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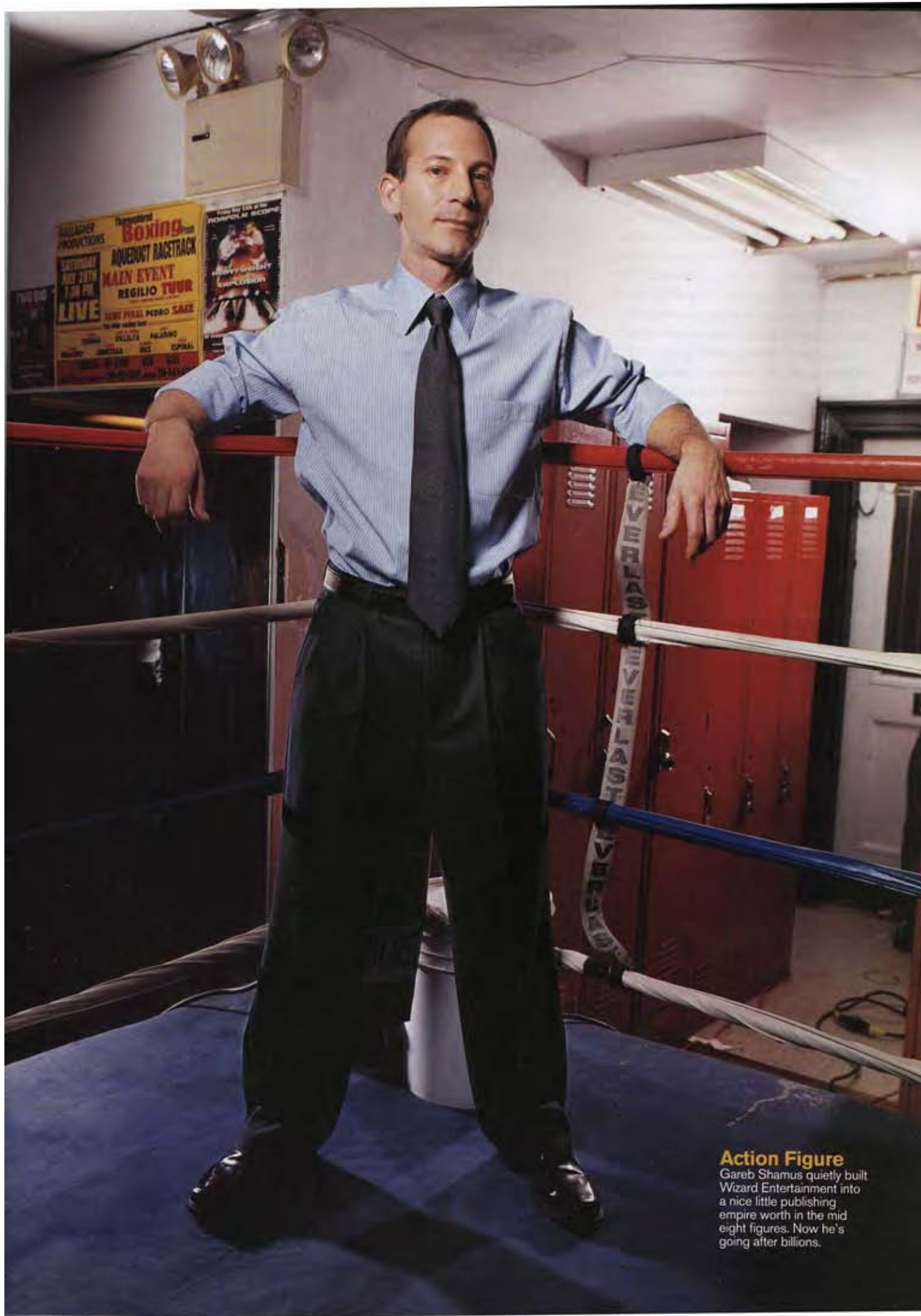
Inc.

Gareb Shamus keeps coming up with new ways to reach big-spending, early-adopting, first-in-line 18- to 34-year-old males. His latest is a doozy

A MARKET WORTH FIGHTING FOR

The fervor was precisely what Gareb Shamus had come to see: fans standing on their seats, screaming, whistling, trying to be heard above the din. Shamus prides himself on spotting trends early, and in this packed arena, he was excited by the fans' behavior as they were by the main event. This was not some hot, new musical act; this was fighting in a steel cage at the Boardwalk Hall arena in Atlantic City, New Jersey, and the audience was predominantly young men, 18 to 34, a demographic Shamus knows well. As the founder of Wizard Entertainment Group, a publisher of five magazines for fans of comic books, games, toys, and collectibles, and the host of pop culture festivals-cum-conventions across

BY LARRY OLMSTED
PHOTOGRAPHS BY NATHANIEL WELCH



Action Figure

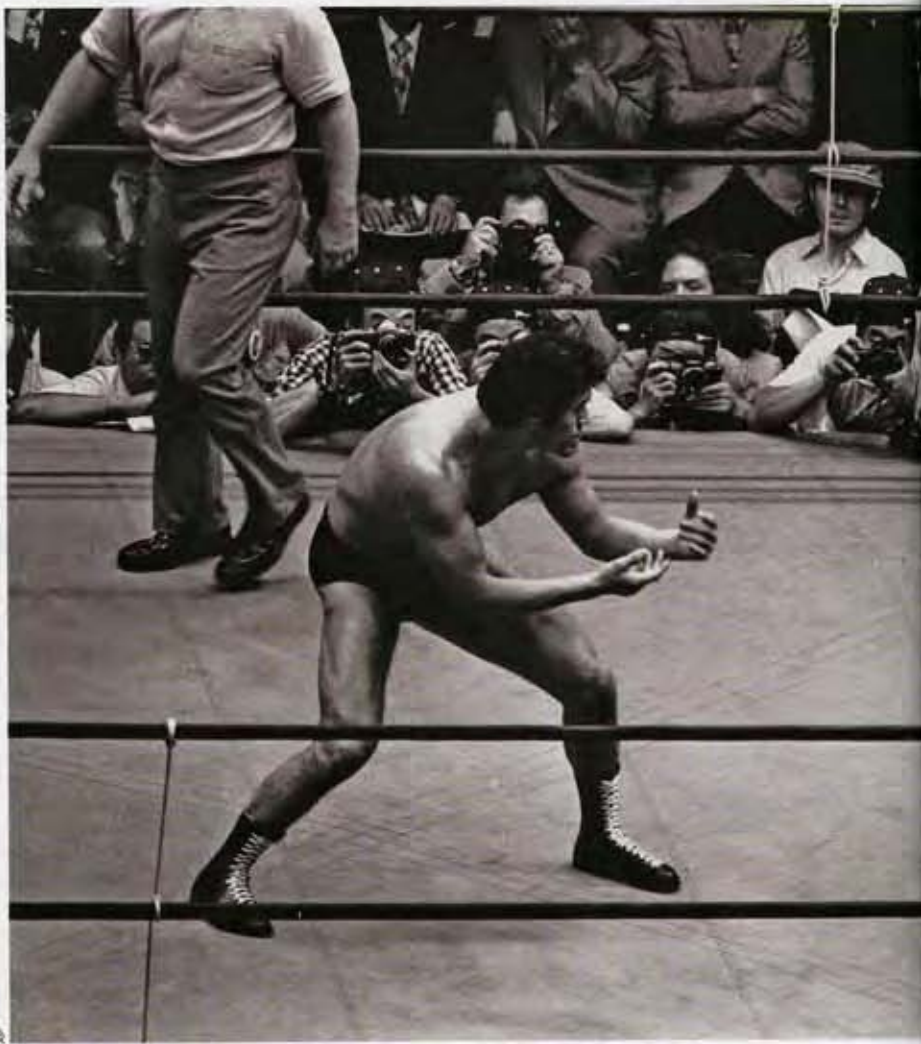
Gareb Shamus quietly built Wizard Entertainment into a nice little publishing empire worth in the mid eight figures. Now he's going after billions.

the country, Shamus has been targeting this market for 15 years, constantly finding new things to sell in it and new ways to pitch it to advertisers. Brought to his first live fight by a friend, Kurt Otto, a martial arts enthusiast, Shamus was happy to confirm his highest hopes: The Atlantic City audience was almost identical to those at his conventions. "It reinforced all my perceptions," says Shamus. "You see the action, feel the action, it is very evident that the people love it, and that is what gets me excited. It really hits you, no pun intended."

Mixed martial arts, or MMA, may not roll off the tongue like soccer or skiing, but if you're a teenage or twentysomething male, you probably know all about it. The sport was basically created to solve the age-old adolescent debate, Who would win a fight between the best boxer and the best karate guy? Or the best judo expert and the best wrestler? MMA fights are contested in a ring like boxing or a cage like pro wrestling, but they mix all fighting disciplines, pitting specialists in judo, jujitsu, wrestling, boxing, karate, and other martial arts against one another. It is hugely popular in Japan and Brazil, and it has existed as a sport in the U.S. for about 10 years, most visibly through the privately held Ultimate Fighting Championship, which hosts large-arena events that are also shown on pay per view and, only recently, on Spike TV. The next biggest promoter is the Pride Fighting Championships, which is based in Japan. Pride and UFC function like boxing's major title organizations, the WBA, WBC, and IBF, and as a result, MMA events are held on an irregularly scheduled, standalone basis with little connection between one bout and another. Shamus's idea is to take a leadership position in MMA by doing what no one else has done: formatting it as a sports league, in the style of the NBA, NFL, or NHL.

The International Fight League debuts this month with a mini-tournament designed to introduce the league and the sport. The first four teams will fight on April 29 in two back-to-back matches at Donald Trump's Taj Mahal casino in Atlantic City. About five weeks later, on June 3, the two winning teams will face each other for the first IFL championship. Then, if all goes well, the full league will kick off a six-month season in the fall, followed by a two-month postseason. The league will consist of eight to 10 teams, each named for a fierce animal—Tiger Sharks, Anacondas, Pit Bulls—and all featuring five fighters in five weight classes. Each week two teams will clash, with every team fighting once every six

WHO WOULD WIN A FIGHT BETWEEN A BOXER AND A WRESTLER? One goal of mixed martial arts—and the IFL—is to answer those kinds of adolescent debates.



weeks. International teams are already being lined up to take the IFL global.

Most matches will be held in casino venues, including Atlantic City, Las Vegas, and Connecticut, but, says Shamus, "ultimately, TV is the biggest driver." He is negotiating with several networks and, through his magazine relationships, has a number of sponsors lined up. Unlike most MMA competitions, the IFL will be shown on free TV, rather than premium channels or pay per view, because Shamus wants to maximize his audience. He expects a deal to be signed before the Atlantic City launch but is taking no chances and will have his own film crew produce a show regardless. "The event is going to happen no matter what," he says, "and we're taping it because it is going to be on TV no matter what. I have lots of stations interested, but right now I am holding out for a major network."

Obviously, this venture is a huge gamble and a huge leap beyond anything Shamus has ever done. While he has built a nice little

publishing empire out of his comic book magazine, he is hardly a household name. And while his privately held company has annual revenue that he places in "the low to mid eight figures," he calls the IFL, without irony and without blushing, his "billion-dollar idea." The potential he sees in the IFL comes from delivering the right fans to advertisers—which is something he already does on a smaller scale through his magazines and conventions and which is why his leap into fighting might not be as audacious as it seems. But it's still pretty audacious.

Two Rules for New Ventures

Despite his lifelong love of comic books, action figures, and the like, Gareb Shamus does not come across as a geek. He is trim, handsome, and athletic, a single-digit-handicap golfer with a wife and two kids whose pictures outnumber the comic book art adorning his office in Manhattan.

His flagship magazine, *Wizard*, is sort of a *Billboard* meets *Entertainment Weekly* meets *Barron's* of the comic book industry, covering its artists and collectibles, complete with price guides and investment analysis. Every month comic fans find information on the latest titles and series being launched by major publishers, details of upcoming comic-based movies, TV shows, video and board games, DVDs, and merchandise. *Wizard* interviews artists, writers, movie directors, and actors, and the graphically intense glossy is chock-full of ads from movie studios, game producers, conventions, collectible manufacturers, and of course, comic book companies. With an average reader in his mid-twenties, *Wizard* magazine sits squarely in the middle of the highly coveted 18- to 34-year-old bracket. According to the surveys Shamus does for his advertisers, *Wizard* readers are early adopters, four to five times more likely than their age and gender peers to own MP3 players and 70 percent more likely to buy or rent DVDs. They also purchased a pay-per-view sporting event in the past year at a rate 66 percent higher than their bracket's norm. "When a new movie comes out they are first

in line," says Shamus. "Then they tell all their friends and go online and talk about it. They're a very influential group."

Shamus started the magazine straight out of college 15 years ago. The impetus for turning a hobby into a living came from his father. "My dad was always involved in a number of businesses," says Shamus. "He would never come home and say, 'Oh, my boss, I can't stand him.' I never heard that stuff. It was, you come up with an idea and you build it. You go rent some space and hire some people and make it work. That taught me that you can make anything you enjoy into a career."

What Shamus and his three brothers enjoyed was collecting stuff, especially comic books. Even before Shamus left for college at the State University of New York in Albany, the siblings had amassed such a vast collection of comics, sports cards, action figures, and other memorabilia that their mother had opened a store to sell it all. On campus, Shamus saw that his peer group shared his interests, not just in comic books but in the people and industry behind them. He realized that though there were magazines devoted to behind-the-scenes looks at the film and music businesses, there was almost nothing like that for comics. He also learned from his mother's store that in the world of comics and other pop culture collectibles there was little reliable price guide information such as readily existed for stamps or coins or baseball cards. After graduating, he worked for six months out of a spare bedroom in his parents' house, testing the waters with a low-cost newsletter. Satisfied with the feedback from his mother's customers and other readers, he presented a business plan for the magazine to his father, who became his angel. In 1991 Shamus launched *Wizard*.

The timing was perfect. Until that point, the comic book industry had been dominated by two publishing giants, DC and Marvel Comics. But just eight months after *Wizard* debuted, a schism split the industry. Seven top young artists from Marvel left to start a new imprint, Image. "I was friends with all these guys, mostly my age, and they needed an outlet to tell the world what they were working on," says Shamus. "All of a sudden *Wizard* was the vehicle for these guys who sold millions of copies of their books to tell their story. We had all this information, what new titles and characters they were working on, and we had it first." Around the same time, another imprint, Valiant, also took off, fueling the fire.

Wizard found its audience with a multi-



Float Like a Butterfly, Wrestle Like a...?

One of the new league's biggest supporters is Japanese wrestling legend Kanji Inoki, who fought Muhammad Ali to a draw in 1976.

pronged approach, targeting fans, the industry, and collectors, and less than a year after it debuted, Shamus says, he knew it was a viable business. The rash of comic-based big-budget films pouring out of Hollywood the past few years, such as the Spider-Man, Batman, and X-Men franchises, have helped drive interest and readership. Today the magazine enjoys circulation of 185,000, a figure Shamus considers "fantastic" for a niche publication.

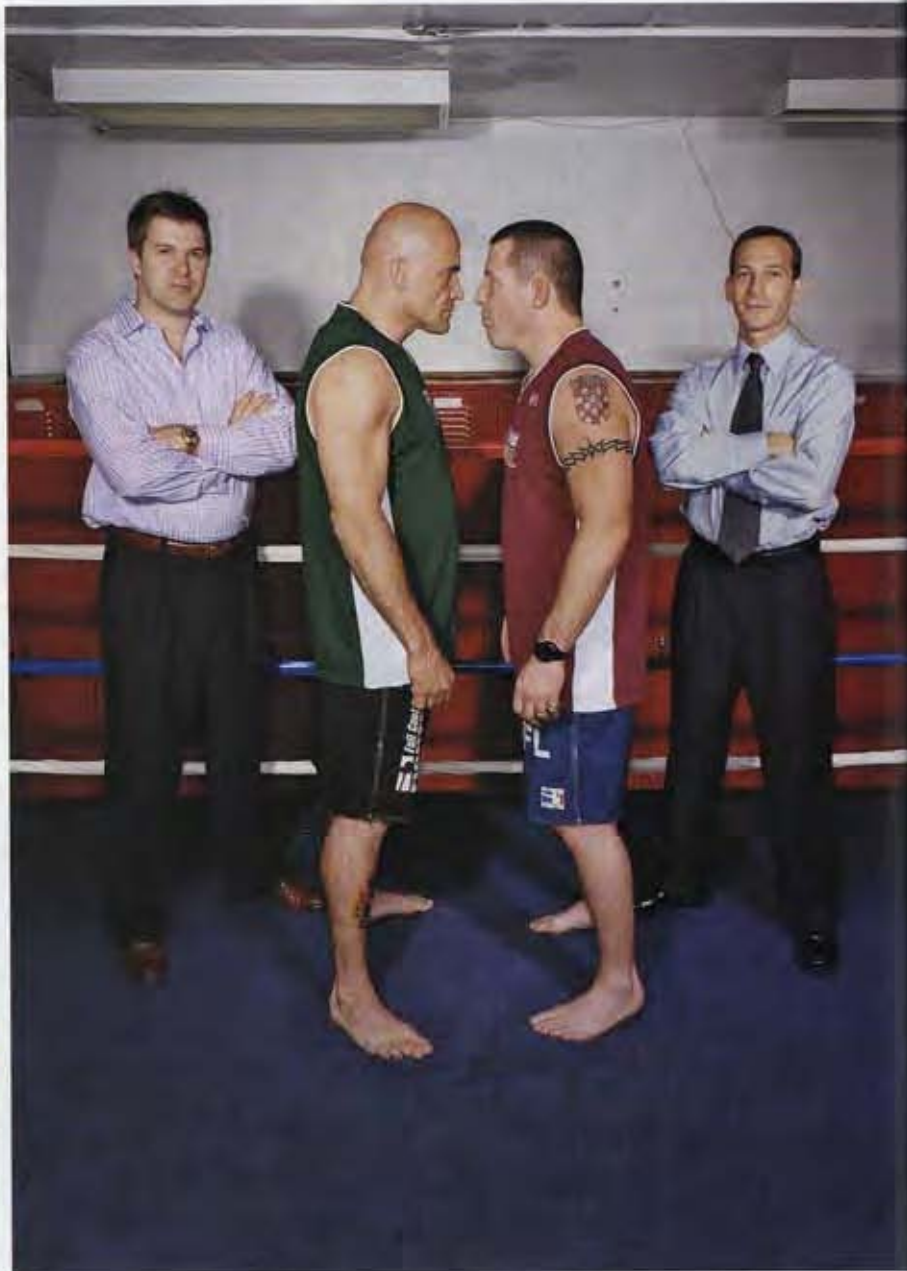
Early on, *Wizard* was sold by the nation's 5,000-odd comic specialty retailers, mostly mom-and-pop shops. Shamus watched them closely and developed a knack for spotting trends. For one thing, he noticed that they were diversifying their product lines and starting to sell action figures and toys, fantasy and role-playing games and accessories, and the newly popular Japanese animation products. Much of the gaming expansion was driven by the launch of a best-selling card game called *Magic: The Gathering*, essentially a faster and easier to play alternative to *Dungeons & Dragons*, the fantasy game that enjoyed its heyday in the 1970s. Shamus's response to *Magic* was to launch *InQuest Gamer*, a magazine covering the character gaming world with reports on strategies, products, and competitions. Like *Wizard*, it became the leader in its category.

Between 1991 and 1994, Shamus launched five magazines, three of which quickly became profitable. The other two foundered, however, and had to be shut down shortly after their debuts. In a way, the two losers—one a pure trade magazine about the comic book industry, the other a sports-card-collecting publication—were as important to Shamus's ultimate success as the winners. They prompted him to adopt two rules: one, he would not do anything that might jeopardize his cash cow, *Wizard*; and, two, he would assign performance metrics, time and revenue benchmarks, to all new projects and would reevaluate them if they did not perform as projected.

Along with figuring out when to pull the plug, Shamus also figured out earlier than many entrepreneurs that he needed the help of professionals. From the moment he launched *Wizard*, he says, he was looking forward to hiring executives and stepping away from day-to-day management. "I was 21 years old," he says, "and I knew I didn't know everything. I wanted

A League of Their Own

Otto (left) and Shamus want the athletes and coaches to get benefits like health insurance.



to bring in people who were great at what they do, because when you do that, they are the least expensive people that you have no matter how much you are paying them." The most important person he brought in was Fred Pierce, who had been a vice president at Valiant. "When I met Gareb, he literally was not old enough to rent a car," says Pierce, who quickly became a mentor to Shamus. "Whenever I had a problem," says Shamus, "I would call Fred. He was always helping me out. At this point I was starting more magazines, and I needed someone to help me run the business. After Valiant got sold, I brought Fred in to run my operations."

Let's Leverage It

Pierce, who is 16 years older than Shamus, became president of *Wizard* Entertainment in 1994. Having him at the helm allowed Shamus to pursue other opportunities, and he quickly extended the scope of *Wizard* beyond publishing. Since launching *Wizard* magazine, for example, Shamus had been attending the nation's major comic book conventions, including a big one in Chicago that was owned by a comic shop retailer. The show had gotten too big for the shopowner and his staff to handle—but not

big or profitable enough to allow him to hire help. He also could not afford to market it properly. When the convention began to struggle, Shamus saw an opportunity.

At the time, it was the second largest convention in the comic book industry, but it was just a comic show. "They had maybe 5,000 or 6,000 people over the weekend," remembers Shamus. "Because we now had a gaming magazine and toy magazine, I thought, Let's invite the gaming and toy industries and leverage it into different markets. Unlike a typical start-up, we already had the relationships with all the companies." He bought the comic show and transformed it into what he calls a "festival," adding gaming tournaments, movie previews, autograph sessions, lectures by stars and directors of comic-based movies, and exhibitions by comic book artists and writers. He also made it family-friendly, charging no admission for kids. The first year he drew 20,000 fans; today, it draws 56,000 and Wizard attracts 125,000 attendees to five highly profitable consumer conventions and one trade show for the toy industry. It also attracts sponsorships from companies eager to reach those 18- to 34-year-olds, including Sony, which wanted to pitch its PlayStation even though Wizard doesn't have a magazine devoted solely to video gaming. Now a major sponsor of Shamus's conventions, Sony pays Wizard to put its logo on all convention materials and ads, and it also buys ads in the various magazines throughout the year.

Another key extension was *Toy Wishes*, a semiannual toy-buying guide, aimed at holiday shoppers, that has become something of a bible to the toy industry. The magazine is sold to consumers on the newsstand, but much of its circulation of 400,000 comes through Toys "R" Us, which distributes copies to shoppers. Every fall Shamus holds a major press event and trade show in New York City to announce the magazine's Holiday Hot Dozen toys list, as compiled by his editors. Every year, he gets the CEOs and top executives of all the major toy companies, along with representatives of major press outlets, to attend. They have little choice: In addition to nearly half a million shoppers, his list is picked up every year by about 100 TV shows, over 500 newspapers, and all of the wire services. "Probably 80 to 90 percent of the press you see over the holidays on what toys are hot originates with us," says Shamus.

The One That Got Away

In many ways, despite the dramatic growth, little has changed at Wizard Entertainment Group. Shamus still owns the company debt-free and with no outside investors (his brothers have small stakes). Not only hasn't he sought investors for Wizard, he's even turned them away, including Bernie Tenenbaum, a former associate director of the Wharton School's entrepreneurship center and a former toy-industry exec now associated with a venture capital firm. "I bet on jockeys, not horses," says Tenenbaum, "and I saw the potential in Gareb and tried to invest money with him, but he has kept it private."

And even as they've matured, Shamus

and his staff have continued to enjoy their childhood pursuits. Shamus's office is in midtown Manhattan with his advertising sales staff, but the heart of Wizard's operations is the 35,000-square-foot facility he owns in Congers, New York, north of the city, where Pierce and most of the company's 80 employees are based. Most of the offices there are stuffed with toys, posters, comic art, and games. Pat McCallum, the editor in chief overseeing all Wizard publishing, has a giant TV in his office wired for the video games that he often plays with other employees. When boxes of new product arrive, which happens constantly, employees stop what they are doing, rip them open, and check out the newest toys or books, even sitting down and playing games for an hour or two in the middle of the day—behavior Shamus and Pierce encourage. "It was very

important to me to build the kind of company that I would want to work for," says Shamus. "We have a product that is fun, we write about a lot of fun things, and if the people

internally are not having fun at what they do, it will come across. At the end of the day, the magazines have to get out, but we have a lot of fun doing it."

Pierce's job continues to be to keep things running smoothly so Shamus can search for the next big thing. "Gareb has hundreds of ideas," says Pierce. "One day our CFO said to him, 'Gareb, you have a lot of good ideas, but they're not all good. So let's pick two a year that we are going to go after.'" That's what they do now.

Back in the early '90s, the idea Shamus really wanted to pursue was Pokémon.



Boy Crazy

Shamus's magazines and conventions cater to young males—and the big advertisers who want to reach them.

IN THE EARLY '90s, SHAMUS PASSED ON AN OPPORTUNITY to get in on the ground floor of the Pokémon craze because he didn't want to put his cash-cow magazines at risk.

"When Pokémon came to the U.S.," he says, "I knew clear as day it was going to be huge. It had all the attributes of something that could be successful here, and it was already a monster hit in Japan. It had the breadth and depth of a property that was already a proven success, yet you could ask a hundred people here in the U.S. and a hundred had never heard of it." Shamus had the opportunity to get in on the ground floor by manufacturing licensed products for the mass market retail industry—Wal-Mart, Toys "R" Us—but back then he had fewer resources. "It was much larger than anything we had done," he says. "At the time I just had the three magazines and didn't have the conventions and the leverage and connections I have now. It was going to take a lot of dollars, and it would have risked a lot of what we do. It wasn't worth risking everything, but I knew the reward would be there." Ultimately, he decided to pass.

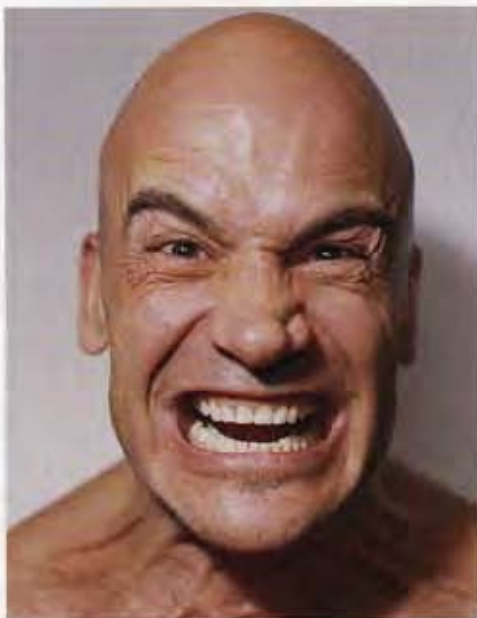
Like Pokémon, mixed martial arts fighting is hugely popular in Japan, where enormous arenas routinely sell out. Once again, Shamus feels he is ahead of the pop culture curve with a proven product that has great potential, and this time he is not going to let the opportunity pass.

Why Don't You Do It?

Comic book guy Shamus is an unlikely sports mogul, his partner is even more unlikely: Kurt Otto is an architectural designer who lives one town over from Shamus in New Jersey. They met through mutual friends and, oddly enough, later realized that Otto had done the redesign of Shamus's house. Just as Shamus leaves the running of Wizard Entertainment to Pierce, he had entrusted the home project to his wife.

It turned out that both men were avid golfers, but while Shamus and his brothers had spent their childhoods with comic books, Otto and his brothers spent theirs studying tae kwon do. Otto, a second-degree black belt who also wrestled competitively in high school, has been involved in martial arts as a teacher and student. "My brothers and I are huge MMA fans," he says, "and we have the cable bills to prove it." When he found out what Shamus did, Otto suggested that he launch a magazine to cover MMA—and he took Shamus to that first fight in Atlantic City.

Intrigued, Shamus studied the market-



Thai boxing specialist

Bas Rutten, a former UFC champ, will coach the Anacondas.



Brazilian jujitsu expert

Renzo Gracie runs an elite academy in New York and will coach the Pit Bulls.

place, looking at the existing websites and publications, and it was déjà vu: "It was almost exactly what I saw when I looked at comic books back in 1990. A few black-and-white publications. No one was really addressing what was going on in the marketplace, how it was changing." But the more he continued his research, scrutinizing attendance and pay-per-view ratings, the more he saw potential for something beyond just a magazine. He began to think he and Otto should promote the fights themselves.

It was Otto, a martial artist concerned about the fighters, who came up with the league concept. "I watched this documentary on HBO that followed two heavyweights who fought in the UFC," says Otto, who will serve as the league's first commissioner, "and it really showed the trials and tribulations of the fighter's life. There is no organization to the sport, no foundation for retirement. That's when I had the idea to do some kind of league. I thought, 'Let's provide health insurance, salaries, let these guys train and get involved with the sport as professional athletes, not as guys with a day job who fight part-time.'"

Shamus and Otto continued to brainstorm the IFL concept, which they hoped would set them apart from the competition. The pair capitalized on Otto's connections and started networking within the fight world, trying to discern interest among fighters, trainers, and promoters for an MMA

league. They met with Japanese legend Kanji Inoki, a champion wrestler who fought, among others, Muhammad Ali in 1976 (to a draw) and defeated world champion heavyweights from kick boxing, Thai boxing, and regular boxing. A cultural icon in his homeland, Inoki loved the idea and started making further introductions. Things started moving fast, even for seat-of-the-pants businessman Shamus: "Before we knew it, a lot of the top guys in the MMA world really loved what we had come up with. It was incredible, because we were talking about it theoretically, and all of a sudden, everyone was like, 'Hey, why don't you do it?'" So they did.

Real-Life Superheroes

Unlike most major professional sports leagues, the teams do not have separate owners. They are all owned by the IFL, which means they are all owned by Shamus and Otto, who are the league's majority owners. Shamus declines to say how much of his own cash he has invested, but he does say it's "substantial"—although he's following his two rules about new ventures. The amount is not so substantial that a failure would jeopardize Wizard, and he's going to keep an eye on those metrics (even if he won't identify them publicly).



True mixed martial artist

Pat Miletich operates an MMA school and will coach the Silverbacks.

Where Shamus has resisted taking outside financing in the past, this time he sought it. Finding investors, Shamus says, was not at all difficult. He prepared a PowerPoint presentation and showed it to several people he knew, and while a few opted out (including Bernie Tenenbaum, who wasn't confident in his own knowledge of fighting), as he got further along in the planning process and started to sign coaches and build a tangible framework, he quickly found enough investors to produce the several million dollars he was seeking.

Michael Kelman is an analyst who follows World Wrestling Entertainment for Susquehanna International, an institutional research, brokerage, and trading firm. The WWE is on a big upsurge right now, its stock

climbing 50 percent in the past 12 months. Last year the WWE took in \$366 million in revenue, including \$79 million in tickets to live events, \$80 million in merchandise, and \$86 million in pay-per-view fees. It has attracted more than 100 major sponsors and advertisers in North America, including Nike, AT&T, Sony, and Gatorade. While the WWE differs from MMA in that it is entertainment and not a real sporting competition, it is the only publicly traded "fighting" entity, and there are clear similarities—especially in the markets they target. "There is definitely demand for this kind of product," says Kelman. "You can get WWE product online, on free TV, pay per view, in books, magazines, stores. But with the WWE, it's not just the fighting, it's the characters, the entertainment, the story line. Whether the IFL can succeed depends upon the content."

"The WWE and UFC have proven that there is a definite demand for this kind of programming," says Robert G. Routh, an analyst who follows the WWE for Jeffries & Co. "The difference is that with wrestling, at the end of the day, no one gets hurt. That's the differentiator between the WWE and the UFC and its other competitors. Will the audience mind the violence? There could be a public outcry. I know for a fact that this affects advertising and marketing. Fighting is similar to adult entertainment, and not everyone thinks that two people beating the hell out of each other should be broadcast. Even now it is mainly on pay TV."

Shamus and Otto argue that boxing has long been part of American culture, has always been accepted on broadcast TV, and in fact is historically much more dangerous than MMA, whose fights often end with submission holds rather than knockouts. Still, they are offering a sanitized version of

martial arts combat. The league will ban the most violent moves, like elbow strikes and head butts. It will have rounds, like boxing matches. It will conduct drug testing, and it will advocate governmental oversight. It has also done away with the octagonal steel cage that is the trademark of rival UFC in favor of a traditional boxing ring.

Outside of its owners, investors, and fighters, no one wants to see the IFL succeed more than Joel Gold, founder and publisher of *Full Contact Fighter*, the leading publication covering the world of MMA—pretty much the *Wizard* magazine of its market. "My sales used to grow at about 20 percent a year," says Gold, who also owns the leading MMA apparel brand (also known as Full Contact Fighter). "But for the past three years it has been over 100 percent. Over the years I have seen a lot of guys come in with plans, and nothing ever comes of it. Gareb and Kurt are the first guys in five years that I have sat down and talked to who really make sense. I think it is a great plan, and it is nice that they have real money behind it."

"They are visionaries," says Pat Miletich, who is coach of the IFL's Silverbacks and whose Champions Fitness Center in Iowa attracts hundreds of top MMA fighters from as far away as Japan and Thailand. "They have put together a team that from top to bottom is the best in the business at what it does. It is rock solid and when you have a great organization like that, it is hard to fail."

But, of course, it's still possible. Only time will tell if the league is the next NFL, or if it goes the way of the USFL and XFL, two failed upstart football leagues with a lot of money and marketing behind them. But unlike those leagues, the IFL has little established competition and is at a threshold moment in a sport that by all accounts is growing in popularity, here and abroad. "We are going to create a billion-dollar marketplace," says Shamus. "We will make these guys global superstars. I've been in the superhero business my whole life and these guys are real-life superheroes, guys who have an extraordinary power and ability that separate them from everybody else."

Perhaps the best reason for optimism is this: According to Shamus and Otto's research, there are currently some 30,000 martial arts schools in this country alone, with about four million students. ●

"THEY ARE VISIONARIES," SAYS PAT MILETICH. "They see where this sport can go when no one else has. They have put together a team that from top to bottom is the best."

Larry Olmsted, a frequent contributor, wrote about the World Poker Tour for the May 2005 issue.