The Economics of Mixed Martial Arts: Are Fighters Underpaid?

Mixed Martial Arts (MMA) has become popular in the United States. MMA is a full contact, combat sport that allows fighters to use striking and grappling arts while standing and on the ground. Fighters are cross-trained in a variety of styles, including boxing, wrestling, judo, karate, jiu-jitsu, and kickboxing.

MMA competitions have changed dramatically since the first Ultimate Fighting Championship (UFC) in 1993 in two important aspects: the inception of the Unified Rules of Mixed Martial Arts to reduce injury, and increasing revenues for promoters and richer payrolls for fighters. As the UFC has become a big business, its fighters have started to make what seems like a pretty good living. Still, UFC fighters complain that they are underpaid compared with other professional athletes; relative to revenues they generate; and training expenses they pay to prepare for fights.

Comparison with other Professional Athletes
In general, fighters are paid a base amount to show and a bonus payment to win the contest. For example, Georges St-Pierre, a UFC superstar, made $200,000 to fight Jake Shields, who earned $75,000, in UFC 129 on April 30, 2011 in Toronto. In addition, the UFC awarded St-Pierre $200,000 in bonus for winning the main event. Furthermore, St-Pierre received $985,000 from the pay-per-view buys. He also collected $100,000 from personal sponsors. Altogether, St. Pierre earned about $1.5 million. Assuming St-Pierre will earn $1.5 million by defeating Nick Diaz in UFC 137 on October 29, 2011 in Las Vegas, his gross annual income will rise to $3.0 million. Adding a guesstimate of 33 percent in endorsements, his expected earnings will total 4.0 million in 2011.
However, St-Pierre makes considerably less than his comparable peers in professional sports. The Forbes Magazine, reporting on annual earnings of the world’s richest athletes for the period of May 2010 to May 2011, places Tiger Woods (PGA) at $75 million, Koby Bryant (NBA) $53 million; Roger Federer (ATP) $47 million; David Beckham (MLS) $40 million; Manny Pacquiao (boxing) $40 million; Alex Rodriguez (MLB) $35 million; Tom Brady (NFL) $31 million; and Roberto Luongo (NHL) $10 million.

On average, UFC fighters make considerably less than other professional athletes. In 2010, the UFC paid its 265 fighters $26.8 million. But, the payroll distribution was highly skewed with a mean of $101,100 and standard deviation of $149,600. Most interesting, the payroll distribution had a mode of only $8,000 and a median of just $45,000. While 14 percent of the fighters earned more than $200,000, 33 percent made less than $20,000. The average earnings of UFC fighters fall short of those of other professional sports. The NBA pays the largest average salary ($6.0 million) followed by MLB ($3.3 million), NHL ($2.4 million), NFL ($1.9 million), PGA ($1.0 million), ATP ($260,000), and MLS ($118,000).
Generating Revenues for the League

The UFC is becoming a major sport league with 16 pay-per-view events and 10 television events scheduled in 2011. The league earns millions of dollars in revenues from various sources, including ticket sales, pay-per-view buys, and television contracts. So far, UFC 129 has been the largest MMA event held in North America. It entertained 55,724 spectators at ticket prices ranging from $50 to $800, thus generating $12.1 million in ticket sales. In addition, the event sold 850,000 pay-per-view rights at an average price of $49.95, hence generating $42.5 million. Adding these two figures, the event’s revenue totaled $54.6 million.

UFC 129 had a reported payroll of $1,840,000, which consisted of three parts: $326,000 in base compensation to 24 fighters; $529,000 in bonus payment to 13 fighters; and the remaining $985,000 in pay-per-view share to St-Pierre.

The ratio of fighters’ payroll to event’s revenue is 3.4 percent, indicating the event’s 24 fighters collectively received 34¢ from each $1,000 of the revenue. The ratio drops to 0.8 percent if St-Pierre is excluded from the payroll. This percentage implies that the event’s remaining 23 fighters collectively received 8¢ from each $1,000 of the revenue.

Paying Training Expenses

In addition to being underpaid, UFC fighters must cover their own training expenses. Unlike boxing, UFC fighters must allocate a large percentage of their income to pay for training expenses. It is customary for a top fighter to organize an eight-week training camp to prepare for an upcoming bout. How much does a top fighter earning $250,000 [like Randy Couture (a three-time former heavyweight champion and two-time former light-heavyweight champion), who also fought in UFC 129] actually take home at the end of the night? The answer is rather surprising: less than 50 percent! Jonathan Snowden, talking with a number of fighters, managers, and industry figures provides a list of expenses such a top fighter must cover:
- Manager/Agent: $25,000
- High-level coaches: $15,000
- Dietitian: $7,500
- Travel: $10,000
- Housing: $10,000
- Additional training partners (five): $3,500
- Rental cars: $2,400
- Food for training partners: $2,400
- Flights for wife and kids to visit once: $1,500
- Food: $2,000
- Supplements: $1,000
  Gear: $100
- Rehab sessions: $600
- Massage: $225
- Gas: $800
- Taxes (18%): $45,000

Total Expense: $127,025 (51.8%)
Take Home Pay: $122,975 (49.2%)

These figures reveal interesting facts: a top fighter must invest much money in getting ready for a bout, and a fighter coming from the undercard to challenge a UFC champion needs a large bank account or a generous sponsor to become competitive. At the end of the night, he goes home with a split paycheck and cuts and bruises.

Sources:
http://www.therichest.org/sports/forbes-highest-paid-athletes/
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