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Raycom drawing a new game plan

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Facing an industry now dominated by giants such as Disney-owned ESPN, sports syndicator Raycom Sports Inc. is in the midst of an identity crisis that includes several key executives leaving and the possibility of a merger or acquisition.

Challenges have included the loss of advertising sales rights for Pac-10 and Big-12 college football to Fox Sports.

Executives at Montgomery, Ala.-based parent Raycom Media Inc. are now plotting strategy with executives at its Charlotte-based sports division to build revenue and diversity.

"The sports business is like a lot of other industries right now. It's going through tremendous consolidation," says Paul McTear, Raycom Media chief financial officer. "We need to invest in some sports companies or merge or acquire them to be a better competitor. And we have to look at different areas of sports to remain viable."

Industry sources say Retirement Systems of Alabama, the pension fund holding company that acquired Raycom Sports and former Atlanta-based parent Ellis Communications Inc. for \$730 million last year, is trying to spur the division's revenue growth, which has faltered since founder Rick Ray retired in 1995.

Ken Haines, Raycom Sports senior executive vice president, says the company expects to increase revenue 10% to 20% this year. Haines refuses to disclose figures, but says Raycom Sports is consistently profitable. It generates \$80 million to \$100 million in revenue annually, industry experts say. McTear says Raycom Sports generates 10% of Raycom Media's revenue.

Regardless of the numbers, Raycom executives and industry analysts agree the company is too small to battle major networks such as ESPN and Fox Sports for properties now.

Steve McClellan, who covers networks and syndication at trade publication Broadcasting & Cable, says sports competition will soon be dominated by conglomerates. "With Fox and ESPN, you're talking about huge companies that are hyper-aggressive," he says. "That's tough for smaller companies to compete with."

Raycom Media executives say they expect to make at least one acquisition and shift into new sports business areas by year end. McTear insists speculation that the parent will sell Raycom Sports is nothing but rumor.

The focus on diversifying may be coming too late, says Dee Ray, who founded the company with husband Rick in 1979 and retired in 1994. "I think they lack vision in some places. They have lost some business in a couple of areas, and it's increasingly harder to bring in new business when you talk about the sports industry. It's ludicrous to chase the glory of sports broadcast rights now because they are so costly."

McTear says he is encouraging Raycom Sports to eye ventures with sports companies that offer diversity. "We understand that we may have to re-invest some money to put Raycom Sports in a better position," he says.

Raycom still generates much of its revenue from a joint venture with Charlotte syndicator Jefferson-Pilot Sports & Entertainment, producing and selling ACC basketball games.

Not only are the Rays no longer involved, but several other executives have left, in New York-based sales executive Brian Neuwith, Pat LaPlatney, senior vice president programming and distribution, and Rick Fujita, chief financial officer.

Chuck Steedman, a senior vice president who developed several high-profile event including the DirectTV Great Eight basketball tournament, is leaving for a marketing Maine-based ski company.

"The syndication business has certainly gotten a lot harder during my seven years I says Steedman. "It's a harder business for everyone who syndicates now. But my departure is no reflection on Raycom. It's a company I believe in, and one that is still very capable."

Employment at the company's East Boulevard office has fallen to 45 from 56 two years ago.

Haines says all the departures were the result of dream jobs being offered. "Good people are going to be recruited -- that's just part of business," he says. "But we have plenty of good people still here, and we've hired good people where we've lost people."

LaPlatney is an executive at a news syndicator in Houston and Fujita has started his own business.

Steedman says the company is less entrepreneurial since the Rays left, but doesn't think that for Raycom's struggles. "Would things be different if Rick and Dee were here? It's to say because the business is so different. We don't work less hard because they're gone."

Raycom Sports has ACC basketball through 2001 and ABC basketball through 1999. ABC deal has produced higher college basketball ratings than NCAA tournament right holder CBS two of the past three years. "There are a lot of strong properties in place," Steedman says.

Haines says the loss of sales deals, including Jefferson-Pilot's decision to assume all duties for ACC football and SEC basketball and football, caused some of the staff reduction but says new business is abundant.

He cites a new syndicated weekly show, More Than a Game, which has been cleared in U.S. TV markets. An Elvis Presley special will reach 90% of households, and Raycom handle preseason NFL games for the Tennessee Oilers.

Haines says a burgeoning relationship with Charlotte-based ACC Properties that includes licensing, merchandising offers growth for Raycom.

"People here are excited and optimistic because we have a lot of new stuff on our plate," Haines says. "And the support from our new owners has been great. We are much more diversified than when Rick and Dee left, and that's because the business has changed. We're changing with it."