

Raycom Sports seeks a new strategy

BY MICHAEL SMITH

STAFF WRITER

CEO Ken Haines hangs his failures on a wall outside his office at Raycom Sports.

Mostly, they are framed programs or promotional items from concepts that were ahead of their time and just didn't fly, like the 1989 Glasnost Bowl, a football game between Southern Cal and Illinois slated for Moscow. Or ACC Season Ticket, a pay-per-view menu of basketball games in 1983.

"Now I've got to find a way to frame the SEC," Haines said with a cryptic chuckle.

When Raycom lost the SEC's syndicated package of football and basketball games to ESPN last year, it highlighted the transitional state of Haines' business. The company that once sat at the forefront of college sports television with rights in practically every Division I conference now finds itself something of a dinosaur, syndicating games on free TV when even the BCS bowls are going to cable.

Raycom had owned rights in the SEC for 20 years, through its acquisition of Lincoln Financial Sports, but the cold, hard reality was that Raycom's ad-driven business model just couldn't compete with ESPN's dual streams of ad and subscriber revenue.

That concept crystallized when ESPN

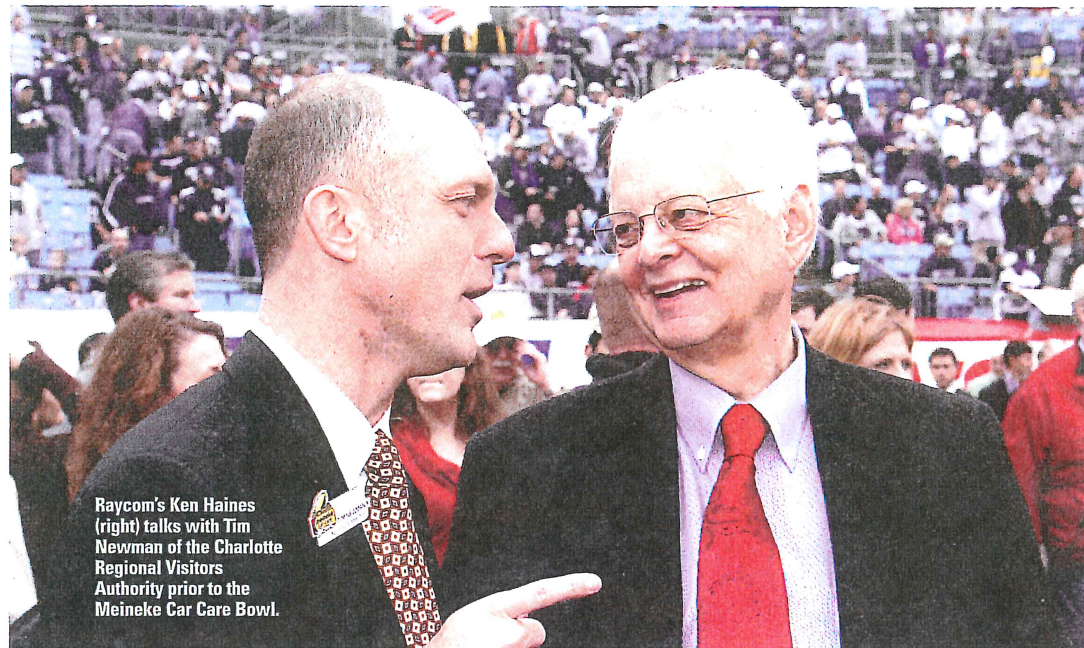
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KEN HAINES
CEO, RAYCOM SPORTS

offered a staggering \$150 million a year for the SEC's rights, including the syndicated portion.

"We're having to reinvent our business model. The old model won't cut it anymore," the unassuming Haines said between sips of coffee from a plastic foam cup in his Charlotte office.

Without the SEC, Raycom's eggs are left in one basket, the ACC. Raycom has owned the ACC's valuable basketball rights since 1982, while also syndicating the league's football



Raycom's Ken Haines (right) talks with Tim Newman of the Charlotte Regional Visitors Authority prior to the Meineke Car Care Bowl.

games to free TV stations throughout the league's footprint. Raycom then sells off ACC basketball games each season to CBS, ESPN and Fox Sports Net.

With those rights up in two years, it's impossible to overstate the importance of keeping the ACC to the future of Raycom Sports. But for Raycom to remain competitive when rights fees are escalating at unheard-of rates, Haines knows that he'll need partners from the cable, satellite and/or phone world.

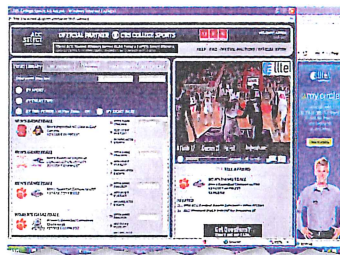
"We're exploring a partnership with those entities that have access to another form of revenue," he said. "We know, given what has happened with the Big Ten and the SEC and the revenue they'll be receiving from their new arrangements, that the ACC will need to get a boost from their TV revenue."

The ACC's basketball deal with Raycom is worth about \$35 million per year, according to industry analysts, who expect the ACC to receive a 50 percent to 60 percent increase.

When Raycom begins the next round of

negotiations toward the end of 2009, Haines expects to go to the table with distribution partners such as Comcast or Time Warner Cable, maybe both. Whether one of those partnerships evolves into a merger involving Raycom remains to be seen.

What's clear, though, is that the future of Raycom Sports hinges on retaining the ACC.



Raycom manages ACC Select, which streams conference games online.

"All of the distribution in the world is of no value if you don't have content," said Haines, who has enjoyed a 20-year-plus relationship with ACC Commissioner John Swofford and banks on those ties to keep Raycom in the game.

A former college administrator at Virginia Tech, Haines helped Raycom launch its college TV business nearly 30 years ago. Since then, he has established himself as a powerful figure on such projects as the formation of Conference USA in the early 1990s and ACC expansion five years ago, as well as the ACC football championship's move to Charlotte in 2010.

His lack of pretense and deft touch, styled from years in university administration, has helped him gain the trust of influential college figures like Swofford.

"Ken has established himself as an authority in college sports and done so in a unique fashion," said De Cordell, a Raycom executive for 12 years who recently left to

join Gillett Evernham Motorsports. "He has built very strong relationships on both the university side as well as with all of the networks and that is what has allowed Raycom to build and sustain the success it's had. Not many people have those relationships."

But Haines knows those relationships can be marginalized at the negotiating table by the massive dollar figures being thrown at conferences these days.

"When we lost the SEC, we were very disappointed," Haines said. "We'd had a 20-year relationship with the SEC. I think both parties were very pleased with that relationship. It certainly maximized distribution to homes that didn't have cable or satellite. In most cases we were on the leading station in each market. But again, having only advertising revenue to support that model wasn't enough to meet the SEC's needs for a tremendous increase in the dollars."

When the current basketball season ends, Raycom will begin evaluating its 60-some employees to determine what cuts need to be made. At the same time, Haines is seeking ways for Raycom to succeed in its life after the SEC.

In addition to owning the ACC's rights, Raycom runs the Meineke Car Care Bowl and ACC Properties, promotes a handful of neutral-site college football games, and distributes sports and nonsports syndicated programming.

And if Haines can strike partnerships with distributors that generate subscriber revenue, he doesn't discount the possibility of pursuing TV rights in other conferences.

"We're looking at any other types of programming where we can use the resources we have in production, sales and station relations to grow the company," he said. "I've been in this business for 30 years and it always comes down to content."

Which, for Raycom, means it all comes down to the ACC.



Raycom will start talks at the end of the year to retain its rights deal with the ACC.