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Two Circles plans to scale business under Bruin to challenge sport's 'oil tankers'

By Simon Ward (March 11th, 2020)

Two Circles, the international data-driven sports marketing agency, claims its priority is to be “a better business, not a bigger one” as it looks to build on its success to date, and compete with larger players, under the new ownership of Bruin Capital, the USA-based sports and entertainment investment firm.

Nonetheless, it sees opportunity for growth along the same lines as Deltatre, the international sports media services company and another Bruin acquisition, particularly having entered the US market in recent years.

Last December, Bruin, which is headed up by George Pyne, the former president of IMG Worldwide Sports and Entertainment, announced it had agreed a deal to acquire an 80-per-cent stake in Two Circles from advertising giant WPP. The deal should enable the data-led agency to develop and expand given the near-\$1 billion investment behind Bruin, and the experience of Deltatre, which is itself now valued at more than a seven-figure sum.

Gareth Balch (pictured), the chief executive and co-founder of Two Circles, describes the company’s new owners as “pioneers of accelerating the impact of sports organisations.”

The UK-based agency works with sports rights-holders to help them generate extra revenue from attendances, media and sponsorship, with fan data at the heart of its offering. Prominent clients include the NFL, Formula 1, International Cricket Council, Uefa, English soccer’s Premier League and Football Association, Wimbledon tennis championships, FIBA, the international basketball federation, World Rugby and men’s tennis’ ATP.

However, Balch argues that its major goal is to be more effective in a changing sports climate, and in the face of competition from larger, if more traditional, rivals in the sphere.

In an interview with Sportcal, he said: “We've always grown so we'll continue to grow. We'll do our ninth consecutive year of business growth this year - team growth, client growth, financial growth - and our mission is to become a better business, not a bigger one, because we believe that the role data and fans will play in sport will grow and become more significant as we enter the next era of sports rights.

"We think it (the sports industry) is coming into its second day. Its first day was defined by eyeballs for sponsorship and linear for broadcast and that economic model that was established in the 1970s has stood for 40-odd years. With the advent of the internet, and it's taken a while, over the last 10 years we've essentially arrived at the doorstep of what we think is the second day of the sports industry.

"It's one we think is going to be defined by sports rights owners' ability to create direct relationships with sports fans at scale. And the way in which you do that is to become a media owner, to own digital and incorporate it in the physical and unifying all that is data - fan data."

Two Circles, which was founded in 2011, and acquired by WPP subsidiary GroupM in 2015, claims to have enjoyed its most successful year in 2019, with revenue and profit hitting new highs on the back of growth of 30 per cent and 60 per cent, respectively. It also added 24 new clients, to take the total beyond 100, including the top five sports properties by annual global revenue, and had a client retention rate of 96 per cent, which compares with an already impressive 92 per cent since its launch.

Asked how the takeover will help take the company to the next level, Balch said: “We’ve had a wonderful start to life as a business, and we’ve got to get ourselves into the fastest lanes to be the best business we can be for the

industry. And we believe that's best suited, and WPP agreed, in an environment and structure like Bruin who are pioneers of accelerating the impact of sports organisations.

"So for us it was a no-brainer, and it enables us to continue to become a better business. Expansion is kind of a by-product of what we're trying to do. We're not trying to expand per se. Actually scaling our business where we've already got footholds is important because we're tiny relative to the bigger sports marketing businesses in the world, and we believe we've got the ability to be one of the best sports marketing businesses in the world."

While most sports agencies now insist they have expertise in the area, Balch claims that Two Circles processes more sports fan data than any other company, amounting to tens of billions of data points every year, and that this combined with its focus on digital, and the insight of leading scientists, helps it stay ahead of the game.

He said: "Data hasn't reinvented marketing, it's just changed the function of it. Marketing has always been about the right customer, right message, right channel, right time to deliver results and that's what we've done. Ultimately we will not be defined by being a data business, we will be defined by being a business that drives commercial growth, and, in the fullness of time, the only way to do that is with data.

"That's why the biggest threat we offer is to the analogue oil tanker sports marketing businesses that have been around for a while and are the biggest names in the space. They do not use data to rewire commercial growth and in the future, that will be the only way to do it. They don't have the capability to do that. They were born in the analogue age, and we want to have a run at them."

Bruin and the US market New York-based Bruin only launched in 2015, but has long coveted Two Circles, and indeed the pair have worked closely since 2017 when the agency began marketing OverTier, the Bruin-owned venture that manages NFL Game Pass, the league's premium streaming service, on an international basis. Last October, OverTier expanded its relationship with the league beyond Europe so that its footprint now covers 181 countries worldwide (excluding USA and Canada).

Bruin's acquisition of Two Circles valued the company at \$42 million, and the new parent is understood to see great potential for growth based on the increasing importance of data and the experience of Italy-based media and technology specialist Deltatre, for which it paid €145 million (then \$161 million) for a 75-per-cent stake in 2016.

Two Circles had been retained as part of GroupM when the latter sold IEG, the US sponsorship valuation and measurement company, and the US brand consultancy of ESP Properties to Bruin in 2018.

Balch accepts the parallels with previous Bruin acquisitions, saying: "Deltatre's a different business to us, but the application of a business that's been really successful in Europe and yet to succeed in America is right down Bruin's fairway. And clearly Deltatre has been hugely successful in Bruin in the four years they have been there, and we've looked on at that.

"We've known Bruin for a number of years, right the way from the start of the journey, so we've kind of seen the movie unveil. It's not like we've come here second-hand and hoped it's good news. We've seen how that's been a really happy partnership for everyone. So we hope to take advantage of some of the strengths that we've been seeing."

Two Circles now has 180 staff across four offices – London, Bern in Switzerland, New York and Los Angeles (opened in January 2019) – and the number of employees is set to exceed 200 this year.

Given its location, Bruin is expected to provide the agency with a stimulus for greater engagement in the lucrative US market, and indeed Balch describes the experience as being like "a teenager leaving home, aiming high and wanting to do something special in life."

He said: "We weren't well-connected in North American sport, and we're humble recognising that. The types of relationships that we can see ourselves having in North America are ones which come with scale out of the gates."

However, it is acknowledged that USA is dissimilar to the UK and European markets Two Circles has largely operated in until now, and that it will take time before the company is fully integrated and its methods accepted on the other side of the Atlantic.

Balch said: “Once you get past the fact we speak the same language, it’s different all the way. We’ve had to be really conscientious and listen and learn and are still thinking about how we adapt our proposition to be relevant in the market. We have had a stonking year in America, and we’re only two and a half years into it, so it’s relatively early days in terms of having boots on the ground out there. We can’t find talented people quickly enough to grow our business, which has constantly been our biggest challenge.

“The scale of the market is huge. The talent in the market is greater. The capability of rights owners typically is stronger. However, they are very focused on technology and sales, and not on marketing a message. And that’s the big difference.

“We believe sales ie one-to-one phone bashing is an important capability to drive say vendor sales or indeed to help create value in sponsorship deals, but it’s not going to be the future definition. The future definition is direct-to-consumer business in all industries. That is defined by marketing ie being able to deliver the right message at the right time to the right customer. The same message has been true since many people before us tried marketing, and that’s best rewired through data today.”

While it will be targeting other major North American leagues and rights holders to join the likes of the NFL and Major League Soccer as clients, Two Circles is not eschewing the lower-level, often bespoke, partnerships it has had with clubs and national sports bodies, and which helped to make its name.

This is shown by the long-standing relationship with the England and Wales Cricket Board and the new three-year tie-up with Horse Racing Ireland, which builds on the company’s extensive involvement in the sport in the UK and internationally.

Balch said: “We are a business that is sized to make an impact on the sports industry, in all its communities, in all its clubs, in all its constituencies. If we were in this for pure commercial gain, we wouldn’t be working in sport. We’re working in sport because we want to make the world a better place for sport. We want to rewire sport’s commercial landscape to make sport more relevant in the world, and we think data done ethically and responsibly is an incredibly powerful tool to do that with, and therefore we will care for every relationship like it’s our first and last.”