

# STREET & SMITH'S SportsBusiness JOURNAL

This Week's News

## Tech firm helps clubs get more out of data

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StratBridge Inc. founder Matt Marolda is sitting in a stark conference room in his company's headquarters, staring at a Dell laptop displaying data so confidential that vows of silence had to be taken before any viewing was allowed.

Marolda is presenting reams of statistical information that show the next wave of StratBridge's software, which is aimed at providing teams with detailed information as they consider trades, drafts and contract extensions.

## STRATBRIDGE inc.

The demonstration by Marolda, who founded Cambridge, Mass.-based StratBridge in 1999, was conducted only under a promise of secrecy in regard to a specific NBA team that was using StratBridge's sophisticated software during the league's free agency signing period. The new software, called StratEdge, is the latest data management application for the eight-year-old company, which burst onto the professional sports scene in 2005 by developing StratTix, which provides highly detailed tracking of ticket sales.

StratEdge has been sold to the three unnamed NBA teams and one MLB team. It allows teams to crunch up to 120 individual player statistics to determine a player's "efficiency value," a complex measure of performance based on his salary compared with others at the position.

"We've never drafted a player and we are not general managers," Marolda said. "We are not going to tell anyone what to do, but what we will give you, Mr. General Manager, is an analysis framework on how you'd like to measure players, and we will give you the mechanisms that automatically measure that."

The MIT-trained programmers at the company first designed a system that allows teams to mine their valuable customer information in real time, a huge advantage to teams studying which tickets aren't selling and allowing them to customize new offerings based on that data.



The NBA's deal gives its teams a basic use of StratBridge's software, with teams having the option of paying for more sophisticated applications of the technology.

StratBridge's Mike Daoust (left) and Matt Marolda work with their software, which allows clubs to see exactly which seats are selling and how.

"It went from being an interesting side use of our technology to being something that had a long runway," Marolda said.

Today, StratBridge does business with franchises in the NHL, MLB, NFL, MLS, AFL and minor league baseball. More than 100 teams have deals with the company. Marolda refused to disclose company revenue, but said that StratBridge is profitable and that revenue increased by 75 percent last year.

### Drilling down on tickets

For team ticket managers, the software gives them an instant color-coded Web-based aerial view showing the sales status of every seat in an arena and the specific sales channel through which fans bought their tickets. The up-to-the-second inventory system can also show which night of the week works best for which promotion and what percentage of ticket buyers for a game live in specific geographic areas.

By tapping into the team's own customer database, and the team's ticket seller archive, StratBridge can give the answers to teams willing to pay anywhere between \$10,000 to more than \$100,000 annually for a software license, depending on how deep and how often a team wants to drill.

By modeling ticket sales patterns, the technology also allows teams to predict attendance for each game and quickly identify how specific sections of an arena are selling. That allows teams to develop specific promotions and mini-plan ticket packages to maximize sales.

Marolda uses an example of an NBA team that sees that it has a block of 500 tickets unsold a few days before the game. Team marketers can then immediately reallocate the inventory to group sales, develop tailor-made promotions for the unsold inventory and then track the campaign's success.

"The most attractive element is that it provides teams a virtual look at every game and what seats are yielding in real time without having to run a long report," said Scott O'Neil, senior vice president of team marketing services for the NBA, which has a multiyear deal in place with StratBridge for each of its 30 teams. "The secondary component is that it can predict how a game might sell if priced a certain way. It's about getting the tool to teams to make smarter business decisions."

Data management applied to the business of sports is hardly new. Teams, especially those in the NBA, increasingly have been using data systems to track their ticket-buying customers. But it's the immediacy and depth of StratBridge's data that has given the company a unique niche in the sports technology field.

"From a ticket management inventory standpoint, there is a lot upside for us," said Greg Economou, executive vice president and chief marketing officer for the Charlotte Bobcats, which this year is using StratTix. "They are still learning, growing and getting better themselves, and they are open in working with us."

The NHL, which has spent the last year beefing up its team services division, will roll out the StratBridge licensed software leaguewide this season. While the Nashville Predators and the Los Angeles Kings used StratBridge's ticketing analysis system last season, the league will for the first time tap into StratTix for all 30 of its teams to use.



A sample map page shows what an NBA club's ticket manager might see using StratTix.

"From a league perspective, it will be a great best-practices tool," said Susan Cohig, senior vice president of club consulting and services for the NHL.

So far, about 25 of the NHL's 30 teams have signed up to use the system.

"This gives us an accurate real-time seat-revenue picture and the ability to do some modeling given the

game night and opponent. It also allows teams to more accurately price their inventory and measure their marketing plans and be more reactive. In the old model, you might not know the information until it is too late to adjust, and by then the revenue has already been lost," Cohig said.

StratBridge's niche is built on the concept of yield management, or the process of adjusting ticket prices as the game draws near. Airlines long have used yield management strategies when selling seats on airplanes, but StratBridge has applied a similar approach to sports.

Company officials said that, historically, sports teams were hesitant to use data management because of the difficulty in getting data out of their ticket systems. But for the past few years, leagues such as the NBA and NHL are pushing teams to use more sophisticated ways of mining data to maximize sales.

"Big companies have been very focused on using data management for years," said Mike Daoust, senior vice president of field operations for StratBridge. "In sports, the data has been there, but there has been a lag of using the process in the industry."

### Getting started

Marolda's StratBridge initially provided analysis for financial data applications. After leaving Bowdoin College, where he was a double major in math and economics and an art history minor, the 34-year-old Boston native worked as a consultant for Braxton Associates, helping clients gather and present data and oftentimes creating charts by hand. Marolda left Braxton after three years to form StratBridge. He saw the need for more sophisticated data management software, but there was one problem: He had no computer programming background. So he hired a few programmers, boned up on his own computer skills and created the Web-based tools that the startup company soon was selling to large companies.

"I sold by day and coded by night," said Marolda, who gained computer knowledge by working with his programming staff.

StratBridge initially focused on marketing its data analysis to consulting companies, but in 2004, Daryl Morey, former Boston Celtics senior vice president of operations, got wind of what the company was doing and called Marolda. The two executives, who knew each other from Marolda's days as a consultant, made a deal.

"It was a one-year deal, and neither one of us knew how it was going to work out," Marolda said. "We recognized that if the Celtics used us, others would, and we began to see something bigger."

O'Neil saw the technology while visiting the Celtics' offices and immediately called Marolda to set up a meeting. At 5 a.m. the next morning, they met at Logan Airport.

"At the time, I had a 3-month-old baby, so it wasn't like I wasn't up," Marolda said.

O'Neil was struck by the company's aggressiveness and the software's potential. "I called him at 10 p.m. and he was still at his office," O'Neil said of his first conversation with Marolda. "He asked to meet me but I had a 6 a.m. flight the next morning, so we met for a quick cup of coffee and got very close to a deal. I like scrappy companies. They're the kind of people you want to do business with."



"We've never drafted a player and we are not general managers. We are not going to tell anyone what to do."  
MATT MAROLDA (RIGHT)

Controlling growth has become an issue for the company as it adds to its product line with new player-evaluation software and an upgrade to its ticket-selling software.

The company is also boosting its non-sports business by marketing to other entertainment areas, including Broadway, through a deal with Schubert Ticketing.

To keep pace, StratBridge expects to increase its total number of employees from 19 to 30 by the end of 2008.

"They are expanding their niche," said Jim McPhilliamy, a partner with Brandthink, a Charlotte-based sports consultant, adding that the company is unique enough that is not yet facing any real competition. "What they have done is develop a visual integration to help teams predict future behavior based on past behavior."

### **The next steps**

With the success comes questions as to whether StratBridge is positioning itself to get bought out.

The company already has an informal database-sharing agreement with Ticketmaster, giving teams that use the giant ticketseller an advantage over teams that have deals with other vendors.

"They have piggybacked with Ticketmaster, and if you are a team that doesn't use Ticketmaster's system, StratBridge's support is not as good," said one industry source. "I think StratBridge's plan is to eventually be acquired by Ticketmaster, so why should StratBridge mess with any other ticketing system?"

This is not the first time Marolda has heard the suggestion that he wants to sell the company, but he says that isn't in his plans.

"We are not a venture-backed company with an exit strategy," he said. "We are looking to build the business for five years, not for five months with plans to sell. Now, I am an honest guy and I am a capitalist and if the right opportunity came along, maybe we'd take it. But we have never solicited an offer, and nor have we received an offer."

The relationship with Ticketmaster, Marolda added, is one of convenience.

"We have a good working relationship with Ticketmaster, but while we cooperate together, there is no formal partnership," he said. "We work with Tickets.com and other vendors, but it just so happens that the vast majority of our clients use Ticketmaster and that tends to make the interaction with us faster and easier."

The application to other entertainment industries is a natural expansion for StratBridge, and its biggest challenge is to guard against spreading itself too thin.

"There are now so many teams using the software, so can they handle demand for the product?" Cohig said. "Every team's database is different, so they are, in a sense, rewriting the software to accommodate each team's needs."

A year ago, the firm's focus was on beefing up its technical expertise. With its client list growing, StratBridge is putting more emphasis on customer service and more heavily marketing its StratEdge software.

"We do have more stuff coming out now, and what has been surprising is that we have had a much faster ramp-up to 100 teams than we expected," Marolda said. "We are concentrating on our StratEdge product, which we haven't done until the last couple of months. Our strategy is that we want to sell more stuff to the same people and the same stuff to more people."