

The evolution of espn company

Business, Marketing



COMPANY Case ESPN: The Evolution of an Entertainment Brand In the 2004 movie Anchorman character Ron Burgundy (Will Ferrell) auditions for a position on SportsCenter with the very new and lit-tle known network, ESPN (Entertainment and Sports Programming Network). The year was 1979. After pronouncing the name of the network “ Espen,” he then is shocked to find out that ESPN is a round- the- clock sports network. Through his laughter, he asserts that the concept is as ridiculous as a 24- hour cooking network or an all-musicchannel. “ Seriously,” he shouts. This thing is going to be a financial and cultural disaster. SportsCenter . . . that’s just dumb! ” While this comical sketch is fictitious, when a young college graduate named George Bodenheimer took a job in the mailroom at ESPN it 1981, it was for real. Today, Mr. Bodenheimer is president of the network that has become one of the biggest franchises in sports, not to mention one of the most successful and envied brands in the entertainment world. As a cable network, ESPN commands \$ 2. 91 from cable operators for each subscriber every month. Compare that to \$ 1. 7 for Fox Sports, 89 cents for TNT, and only 40 cents for CNN. The core ESPN channel alone is currently in more than 96 million homes. With that kind of premium power, it’s no wonder that ESPN shocked the world in 2006 by becoming the first cable network to land the coveted TV contract for Monday Night Football, which went on to become the highest rated cable series ever. But even with its three sibling channels (ESPN2, ESPNEWS, and ESPN Classic), the ESPN cable network is only one piece of a bigger brand puzzle that has become Bodenheimer’s \$ 6 billion sports empire.

Through very savvy strategic planning, Bodenheimer is realizing his vision of taking quality sports content across the widest possible collection of media assets to reach sports fans wherever they may be. Employing a hands-off management style, Bodenheimer has cultivated a brand that is brash, tech savvy, creative, and innovative. He tells employees that ESPN belongs to all of them. He gives them the freedom to come up with their own ideas and push them forward. His only rule is that every new idea must focus on fulfilling ESPN's mission of reaching sports fans and making them happy. In the process, ESPN has become as recognized and revered by its customers as other megabrands such as Tide, Nike, and Coca-Cola are to theirs. Bodenheimer's career-long dedication has grown ESPN to well over 50 businesses. The all-sports network has become a truly multiplatform brand, a rarity for any TV network. This growth has given ESPN tremendous reach. ESPN.com alone reaches 22.4 million viewers a week.

But even more stunning is the fact that during any seven-day period, 120 million people ages 12 to 64 interact with some ESPN medium. Here's a rundown of ESPN's portfolio of brands: Television: ESPN has sprawled into six cable channels and other TV divisions that give it both a local (ESPN Regional Television) and global (ESPN International and ESPN Deportes) presence. It was one of the first networks to break new ground in HDTV with simulcast service for ESPN and ESPN2 and it still maintains the most HD programming content and highest level of HD viewership in sports.

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Cable operators and viewers alike consistently rank ESPN, ESPN2 and ESPN Classic above all other channels with respect to perceived value and programming quality. But perhaps one of the most innovative moves in all of television sports occurred in 2003, when ESPN content was integrated into its sibling network ABC. ESPN on ABC is now the home for the NBA Finals, NASCAR, NCAA football, NCAA basketball, World Cup Soccer, British Open, and the IndyCar Series. Although ESPN has numerous cable channel brands, one program stands out as a brand in its own right. SportsCenter was ESPN's first program.

And with as many as 93 million viewers each month, it remains the network's flagship studio show. SportsCenter is the only nightly, full-hour sports news program. And whereas, in the past, ESPN has rebroadcast taped episodes of SportsCenter during the day, a new schedule incorporating nine straight hours of live SportsCenter everyday from 6 a. m. to 3 p. m. will begin in the fall of 2008. Outside the United States, ESPN airs 14 local versions of SportsCenter broadcast in eight languages. Radio: Whereas many radio formats are suffering, sports radio is thriving.

And ESPN Radio is the nation's largest sports radio network with 750 U. S. affiliates and more than 335 full-time stations. In addition to college and major league sports events, the network broadcasts syndicated sports talk shows, providing more than 9,000 hours of content annually. Publishing: ESPN The Magazine launched in 1998 and immediately began carving out market share with its bold look, bright colors, and unconventional type, a combination consistent with its content. With the dominance of Sports Illustrated, many didn't give ESPN's magazine even much of a chance.

Within its first year, ESPN The Magazine was circulating 800, 000 copies. Today, that number has ballooned two- and- a- half times to 2 million, whereas Sports Illustrated has remained at a stagnant 3. 3 million. At the same time, ESPN is making headway into one of the oldest of all media: books. Although ESPN Books is still waiting for a megaseller, because of the cross- marketing opportunities with the other arms of ESPN, this small division has consider-able marketing clout in a struggling industry. If they didn't have the TV stuff and everything else, they'd be as hard-pressed as other publishers to make these books into major events," said Rick Wolff, executive editor at Warner Books. Internet: ESPN. com is the leading sports Web site, and ESPNRadio. com is the most listened to online sports destination, boasting live streaming and 32 original podcasts each week. But the rising star in ESPN's online portfolio is ESPN360. com, a subscription-based broadband offering that delivers high-quality, customized, on- demand video content.

Not only can fans access content carried on ESPN's other networks, but they also get exclusive content and sports video games. For the true sports fan, there's nothing like it— it allows viewers to watch up to six different events at the same time choosing from live events for all major professional and college sports. Since ESPN360. com began service in 2006, this broadband effort has doubled its distribution and now reaches 20 million homes. Beyond working through its own Web sites, ESPN is exploring the limits of the Internet through an open distribu-tion venture with AOL.

By providing ESPN content via a branded ESPN video player in AOL's portal, viewers have more access to ESPN's content. But advertisers also benefit

from a larger online audience than ever before. Mobile: In 2005, ESPN ventured in to one of its trickiest and riskiest brand extensions to date. Mobile ESPN was designed as ESPN's own cell phone network, putting content into sports fans' pockets 24/ 7. But after a year, the venture was far from breaking even and ESPN shut it down. However, even though Mobile ESPN is down, it's not out.

ESPN has capitalized on the lessons learned and started over with a different strategy. Today, ESPN provides real-time scores, stats, news, highlights, and even programming through every major U. S. carrier, with premium content available through Verizon Wireless and Qualcomm. Mobile ESPN also reaches an international audience of mobile customers through more than 35 international carriers. ESPN's mission with its mobile venture is to "serve the sports fan any time, anywhere, and from any device. In fall 2007, it reached a major milestone in that goal when more people sought NFL content from its mobile-phone Web site than from its PC Web site. "We're having extraordinary growth on ESPN.com's NFL pages, but we're also seeing extraordinary usage with mobile devices as well," said Ed Erhardt, president of ESPN Sports customer marketing and sales. Mr. Erhardt sees great potential in mobile, saying that it is "a big part of the future as it relates to how fans are going to consume sports. Bodehnheimer and his team see no limit to how far they can take the ESPN brand. In addition to the above ventures, ESPN extends its reach through event management (X Games, Winter X Games, ESPN Outdoors & Bass), consumer products (CDs, DVDs, ESPN Video Games, ESPN Golf Schools), and even a chain of ESPN Zone restaurants and SportsCenter Studio stores. ESPN content is now reaching

viewers through agencies that place it in airports and on planes, in health clubs, and even in gas stations. " Now you're not going to be bored when you fill up your tank.

It gives new meaning to pulling into a full-service station," says Bodenheimer. " I've been on flights where people are watching our content and don't want to get off the flight. " A powerful media brand results not only in direct revenues from selling products but also in advertising revenues. Advertising accounts for about 40 percent of ESPN's overall revenues. With so many ways to reach the customer, ESPN offers very creative and flexible package deals for any marketer trying to reach the coveted and illusive 18-34 year old male demographic. Nobody attracts more men than we do," asserts Bodenheimer. " We've got a product and we know how to cater to advertisers' needs. The merchandising opportunities we provide, whether it's working with Home Depot, Wal-Mart, or Dick's Sporting Goods, we want to partner if you want young men. " As amazing as the ESPN brand portfolio is, it is even more amazing when you consider that it is part of the mammoth ABC portfolio, which in turn is a part of The Walt Disney Company portfolio.

However, it is no small piece of the Disney pie. ESPN revenues alone accounted for about 18 percent of Disney's total in 2007. Since obtaining ESPN as part of the 1995 ABC acquisition, because ESPN has delivered on the numbers, Disney has allowed ESPN to do pretty much whatever it wants to do. Just a few years after the acquisition, Disney's then-CEO Michael Eisner told investors, " We bought ABC media network and ESPN for \$ 19 billion in 1995. ESPN is worth substantially more than we paid for the entire acquisition. And Disney leverages that value every way that it can, from

Mouse House advertising package deals to conditionally attaching its cable channels to the ESPN networks through cable operators. Questions for Discussion

1. In a succinct manner, describe what the ESPN brand means to consumers.
2. What is ESPN selling? Discuss this in terms of the core benefit, actual product, and augmented product levels of ESPN.
3. Does ESPN have strong brand equity? How does its brand equity relate to its brand value? . Cite as many examples as you can of co-branding efforts involving the ESPN brand. For each of these cases, what are the benefits and possible risks to ESPN?
5. Analyze EPSN according to the brand development strategies from the text. What have they done in the past? What would you recommend to ESPN for future brand development?

Sources: Alice Cuneo, "More Football Fans Hit ESPN's Mobile Site Than Its PC Pages," *Advertising Age*, January 7, 2008, p. 7; Mike Shields, "ESPN, AOL Strike Web Video Deal," *Brandweek*, April 8, 2008, accessed online at www.brandweek.com; Andrew Hampp, "ESPN Makes Jump to Major League," *Advertising Age*, May 14, 2007, p. 32; Ronald Grover, "Comcast's C- TV: Channeling Disney," *BusinessWeek.com*, December 1, 2006; Jeffrey Trachtenberg, "ESPN's Next Hurdle: Selling Its Audience on Books," *Wall Street Journal*, February 13, 2007; Jason Brown, "Out-of-Home TV Ads Finally Coming of Age," *Television Week*, January 28, 2008, p. 12; also see www.espnmediazone.com.