

THE LONG SHOT

Raycom became a powerhouse among sports syndicators. Can it continue to slam-dunk the competition?

By Kathy Payton

A

t the time he and his wife met with the Sugar Bowl committee back in the early '80s, Rick Ray was already thinking big, even though their fledgling Charlotte-based syndication company, Raycom Sports and Entertainment, was only a few years old. The couple was already producing the Sugar Bowl Classic basketball tournament in New Orleans, but Ray had bolder plans.

Raycom's founder and CEO asked when the rights for the Sugar Bowl football game would be up for bid. The going rate was a cool \$7 million. "Dee looked at me like, 'Are you crazy?'" Rick recalls. "We'll be here," he told the committee. Says Dee: "I almost passed out."

As it turned out, Rick and Dee Ray didn't come back to bid. Rather, Raycom set to work on organizing a new bowl game. In 1990, subsidiary Raycom Management Group Inc. created the Blockbuster Bowl, lining up the Fort Lauderdale, Fla.-based videotape-rental chain as the sponsor. In its first year, it scored a 5.8 rating — 5.8% of the TV-owning households in the nation watched the game. The Sugar Bowl's rating that year came in at 4.9.

As a team, the Rays have shown some blockbuster-type strength in the hard-knuckled world of TV sports syndication. "I think Raycom has positioned itself as the premier sports syndicator in the country,"

says John Swofford, UNC's athletic director. "Obviously, it's quite a success story, and frankly, I only see that continuing."

Earlier this year, *The Sporting News* ranked Rick Ray 48th among its 100 most-influential people in sports, up from 81st last year — a remarkable achievement for a man who has never coached and hasn't played competitive sports since high school. Raycom is now the nation's largest independent sports programmer, with 76 employees and \$65 million in annual sales — about twice the money the biggest Charlotte TV station brings in. Headquartered since 1985 in its own two-story brick building near downtown, Raycom has sales offices in New York, Chicago and Dallas.

Its success is particularly striking given the number of sports syndicators that have folded in the past few years after bidding more for programs than they could pay for with advertising sales. When Raycom started a decade ago, Executive Vice President Ken Haines notes, there were about 13 independent sports syndicators, including Lorimar, Katz, MetroSports and Sports Productions. (None of those four syndicates college sports anymore.) It's Rick Ray's creativity that sets Raycom apart from sports programmers that have failed, N.C. State Athletic Director Todd Turner says. "He's not afraid to do something different."

So far, Dee and Rick Ray's game plan has paid off. They produce regional ball games with local appeal for up to a third less than the national networks can.



MAURY FAGGART

That was obvious during Raycom's extraordinary but unsuccessful efforts over the past year to put the Blockbuster Bowl into the same league as the venerable Cotton, Sugar, Orange and Fiesta bowls. Those four bowls formed an alliance last year to create a national championship game for college football. The existing system has been criticized for haphazard matchups that often don't pair the nation's top teams.

Rather than compete as a second-tier bowl, Raycom and Blockbuster CEO Wayne Huizenga offered the Big East and the Atlantic Coast conferences \$4.2 million each — more than the payout of any bowl except the Rose Bowl (where the Big Ten and Pacific 10 champions play). After giving the money a long, hard look, the Big East and ACC opted to stick with the older bowls, which are increasing their payouts to match Blockbuster's offer.

It was a stinging defeat for Raycom, which fears that Blockbuster might pull its sponsorship. Already, Blockbuster officials have said they will cut the payout from \$2.5 million a team to \$1.5 million this year.

But most observers see the Blockbuster saga as a momentary setback. Though well-known in the Southeast for years, Raycom gained national publicity during the past year after landing a multiyear contract to package, produce and sell advertising time on ABC's college basketball schedule.

Buying air time and sports property rights, then selling advertising and producing the games is what a sports syndicator does. But the ABC deal marked the first time a major network has sold a whole series to an independent programmer.

In essence, ABC was admitting that

Raycom had the contacts and ability to produce college basketball games better than the giant network. After all, Raycom owns television rights to six of the eight major basketball conferences — the Big Ten, Big Eight, Metro, Pac-10, Southwest and, in partnership with Jefferson-Pilot Teleproductions, the ACC. Then there is Raycom's cost advantage. By using free-lance, non-union production crews and offering them lots of work, it can produce events for up to a third less than the networks.

The first year of the contract, however, turned out to be less successful than Raycom had anticipated. Hurt by competition from the Winter Olympics and National Basketball Association games, the regional hoops contests drew ratings of about 2.7, well below the expected 5 or so. That pushed sales under the \$10 million target. Raycom still made money — Haines won't say how much — but not the \$3.5 million projected.

Raycom isn't alone in having problems wringing ratings out of sports events, of course. The networks face growing competition from sports on cable and pay-TV channels. And in a tight economy, advertising spending dries up. The most notable network strikeout is CBS's estimated \$500 million loss on its \$1.06 billion, four-year contract with Major League Baseball.

"It's tough out there. The market is very depressed," says Tony Renaud, executive vice president of the Charlotte Hornets. In many cases, networks have paid exorbitant rights fees, forcing them to seek top dollar from advertisers — often unsuccessfully.

But paying exorbitant rights fees isn't Raycom's style, which observers say helps explain why the company continues to thrive. Key to its success is its ability to produce regional games with local appeal. As an independent producer, the company has the flexibility to place its games with the most attractive stations in each market, regardless of network affiliation. Stations can boost their ratings with games that have local interest, and Raycom makes its money selling advertising.

It's a niche Raycom spotted a decade ago and has stuck with, notes Tom Mickle,

Raycom's aggressiveness was instrumental in winning its first big break, the one that made the company — acquiring the rights to ACC basketball.

assistant commissioner for the ACC. "That's how they've survived and why they're doing so well," he says.

"Raycom seems to have found a way to mesh with [the network's difficulties] and help themselves, too," Swofford says.

Raycom wants to expand into pro sports in two years when network contracts expire with Major League Baseball, National Football League and National Basketball Association. Initially, at least, it wants to offer programming for individual regional games or teams, rather than bid on league contracts, Ray says. Raycom already produces pre-season NFL games and has repackaged and sold some pro baseball games.

Rick Ray, 42, spent eight years in off-the-air jobs before coming up with the idea that built a winning company. With a soothing voice and anchorman good looks, he initially wanted to be an actor. But the Asheville native didn't follow his friends to New York, choosing instead to finish college and wait for a break in television.

After graduating from the University of North Carolina at Chapel Hill in 1971 with a degree in radio, television and motion pictures, Ray went to work for WCCB-TV in Charlotte and became its program director, selecting and scheduling shows. Local stations receive about 40% of their programming from networks, leaving much of the rest of the day up for grabs. "It certainly helped me understand what would sell and what would not," he says.

Management jobs followed at WCSC-TV in Charleston, S.C., and WRAL-TV in Raleigh before Ray returned in 1978 to WCCB-TV as broadcast operations manager, responsible for all departments except sales. Since the station no longer was a network affiliate, the job offered him even more control over programming and operations. "It was like putting on a television station from scratch," he says.

It was there he got the idea for Raycom. He knew that local TV stations couldn't get

As a reminder to learn from mistakes, a poster touting the ill-fated Glasnost Bowl in Moscow still hangs in Raycom's memorabilia-filled conference room.

enough of regional sports. He also had learned all about contract legalities.

The first experiment came when Ray persuaded WCCB owner Cy Bahakel in 1978 to air a three-day college basketball tournament being held in Alaska, then called the Seawolf Classic. "That [name] was kind of boring," says Ray, who dubbed it the Great Alaska Shootout. "The first year I did it for the station, and everything worked all right. We made a little money. Then, the second year, there was no North Carolina team in it. Kentucky was the main team in it, and I asked the owner if he wanted to televise it, and he said no. And I said, 'Do you mind if I do it?' and he said OK."

In July 1979, Ray left WCCB, and Raycom was born. Ray, who had been dating Dee Birke for a few months, persuaded her to sell ads for him. Says Dee: "I didn't know what I was going to sell, but I said yes."

Seven months later, she said yes to Ray again. They were married in February 1980, the second marriage for both. Though both are from Asheville, their paths had never crossed until 14 years ago when they met on a blind date in Charlotte.

Dee, now Raycom's president, had moved to Charlotte in 1968, starting work as a secretary for Interstate Advertising of Charlotte. Within three years she was vice president, a stockholder and director, before leaving in 1975 to start her own agency.

If Rick is the creative power behind Raycom, Dee is the assertive saleswoman. And there's no doubt they both run the show at Raycom. "If it had not been for both of them working together, I question whether we would go as far as we've gone," Haines says. Rick is an analytical decision-

maker, while Dee relies more on gut feelings. "If they're together, we know it's a go," Haines says. If not, "we know to back off."

"I think [Dee] understands the business and knows how to identify value and sell it," Turner says. "They're a good team because they're different."

Both are avowed risk-takers. (Dee says it's because they're Sagittarians. Their birthdays are only a day apart, though she won't disclose her age.) Most of the risks have paid off, as the company has never lost money while growing at a 25% average annual rate over the past decade. Raycom is No. 62 on this year's North Carolina 100 ranking of private companies, compiled by Arthur Andersen & Co. based on revenues. It was 75th last year and 93rd in 1990.



odd Turner's first encounter with the Rays in 1979 showed him they had plenty of nerve. Turner was sports-information director at the University of Virginia when the Rays "just knocked on our door." They promised to do whatever necessary to put some of Virginia's sporting events and coaches on the air. Their idea, which never got off the ground, was to form a regional-sports cable network. The Rays had no financial backing. Turner thought they were professional and persistent, but he didn't bite: "You patted them on the back and said, 'Good luck.'"

Raycom's early days were shaky. "You have to understand the only thing we had were two cars," Dee says. Suddenly they were committed to paying rights fees and production costs, "whether you sold it or not," she adds. After the first year, Raycom had \$16 in cash and more than \$200,000 in receivables.

One philosophy helped get them through the early times. "We would say ... what is the worst that could happen? OK, we could lose everything and start all over. Well, that wouldn't be too bad because we could always get a job. We're both bright people and young and energetic," Dee says. "Well, if you think like that, and you think quality, I'm delivering a real quality product, it gives you a ... comfort level that helps you keep going."

That spirit has lured some top network executives to jump ship and join Raycom. Executive Producer Peter Rolfe, a former NBC sports producer, says he felt sure he'd never leave his home, he'd retire from NBC and he'd end his days in Huntington, Long Island, where he was born. Then he met Rick Ray. "In one fell swoop my three basics of life were dashed." What attracted him were Ray's youth, aggressiveness and track record.

Raycom's aggressiveness was instrumental in winning its first big break, the one that really made the company — acquiring the rights to ACC basketball after longtime syndicator C.D. Chesley gave up the contract in 1980. Its first effort to get the contract failed, when now-defunct MetroSports won the bid in 1981.

But in 1982, Raycom and Jefferson-Pilot teamed up to win the rights. Jefferson-Pilot supplied the financial stability, while the Rays knew how to make the most of the region's mania for ACC basketball. (Ironically, Rick years earlier had been turned down "three or four" times for jobs at Jefferson-Pilot's Charlotte station, WBTV. Dee worked briefly for Jefferson-Pilot as a secretary in the '60s.)

The two companies are equal partners in the ACC deal, with JP Sports handling production and Raycom overseeing marketing and syndication. "It's probably the longest-running syndication package that has stayed together," Ed Hull, president of JP Sports, says. The contract runs through the 1996-97 season.

Winning the ACC contract boosted revenues sixfold, Rick says. Conservative in its spending, Raycom took the opportunity to add two employees. "We're always lean and mean," Dee says, adding that the couple has vowed to keep their company debt-free, with rare exceptions.

The next big break came when a federal court in the early '80s loosened the NCAA's grip on college football, giving individual schools and conferences power to negotiate their own television deals. The new system enabled Raycom to acquire rights to Southwest and Big Eight football and basketball

games. By 1985, Raycom was syndicating more sports programming than any other non-network company.

Along with the ACC deal came Haines, who for 10 years had been chief public-affairs officer at Virginia Tech in Blacksburg, Va. Haines first met the Rays when they approached him about buying television and radio rights to the school's football and basketball games in 1980. At the time, the school televised its own games. Skeptical of the Rays' ability to deliver because of their limited experience, Haines recommended that the school decline the offer. Rick wasn't deterred. He made a firm offer that included an annual six-figure guarantee to the school. He also promised to report weekly on the progress of the building of the TV and radio networks. This time Haines recommended the school take a chance. "They did everything they said they would do," he says.

"I was very happy at Virginia Tech and really had no plans to leave," Haines says. Again, the Rays' persistence paid off. Figuring it was a long shot, Haines recalls, "I said, 'Well, I'll tell you what. When you get the ACC, you let me know, and then I'll come to work for you.'" In 1982, he kept his promise. As one of four or five employees at Raycom's office, he became involved in almost every facet of the company.

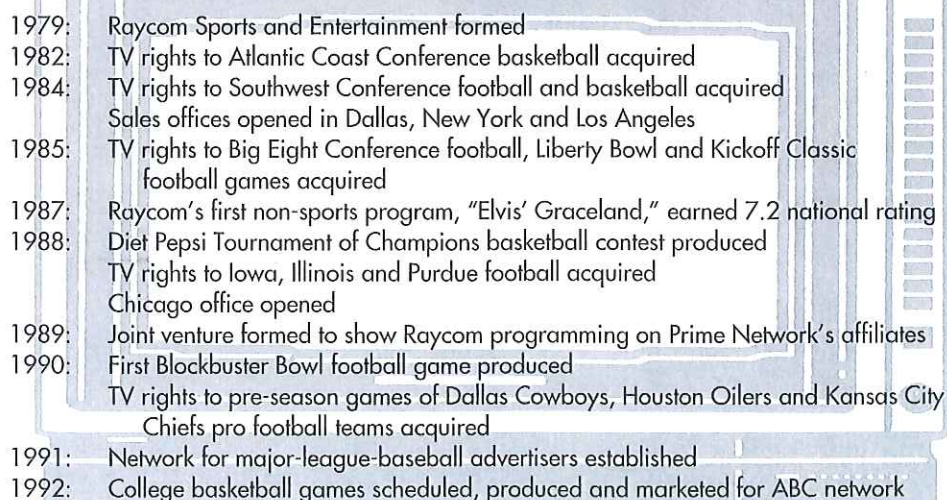
Besides a hunger for winning, creative

thinking and the ability to attract smart people, Raycom's success also stems from knowing when to say no to a deal. "We have turned down more deals than we've ever accepted," Haines says. Among them was a sky-diving contest in which the first to land would be the winner. To Haines' knowledge, no one aired that one.

Bidding with their hearts and not their heads has run many sports syndicators out of business, Rick Ray notes. That's because many syndicators hold an emotional attachment to certain sports events. Raycom has walked away from previous contract proposals with such prominent conferences as the Big 10 and SEC when the deals didn't make financial sense.

That's not to say the company hasn't had its flops. One deal that didn't fly was "Season Ticket," a pay-per-view showing of ACC basketball games attempted in 1983. "People wanted the games free," Rick says. Despite lots of negative publicity, the ACC stuck with Raycom. "And, heck, they overcame that," Turner says. Later, Raycom promoted the Glasnost Bowl in Moscow, which was to feature the University of Southern California and the University of Illinois in 1989. When the Russians couldn't find rooms for 3,000 people, the effort was scrapped — but not before Raycom had blown a lot of time and money. As a

Raycom Sports and Entertainment's main events

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- 1979: Raycom Sports and Entertainment formed
 - 1982: TV rights to Atlantic Coast Conference basketball acquired
 - 1984: TV rights to Southwest Conference football and basketball acquired
Sales offices opened in Dallas, New York and Los Angeles
 - 1985: TV rights to Big Eight Conference football, Liberty Bowl and Kickoff Classic football games acquired
 - 1987: Raycom's first non-sports program, "Elvis' Graceland," earned 7.2 national rating
 - 1988: Diet Pepsi Tournament of Champions basketball contest produced
TV rights to Iowa, Illinois and Purdue football acquired
Chicago office opened
 - 1989: Joint venture formed to show Raycom programming on Prime Network's affiliates
 - 1990: First Blockbuster Bowl football game produced
TV rights to pre-season games of Dallas Cowboys, Houston Oilers and Kansas City Chiefs pro football teams acquired
 - 1991: Network for major-league-baseball advertisers established
 - 1992: College basketball games scheduled, produced and marketed for ABC network

reminder to learn from mistakes, a poster touting the Glasnost Bowl still hangs in Raycom's memorabilia-filled conference room.

Raycom also suffered a blow when Richard Giannini, former president of Raycom Management, left in July 1991 to form his own company, which later merged with Lexington, Ky.-based Host Creative. Giannini, who had been with Raycom five years, deflects specific questions on his reasons for leaving, saying only that he had an entrepreneurial yen. Giannini's minority interest in Raycom Management, which handles special events and sports marketing, was reportedly bought out by the Rays for more than \$1 million. He and the Rays decline to comment on the arrangement.

"We hated to see him leave," Rick Ray says. He called Giannini's move "kind of a natural evolution of things." Host Creative provides many syndication services similar to Raycom's, though the Kentucky company puts a greater emphasis on contracts with

individual schools. As for whether Giannini's departure will hurt Raycom, Haines says, "You never know, but it certainly doesn't look like it when you look at the big picture."

Indeed, the Rays' hard work has paid off big. Though they stay behind the cameras, they are living the life of entertainment moguls. They bought the 26,000-square-foot, 77-year-old Duke Mansion in Charlotte's Myers Park neighborhood in 1989. (Press reports that the Rays paid \$2 million are exaggerated, according to Dee Ray, who declines to disclose the purchase price.) *The Charlotte Observer*, citing Mecklenburg County tax appraisals, in January listed the property as the county's most valuable single-family residence, valued at \$4.97 million. The couple, who have two children, also own a 4,000-square-foot house on Hilton Head Island, where they dock a 40-foot boat.

The Rays' personal and business lives are tightly linked. Though they didn't pay

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cash for the mansion, Dee Ray says, "there's not a lot of debt on it." The couple has a personal goal of paying off the mortgage — and any other personal debt — within two years. Moreover, she says they bought the house to restore it and save it for the city to treasure. Dee, who is fund-raising chairman for the Charlotte chapter of the Juvenile Diabetes Foundation and the North Carolina Easter Seals Society, says she hosts a charity function about once a month there. Bus-tour groups regularly come to the house, and suites have been used as guest quarters for clients and celebrity visitors such as Burt Reynolds and Loni Anderson. In an industry in which glitz is all-important, how better to impress than to offer a night's stay at the Duke Mansion?

Celebrities may soon be a larger part of Raycom's future. Rick envisions more regional shows for the company's entertainment division. Its first special, "Elvis' Graceland," with Priscilla Presley, aired in 1987 and earned a 7.2 rating. Raycom is


exploring a series called "Southern Style," which would examine people and places in the South.

But its bread and butter continues to be sports. Raycom Management, now headed by former Turner Broadcasting executive Terry Hanson, is planning the first Alamo Bowl in San Antonio in 1993. The company is still searching for a corporate sponsor, and many may question the need for another bowl, but, as Rick Ray says, "The city of San Antonio wants one." (Participating schools won't mind getting the minimum payout of \$750,000, either.) And for Raycom, pairing the Alamo and Blockbuster bowls will provide a nice package to offer advertisers.

Down the road, Rick doesn't rule out a run for the Olympics. "2004," he says, smiling. Dee's not sure whether he's joking this time. "I used to think he's crazy. He'll never do that," she says. "That was the first year. Then I got reality."

Kathy Payton is a Charlotte free-lance writer.

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