

Ultimate fighting case study

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Ultimate Fighting Championship (Case 2) The following is an environmental analysis on the mixed martial arts (MMA) fighting competition, Ultimate Fighting Championship (UFC). The parent company, Zuffa, LLC, since the UFC's purchase, has been trying to legitimize UFC as a sanctioned sport and develop its international growth. The UFC has grown exceedingly in popularity since its founding in 1997. The first section of this report will cover an overview of trends in the segments of the general environment that are external to the company: political/legal, socio-cultural and global, economical, technological, and demographics.

The second section will discuss how Under the UFC fits the aspects of Porters Five Forces. The final section will show the competitive and internal analysis along with success strategies. Political/Legal Segment Mixed Martial Arts has been around since the very first Olympics in Athens, Greece. Over time its popularity grew and more people became interested in this sport. The UFC was the first MMA organization that tried to popularize this sport. The original founders of this organization choose marketing techniques that made many people to question the ethics of the sport.

There were no time limits, no weight classes, no mandatory safety equipment, and very few rules. As a result, MMA was banned from the majority of U. S. states and the founders decided to sell the organization. The buyers and second owners of the UFC wanted to legitimize MMA as a sport. To do this, they asked states to regulate MMA and needed the government to create regulations and specific rules that fighters follow. Unified Rules and Other Important Regulations of Mixed Martial Arts were created. As of January 2011, MMA was regulated in almost every U. S. state with the

exception of Connecticut, Vermont, and New York. **Socio-Cultural and Global Segment** The socio-cultural aspect for the industry has to do with society's attitude toward watching physical violence for entertainment. MMA has a very loyal fan base. The UFC has done much to turn its image around and further increase viewership. They made Dana White, a former amateur boxer, trainer, and creator of the sports marketing agency, Dana White Enterprises, the face of the organization and part of the UFC brand. White's popularity and status benefited the UFC's image.

MMA has increased its international presence with events in Canada, Australia, the United Kingdom, and Germany to name a few. The MMA has also established television deals to bring the matches to various locations around the world. MMA competitions can now be viewed in Europe, Asia, Australia, South America, North America, and the Middle East. **Economical Segment** Economic factors can have both a positive and negative effect on the MMA industry. Because Mixed Martial Arts is a luxury and not a necessity, economic growth and recessions is one thing to consider.

Economic growth brings more consumer spending and consumers will be willing to spend more on tickets or PPV events. Economic recessions bring the exact opposite as consumers are willing to spend less on things that they do not need. Another thing to consider is the elasticity of demand. Since MMA events are not a necessity, consumers will not be willing to pay more when prices rise unless they are dedicated fans. **Technological Segment** The MMA industry depends heavily on technology for success. Television is the primary outlet for this industry.

Live events are transmitted on PPV (pay-per-view) so fans who cannot physically be there can still watch it on television. Reality television shows like The Ultimate Fighter and the UFC Countdown are broadcast on Spike TV so fans can get to know the fighters outside of the Octagon. This industry also releases video games so fans can portray their favorite fighters. The UFC launched a video game called "UFC Undisputed" in 2009 and 2010 to promote upcoming PPV events. MMA organizations and fighters now have Twitter and Facebook accounts allowing fans to follow and be kept up to date on current news.

Various amounts of MMA smart phone applications are also available in app stores. Demographic Segment The MMA industry looks to attract both males and females of any age and any ethnicity. The reasoning behind this is that everybody has a natural instinct of fighting; it is in our DNA and whether we choose to do it or not, we will always have that urge to fight. Although it is intended for everybody, men, typically between the ages of 18-34, are the main viewers and participators of MMA fights. The reasoning behind this is that males at a younger age are more risk-tolerant than males at older ages.

There are very low percentages of female MMA viewers, however the females that do watch and participate in MMA are in the same age gap of 18-34. Organizations such as the UFC and Strikeforce mainly target this specific demographic as it is proven that males between those ages are the main fans. Porter Five Forces Supplier Power (Low) The supplier power for the MMA industry is low. The main supplier within this industry is the fighters themselves. Fighters have generally low power in this industry.

The main reasons for this are the lack of competition in this industry and the abundance of fighters willing to participate. Within this industry there is one dominant player and that is the UFC. This give this organization power over fighters willing to join this industry and fighters that are already in the industry. Most of the top fighters in this industry are signed to long term contracts further limiting their power. Since there are many fighters willing to join this industry the organization can take the time to pick and choose who they want.

Barriers to Entry (High) The barriers to entry are surprisingly high. The main components these organizations need are fighters, a place to fight, and people who take interest in these fights. What makes this barrier to entry high though is that the main organization in this industry is already well established. Competing against this organization is quite difficult and companies who have tried have failed. In this type of industry there is really only room for one organization such as similar professional leagues like the MLB and NBA.

A new organization can very well get their name out there, but staying in the competition is hard. In order for a new organization to stay in business within this industry, the organization would have to bring something new and unique to the industry. Barriers to entry for fighters are considered high as well. Within this industry, well known fighters are already established and have contracts with existing organizations. New fighters interested to join this industry will have to go above and beyond to prove that they can compete with the top fighters.

Competitive Rivalry (Degree of Rivalry) (Low) The competitive rivalry for the MMA industry is low. With the only major player in MMA being UFC it appears to have a monopoly on the industry. It has bought out most of its major competition such as Strikeforce, a kickboxing organization that started in 1988, World Extreme Cagefighting (WEC), a MMA organization founded in 2001 focusing on smaller weight classes, and Pride Fighting Championships (Pride FC), a Japanese organization founded in 1997.

Threat of Substitutes (High) The threat of substitutes for the MMA industry is high.

The MMA industry is a focus of the sports industry, thus there are many alternatives. Hockey, football, baseball, basketball, and soccer can all be substitutes for MMA. In particular, hockey and football are aggressive sports that sometimes break out into violence. Since MMA is also entertainment based consumers can substitute it with movies, concerts, and video games.

Buyer Power (Low-Moderate) The buyer power for the MMA industry is low to moderate. Consumers have low power in the MMA industry. In this industry, consumers typically buy tickets or pay a PPV fee to watch a live match.

Buyers do not have options when purchasing tickets because tickets are usually sold at a fixed price and are typically sold from one venue. An option for a consumer could be a scalper, but scalpers usually sell the tickets at a higher cost than the original cost making buyer power even lower. In addition, MMA events are only shown live once. Consumers do not have the option to come back and watch it live later. Other MMA events will occur throughout the year, but that particular event will never be able to be seen live again. However, buyers can gain power if an organization decides to raise prices.

MMA events are not a necessity so if prices rise, average consumers are less willing to pay more for tickets or PPV events. Competitor Analysis The UFC's major competitors were PRIDE Fighting Championships (Pride FC), World Extreme Cagefighting (WEC), and Strikeforce. All three mentioned were all acquired by the UFC or Zuffa, LLC. As of late, the UFC does not have major competition in this industry. The UFC is clearly a monopolized organization and with this brings almost no competitors. Internal Analysis The UFC has had great success in the US and other foreign markets, such as Australia, and has a large fan base.

With the success in Australia, Fertitta, the CEO of the UFC, has contemplated pursuing other international locales. To be successful the UFC has to find support for this type of combat based entertainment in other areas of the world. It also leads to the question, would different cultures be willing to accept the sport or would there simply be too much of a cultural gap between various audiences? Strategies of Success The UFC has already seen success internationally in many countries such as the UK, Australia, and Germany, just to name a few.

The UFC should start expanding into other international areas. To do this the organization must look at the success of other sports. With China, an established relationship is usually needed before any deals can be made. With the rise of the middle class and desire for Western luxuries though, the UFC has found an opening into the market. In India MMA has grown from a budding interest into a rich tradition of martial arts and hand-to-hand combat. In South Korea martial arts has been popular for more than 2, 000

years and it is cited as one of the most recognizable cultural aspects of the country.

With the UFC gaining popularity in these unique countries, it is apparent that the UFC can and should expand into other culturally diverse countries but with some patience. Alternative Strategies The UFC could also just choose to stay in countries where they already have a large fan base. Since it already has a large fan base in countries like Australia, it is easier for the UFC to grow a larger fan base in these areas. The organization also need not worry about government regulations or forging new relationships with these governments because they are already established.