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BROADCASTING

MEET THE POWER COUPLE OF TV SPORTS

Dee and Rick Ray make money while the networks scramble



THE RAYS AT HOME IN CHARLOTTE: STICKING TO REGIONAL GAMES AND BARGAIN RIGHTS

If you tune in to the North Carolina-Georgia Tech game on Feb. 2 in Atlanta, you could be watching more than just another couple of hours of college basketball: You could be witnessing the future of televised sports.

ABC stations will carry the contest, but the network won't own it or sell the ad time. Instead, that game and 25 to follow on ABC Inc.'s winter schedule will be the property of Raycom Inc., the nation's largest sports syndicator. And ABC, the landlord, is charging Raycom a remarkably modest rent.

FEW VIEWERS. The arrangement is ABC's attempt to deal with the poisonous economics that are slaughtering the Big Three networks' sports programming. CBS Inc. on Nov. 3 reported it has lost about \$500 million at the midpoint of a \$1.06 billion, four-year contract with Major League Baseball. NBC Inc. unilaterally cut the number of ads on its Notre Dame football games this fall by a third

because of weak demand. And while ABC won't comment, it's likely that the network is losing money airing Monday

night National Football League games. The common complaint: Too many games, too few viewers and advertisers, and ever-escalating production expenses.

No wonder ABC executives jumped earlier this year when Raycom, which is based in Charlotte, N.C., promised to take one problem off their hands. In essence, Raycom offered to rent the ABC network—at the bargain price of \$1.8 million—for a series of college basketball games. ABC quickly agreed.

What did it have to lose? ABC's 1990-91 college-hoops schedule, averaging a paltry 3 rating, lost money, and the network was seriously considering dropping college basketball this winter. "We turned what was a losing proposition into a solid financial contribution to ABC," says Anthony Petitti, programming director for ABC Sports.

Of course, Raycom isn't in this deal because it likes to watch big, sweaty men throw balls at a metal circle. Chief Executive Rick Ray, 42, figures he can make a handsome profit by offering compelling regional matchups and paying less to produce them (table). Raycom already is the syndicator for six of the eight major college basketball conferences. So it had little trouble lining up marquee teams, including Duke, Kansas, and North Carolina, three of last year's Final Four squads. The rights fees it pays to the colleges are about 25% less than what CBS pays for regular-season games.

Paying less is a Raycom watchword. By using nonunion, free-lance crews, it spends no more than \$25,000 to produce a typical college basketball game. The average cost for network crews: \$100,000 or more. Petitti says viewers won't notice the difference. "Raycom gives us a quality product," he says.

GOING PRO. Quality is nice, but advertisers want viewers. Raycom figures it can boost ABC's combined average rating to 5 by airing as many as six separate re-

ABC AND RAYCOM: HOW SWEET IT COULD BE

RAYCOM'S COSTS

- ▶ Payment to ABC for 24.5 hours of airtime on six Sunday afternoons from Feb. 2 to Mar. 8 **\$1,800,000**
- ▶ Total production costs for 26 games **+ 650,000**
- ▶ Rights fees to 52 colleges and their conferences **+ 4,000,000**

TOTAL **\$6,450,000**

RAYCOM'S REVENUES

- ▶ Advertising sales goal **\$10,000,000**
- POTENTIAL PROFIT** **\$3,550,000**

DATA: RAYCOM INC., BW ESTIMATES

gional contests on double-header Sundays. That's hardly an earth-shattering improvement, but Ray Warren, Raycom's executive vice-president for sales and marketing, says it should be enough to generate a minimum of \$10 million in ad sales, an average of about \$40,000 per 30-second spot. Warren, who came to Raycom from ABC in 1988, has already signed up Buick Motor Div. and Anheuser-Busch Cos.

Ray and Executive Vice-President Ken Haines, 48, are so confident about the ABC deal that they're already laying plans to expand into pro sports in two years. That's when the current MLB, NFL, and National Basketball Assn. broadcast contracts all expire. Raycom won't produce prestige events such as the World Series or Super Bowl. But it hopes to exploit the networks' new caution by joining forces with them or by doing a deal directly with one of the leagues for regular-season packages.

That's big talk for an outfit that will pull in only about \$65 million in revenues this year. But if it hadn't been for big talk, Raycom might not exist. In 1979, Ray's bosses at a Charlotte TV station balked at syndicating the Great Alaska Shootout, a college-hoops tournament from Alaska that invited teams from North Carolina. So Ray decided to strike out on his own. He teamed up with Dee Birke, owner of a local advertising agency, to form Raycom. They produced that year's Alaska tournament, lined up television stations to carry the games, and sold most of the advertising. And, oh yes, they got married six months later.

Rick and Dee Ray have followed their initial formula ever since. It mostly in-

volves a good bit of common sense: Don't overpay for broadcast rights, and stick primarily to regional games in which local fans take a rooting interest. They own all but a small percentage of the company's stock—Haines and other senior executives own the rest—and have resisted overtures from investment bankers to sell out. And why not? They claim their private company has never lost money, although they did impose a five-month wage freeze in 1990 when ad sales fell for preseason football games.

HOME TEAMS. While other sports syndicators have stumbled, Raycom has survived and prospered by changing rules that stood in the way of making money. Most notably, Rick Ray altered the balance of power between syndicators and local TV stations. Realizing how hungry stations were for games of regional interest, he offered matchups featuring local teams. But instead of splitting about 20 minutes of ad time with local outlets, as was then the common practice, Ray jawboned stations into settling for revenues from only six 30-second spots per game. The rest of the ad revenues went straight to Raycom, with sales arranged by President Dee Ray.

Since 1982, Raycom has become a basketball powerhouse. This year, it will produce more than 350 games

Raycom's first big break was landing the TV rights to Atlantic Coast Conference basketball games in 1982. Since then, Raycom has become a basketball powerhouse. This year, it will produce more than 350 games. CBS and ESPN will buy about 50 of these games, but the bulk will be broadcast on ad-hoc Raycom networks of local stations. In addition, it has syndicated preseason NFL football games since 1985, and in 1990, it created the Blockbuster Bowl, a postseason college game backed by Blockbuster Video.

Raycom's initial Blockbuster game was shown on a one-shot network of local stations. To air the game this year, Raycom bought three hours of CBS prime time on Dec. 28 for about \$1 million. And until Notre Dame lost to Tennessee, Raycom had even bigger plans: CBS had O.K.'d a move of the game to Jan. 2 if Raycom could land a national title match. Now, it looks as if the game will pit No. 6 Alabama against another nationally ranked team.

Raycom also set its sights on Hollywood when it created an entertainment division in 1987. That move didn't pan out, but the Rays still may take a run at big entertainment syndicators such as King World Productions Inc. Not that they would do anything rash. About the wildest thing they've done was buy and restore White Oaks, a 26,000-square-foot mansion in Charlotte. Dee Ray says they wanted a showcase to host charity functions; White Oaks is now a regular stop on the local social circuit. Not bad for a couple that not so long ago was scrambling to sell the Great Alaska Shootout.

By Chuck Hawkins in Charlotte, N. C.