

ENGINE SHOP LANDS IEG AND ESP ASSETS AS GROUPM REFOCUSSES SPONSORSHIP BUSINESS

By Simon Ward | July 23, 2018

Engine Shop, the sports, entertainment and marketing agency owned by George Pyne's Bruin Sports Capital, has continued its acquisition spree, and built on its sponsorship services capabilities, by buying IEG, the US valuation and measurement specialist, plus the US brand consultancy of the ESP Properties agency, both from WPP's GroupM.

Under the deal made public today, Chicago-based IEG joins a growing list of sports businesses under the Engine Shop umbrella, and will act as an autonomous affiliate, continuing to work with brands and rights-holders in the industry.

Meanwhile, ESP Properties' brand consultancy will be built in to Engine Shop's existing engagement consulting practice and activation business, and offer proprietary sponsorship valuation and measurement methodologies co-developed with the IEG team.

The new acquisitions, which also include IEG's annual conference traditionally held in Chicago, will complement and support other recent Engine Shop additions in the fields of eSports, soccer and Olympics and World Cup bidding.

They also raise questions over advertising giant WPP's future involvement in sports marketing although GroupM insists that ESP will remain a going concern outside USA, and that it will also remain active in the sphere through WPP's retained stake in Bruin and through Two Circles, the UK-based, data-driven agency.

The sale of the IEG and ESP assets comes amid falling share prices at WPP and a report it has entered talks to divest a minority stake in its Chinese advertising business as it realigns following the controversial departure of long-time chief executive Sir Martin Sorrell.

The deal announced today has been in the pipeline since late 2017, and conversations accelerated in the early months of this year, and at IEG 2018. The acquisitions entail the transfer of 10 employees, but with the prospect of further investment and hires under the new ownership.

Brian Gordon, the chief executive of Engine Shop, told Sportcal: "WPP has a relationship with Bruin, and is aware of goings on in the organisation, and identified parts of the business that could be of interest. There were pieces that didn't make sense to them anymore, but did make sense for us and where we are going."

He added that IEG was an attractive proposition as it represents the “gold standard” for sponsorship valuation and measurement and that there is an opportunity to develop the business “to make sure the model represents the new era we’re in.”

Gordon said: “The way brands are starting to value sponsorship is very different to how they used to. It is now ‘how does this sponsorship work for us in how we want to use it?’... That’s the way the market is going.”

IEG was founded in 1982, and has been a leading provider of analytics tools, forecasts, proprietary valuation and measurement services to brands and rights-holders ever since. It was acquired by GroupM in 2006, and has taken on more of a sales role in recent years. Founder and former president Lesa Ukman, who served as futures director of IEG and ESP, left the organisation in April 2016.

David Abrutyn, partner, Bruin Sports Capital, which acquired Engine Shop in November 2015, believes that, with a refocus on its core strengths, IEG will prove to be a highly complementary addition, saying: “Engine Shop was already doing things in measurement and proprietary research. We already said that when there was an opportunity to augment what they were doing, then that would make sense.”

He added: “I don’t think there’s a brand or property over the last 30 years that hasn’t used some of the methodology of IEG... There is nothing more important than having great valuation tools at your disposal, and we can take this to market maintaining the leadership that IEG has in its field.”

However, it will maintain its autonomy, with Abrutyn saying: “There is importance in IEG operating independently. We’ve seen that there may be a brand that has a need for IEG that isn’t a client of Engine Shop.”

Meanwhile, Engine Shop is promising changes for the IEG conference in 2019, with a new programming format covering multiple consumer engagement drivers, including sport, entertainment, music and arts, and a focus on trend forecasting and thought leadership.

Accompanying this, IEG’s online home at <http://www.sponsorship.com/> is to be relaunched as IEG World with a new approach to content and distribution. The integration of the ESP Properties’ US brand consultancy expands Engine Shop’s own engagement consulting practice to around 20 staff and, with the support of IEG, increases its capacity to provide a full-service offering.

Gordon said: “For Engine Shop as we develop our engagement consultancy it will help to have our own resources to offer methodologies and proprietary data to clients. Activation did sit outside that, but we could do valuation and strategy, then hand on to activation... The way this business is going is with a more holistic process.”

Abrutyn stressed that Engine Shop’s focus would remain on consultancy, rather than sales, as it “has no intention of entering the rights representation business.”

Engine Shop has embarked on what it describes as “aggressive global expansion”, with acquisitions since the end of last year including The Gamer Agency, an eSports strategy, event production and development company based in New York, T Burns Sports Group, the new consultancy of Terrence Burns, the bid and marketing strategist who has worked on various Olympics and World Cup bids, and the eSports and soccer divisions of SA Studios Global.

It is thought that the addition of IEG will be particularly useful in providing accurate values for sponsorship opportunities in the still evolving eSports marketplace.

Engine Shop’s clients include American Family Insurance, Anheuser-Busch InBev, Floor and Décor, Greyhound, Johnson & Johnson, Major League Soccer, Mercedes-Benz USA, Michael Kors, National Hockey League, Tiffany & Co. and Under Armour, and, through Burns, provided strategic support to the successful USA-Canada-Mexico bid for the World Cup.

It has offices in New York, Beverly Hills, Atlanta (where Burns is based) and Miami.

GroupM/WPP and sport The transaction with Engine Shop means that ESP will no longer exist as a brand in USA, but will continue to operate in international markets, while GroupM, the media investment management company owned by WPP, retains control of Two Circles, which it acquired at the same time as the launch of ESP, in May 2015.

Questions were first asked about the future of ESP last July when John Kristick, the experienced sports executive who was chief executive of the operation, left to become executive director of the aforementioned ‘United bid’ for the 2026 Fifa World Cup.

Kristick, who was previously chief executive of GroupM, was ESP’s sole global senior executive, and was not directly replaced, with management passing to the regions.

Jonathan Hill (formerly of Kentaro and England’s Football Association), who led ESP in Europe, the Middle East and Asia, had already taken ‘gardening leave’, and has since re-emerged as chief executive of Laureus World Sports Awards Limited.

At launch, ESP (standing, originally, for Entertainment, Sports and Partnerships) aimed to work with rights-holders such as federations, leagues, events, teams, publishers and venues, and was expected to bring GroupM into more direct competition with established international sports agencies such as IMG and Infront.

However, it was understood that some senior ESP executives struggled to work within GroupM’s marketing-led network, prompting discussions at a senior level over the structure of the company.

Despite the sale of the US brand consultancy of ESP, GroupM denied that it is moving out of the sports marketing sphere, citing, as one example, joint projects through WPP’s shareholding in Bruin.

Last year, Bruin and WPP were appointed by the NFL to promote NFL Game Pass, the digital subscription OTT service featuring all live games, in Europe.

Bruin brought in Deltatre, the international sports media services company it had acquired in June 2016, to build and power the service, and Two Circles to build the Game Pass subscriber base, albeit there were well-publicized technical hitches in the 2017 regular season.

In a statement to Sportcal on its sports strategy, GroupM said: "Engine Shop's acquisition of IEG and the U.S. consulting practice of ESP will help them expand their portfolio of capabilities and it furthers GroupM's strategy pursuing sports opportunities in local markets with specialized agencies and partners.

"We already work closely Bruin Sports Capital/Engine Shop thanks to WPP's investment. Internationally, we also continue to win exciting client remits through Two Circles and ESP in key markets; Two Circles represents three of the top five rights holders globally based on revenue and has grown by 400 per cent since entry to our group three years ago."

On Bruin's relationship with WPP, Abrutyn said: "We're obviously pleased to have them as investors. We act independently, but can help with things they're doing, and are already involved in some joint projects."

There is uncertainty surrounding WPP as a whole after Sorrell, who headed up the advertising behemoth for 33 years, resigned in April after an internal investigation was launched into allegations of personal misconduct. The 73-year-old British executive, who was the subject of a probe into claims that he misused company assets, has since launched a new company, S4 Capital. WPP has yet to appoint a replacement for Sorrell, and many observers in the industry are predicting a break-up of the sprawling business he was instrumental in building up.

Shares in WPP have fallen by 28 per cent in the last 12 months, reflecting concerns over the competitiveness of traditional advertising agencies amid a market shift towards digital media, and Sorrell's exit, approaching a five-year low last week.

The company has so far declined to comment on a weekend report from Sky News that it is in the early stages of talks to sell a stake of approximately 20 per cent in WPP China to domestic powerhouses Alibaba, Tencent and China Media Capital Holdings.

WPP owns or has stakes in a wide range of sports agencies and companies, including ESP, Bruin, Deltatre, Imagina (owner of Mediapro, the Spanish sports rights and production agency), and CSM.

However, speaking exclusively to Sportcal in an interview last year, Sorrell said that WPP's roster of sports companies was "not enough... Whichever sport we're talking about, the sponsor opportunities, advertising opportunities, merchandising opportunities, activation, data, media opportunities are phenomenal.

"Their audiences are very much those that our clients wish to engage with. In a world where health and wellness are becoming increasingly important, if you're looking for a purpose, sports offer a healthier mind and body [WPP is also known for its large healthcare division]."