

World wrestling entertainment

Business



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The case is all about the evolution of the Wrestling Industry, rise and eventual fall of WFM (E). This case generates issues about the evolution, growth, competition, financial stress and other aspects of the wrestling company, WFM (E). Originally WFM was founded by McMahon Sr. And later won over by his son Vince McMahon Jr.

The wrestling industry has seen many ups and downs but WFM and WWC were the companies that remained there even at the time of over saturation faced by the wrestling field. But when competition grew, WFM almost lost the battle.

But the new ambition built in the heart and mind of the young Vince McMahon Jr. led WFM to new horizons of wrestling industry. He improvised the company into an expanding organization and was always capitalizing on opportunities as a strategy to scare off his competitors.

He was eager to take risks and spend relentlessly on his work so that he could give his competitors a magnified but false image of his capital. He helped turning the fighting sport into mainstream family entertainment. McMahon's ego forced him to offer Hart, an aging star an offer he could not afford.

He also introduced liberties in the wrestling field bringing a harmony between the wrestling and musical entertainment world. Vince's innovative style was to concentrate on the character development of the wrestlers.

He wanted to cover most of the segments of the population from children to adults. Because of his harsh efforts, a small wrestling company grew up to

become a large empire in the wrestling industry. It set its own trend.

However, later WE was stuck by its own ways which was due to the lack of an appropriate strategy.

Keeping control over the ever-growing industry as well as acing the hard core competitors to keep pace in the market was quite a tough job to do.

WFM created Image personae like Million Dollar Man, the Good Guy Whitman Hart and Bad Guy Razor Ramona which became major success all over the world in many different languages. However, a rival company WAC that was owned by Ted Turner, made things difficult for WE as it took over WE heroes. This forced the rating of WE to go down by 0.4 in comparison to WAC. The situation got worse when WE could not keep its super star Whitman Hart and led to his termination.

Hart's termination and joining hands with WAC led to financial crisis of the WE. But WE still does not give up; it is still working hard and seeking opportunities on a world wide basis. Financial situation: McMahon knew how to earn bucks. He used all his skill to revolutionize the game of wrestling. HE was the one who threw the light on the possibility of turning a ruthless game into a family entertainment.

But he went too far and side tracked the theme of the game. Eager to take risks which helped him to gain the top most position in the Wrestling World. With revenues soaring high WE was financially very sound.

But after the advent of Ted Turner, WE faced a new rival in the market. WAC had Eric Fishhook who was experienced on the field and was a good observer. He tried to work on Woe's weaknesses and surprisingly succeeded.

He offered unprecedented amounts of money and a 50 % reduction in work days to entice dozens of big-name wrestlers to join WAC such as Macho Man, Hulk Hogan. WAC started a Monday Intro sports entertainment show challenging Woe's Monday Night RAW at the same prime time. This led to some conflicts at the beginning leading to worse results eventually in the long run.

The ratings for Woe's program were getting lower in comparison to WAC. The huge offer made by WAC to its key superstar Bret "The Whitman" Hart even made the situation worse.

WAC offered \$9 million to Bret Hart which its parent company could not provide. Rather to remain competitive they offered him a 20-year contract with the WE. The contract stipulated three years of wrestling, followed by 17 years' guaranteed work in the front office. But this was a huge burden for them later on. So their hero moved back to WAC.

Losing Hart would even cost more to WE and make its financial situation crack down.

Till 1997 the financial situation for WE was getting worse. But later there were vivid signs of improvement. In the year 2004, WE posted a net profit of \$ 19.7 million in the fourth quarter, compared to \$ 4.

2 million loss in the same quarter last year. WE 2004: World Wrestling Entertainment, Inc (WE) is an integrated media and entertainment company engaged in the development, production and marketing of television and pay-per-view event programming and live events, and the licensing and sale of branded consumer products featuring its WE brands.

The Company's continuing operations are organized around two principal activities; live and televised entertainment and branded merchandise. The live and televised entertainment segment consists of live event and television programming. Revenues consist of ticket sales to live events, sale of television advertising and sponsorships, television right fees and pay-per-view buys.

The branded merchandise segment includes consumer products sold through third party licensees and the marketing and sale of merchandise, magazines and home videos.

Revenues consist of sale of merchandise at live events, magazines and home videos, and royalties from products sold by licensees. Fiscal 2004 was a terrific year for WE. It has worked hard to increase its profitability; exults can be seen as profitability from continuing operations has more than doubled. April 30, 2004. The Company reported income from continuing operations of \$21.

1 million, or \$0.30 per share, versus \$6.2 million, or \$0.09 cents per share in the prior year. Revenues totaled \$126.7 million as compared to \$105.

Million in the prior year quarter, an increase of approximately 20%. A significant portion of the increase was due to an increase in pay-per-view buys. Operating Income for the quarter was \$32, 8 million versus \$1 1. 7 million in the prior year quarter. Net Income was \$19. 7 million or \$0.

8 per share, as compared to a net loss of \$4. 2 million, or a net loss of \$0. 06 per share in the prior year quarter. Results of Business segment of 4th quarter 2004 compared to those of prior year quarter: Revenues from: 2004(renditions) 2003(renditions) Live and Televised segment \$101. Branded Merchandise 25. 7 20.

0 Selling, general and administrative expenses \$ 85. 8 26. 5 28. 5 Depreciation & Amortization 3. 5 3. 9 Discontinued Operation Total Revenues EBITDA 85.

9 Free cash flow 374. 9 37. 6 38. 4 (1. 4) (10.

4) 374. 3 14. 4 The market situation: McMahon had the capability to sell, he was a good marketer. At the initial stage although he did not have enough money, he spent a huge amount on the presentation, filming and recording of his wrestling programs. His strategy was to lead Woe's competitors to wrong image about Woe's well being.

With appearance of champions from local broadcasts overbite and other big-name wrestlers; WE show became a hit and attracted many talented wrestlers to sign contracts with WE.

McMahon was one of the first promoters to take advantage of upcoming cable television. Along with this, he also tool advantage of the pay-per-view <https://assignbuster.com/world-wrestling-entertainment/>

broadcast medium. One of the most effective strategies used by McMahon to gain audience's attention was too concentrated on individual character development. The Million dollar Man, Mr..

Perfect, The Common Man, The Big Boss Man, Whitman, Heartbreak Kid wrestling sport into mainstream family entertainment.

With his audience and revenues increasing, McMahon was able to bring celebrities in to the wrestling fold. There was yet another way McMahon exposed the wrestlers to the market. He forced wrestlers to record albums, to appear on movies and to go on talk shows. The mix of music, myth and athleticism worked in the favor of WE attracting larger audience with each spectacle-filled broadcast. Merchandise reviews was soaring, live event business was booming, pay-per-view broadcast were bring in millions and the annual wrestle mania set unbeatable records.

Hence Vince McMahon had all the capability to take over the market and he was doing very well until the advent of a new competitor, TED Turner, the owner of WAC. When Turner started off, Vince did all he could do to pull him down and he succeeded in it as WAC continuously lost money. But things changed when Turner brought in Eric Fishhook. His strategy was to bring in stars that were no longer high- profile in WFM. Then he started Monday Intro shows on television.

The first shot of the battle between WE and WAC was fired on Swept 4th 1995, where the WE mainstay wrestler Leg Larger appeared on the live Intro to ridicule McMahon.

Intro was a winner with 2.5 Nielsen rating points to Aras's 2.2. This was the starting point of Woe's decline.

Vince was very disturbed by this and he started straying away from the main theme of the game. As he started paying more attention to things other than the wrestling game, he had eventually lost his focus. Just like Hart had said "The game's got a lot raunchier, a lot more sexual, in a bad way. I don't think you watch wrestling for sex. I don't think it's presentable to your children. It's just become something I don't want to associate myself with.

And it was true; the competition between WE and WAC took all forms, and changed the image of wrestling. Then there was the bidding war for Bret "The Whitman" Hart. Eventually WE won him, just to realize that the bidding that went so far was good for nothing. Fishhook was clever to work on attracting the traditionalist fans that were disgruntled by the declining emphasis on wrestling action in the WE. Hence he succeeded in winning the heart of people and to take over the market as well.

Today after 7 years, the situation of WE is different.

WE is engaged in the development, production and marketing of television and pay-per-view event programming and live events, and the licensing and sale of branded consumer products featuring its WE brands. Revenues consist of ticket sales to live events, sale of television advertising and sponsorships, television right fees, pay-per-view buys, sale of merchandise at live events, magazines and home videos, and royalties from products sold by licensees. WE has been able to recover from the pitfalls and has regained its popularity.

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It is still working hard on advertisements and other marketing tools to gain the delight of fanfare which happens to be the main source of revenue for WE.

It is still growing and expanding into the international market. They are now more active in the international arena which we can see from the 12 international events held out of total 87 events compared to 5 international events television advertisements, activities such as Smack down in Iraq and press releases as well. Despite a massive decline in TV ratings and attendance figures this year, WE is still showing impressive signs of improvement.

WE expects strong results from its upcoming Benefit DVD set and the Eddie Guerdon documentary. McMahon has also announced plans for a 'fantasy wrestling' league and noted negotiations were underway with Spike TV to renew Monday Night Raw when the contract with the network expires next year. Other upcoming projects include the first theatrical offerings from WE films.

SOOT Analysts on the WE Strengths: Great reputation Experience Strong brand equity McMahon leadership Desire to grow Few Competitors Loyal wrestlers Weaknesses: Declining revenue Vulnerability to competition Losing focus Ego Opportunities: International expansion

Innovation Maintaining the loyalty of wrestlers Internet and Video games Threats: Pickoffs strategy Major "issues" The case describes the up downs that WE faced after Vince McMahon Jar. Took over. Under his reign WE saw its best as well worse days. There is no denying that Vince was an ambitious <https://assignbuster.com/world-wrestling-entertainment/>

and hard working player. He always believed in taking risks, even at times when he could not afford to.

Another thing he concentrated was character development of wrestlers which was indeed an effective strategy in winning the heart of wrestling fans.

McMahon strategy of playing with characters in the game had made them the main attraction for the fans. They enjoyed the different characters, their ways, their persona. McMahon was trying to bring new twists and turns in the wrestling world of characters. New heroes were emerging and their popularity was growing with them but also saturating with time.

Finding new ones were the issue. But there are always limits to everything. Vince went too far in playing with these characters, such as turning the image of a good guy Whitman to a villain. Whitman had turned down the WWF's offer just to remain in WWF but he was not treated fairly by Vince.

WWF was on war against WCW; they both bid on Whitman. With an ego like a mountain Vince had to sign Whitman on WWF's contract, just to see his rival lose.

WWF did all this just to launch another wrestler from Texas; his image was being transformed from number one good guy to a villainous one. Even after that he brought another character to become the villain. So then he realized that the bid was just an expensive gamble. By then he had gone too far; the ratings were not so good and WWF's financial condition was also unstable. Another important issue was that WWF's Fishhook had his strategy working so good and fast.

He was trying to get all of the wrestlers who were no longer high profile in WFM.

This was drawing the attention of McMahon who got very disturbed and turned aggressive. These were the first steps of Woe's downfall.

Recommendations Vince should focus on its strengths but should try to improve in his weaknesses. It can be clearly seen that he was losing focus. Being over-confident can sometimes be disappointing. There is nothing wrong with taking risks but it is stupid to take risks when you don't have idea about the consequences.

This can be evidenced from the Whitman case.

Vince was quite ignorant of the long-run effect of his high bid on Bret Hart. He paid a huge amount along with a 20 year's contract for winning Whitman from WAC, only to realize that he was better off with WAC. He did all this just to realize 10 months later that signing Whitman had been an expensive gamble for him. He could have maintained the rating if he stayed focus on his Job.

The rival's efforts did bring the ratings down but his reaction to those heightened the problems. Vince should be run; like in the case of Whitman. Had he given it a little more thinking then he would have foreseen the risk in it.

But his ego would not let him lose the bid against his rival. Playing with the characters was another issue here.

Vince should not have played so much with Hatpin's character. It is interesting to see new heroes but changing the mere image from positive to negative I. E. From a hero to a villain and vice versa is not a good step. However it can be entertaining but it can hamper the character's charm and personal confidence. Vince should have stayed with the same characters; he could have brought some variations to them.

He could have added new roles for new wrestlers.

Actually he needed a disciplined strategy for these characters. The Wow's Fishhook was trying to lure all those big names who were no longer high profile in WFM. On this issue, Vince should not have reacted aggressively. He should have acted maturely and thought about it seriously. If he ran after those big names, what was there for him to gain or to lose? If he could think about this then I think he would not have gone too far bidding on Whitman.

On his rivalry with WAC, He failed to realize that with his creativity and sense of drama, he could have built new characters to his arena even without Whitman.