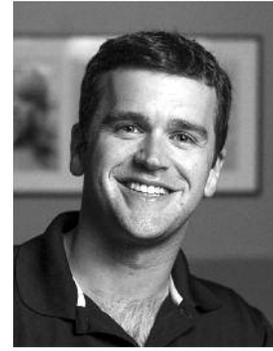


Industry Insider: Nicholas Horbaczewski



Industry Insider

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This interview was conducted by Mark Nagel, professor in the Department of Sport and Entertainment Management at the University of South Carolina. Interview edited by Alan Morse, associate professor at the University of Northern Colorado and the Vice President of Industry Affairs of the Sport Marketing Association.

SMQ: Can you explain your career path?

Horbaczewski: I was initially in management consulting and then I pursued an MBA. I then started a military and law enforcement business, and then started another company. For the last two years prior to the Drone Racing League I was the Chief Revenue Officer at Tough Mudder, where sales and sponsorship were my primary responsibilities. I learned quite a bit about the sport and entertainment industry. When I left Tough Mudder I had a desire to start another venture, which turned out to be the Drone Racing League (DRL).

SMQ: How did you see an opportunity for this venture to be successful? What marketplace indicators were there that a league could be successful?

Horbaczewski: As a sport, drone racing has been around for four years. It initially started in Australia with fast drones being built and then operated by pilots who utilized goggles to have a first person view as the drones raced through a preset course. Over the last two years the sport has grown quickly in various parts of the world. We noticed the proliferation of races and the worldwide following as an established hobby with at least 100,000 people participating in some aspect. We knew the sport was emerging, but we were not sure what form it would take as it expanded and evolved.

We felt there were challenges and opportunities to take an emerging sport and build a professional league around the entire community that had been established.

SMQ: What were some of the most important decisions you first made?

Horbaczewski: In any new venture, a million questions must be asked and addressed. We didn't start from any one place; we analyzed and then proceeded

with fundamental things we felt we needed. In our case, some of the most important questions pertained to how does a competition actually work, what will the rules be, what will the prizes be, what equipment will the pilots utilize, and what will the dynamics of the race be?

One of our guiding principles was to make it look entertaining to the spectators. We built from that fundamental idea until we developed a skeleton of how the races and the overall league would work. Much of what we do is a process of predicting problems or encountering problems and then trying to get through them.

SMQ: Even though many of the competitions when the sport was created encouraged pilots to design and build their own drones, you elected to go a different direction. Why was this done?

Horbaczewski: We needed to provide equipment to the pilots. Our goal was to make it like stock car racing rather than Formula One. It makes the competition about piloting skill rather than technology or engineering. In the early days of motor racing there were often wide variations in equipment, which meant some drivers had a huge advantage over their competitors.

As a practical matter, there were not large organizations building drones, so it was not realistic to expect the competitor community to make reliable drones again and again and again as they competed over the course of a year. For each race we typically bring more than 100 drones. It was far better for us to build the drones and make them uniform. This enables the pilots to compete on an even playing field and creates a more consistent race environment, which should attract and retain fans. Most of the competitors understand why this facilitates a much higher quality event.

SMQ: How do you find the drone builders?

Horbaczewski: There were enough people in the global community working on drone building as a hobby so we could identify potential employees. We now have an in-house design and engineering team that will continue to develop drone technology to create more improvements. The first people to become full-time employees in this sport are the ones working to create and test the drones before each competition.

SMQ: What was the thought process as you considered having a live on-site audience?

Horbaczewski: Even though we have designed our races with the intent to have a live audience in the future, we did not want to have spectators for the first events because we had enough initial challenges. Creating a new sport, producing a live event with spectators, and having a live broadcast are three different challenges. Removing the possibility of a live on-site audience limited potential variables and broadened our potential locations for the events.

SMQ: What were the reactions to your proposals when you approached potential venues?

Horbaczewski: Though we were not constrained by the typical event-venue model because our initial plan did not involve a live audience, we did have unique challenges. For one, many of the venues had no idea what drone racing was or how it operated. In addition, these were high speed aircrafts racing in a three-dimensional course, which is difficult to describe to a venue manager. We had to have minimal risk of property loss for the venue. We knew the pitch would be tough in some situations.

Our test event was held in an abandoned power plant in New York City and then we utilized Sun Life Stadium [home of the National Football League's Miami Dolphins] in Miami for DRL's first race and then an abandoned mall for our second race. All of these venues are different but they share commonalities for the amount of available space and opportunity to create a complex racing environment. In the case of Sun Life Stadium, our event highlighted their multi-million dollar expansion and renovations. We could show that venue in a way few sports could.

We now have inbound calls from venues asking about our interest in using their site for future events. Having seen it, many venue managers are now excited about drone racing coming to their venue.

SMQ: As you were conducting market research, what were your anticipated target markets? Were your projections accurate?

Horbaczewski: We certainly anticipated particular groups having some interest in the Drone Racing League, but we also figured the audience would tell us who the audience was—as an emerging sport, sometimes unanticipated consumers find you. Certainly, we

thought one of our core demographic groups would be males 18-34 years old who are interested in technology, eSports, and drones. They are a core part of our audience. But we also had some unexpected consumers—like racing fans who have found us through various channels. We didn't expect racing fans to be a significant segment, but they are consuming our events. They like racing but not necessarily the drones.

SMQ: How did you decide how to create and package the broadcast? Was there any discussion of trying to do a live broadcast?

Horbaczewski: Our goal is to eventually have some live elements, but if you look at many emerging sports, it is far easier to utilize a post-production format. What we put out now reflects constraints of what happens with a new sport. People do not know what we are, so we cannot broadcast a 2.5 hour live event and expect a large audience to watch. People who have not heard of the sport don't know the participants, don't know the equipment, and don't know the rules. In order to meet the challenges of creating a new league while educating the public we had to produce videos that made it easier to understand and follow and also spurred a desire to watch future competitions. Our main goal was to create familiarity with the elements of drone racing. It is much easier to watch in a post-production format.

SMQ: Have you found that the Internet broadcasts have been successful?

Horbaczewski: Most eyeballs are shifting to online content, though live online is still a very small segment of sport consumption. There is a difference between linear broadcast television and providing digital online content. Digital allows you to show different feeds to different people. This would not be possible in linear television. We have four drones in a race and we offer the viewer the opportunity to follow from each drone's perspective. We also provide more traditional shots, such as from ground cameras. Ultimately, the consumers directs how they want to consume our content, which matches where much of broadcast television is heading in the near future.

SMQ: Have you noticed different content consumption patterns?

Horbaczewski: When we first started, we didn't release all of the content because we didn't think some of the content would be interesting, but we found that just about everything that we shoot can be consumed. When we release the content, we have our hard-core audience that will watch the race multiple times from different perspectives. We also have consumers who want to primarily consume from one perspective, such as from the ground so they can see and understand the race perspective, or from a drone driver's perspective.

Identifying and understanding the different consumers will present future marketing and sponsorship opportunities. For example, in some cases, the racing fans have distinctly different consumption patterns than those who are more technology fans. Often, racing fans want to consume content almost exclusively from the pilot feed, which might provide insights to racing that extends to other racing sports besides just drones. Our plan is to continue to collect data and learn from our customers. As we see a clear division on these patterns, the potential exists to sell multiple sponsorships to a highly targeted consumer.

SMQ: Have you had initial success with sponsors?

Horbaczewski: Brands are excited about what we are doing. They can be fundamentally integrated into the event. The trend of companies just putting their name on something is diminishing; more and more want to be part of something. A great example of this is Red Bull. They do their own event series. They put their name on things that they *do*. Their product is fundamentally integrated into the experience. Brands have looked at that and seen that it is more effective than just being a name that is listed.

If companies want to change hearts and minds about their brand or product, they need to be more tightly integrated in a way that will impact consumer perception. We have these potential opportunities because we have total flexibility about how we want to integrate sponsors into our sport. We do not have to follow the traditional model. There will be many integrated sponsorship opportunities in the future.

SMQ: How might individual athlete sponsorships develop?

Horbaczewski: There is an expectation that individual drivers will have sponsors. There are many different potential models. Some athletes are sponsored drivers, but their team is collecting most or all of the money. In other sports, individual athletes are sponsored while on a team. And in some individual sports athletes have large sponsorship commitments. We still need to determine the dynamics between the race organizer and drivers that will occur as our sport develops. Everything needs to come together in a thoughtful way in order to do it right. I think we will tread carefully into the world of sponsorship, particularly if our league decides to allow teams. We will have to build a system that works for everyone.

SMQ: Is your goal to have full-time racers with this as a career?

Horbaczewski: It is a goal; we hope to do that. Realistically, that is a long way off. Very few people in the world make their living as a professional athlete. A sport needs to be very financially successful to fund a professional athlete. Swimming and volleyball are pop-

ular sports but have very few making their living from that sport. We are conscious of that dynamic. Any good sport is really an ecosystem combining athletes, organizers, sponsors, broadcasters, and fans all coming together to create something that enables everyone to receive compensation. That ecosystem needs to be quite large to sustain full-time professional athletes. We want to build this ecosystem to make that a reality.

We are focused on the progression to get there. We know we have to build slowly and create an answer to why sponsors would want to associate. Even some popular sports/leagues buy their media time when doing live events, which is something we are aware of and have factored into some of our decisions.