UCI has brought a new attitude and a sense of change – and progress has been made on several fronts during the past year. However, the kind of thorough assessment of the current situation, visionary long-term planning, and fundamental changes which the sport desperately needs are still in progress.

The leaders of pro cycling have often declared that it is time for change – first in 1988, after the Delgado allegation broke, and in 1998 with the Festina affair (and what we now know from the French Senate report). Change was again demanded in 2006 and 2007, with the Fuentes, Landis and Rasmussen fiascos, and the need for transformation within the sport perhaps culminated in the USADA Reasoned Decision and Armstrong implosion in 2012. But this time pro cycling really does have to change. With a new UCI administration and a changing attitude in the peloton, the sport has its best chance right now to truly “reboot” the whole system – to completely shed itself of the legacy of scandal and weak governance; to put into effect the changes that have been promised so many times, but never really delivered.

In late 2013, The Outer Line proposed an aggressive and comprehensive plan to change the overall business model of the sport – and issued a report entitled [A Roadmap to Repair Pro Cycling](#). This 33-page report laid out in detail a set of actions and recommendations needed to repair public trust, restore integrity, and transform the economics and governance of professional cycling. As opposed to some of the loftier or more superficial manifestos and proposals of the past, this report attempted to drill down to a deeper level of analysis – to provide very specific and immediately actionable recommendations that could be adopted to

begin changing the sport.

The Outer Line will be presenting a more detailed analysis of these various challenges over the next few months, to help facilitate a further discussion and productive debate. This will involve breaking down these issues and recommendations into more “bite-sized” pieces, and then conducting deep-dives into the issues – leveraging the perspectives of a variety of senior officials, experts and participants, both from within and outside of the sport. The planned cornerstones of this upcoming series of articles on “Changing the Business Model” are highlighted below.

One of the most critical issues to address is the basic **Financial Foundation of Pro Cycling**: what can be done to strengthen and diversify the manner in which pro cycling generates revenue – and how it spends, reinvests, and shares those dollars. Pro cycling can no longer afford to rely solely upon often fickle and unpredictable commercial sponsorship for almost the entirety of its financial base. Despite the UCI’s report last year on the health of the sport – and various superficial private studies touting the value of sponsorship – it is still very difficult to identify, attract and retain serious and committed long-term sponsors of pro cycling. The rapid-fire entry and exit of Belkin as a name sponsor is only one example of this challenge.

There are many other potential, albeit perhaps small, sources of new financing for the sport – merchandising, VIP tents and ticketed areas, and fan-participation events like Gran Fondos. However, without the fundamental spark of sponsorship dollars, there is nothing to support the economic engine of cycling. Therefore, the sport has to find ways of both enticing and then maintaining more, and larger international sponsors – and it must provide the allure, excitement and ethical standards to keep those kinds of players in the game.

And in terms of revenue generation, it is impossible for the sport to progress without addressing its “elephant in the room” – more creative and compelling TV coverage, in order to generate more lucrative broadcast licensing. In the proven mold of other successful professional sports, cycling must then develop a system for sharing that revenue between teams and organizers to maximize the overall growth of the sport. Even though the potential revenues today may be a pittance compared to other sports, it is only by creating a mechanism to share these revenues that team owners will be able to start to build true long-term value in a franchise. And finally, it is only when the potential for long-term value exists that there will start to be a correspondingly greater economic incentive to invest in the future, and to protect the integrity of the sport.

If the all-powerful Amaury Sports Organization (ASO) understands what is good for the sport, as well as its own long-term future, it will join together with other cycling and non-cycling affiliated business agencies in a sensible plan to grow the overall “pie” of pro cycling. On the other hand, if ASO remains too short-sighted and focused on consolidation and conservation of its current market share and short-term profits, it may continue to stunt the overall growth of the sport.

Finally, as any business person understands, profitability is the difference between revenues and expenses. Although there always seems to be a great deal of discussion about generating new revenues, there is typically little focus on the cost side of the equation – either from the overall perspective or from the individual team perspective. How can teams operate more

efficiently, and reduce unnecessary expenses or staff? Should the sport institute a salary cap – to keep a lid on total team expenses and to insure that individual salaries do not become wildly disproportionate – as has recently started to happen? Should there be so many races on the calendar, many of them running concurrently in different corners of the world, and with huge resultant expenses for the teams? And so on. The sport and its participants must think more carefully in terms of running a tight and lean operation – just as individual businesses are forced to do in a competitive marketplace.

Another key aspect of the sport which needs to be thoroughly reexamined and revamped is the **Competitive Structure and Schedule**. Pro cycling should move towards a modified franchise model, consisting of two top leagues wherein individual teams could be advanced or relegated depending upon their annual performance, similar to the European football leagues. Despite likely outrage from certain population centers, the sport should strive to significantly shorten and revise its calendar – currently teams are stretched too thin by an absurdly long season, and obliged to field competitive squads at overlapping races (many of which are themselves struggling with economic survival). As a result, too many athletes find themselves as being treated as “cannon fodder” – constantly shipped around the world to race in relatively insignificant events, and increasing the stress and pressures on young riders to perform in an ultimately unproductive and unhealthy way. The restructuring of the teams into “leagues” could provide the spark to coherently reorganize the calendar, guaranteeing teams with participation throughout the season, and insuring that the top racers participate in all the major events. In turn, this will improve the economic and sporting opportunities for both teams and organizers. Peripherally, this will also open up new opportunities to expand the under-served women’s calendar, and will provide more opportunities to identify, incubate, and polish talented riders.

It is also time for the UCI points system to be seriously evaluated and restructured, or scrapped altogether; it was originally intended to be utilized as a proxy for individual and team performance, but has gradually devolved into a guideline for rider salaries and the key basis for determining who gets invited to the all-important Tour de France. Indeed, the points system is often charged with not only understating the value and distorting the marketplace for many pro riders, but also threatening to undermine the team fabric of the entire sport. By improving these various aspects of competitive structure and by considering changes to its elongated season, cycling can create a situation wherein individual teams can cultivate greater economic value, and hence attract greater financial investment interest over the long term.

Another aspect of the sport which must be assessed involves the **Organization and Responsibilities of the Key Players**. Historically, there have been four stakeholder parties at the table, although they have enjoyed wildly different levels of authority and power. The race organizers group – known as the AIOCC (the initials for its French name) – have typically wielded the most power, and have been dominated by ASO (the owner of the Tour de France and other French classics, but more recently consolidating its power and reach by acquiring other major races outside of the country, like the Vuelta a Espana). The team owners and management have long been organized into the AIGCP (the Association Internationale des Groupes Cyclistes Professionnels) to promote their collective interests, but never seem to have had the clout to really influence the AIOCC. Finally, the riders have been only very loosely and weakly represented by the CPA (Cycliste Professionnels Associés) at the collective level, and

by a whole series of different national Federations and associations at the National level.

For the sport to grow and thrive – in a manner similar to what has happened in other professional sports leagues – all of these parties must cooperate and work together, and each must have a place and a real voice at the table. In particular, the athletes themselves need a stronger union or organization to represent their interests – diverse though they may be. There are ways of overcoming the traditional obstacles of differing languages, education, culture and financial expectations – to create a stronger voice for the riders. This lack of coordination amongst the athletes themselves continues to centralize control of the sport with the race organizers and team owners, and minimizes the power of the riders to organize and to have a true voice for the improvement of their opportunities.

It is also critical for pro cycling to develop a much stronger system of **Independent Testing and Certification, and a New Ethical Standard**. The UCI cannot simultaneously be responsible for both promoting as well as regulating the sport. Athlete drug testing must be completely delegated to an independent, scientifically-rigorous third party – one which would be funded at the necessary level by the sport's stakeholders. Cycling definitely needs to improve the analytical testing protocols, as well as the hearings and appeals process, but once guilt is established, individual riders, managers, trainers, coaches and perhaps entire teams should face a clear set of punitive sanctions – with potentially severe economic losses to team owners and sponsors. This would create a powerful incentive for the teams, and especially the riders – who live together virtually 24/7 – to police themselves. Over time, the current biological passport system should be molded into an independently-managed certification process – similar to the types of external approval and certification systems that have strengthened and transformed many other businesses.

In addition, a solid foundation of ethical values must be instituted and formalized for cycling, which will then validate more consistent and harsher punitive measures. In what would be perhaps the first instance in pro sports, significant ethics training and certification must become a mandatory requirement for holding a professional license – establishing an irrefutable link between personal responsibility and adherence to the rules. A stronger ethical foundation and more consistently applied doping controls can become powerful parallel forces for change.

Finally, the **Oversight and Regulation of the Sport** must be carefully examined and perhaps reinvented. There is a growing consensus that the current structure of the UCI may no longer be the proper governing entity for professional road cycling. Its purview is too broad, its management style too opaque and its relationships too fraught with potential conflicts of interest; as mentioned, the UCI cannot both promote and police the sport. The nature of the interaction between the UCI and the World Anti-Doping Agency (WADA) and the various national Federations must be clarified and simplified; overlapping or ambiguous lines of authority can no longer be tolerated. And in fact, it may be time to consider spinning off a new affiliated, but independent governing agency – a “pro league” focused solely on pro road racing for men and women. This would free up the governance model to better align with the objectives of developing other Olympic disciplines – from mountain biking, to BMX, to track racing, and its fastest growing segment, cyclocross. At the same time, a pro-only “league” and accompanying governance agency would provide the focus and clarity to execute more rapidly

on many of these recommendations – hopefully unifying all of these economic, competitive, regulatory, and organizational goals into a single, sweeping wave of transformative change. By spinning the pro sport off into its own entity, selfish interests might finally be set aside to grow the size of pro road racing's overall economic “pie” – and then more effectively share it for the benefit of the whole sport.

Cycling is still, at its core, a business – and the one truth about business is that it must constantly adapt and change in order to compete, survive and ultimately succeed. These proposed and potentially transformative changes will obviously not be simple. The “devil will be in the details,” and proposed solutions are bound to upset many who have built their lives around cycling's traditional business model. Indeed, concerns about the complexity of managing change, or capitulation to the interests of entrenched insiders, have stopped, dead in their tracks, past efforts to reform the sport. Change is never easy, but too many times organizations actively resist change – or adopt limited and conservative modifications – only to fail.

Change is also often equated with risk, but the emphasis here must be on opportunity. There is too much at stake today not to risk change – and far too much downside consequence if change is limited by traditional approaches or personal agendas. Anything short of timely and transformative change could leave pro cycling back at the impasse where it has been precariously balanced for at least the last two decades.

But despite all these challenges, we must seize the opportunity to essentially reinvent the sport now. The Outer Line will contribute fresh insights, provocative ideas and specific, actionable recommendations on these topics. This will include articles from guest writers, interviews with a range of key participants, contributors from beyond the inner circle of cycling, and our attempt to provide pointed and concise summaries of these key issues – to reinforce the call for new thinking, and to present a clearer roadmap for future change. This debate about how to fix the sport should be open and lively, and should be actively participated in by all of the key stakeholders in professional cycling.

DISCLAIMER: As with all postings on theouterline.com, our goal is simply to provide ideas and spur debate about what constitutes real change in professional cycling. If you have an opinion about how to repair and strengthen professional cycling, please contact us, and make your ideas or opinions heard.

Steve Maxwell and Joe Harris, September 14, 2014