

The ultimate fighting championships: marketing



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UFC also known as Ultimate Fighting Champion is the world's largest mixed martial art (MMA) promotions company hold by Zuffa Limited liability company (LLC). MMA has been acknowledged as one of the most extreme sport industry worldwide. The company mission and goal is to discover whether which martial arts are the best among the all either karate, taekwando, jiu-jitsu, boxing and other combat sport. Currently, UFC signs with most of the world best fighters such as Cain Velasquez, Lyoto Machida, Randy Couture and etc. UFC host fighting events for martial arts enthusiasts across nation through television or live in the city of entertainment, Las Vegas. Zuffa LLC was purchased by Station Casino's executives, the Fertitta brothers i. e. Frank Fertitta III and Lorenzo Fertitta. Lorenzo runs the company as chief executive officer (CEO) as well as the chairman while Dana White is being appointed as the president of UFC who are accountable with the daily operations of the company.

Environmental Analysis

Internal Environment Analysis

Weaknesses

Johnson was the first senior member of the firm who did not come from a background in boxing or television.

Consequence

He is not able to make sound strategic decisions because lack of experience. He may not able to understand the current conditions and develop future perspectives of the UFC. His decisions may be challenge by other members of the firm. Hence, he is unable to ensure that the UFC continued to meet

the high expectations that had been set by its phenomenal early success in long term.

PRIDE fighters were generally given very little time to adapt to the UFC's different fighting styles and rules.

Consequence

As a result, PRIDE fighters refused to accept the terms of the merger and felt they were not receiving a fair opportunity to establish themselves in the UFC. So, many fighters left the UFC for other smaller competing organizations.

The majority of fighters in the league, however, did not large endorsement or high profile contract agreements with the UFC; instead, they will barely scraping by.

Consequence

This model may not really have real incentive and motivation for young athletes to join the sport. This may lead to loss of talented athletics in the field.

Dana White and Fertitta brothers did not operate their company in a typical manner; they had become enormously successful by trusting their instincts and gambling on their emotions.

Consequence

Dana White and Fertita brothers are chairing the most important positions in the company, so their decisions are essentially vital. However, they made

decisions by trusting their own instincts and emotions which are not rationale and this will affect the output of decisions they made. So, we can conclude that there might be a high possibility that they will lead the company in a wrong path.

Strengths

Hosting Events

UFC is hosting events at casino venues such as Trump TajMahal and the MGM Grand Garden Arena. As a result, the UFC started generating higher live gates such as ticket revenue and also the organization started to see PPV revenues as high as revenues before the political controversies in 1997.

Technology

Zuffa decided to take the UFC beyond pay-per-view and into cable television by creating TUF, a reality-TV series that featured up-and-coming mixed martial arts (MMA) fighters competing for a contract in the UFC. At first, the concept is rejected by different networks but Zuffa managed to find a partner. The decision is a great success as the show aired for the first time became an instant success and most importantly it had saved the UFC from bankruptcy. The success in the first attempt had gained UFC a few seasons to be continuing aired for the following years.

Partnership

UFC's strategic partnership with Spike TV proved to be the ideal opportunity for the UFC to maximize exposure. This is because the programs became the main outlets through which the UFC promoted its pay-per-view events, which

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allowed UFC to spend very little on advertising while targeting its core audience. Besides that, UFC was able to generate significant sponsorship revenues through its television programming. The result was a dramatic increase in pay-per-view buys and an overall explosion in growth as a whole.

Explosion

The UFC's success was achieved due to the organization's ability to promote its pay-per-view events through its cable television outlets, along with its ability to capitalize on the hype created by the shows, with much-anticipated fighter matchups following directly after. UFC had made explosion by developing a self-sustaining positive feedback loop of publicly available material that served to promote the next pay-per-view event without having to draw an outside sources, resulting in favorable cost efficiencies for the organization.

External Environment Analysis

POLITICAL

Threat

A new rule was established that required every sponsor to pay a licensing fee as high as \$100000 to the UFC for the right to sponsor a fighter. This fee made it substantially harder for up-and -coming fighters because sponsors were not willing to fund newer fighters who were more likely to fight on the undercard, therefore providing the sponsor with only limited exposure. The licensing requirement also essentially locked out small or new companies from sponsoring the UFC because they could not afford to pay the required

fees. The limited sponsorship competition might be harmful to the UFC and might adversely affect its long term opportunities for sponsorship revenue.

ECONOMIC

Strides in new international market

In January 2010, 10% stake in the company had been sold to Flash Entertainment, a Middle Eastern entertainment company and a wholly owned subsidiary of the Abu Dhabi government.

Opportunity

This move would allow the UFC to develop strategic partnerships in the Middle East and throughout Asia. In the case, UFC said they had a lot of growth over the last five years in United States and Canada. Moreover, Abu Dhabi controls the world's largest sovereign wealth fund, estimated between \$400 billion and more than \$875 billion. The United Arab Emirates is the world's third largest oil producer, according to the Associated Press (source from: http://www.lvrj.com/news/breaking_news/UFC-sells-10-percent-to-Mideast-company-81192552.html). Therefore, it is an opportunity for UFC to get in international expansion with affluent partnership to gain international market share rather than expanded only within United States.

New international markets would dramatically increase the demand for talented main-event fighters. Since UFC step in international market which they require as much fighters as possible from domestic or international region to earn international audiences' interest. As increased in fighter headcount, it is an opportunity for UFC to develop their

domination/recruitment system to ensure fighter's quality could withhold audiences' expectation. By having good quality and quantity fighters in joining competitions, it clearly reflected the increased in PPV which also increased in UFC's revenue.

SOCIAL

Threat

Local talent need to be identified and recruited to attract fans and fill seats in these new markets. It is difficult to attract the fans from over the world as the local boxing fighters do not have enough fame. The fans may wary about the ability and skills of the local boxing fighters. This is why Johnston questioning whether the local boxing fighters can achieve the level of popularity as Michael Bisping, whose was paramount successful English-born fighter in United Kingdom.

Threat

Controversy surrounding the absence of any standard set of rules to govern the sport led to the sport being banned in 36 states. One of many public figures who spoke out against the sport was U. S. Senator John McCain, who declared it to be a " human cock-fighting." UFC was dropped from major cable PPV distributor. The controversy also was a major barrier against obtaining official athletic sanctioning from state athletic commissions.

Threat

However, Marshall Zelaznik whose is UFC's managing director of International Development had reiterated the disappointment of many UFC
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fans those feared that too many international events would dilute the quality of the events held within the United States. As result, this would compromise the company's core fan base.

Opportunity

Generally, the UFC's target audiences were driving the organization's decision on the sponsors to target and the event promotions to pursue. And initially, UFC barely focus on men audience, however the dynamic nature of the UFC's fan base had begun to change and not only men were drawn to the sport. UFC starts to target female audience. UFC was beginning given much interest in female audience which targeted at aged 18 to 36. This female audience would give an opportunity to UFC open up an entirely new sponsorship base.

Michael Porter's Five Forces

Competitors

Closed PRIDE's Japanese operations

UFC acquired PRIDE Fighting Championships on March 27, 2007 which had been the UFC's largest international rival and had featured many of the world's greatest fighters. Subsequently after the acquisition, UFC closed the Japanese operations of PRIDE and began to rebrand many of the top PRIDE fighters under the UFC name.

Such action helps UFC to align its brand as closely as possible with the sport of MMA as a whole. For example, UFC buy out competitors and close their

doors as a strategy to ensure its market position and unify the leagues under one name by pitting UFC and PRIDE champions against each other.

Hence, UFC able to control and obtain high competitive advantage as it restricts the competitor's power by acquisition and unify them under one name.

New Entrants

In the case, many challenging organizations were emerging and each with a unique business model in attempts to become established in the market and to steal revenues from the MMA giant. However, UFC had a simple strategy for limiting the growth of its new competitors by scheduled free counter-programming.

Although this approach was not profitable to itself, it worked to prevent new competitors from both achieving profitable operations and recouping their investments in high-profile fighters. Hence, new entrant competitors might not survive in long-term due to unable to compete with UFC's strategy implemented..

Customer

In the case given, UFC was beginning take in consideration of general fans base. UFC targets on wide general potential fans who were neither MMA enthusiast, nor fans of boxing or professional wrestling in order to fit these potential fans into the existing categories fan base. Such strategy taken would enhance UFC's understanding and recognized different customer segments. Hence, UFC is able to possess the huge customers base and increase its competitive position.

Strategic Issues

Strategic Issues

1.) UFC dominating the terms of contract agreement of their fighters.

Consequence

UFC might lose their potential fighters as they dominate their contract such as control the fighter's competition arrangement and remuneration. It results fighters unsatisfied and eventually fighters may leave UFC. For example, the world's number-one ranked mixed martial arts fighter, Fedor Emelianenko, who had never fought in the UFC and this situation had caused dispute with the management. Hence, it will impose a negative impact on other important relationships between the league's fighters if UFC continue dominating the terms of contract agreements.

2.) Affliction Clothing had been one of the UFC's clothing sponsors. However, it becomes UFC competitor after experienced disputes with UFC over royalty issues. The UFC reacted by banning fighters from wearing Affliction Clothing logos.

Consequence

UFC lose the major sponsorship and it needed to waste time and resources to find a new sponsor. Besides that, the act of banning fighters for wearing AC logos will result in losing of one the most valuable company asset which is boxing fighters

3.) The UFC also lacked any form of union to protect the interest of its athletes.

Consequence

The rights of the company's athletes are being abandoned and not protected. This had caused the UFC's most popular fighters had refused to fight and leave the UFC. Turn out, they prefer joining smaller and competing leagues.

4.) UFC in the past, exploited what was essentially a monopoly in the North American market in order to bully fighters into what many believed to be unfair contracts. The UFC had already seen many of its fighters leave, but had taken little action to rebuild these relationships.

Consequence

This action had lead to bad relationship between fighters and the company. As a result, many of the fighters leave due to the unfair treatment given by the company.

5.) Strikeforce

A fighting league based out of California and offered its first MMA fight on live CBS. Strikeforce also aired the first female championship on cable television. This means that Strikeforce is a market leader that enjoys the opportunity by developing this female fighters market.

Consequence

Therefore, UFC is said that less competitive compare to Strikeforce due to lack of creative idea although UFC was capturing approximately 90 percent of the industry's total revenues. Furthermore, UFC's audience base would shifted to Strikeforce as its creative and innovative strategic are able to attract both male and female audiences.

Strategic Choices and Recommendation

1) Strategic Issues: Contract disagreement with the fighters that resulted in losses of potential and their top ranked fighters.

Recommendation: The company should follow contract solving strategies. UFC Top management need to appoint a lead negotiator in order to negotiate the contract terms with their fighters. These fighters are UFC major assets and if these problems persist, UFC will suffer the lack of young and experience athletes in the long run. New policies and terms should be introduced in the contract in order to reduce the possibility of dispute with the fighters. E. g. Better facilities provide for fighters, increment in their salaries, medical allowances and etc.

2) Strategic Issues: Dispute between UFC and their major sponsorship, Affliction Clothing.

Recommendation: Develop a strategic alliance with clothing apparel or other company with the similar industry. Strategic alliance is the arrangement between two parties (companies) as in to join their forces or resources in order to pursue on a common goal. Strategic alliance is distinct from joint venture as they incurred less obligations and less permanent relationship with their partners. By adopting this strategy, UFC will not loss their

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monopoly of profits and resources in the markets. For example, UFC can form a strategic alliance with a clothing manufacturer to ensure that they receive consistent supplies of fighter's clothing, boxing glove and so on. This also reduces their reliance on their sponsorship and supplier. Hence, the problem with disagreement or dispute with sponsorship will decrease significantly.

3) Strategic Issues: Lack of any form of union to protect athletes (fighters)

Recommendation: UFC need to form a trade union or fighter association to protect the fighter interest. Rights of the fighters are abandoned and not protected. Hence, they refuse to fight or choose to leave the company. In the long run, this could be a major issue for UFC i. e. lack of fighter. This may also raise the concern from public in which the company does not fulfill their social responsibility for their own employee. Union represent the majorities, if Dana White abuses or breaches the contract term, the union still can take action to ensure the fighters receive sufficient compensation. Existence of a fighter association will make sure that UFC will not exploit these fighters.

4) Strategic Issues: UFC had seen many of its fighter leave, but take little action to rebuild their relationship.

Recommendation: Major issues that need to raise the company's concern i. e. the unfair treatment to the fighter. For instance, lack of exposure or endorsement for new fighters, low salaries and medical insurance. UFC should take action to rebuild their bad relationship with the fighters, send Dana White to negotiate with them, increase fighter's bonus or lay a foundation for insurance policy or improve benefits in kind. UFC should take

any actions to show their appreciation for the fighter's effort instead of exploiting them.

5) Strategic Issues: Emerges of Strikeforce and UFC competitive ability.

Recommendation: There is lack of innovation in UFC event. Strikeforce are able to capture wide range of audience between male and female as well. They even introduced the first female championship on the television. Although UFC monopolize the profit in the industry, but evidence shows that UFC are lack of creative and innovative ideas to compete with Strikeforce. UFC should undertake reactive approach. They should observe the action take by their competitors to capture audience and uses their market dominance to make different or similar modification to compete with their competitors. But in the long run, UFC need to think of new ideas or penetrate into new markets such as Asian market in order to continue their dominant position in the industry.

Conclusion

In a nutshell, the internal environment of UFC is quite stable and less prone to changes as there are only a few weaknesses and strength of the company. For example, the company faces lack of experience, fighter's dissatisfaction and so on. Apart from that, the industry possesses a lot of opportunity and threat to UFC. UFC need to discover their opportunity abroad overseas by penetrating to new market such as Asian market or the Middle East market. However, if UFC focus too much on expanding their capacity to overseas, they might dilute their hosting event in the local states market. There are certain long term strategies that UFC can undertake to

overcome this threat, and make full advantage on the opportunities available. For instance, they need to improve their company innovation in terms of events host or product sell, increase facilities for their athletes, form a union and so on.