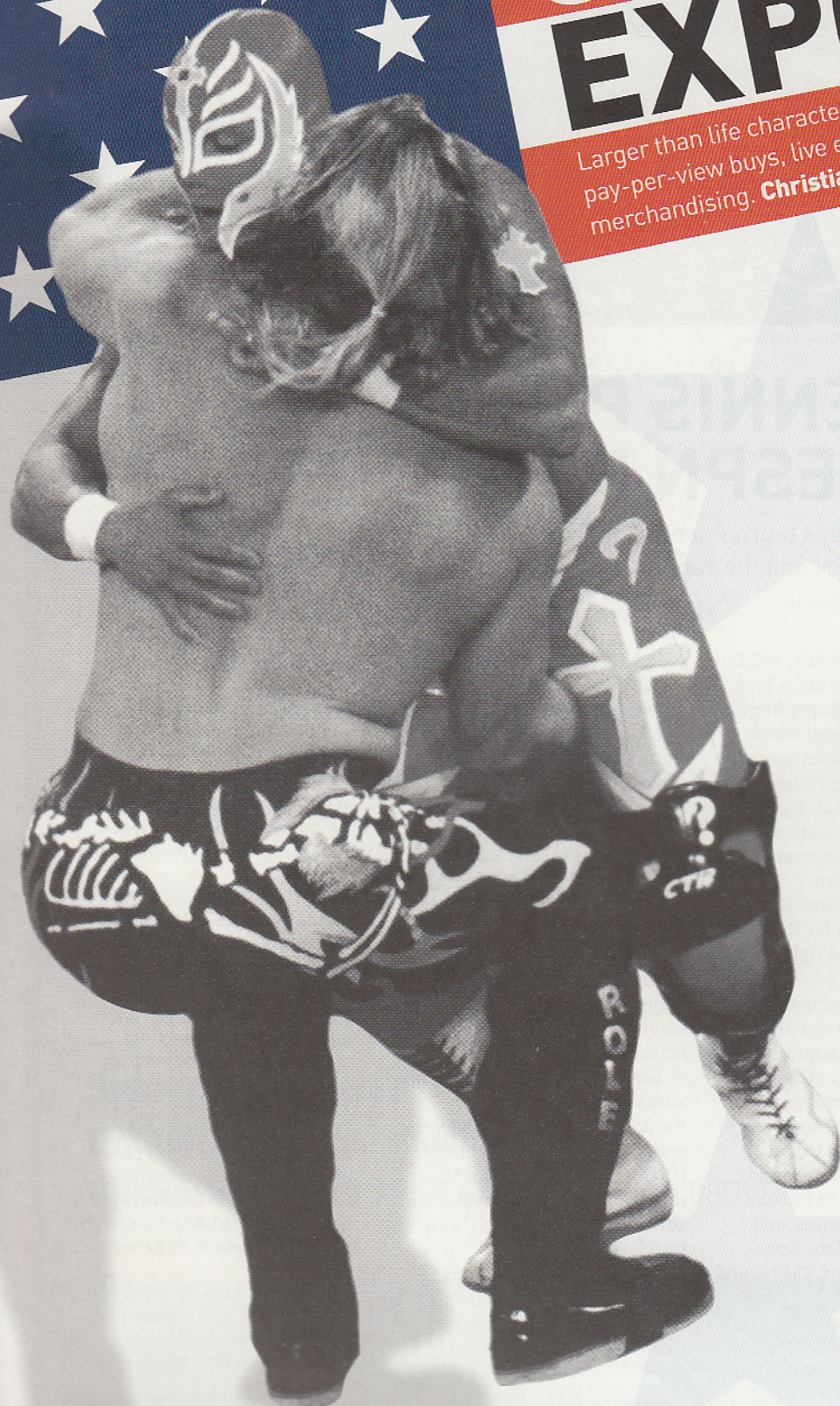


AMERICA'S GREATEST EXPORT

Larger than life characters that drive TV ratings, which, in turn, drive pay-per-view buys, live event attendance, WWE.com traffic and branded merchandising. **Christian Sylt** on the global media phenomenon that is WWE



TEN YEARS AGO it would have been unthinkable. At all the top sports trade shows next to FIFA, the Football Association and the IOC now sits an exhibitors stand for World Wrestling Entertainment (WWE). The company's brand of aggressive action with its scripted stunt-driven matches is far from sporting but WWE is now competing for the same turf as the world's top sports events. And when it comes to financial performance it packs a punch.

On paper the concept behind WWE seems surreal to say the least. Fixing matches between muscular men coated in baby oil and dressed in clown-like costumes doesn't sound like it would appeal to anyone, let alone be a lucrative business. But this is what 16 million people watch each week when they tune in to WWE shows taking its total revenues for the 2006 financial year to \$400 million. And explosive growth is pumping the results up even more.

At the end of February WWE announced that revenue in the last quarter of 2007 had increased 23 per cent year-on-year to \$132 million and operating income rose by 41 per cent to \$24.7 million. The upshot is that the full year results for 2007 are expected to show a 20 per cent revenue increase to a record \$485 million and investors have already received the shot in the arm.

WWE is valued at \$1.3 billion on the New York Stock Exchange with around 70 per cent of the stock controlled by the company's colourful founders the McMahon family. On the heels of the latest results the company increased its dividend by 50 per cent to \$0.36 per share for all stock not owned by the McMahon family. It gave shareholders a trophy to take home at a time when many businesses are announcing write-downs.

This could only happen in America critics may cry; but WWE is broadcast in 22 languages to over 130 countries worldwide and in 2006 it staged 52 international events – more than it has ever hosted. In fact, whereas its average attendance for US events in 2006 was 4,990, around 9,160 fans visited each international event that year. Likewise, the average ticket

price for a US event was \$37.34 in contrast to \$69.18 for the international bouts. This global expansion is the powerhouse behind WWE's burgeoning balance sheet.

WWE has offices in New York, Los Angeles, Sydney, Toronto and London but recently opened another in Shanghai and is soon to add Sao Paulo to its list. International growth was up 25 per cent for the final quarter of 2007 with its November European tour being one of the most successful in the company's history. It sold out all 14 events in the UK alone and generated more than \$11 million in ticket sales revenue. Over 146,000 fans watched superstars such as Shawn Michaels and the Undertaker get thrown across the ring but it's the knockout business model which really lures in the crowds.

The 165 performers on WWE's books are rewarded with six-figure salaries for working 15 days each month but doing their jobs well means that matches must appear to be the opposite of what they really are. The outcome of every match is decided by WWE's scriptwriters but by performing seemingly unfeasible stunts, wrestlers convince the crowds that the contest is genuine.

Scriptwriters 'promote' wrestlers based on their athletic prowess and crowd interest in the character they have creative control over. The crucial catch is that WWE keeps the intellectual property rights to the characters. But whether cheering or jeering, if fans have enough interest in a character they'll buy the merchandise, watch the pay-per-view shows and come to the live events. In short, they'll make money for the WWE and so to provoke a reaction, the more extreme the character (be it bad or good), the better.

The top wrestlers not only get to wear the coveted belts (which are akin to company

Oscars), but they also get more airtime on TV. This in turn drives merchandise, pay-per-view and event gate sales. The simple incentive for the wrestlers is that they get around a 5 per cent cut of merchandise and ticket sales and WWE takes the remainder. So it's no surprise that the wrestlers whip crowds into a frenzy since they stand to gain a lot.

In 2006, tickets for live events totalled \$75 million and revenues from consumer products brought in a further \$86.4 million. The lion's share of this goes to WWE and little is diluted. WWE makes its own merchandise and has an in-house scriptwriting and creative team to conjure up catchphrases and slogans for the characters. It lures in fans in their droves.

So, WWE and record-breaking go hand-in-hand. It is a standalone media enterprise but unlike sports or TV serials, it has no off-season. "We produce more than most Hollywood studios do on an annual basis by far, in terms of TV," says WWE chairman Vince McMahon. WWE programmes get over 50 million viewers each week and its RAW programme is US TV's longest running show with over 750 episodes in its 15-year history. WWE is also the number one pay-per-view event provider worldwide having generated over \$2 billion in pay-per-view revenue over the past 20 years. But its achievements outside broadcast media are its hidden gems.

The WWE.com website has on average 17.3 million visitors per month rising to over 65 million per day at the time of its annual flagship Wrestlemania event. WWE books have topped the New York Times bestseller list several times and it now produces movies featuring its superstars such as The Rock. WWE even has a publishing division with two monthly magazines

which have a combined audience of 750,000 readers. This creates the perfect platform for the WWE to incite interest in its characters and McMahon admits that the company regularly uses the media to manipulate its characters.

"Listening to the audience is a secret of our success," he says adding that the WWE has developed techniques to 'precondition' the crowd. So for example, if merchandise sales of a fan-favourite character are slumping, the WWE might mock-up a 'spy-camera-style' video of the wrestler speaking abusively about the crowd and play this before his match begins. The crowd react accordingly and McMahon affirms "we see that reflected in merchandise sales." But the WWE takes manipulation to an even greater level of detail.

"The audience is like a test group every night," says McMahon explaining that he listens to when it is cheering and booing and even how loud it is. "As long as you're listening at the right times, you give them what they want," he adds and this method is even used to trial different storylines so the scriptwriters can develop the most popular themes. "You can't dictate to the audience," says McMahon. "Present them with a selected menu and see which one they gravitate to," is his recipe for pulling in punters.

And although it may seem like low-hanging fruit to pick, McMahon maintains that the WWE won't be launching a European federation in the near future. He knows the company's strength. McMahon says that when it travelled to Japan, translators got booed out of the ring because the crowds wanted to hear the American voices even though they couldn't understand them. "America's greatest export is WWE," he boasts with a Cheshire-cat grin. And that seems set to continue.

DEAL OF THE MONTH

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The Ligue Nationale de Handball (LNH), representing France's top-tier men's league, signed deals with telecoms company Orange and pan-regional broadcaster Eurosport for the next three years, from 2008-09 to 2010-11.

What's it worth?

Orange and Eurosport between them will pay close to €2 million per season, including rights fees and production costs, approximately triple the value of an existing exclusive deal with Eurosport.

How did it happen?

The LNH had recruited law firm Clifford Chance, which had also acted for French football's Ligue 1 in its TV negotiations earlier this year, to advise on the process. The LNH tender was its most sophisticated ever, breaking the rights into three separate packages and prompting one bidder to grumble: "Now every rights-holder is trying to act like the English Premier League."

Why the increase?

Renewed competition in the French pay-television market was key to driving the value of the deal. Orange's deal, for the first-choice match each week, is its second major sports rights deal, although on a much smaller scale than its

€203 million annual investment in Ligue 1 football.

Orange's plan is....?

Orange is putting together a sports offer available via IPTV that it hopes will form a viable alternative to the premium channels offered by Canal Plus. It will use the handball, starting in the early evening on Saturdays, as an appetiser leading in to its big Saturday night Ligue 1 football coverage. Orange is taking a gamble - Canal Plus traditionally shows no premium sport on Saturday nights as it is regarded as a much harder time to attract large audiences.

Who missed out?

Other bidders included Canal Plus'

sports channel, Sport Plus, which bid for the first pick match and video-sharing website DailyMotion, which bid for magazine rights. Canal Plus offer was considerably below that of Orange, which is paying over €1.1 million a year in rights fees and production costs. Canal Plus wanted the rights to complement existing deals for the national team and the European and World Championships.

Who missed out?

The Ligue is well satisfied with the outcome of its process, which achieves all its main goals: increased revenue, increased exposure and the promise of better production. There will now be two matches a week shown live, up from one at present.