From Networks to Netflix

A Guide to Changing Channels

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WWE Network

The Disruption of Over-the-Top Distribution

Cory Barker and Andrew Zolides

On February 24, 2014, World Wrestling Entertainment (WWE) launched the WWE Network, an over-the-top (OTT) Internet-only channel that provides a continuous stream of programming as well as on-demand content. While at this point other streaming video services like Netflix and Hulu offered original programming, the network established new ground by delivering live coverage alongside on-demand content, crucial for broadcasts of major spectacles like *WrestleMania*. The network was initially marketed as a one-stop shop for fans of WWE programming, mixing access to classic archival material amassed over decades with new, original programming only available through the service. This—combined with cheaper, easier access to live pay-per-view (PPV) specials—made the pitch to fans as to why they needed the network.

With the network, WWE positioned itself as a pioneering disruptor looking toward the future of digital media. Yet, the network also created several disruptions *for* WWE—including how it produces and distributes content and how it tells stories and engages with fans. As with most media companies, WWE's business is deeply interconnected with other culture industries. The culture industries are nothing if not a complex arrangement of institutions collaborating, compromising, and clashing over how media is produced, distributed, and regulated. The shift to the web has complicated those preexisting relationships in a multitude of ways, impacting not just consumers, but producers and institutions as well.

This chapter explores the effects of disruption, the modern catch-all buzzword for strategic change within the technology and media industries. It demonstrates that leaders in specialized markets like WWE must constantly innovate to capture the attention of both audiences and more influential forces within the culture industries. Still, we argue that despite the hopeful rhetoric that streaming video will open the doors for new, diverse sources of content creation, the particulars of the system still privilege those corporations powerful enough to afford the risks. As other chapters in this collection can attest, OTT streaming services are only growing in number and reach. All these shifts require us to readjust our understanding of television in the age of the Internet to attune for these new forms of distribution and the impact they have on industrial relationships and creative practices.

DISRUPTING INDUSTRIAL RELATIONSHIPS

WWE traveled a long and complicated road to launch the network, highlighting industrial anxieties surrounding OTT distribution models in the early 2010s. Plans for the network date back to 2011, with WWE pursuing the creation of a premium cable channel featuring repeats of past content, new original programs, and monthly PPV specials. With a launch date in place for 2012, WWE began production on early network exclusives, including the *Big Brother*-esque reality series, *Legends' House*. However, by mid-2012 WWE missed its target launch and quietly dropped any future discussion of the channel. Two years later, at the 2014 Consumer Electronics Show (CES), WWE reintroduced the network, this time emphasizing an OTT model, with references to the service overtly playing on "over-the-top" as both another industry buzzword and a description of the spectacular programming for which the company is known.

Initial coverage of the network focused on this distinctive delivery system that married an Internet-only live streaming channel with on-demand content. WWE's corporate website touted the service as "the first-ever 24/7 direct-to-consumer premium network." There is a historical parallel here, as professional wrestling companies have regularly been at the forefront of new television distribution systems. In the 1980s, for instance, Vincent K. McMahon broke from the regional territory system of wrestling's past by launching a national company bolstered by rise of cable distribution (Beekman 2006). Since that time WWE has partnered with both broadcast networks (NBC, UPN, and The CW) and cable channels (MTV, USA Network, TNN/Spike TV) while simultaneously leveraging PPV distribution through deals with cable and satellite companies. Thus critics like Seth Berkman (2014) labeled the network as the next step in the evolution of television distribution. Indeed, WWE's chief revenue and marketing officer Michelle D. Wilson pitched the move as forward-thinking when she stated to *Time*,

> Digital over-the-top offerings represent the future, and given that our passionate fans consume five times more online video content than non-WWE viewers and over-index for purchasing online subscriptions such as Netflix and Hulu Plus, we believe the time is now for a WWE Network.
>
> (Luckerson 2014)

WWE's desire to develop its own distribution channel was fueled by many factors, all of which relate to improving its bottom line. As a publicly traded company since 1999, WWE cannot simply rest on its laurels as the only major wrestling promotion in the United States (and the most successful internationally). Growth is necessary, and the network can thus be understood as a way to expand the audience for its product (both domestically and worldwide), enable new revenue streams by cutting out intermediaries, and utilize a library with over 150,000 hours of content that was inconsistently dispersed among the home video market and WWE Classics (an on-demand subscription add-on for cable customers). With DVD sales plummeting and streaming video subscriptions on the rise, WWE would seek a more direct path to profit from its content; yet the network required new programming and a restructuring of its productions in order to improve upon the on-demand subscription model of WWE Classics.

Despite its continued embrace of new forms of distribution, WWE is still best understood as a media production company, staging and filming live performances while touring around the world. In fact, every week WWE currently produces roughly six hours of wrestling programming for cable or syndication, not including E! reality series *Total Divas* and *Total Bellas*, network originals, and films through WWE Studios. This programming appears on multiple networks and channels in over 180 countries. What makes the network such a departure for the company, and therefore any producer interested in this direct-to-consumer mode of delivery, is the shift to digital distribution.[1] Cutting out the middlemen—cable and satellite providers as well as channels like USA Network—grants WWE more control over its content and the path content takes to reach fans. However, WWE must also contend with the challenges of entering a media sector with which it was unfamiliar and where it was reliant on those partners.

By opening up a new distribution channel for its product, WWE upset its relationships with traditional media providers who were previously the only outlet for its content. The biggest shift came in the form of the PPV market, a significant part of WWE's creative and industrial strategies for decades. WWE was one of the earliest proponents of PPV, cooperating with cable and satellite companies to sell the first *WrestleMania* in 1985. PPV was more than just a key revenue stream for the company; indeed, the entire creative structure of WWE was built around PPVs acting as a narrative climax for weeks of storytelling. However, the demands of the changing industry and launching the network meant shifting away from the PPV structure.

In the new era of WWE Network, monthly specials are still presented as significant events; indeed, in promotional material, WWE emphasizes that these events are now free with a subscription instead of $45–$60 on PPV via cable and satellite providers. This price point positions the network as a fantastic value, but also lessens the import of those specials and frustrates the providers that previously made a substantial profit selling them to customers each month. Although WWE specials are still offered as PPVs, the network makes such a purchase through cable or satellite companies virtually redundant for its new subscribers. In reformulating its approach to special events, WWE risked ruining its relationship with cable and satellite companies. It is then no surprise that these companies reacted negatively to the announcement of the network in 2014. DirecTV immediately released a statement noting, "Clearly we need to quickly re-evaluate the economics and viability of their business with us, as it now appears the WWE feels they do not need their PPV distributors" (Graser 2014). Dish went a step further, refusing to carry the first PPV after the announcement, *Elimination Chamber*, claiming, "WWE is not willing to adjust their PPV costs to satellite and cable companies, which is unfair to their customers. We need to re-focus our efforts to support partners that better serve Dish customers" (Graser 2014).

Ultimately these proved to be empty threats. Providers have continued to offer WWE events despite a massive drop in monthly sales, primarily because such revenue comes in with minimal investment on their part. For WWE, PPV revenue has predictably declined following the launch of the network; total revenue during quarters one and two—the company's peak *Wrestlemania* season—has dipped from $37.3 million in 2014 to $12.5 million in 2015 to $8.0 million in 2016 (Caldwell 2016a). PPV interest in WWE events has decreased enough that in May 2016, WWE announced it would no longer report buy rates in its public business statements (Caldwell 2016b). Network subscription income helps bear the brunt of the PPV revenue decrease, yet in shifting to OTT and ceasing its reporting of PPV financials, WWE has signaled to cable and satellite providers that it no longer prioritizes those partnerships.

The network has also disrupted the relationship between WWE and its primary distributor in traditional subscription cable, USA Network, and parent company NBCUniversal. Prior to the creation of the network, WWE and its distributor agreed to a streaming deal with Hulu for the exclusive day-after rights of *Raw* and *Smackdown*, where NBCU is a primary investor and where all parties benefit from advertising revenue. While USA Network and NBCU have never publicly expressed concern with WWE's push toward the OTT future, they have forced WWE to uphold the preexisting Hulu deal—meaning network subscribers cannot access most recent episodes of WWE's primary product. Likewise, in the lead-up to its licensing renegotiations with NBCU in 2014, WWE publicly stated that the appeal of its live programming in the world of DVRs would be worth "at least double" the previous $90 million annual fee, but the two sides ultimately settled on a $150 million deal, sending WWE's stock into a free fall (Flint 2014). Though the relationship with NBCU continues, WWE has discovered the limitations of its position within the larger television industry. WWE needs audiences to watch the weekly television programs—and thus needs partnerships with USA and NBCU—as it is there where the company sells them on the importance of the monthly special events, and now, the importance of the network.

The network's launch teaches many lessons about the shift from traditional television distribution models brought on by the rise of Internet-streaming services and subscription-based payment models. One of the primary sources for both excitement and consternation about OTT models is the rearrangement of the relationship between audiences and media content creators. This is positively presented as a closer connection brought on by the Internet, allowing content producers to find new avenues for reaching audiences or, in WWE's case, creating its own platform that cuts out middlemen at the level of delivery. Content providers are able to build their own streaming channels, enabling consumers more access to the personalized, on-demand services that have flourished online. Simply put, the rise of digital and Internet distribution means that content producers are heavily invested in finding new methods to reach consumers—methods that, increasingly, eschew traditional media outlets.

At first glance it might seem odd that WWE would launch the first OTT streaming channel of its kind. Its programming is not particularly varied in genre or style, and it has been considered somewhat outside the mainstream since the early 2000s. Nevertheless, this desire by a nominal production company to enter the lucrative arena of television

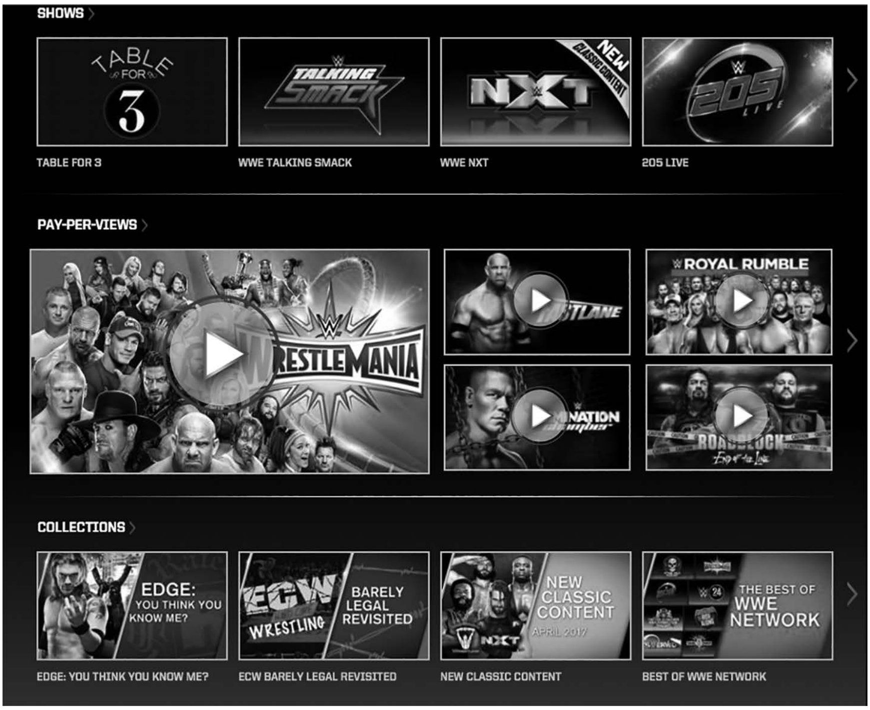

FIGURE 36.1 *The WWE Network interface emphasizes its strategic balance between weekly series, pay-per-view events, and library programming.*

distribution, utilizing new technologies, makes sense. With Netflix, Hulu, and others proving that consumers are happy to get their content directly via the Internet without preestablished channels to guide them, WWE saw the opportunity to reach—and hopefully expand—its target audience where they were: online. WWE's embrace of digital distribution has simultaneously fueled creative decisions that are perhaps better suited for this new delivery system while also establishing new challenges for the company's production processes.

DISRUPTING PRODUCTION PRACTICES

The network has been even more disruptive to WWE's role as a content producer. While the company runs over 300 live events every year, the majority of those are non-televised "house shows" intended only for local audiences and not part of the official canon of storylines. On television, however, WWE functions much like any long-running serialized drama: episodes of *Raw* and *Smackdown* weave characters and storylines into a never-ending drama that builds to weekly and monthly climaxes before beginning anew in the next televised episode. In recent years, WWE has begun to supplement its television product with in-house documentaries, the *Total Divas* reality series, and backstage clips and social content posted to YouTube, Facebook, and Twitter. This flood of ancillary content has expanded the boundaries of the WWE Universe, but never taken away from the primary programming on USA.

With the introduction of the network, however, WWE must navigate the seemingly unlimited potential of OTT streaming and its established agreements with cable partners. WWE has increased its production slate to include network-exclusive events like 2016's *Cruiserweight Classic* and 2017's *United Kingdom Championship Tournament*, as well as an array of inexpensive reality shows following performers outside of the ring. It has also utilized the 24/7 streaming capabilities of the network to deploy breaking news coverage, ESPN-style pre- and post-shows, and live recordings of a popular podcast hosted by former star "Stone Cold" Steve Austin. On one hand, WWE shows how OTT and cable television can work in concert, as it regularly promotes the network through televisual "flow" (Williams 2003, 86), using the platform of USA to drive viewers to the new streaming content directly after *Raw* or *Smackdown*. On the other hand, WWE can only show *so much*; network content is promoted, but outside of the monthly supercard events, it is never elevated above *Raw* or *Smackdown*, nor are many of the network exclusives deemed relevant to storylines playing out on USA's prime-time schedule.

WWE has attempted to have it both ways, to mixed results. In 2016, the company encountered even more problems with its integration of smaller "cruiserweight" performers across the network and cable television. After garnering rave reviews for the network-only *Cruiserweight Classic*, WWE gave the group its own streaming series, *205 Live* (in reference to the weight limit). To promote this new endeavor, WWE began integrating cruiserweight performers into *Raw*, complete with separate branding and color schemes. Yet, while the *Cruiserweight Classic* had the benefit of full attention during its production at WWE's Florida studios, *205 Live* and the *Raw* segments are tacked onto the middle of the television presentation where the set changes prove distracting and the smaller performers do not deliver their usual acrobatic feats. In this instance, WWE's crafts an awkward flow between its live shows, cable product, and network exclusives.

The network has also complicated WWE's storyline design. In promotional materials, WWE makes it clear: the key selling point for the network is not the library or the new exclusive content; instead, the value lies in the monthly supercard events like *WrestleMania* that were previously available on PPV. The storytelling has always followed a similar pattern: plots that develop on *Raw* and *Smackdown* were intended to build to a payoff at that month's PPV event (the narrative importance of which was reaffirmed by its high access cost). In the network era, WWE has kept the promotional push for special events the same, but increased production of and around them. The number of supercards has jumped from 13 to more than 20, bolstered by new pre-shows complete with analysts, interviews, and video packages promoting upcoming matches. While the in-ring product during these events is identical to what WWE would do in the PPV era or on cable, the storylines have grown increasingly less worthy of the incessant promotion. With nearly two network specials per month and a weekly cable TV output of five hours, WWE rarely allows stories to climax at special events. Instead, matches and interviews set up *additional* matches and segments for *Raw* and *Smackdown*, and the cycle begins again. Likewise, the supplemental material surrounding these specials does not divulge from WWE's production style; it does, however, add *more* content to an already exhaustive output.

Through years of conditioning the audience to this demanding cycle, WWE has stretched its core storytelling mechanisms quite thin. The introduction of the network did not create this issue but did exacerbate it. Industry reporters and fans have been wondering aloud if the network has forced WWE to produce too much content (Durant 2016). Here then, we can see another challenge for OTT services. Now that fans can access specials for $9.99 on the network instead of $45–$60 on PPV, WWE only has to produce one show that is good enough to keep them subscribed for another 30 days. Yet, like other subscription services, WWE has instead chosen to release as much new content as possible to increase the likelihood that the network offers at least one appealing product to fans with disparate interests. In doing so, the network has equally demonstrated the obstacles facing independent companies hoping to launch an OTT streaming service—chief among them the allocation of creative resources across a greater number of productions.

The reality is that, despite its over-the-top disruption of traditional television markets, WWE is still a niche product with a limited fan base and responsibilities to its partners on cable. Network promotion often centers on the library not just because it is inherently great; it also costs WWE next to nothing to stream. WWE lacks the financial resources—and time—to produce and distribute high-end content for the network. Production staff and talent travel to five different cities a week, putting a strain on potential network offerings. WWE's repurposing of its archives and utilization of reality shows, interview segments, and younger, cheaper talent mirrors the strategy of a niche cable channel rather than an enormous streaming platform like Netflix. Meanwhile, the higher production value live drama continues to play out on USA.

DISRUPTING AUDIENCE SEGMENTATION

WWE would prefer all of the nearly three million live viewers of *Raw* and *Smackdown* subscribe to the network; however, the subscriber base has never topped the two million mark, signaling that a significant portion of the audience consumes WWE product too casually to be motivated to sign up for the service. Therefore, WWE has been confronted with a clear segmentation of casual and diehard viewers. On USA, WWE employs its sports entertainment approach, filling programming with endless recaps, comedic backstage segments, and cross-promotions. The focus is often on big moments intended to go viral on social media, and events happening on-screen are presented as real. In contrast, on the network, WWE underlines programs tailored for fans invested in the larger world of professional wrestling and its history. The platform offers over 30 years of library content repackaged through WWE's self-mythologizing. Documentary series like *The Monday Night Wars, WrestleMania Rewind*, and *Rivalries* skim the surface of wrestling history by maneuvering in and out of "kayfabe," the industry's scripted reality (Shoemaker 2014). These projects are not inaccessible to the non-initiated, but generally remind WWE's core audience of events they have already experienced with an additional air of historical import. Meanwhile, special events like the UK tournament spotlight wrestling's footprint abroad and documentary series like *Ride Along* or *Table for 3* follow the performers in their "real" lives.

Wrestling fans have long been obsessed with how performers maintain characters *outside* the ring, but the expansion of wrestling discussion online has grown this obsession tenfold. WWE has smartly embraced this interest, bringing legitimate biographic details into storylines and, now with the network, giving fans more access to wreslers than ever before. *Table for 3* and *Ride Along* spotlight WWE talent in their everyday lives: in rental cars traveling from town to town, at dinner with friends on the roster, and playing pranks on one another backstage. Superstars play themselves and give dedicated viewers reasons to support them as people, not simply as characters. As an informal chat show, *Table for 3* highlights the camaraderie of performers who battle every week on USA, or who worked together in smaller companies long before WWE. Although these "real" versions of the talent are still performative, they perpetuate a level of authenticity that viewers of WWE programming on cable rarely see.

An optimistic view of the network would suggest that WWE is constructing an immersive "transmedia" experience (Jenkins 2006, 93) where fans can follow performers in and out of the ring and grow more invested in them as real people. Indeed, establishing this kind of fan investment has always been key to WWE's production model. However, the way the network remixes wrestling's conventional notions of authenticity to appeal to a devoted fan base cannot be underestimated—even when it creates confusion with the cable output. In mid-2016, WWE encouraged fans to watch the network documentary detailing Seth Rollins's recovery from knee surgery, constructing a sympathetic portrait of a performer who first made his name outside of WWE. Yet, when Rollins returned to storylines on USA, he was positioned as a villain, despite the audience's desperation to cheer him as a hero. The disconnect between Seth Rollins's authentic self on the network and his character on USA is yet another example that demonstrates WWE's difficulties merging network content into *Raw* and *Smackdown*. While more companies are exploring streaming options, the network reminds us that, at its core, changes in distribution have further segmented an already fracturing audience, leading to services that cater specifically to *fans* not just a broad consumer base.

WWE's treatment of the network is full of contradictions. The network is an exemplar of audience segmentation, and a WWE superfan's dream—an on-demand platform targeted almost exclusively at those who already consume all things professional wrestling. Yet, WWE's inconsistent integration of network content into its programming on cable and its rigorous production schedule have created a platform with an excess of content that *only* those most dedicated to wrestling can manage. Ultimately then, the network illustrates that streaming video enables content producers to foster intense loyalty among consumers like never before, but also that shifts to digital distribution are rarely seamless, particularly for independent companies with a multitude of partnerships elsewhere in the industry. Disruption goes both ways; once a company pushes itself to the front of innovation, it must immediately navigate all the counter-disruptions that innovation has inspired.

NOTE

1 WWE did previously operate its own home video distribution subsidiaries, Coliseum Home Video, later called WWE Home Video. This was closed in December 2014 when Warner Home Video took over following the launch of the WWE Network earlier that year.

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