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STREET & SMITH'S SportsBusiness JOURNAL®

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JANUARY 22-28, 2018
VOLUME 20 ISSUE 38 • \$7.95

Sizzle & steak

Tilman Fertitta brings it all together in his vision for the Houston Rockets

BY BRUCE SCHOENFELD, CORRESPONDENT

"Ask me anything about my business," Tilman Fertitta says at the start of "Billion Dollar Buyer," his reality show on CNBC. "I know it all." It's a bold statement. Because when Fertitta, who bought the Houston Rockets for \$2.2 billion in October, references his business, he doesn't mean a corner store, or even a hedge fund. He oversees more than 60,000 employees, spread across hospitality, gaming and around 600 restaurants.

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#MeToo shakes sports industry

Policies, procedures getting a fresh look

BY JOHN OURAND

STAFF WRITER

In the wake of several public sexual harassment complaints, ESPN immediately flew all of its talent to its Bristol, Conn., headquarters for an emergency meeting. The group was told in no uncertain terms that the network had a zero-tolerance policy for sexual harassment and reminded that ESPN had a system in place where they could safely report any complaints.

This meeting might sound like something that happened recently in the wake of the #MeToo movement that has put sexual harass-

ment issues on front pages across the country. But it didn't. This was eight years ago, in March 2010—a time when George Bodenheimer was ESPN's full-time president and long before #MeToo became a platform giving voices to victims of sexual harassment.

"None of this is new to us," said Mike Soltys, ESPN's vice president of corporate communications. "We've had strong policies and procedures in place for a long time because of previous issues."

Seeing the rush of headlines throughout the media and entertainment industry a few months ago, the powerful Hollywood agency Endeavor set up an internal group that would advise executives and clients about sex-

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TOYOTA'S OLYMPIC QUEST

The inside story of using Pyeongchang to rebrand as a mobility company

BY BEN FISCHER

STAFF WRITER

By early 2016, nearly a year had passed since Toyota signed its blockbuster global sponsorship deal with the International Olympic Committee, but the automaker was still stuck on a theme for its campaign. Top internal marketers on

two continents, along with senior leaders from both Saatchi & Saatchi and Dentsu, were searching for an idea that could spur a brand evolution for Toyota from car company to "the human movement company."

The entire point of Toyota's aggressive move into the Olympics' mobility category was to showcase concept products like Project Blaid, a wearable device that helps blind people navigate their immediate surroundings, or a human support robot for the elderly. But the blue-chip creative

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In-Depth

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Fertitta's courtside presence came long before he bought the Rockets as he served as an adviser to former owner Leslie Alexander.



3 Characteristics Tilman Fertitta brings to the Rockets ...

▶ **HE'S ALL IN:** He knows the details, inside and outside, of his business investments.

▶ **HE'S WELL-PREPARED:** More than 25 years observing and closely associated to sports team ownership has him uniquely qualified.

▶ **HE KNOWS WHAT PEOPLE WANT:** He's served customers for years and managed consumer brands.

Fertitta

■ For Rockets owner, it's all about the details

FROM PAGE 1

Even without the television show and the basketball team, that's a massive amount to understand. Somehow, Fertitta pulls it off. "He's got an unbelievable gift to retain huge amounts of information," says Gerry Del Prete, senior vice president and general manager of Golden Nugget, who oversees Fertitta's five casinos. "He knows his numbers better than any of us."

It isn't just the numbers. The show is called "Billion Dollar Buyer" because the annual purchasing budget of Fertitta's properties exceeds that lofty sum—and Fertitta seems to have an opinion on every dollar. "We had a meeting last week that went all the way down to what the valet guy should be wearing," said Brandon Busch, a regional director of Landry's restaurants, Fertitta's flagship chain. "He wants to see every detail."

Fertitta became a billionaire by growing two Houston-area Landry's Seafood—family-friendly seafood shacks with extensive cocktail menus—into a restaurant empire. "I did it the hard way," he said one recent afternoon, while sitting in his eighth-floor office overlooking the traffic on Houston's West Loop. "Bricks and sticks."

These days, he owns a whole lot of restaurants you've heard of and probably frequented. The list includes Landry's, Mastro's Steak House, Oceanaire, McCormick & Schmick's, Rainforest Café—and Joe's Crab Shack, which he sold for \$192 million in 2006 and reacquired in bankruptcy court for \$57 million earlier this year, a quintessential Fertitta deal. He owns Brenner's and the Boathouse, Big Fish, Bluewater Grill, Babin's Seafood House, Bill's Bar and Burger, Brick House Tavern and Tap, Blue Fin, and Bubba Gump.

And, yes, those are just the Bs.

Now Fertitta is implementing the same top-down approach, including the fanatic attention to detail, with the NBA's Rockets. On a sofa outside his office, three T-shirt prototypes are laid out, awaiting his approval. A pile of new gym bags—whether to be sold at the souvenir shop or used by the team, it isn't clear—sits on the floor.

From a table in his office, he looks approvingly at his brain trust, several members of which are arranged around him. Collectively, they run more than \$4 billion of his business interests: the restaurants, the casinos and hotels, aquariums in Denver and Houston,

"There was a year or two when we were dating," says Paige, his wife of 26 years, "when we were at every Rockets game except maybe two or three." (It must be noted that

Fertitta also owns at least four season tickets to the Astros, Texans, University of Houston football and basketball, Dallas Cowboys and Notre Dame football. He gives most of the tickets away, especially to the teams outside Houston, but attending sports events is the nearest he gets to having a hobby.)

Rockets game night means logistical challenges for Fertitta. He takes control, as he typically does, telling Daryl Morey, the team's GM, and Tad Brown, the president and CEO, to ride together in one car, and Del Prete to ride with him in his Bentley. He stops at his

"We're in this for the long haul.
I don't want to win for three or four years.
I want to win forever."

TILMAN FERTITTA

an entire boardwalk on the Texas coast and, now, an NBA team. "There's just an unbelievable chemistry with the six of us," he says. "We're going to do some smart stuff. Some really smart stuff."

Then he jumps up, suddenly impatient. "It's six o'clock," he said. "We need to get out there."

It's a game night at the Toyota Center. Fertitta has attended the vast majority of Rockets home games since 1983, when he bought a piece of the team under former owner Charlie Thomas, a stake he later sold in order to own about 5 percent in the NFL's expansion Houston Texans.

house, a 25,000-square-foot mansion in River Oaks, to switch cars and pick up Paige and two of his sons. (He and Paige have four children: a 25-year-old son who graduated from Ole Miss, a son and a daughter currently at Southern Cal, and a high school senior.)

Soon his Range Rover is pulling into the tunnel under the Toyota Center. Fertitta owns a yacht, two airplanes, four helicopters and almost too many cars to count, or for the guards to easily recognize. They aren't sure it's him until they see him in the passenger seat. As soon as they do, they windmill him through.

Fertitta gets a kick out of their urgency. "I've been parking down here for years and years, but I wasn't treated that way," he says. "I'm totally treated differently today. Even though everyone in town always knew me, I'm totally treated differently. There's only one owner, OK?"

If you've made a fortune, let alone fortunes in two industries, you can't help but think that you're ready to own a sports team. It's an occupational hazard for new owners, who assume that amassing championships will be easy enough for someone who has managed to amass vast wealth.

Even the idea that sports has two bottom lines, the profit/loss statement and the standings, doesn't faze most new owners. Fertitta is no exception. When he says "I think that if I win but we lose money, we're not successful," and adds, "if I make a bunch of money and we don't win, I'm a failure," he's parroting what nearly every owner has said when he gained control of his team. How hard could it be, right?

The difference is, Fertitta at age 60 may be more prepared to own a pro franchise than anyone else in history, with the possible exception of those who inherited one from their parents.

He has been a minority investor in the Rockets and the Texans. He also has observed the Rockets from up close for the last quarter-century. When Thomas sold the team for \$85 million to Leslie Alexander in 1993, Fertitta finished second in the bidding, a few million short. So he bought courtside seats and sat beside Alexander for nearly 25 years. As an official adviser, he enjoyed full access. In a sense, he's had a 34-year apprenticeship.

Next, Fertitta also serves as chairman of the Board of Regents for the University of Houston system. In that

capacity, he supervised the hiring of two football coaches, a basketball coach and an athletic director. He dove into each task with his usual vigor, insisting on performance clauses as though it was his money on the line, and has helped raise the profile of Houston athletics, most notably a football team that moved back on campus in 2014 and finished eighth in the country a year later. "He was super-engaged throughout the process," says Renu Khator, president of the University of Houston and chancellor of the U of H system. "He has forced us to dream bigger, to focus on bigger things. And that has been a game-changer for us."

Beyond that, his entire success is rooted in customer satisfaction, as opposed to a single technological insight, say, or a flair for managing stock portfolios. "What he brings to the table," says George Postolos, the former president of both the Rockets and the Astros, whose Houston-based company advises potential bidders for big-league teams, "is that he has been buying and managing and developing consumer brands. He has all this experience with consumer-facing businesses. And he'll be very proactive about bringing his advantages and strengths to the Rockets because that's what he does. He has done that over and over again."

"He's in the same business that the league is in, the entertainment and customer-satisfaction business," stresses NBA Commissioner Adam Silver, "and he's one of the best at it in the country. He's unique among our owners from that standpoint. He's going to be extraordinarily additive to the league, not just the Rockets. We're in the business of best practices, and I have no doubt that many of Tilman's innovations will be seen around the league in the years to come."

Unlike many new owners, who are known only in rarefied business circles, Fertitta is already famous in his market (and increasingly, because of "Billion Dollar Buyer," around the country). "He's extraordinarily well-prepared for the limelight," Postolos says. "He is in it all the time. That adjustment is a big change for many people, and some never really warm to it. That's not a problem with Tilman. I'm not sure he even views this as a change in his stature."

And much like the NBA, too, Fertit-

ta's brands reach across demographic groups, from Bubba Gump all the way up to the \$99 porterhouse entrée at Mastro's. Over the years, he has shown the knack for giving each segment exactly what it wants. "He just has that sixth sense," says Peter Taafe, who serves with Fertitta on the University of Houston Board of Regents. "It takes some business consultant two years to come up with something. Tilman walks in and just says, 'Why don't you just do this instead?'"

Much of that involves simply giving his patrons what they want. There are no spare customers, Fertitta likes to preach. And he boasts that his restaurants will never say no to a special request. "You come into my restaurant asking for scrambled eggs at eight o'clock at night, you're going to get scrambled eggs," he says. "It might cost you \$25. At Mastro's, it might cost you \$35. But you'll get them."



Fertitta hadn't owned the Rockets for a week before he started implementing his ideas. He gained control on Oct. 7, only 10 days before opening night. "I started looking at the arena and the area around it immediately," he said.

During the press conference introducing him as the new owner, a corner room just off the floor that formerly served as a generic lounge for VIP ticket-holders was being transformed into the 3,000-square-foot Golden Nugget Club, co-branded with the name of his casino properties. These days, it includes a blackjack bar, where ticket-holders can get \$500 in chips and play as though they were real, then walk away with a souvenir ballcap. (No actual gambling is allowed, of course.) The entire space was transformed in less than two weeks. "Remember, this is what we do," Fertitta says. "We're like an army. We have everything in-house. Designers, developers, everything."

Rockets executives were impressed, if not surprised. "He's been an operator on a daily basis for the last 35 or 40 years," CEO Brown says. "Often, when someone comes in, they aren't that operationally savvy. Or in tune with customer service. Or with labor-relations issues. He hit the ground running very quickly. He



Fertitta owns tickets to multiple teams, including the Astros. The baseball club's Carlos Correa joined him earlier this year for a Rockets game.

understood, in a shorthand way, the operational issues that we face."

Fertitta has said that he won't make many, if any, changes in the executive team, calling the Rockets "very well-run." But he does understand that any sports franchise owned by a restaurateur had better serve good food. "People need to be saying, 'This isn't stadium food,'" he explains. At that initial press conference, he announced his intention to upgrade the dinners in the media dining room. (It now has to be the only one in America, for example, that routinely offers prosciutto.) He has done exactly that, working within the parameters of the Rockets' contract with Levy, the concessionaire. "I saw that it needed to be improved," he says. "It wasn't up to our standards. I'll say it again: I'm in the hospitality business."

On this night, Fertitta arrives in his owner's club and immediately asks about that night's menu. He's paying attention to detail, but he also has a vested interest. "I'm hungry," he says. Within moments, he's wolfing down his chicken enchilada like he has five minutes to catch a plane. He has the reputation of eating off the plates of anyone sitting within arm's length, a habit rooted less in any sense of entitlement than a restaurateur's natural curiosity. Asked about it, he smiles. "Only if you're having something I want to try," he says.

The meal he's eating — or, whoops, just finished — is special in the sense that it isn't. In the media room at the same time, journalists have access to the same enchiladas. So do patrons of the high-end Red & White Club a few levels up. The food comes from Cadillac Bar, a Landry's property with locations in Houston and on the boardwalk in Kemah, on the Texas coast. A different one of his restaurant concepts is integrated into the existing Levy's menu at each Rockets home game. Fertitta owns so many brands that, nearly two months into the season, none have been featured twice. At the Red & White Club, four items are added to the buffet nightly: two proteins, a side dish and a specialty dish unique to the brand.

The executive chef from the restaurant and several of his team members are on site to execute the dishes. "Tilman has been able to come in with his concepts and his chefs and take that

high-end experience to another level," Brown says. "You're a season-ticket holder. You're looking for a place to eat, either with your family or your client before the game. For various reasons, including not missing any of the action, we want you to do it at our building."

The partnership with his restaurants has been so successful that Fertitta is planning a food court in a location yet to be chosen featuring half a dozen of his brands. He has so many, his biggest challenge will be figuring out which to use, and what items to serve from each. "You might be able to walk into the Toyota Center and there'd be the best items off six of my concepts," he says. "You say, 'I love the way they do the broccolini at Mastro's, or that Waygu hamburger helper [at Mastro's]' and get it."

"I don't believe there is anything in the sports industry like that," says Anthony Lopez, Levy's senior director of operations in Houston. "It's exciting. The man knows what the people want, and he's hardly ever wrong. He's also the owner of the team, and it's important to him that he has his concepts in the arena. If that's the direction he wants to go, we're going to do everything we can to make that happen."

Fertitta also is pondering the idea of Rockets-themed attractions in his casinos, perhaps in the form of a foul shot on a mini-hoop. But not all the potential synergies have worked out. He tried to insert Rockets players, notably Chris Paul and James Harden, into "Billion Dollar Buyer" episodes. That would have given the players off-court exposure while simultaneously reminding viewers that Fertitta is not only a restaurateur and hotelier, but also an NBA owner, burnishing his own brand. The plan was squelched by the league, which doesn't allow players to work for owners in other capacities beyond basketball because their compensation would circumvent the salary cap.

Fertitta has been thinking big, in one sense or another, since the day he decided he could run Pier 23, his parents' seafood joint in the coastal city of Galveston, on his own when he was 14. But he needed time to channel his ambitions. After his family moved to Houston, he finished high school there, then attended — and dropped out of —

See **Fertitta** Page 26



(Left to right) Michael, Blake, Paige, Tilman, Blayne and Patrick Fertitta.

several colleges, including the University of Houston. From there, he bounced around, starting businesses in a wide range of categories (from vitamins to arcade games) and at one point nearly went bankrupt. He was approaching 30 in 1986 when he sold his interest in a Galveston hotel to his cousin, Frank, who would later own Ultimate Fighting Championship, and spent \$400,000 on controlling interest in two restaurants: Landry's Seafood Inn and Oyster Bar in Katy, west of Houston, and Willie G's near the Galleria.

From there, he expanded his holdings quickly, opening new units of Landry's, which he'd turned into a higher-quality, Cajun-inflected version of Red Lobster, in four more Texas cities. The restaurants were more interesting than a typical fish house, but unthreatening enough for customers who'd never come within 50 miles of a coastline. "He has a lot of confidence," says Mark Kelly, the astronaut, who has been a friend for 15 years. "He knows people. He knows customers. He knows them really well. He knows what they want and what they don't want."

Jeff Cantwell, now Landry's chief development officer, waited tables at the San Antonio Landry's while at college in San Marcos three decades ago. When he graduated with a design degree, Fertitta called him. He planned to build three or four restaurants a year, he told Cantwell, and needed help. "I looked at him and said, 'Yeah, right. You're going to build three or four a year when you've got five total now,'" Cantwell recalls. He laughs. "There have been years since then when we built more than 50." Even with the acquisition of the Rockets, the pace has hardly slowed. "We have a company that we've got to feed," Cantwell says. "We'll do 12 or 13 Sawgrass this year, plus all the other concepts we're doing. Some Mastro's here and there. A bunch of Bubba Gumps."

Fertitta took Landry's public in 1993, raising \$24 million. By the time he bought it back for \$1.4 billion in 2010, he'd added Joe's, the Rainforest Café, Claim Jumper, and the Chart House, among other concepts. All were existing chains that had either run into trouble or seemed to offer an opportunity for expansion. "What people perceive as impulse is Tilman's ability to adapt and develop a game plan and implement a game plan quickly," Cantwell says.

Since losing out to Alexander, Fertitta has had his eye on the Rockets. He doesn't stew about not getting the team in 1993 because, he says, he isn't sure that he'd have been able to construct the business empire that he has. But he sure wasn't going to let an opportunity to own the team pass him by again. "He was not going to be denied," says his friend John Thompson, a commercial real estate developer in Houston. "And he's the ultimate competitor."

Alexander's July announcement that he was looking to sell the team, not hand it down to his daughters, took everyone by surprise. Fertitta's \$2.2 billion bid was more than anyone had paid for a team up to that time, but it wasn't necessarily the biggest offer. At least one other potential buyer, Silver discloses,



"Billion Dollar Buyer" is vintage Fertitta as he shares his insights with small businesses and challenges them to get better.

COURTESY OF FERTITTA ENTERTAINMENT

was willing to pay as much or more.

But it mattered that Fertitta was local. "He was a courtside season-ticket holder," Morey says. "We knew a lot of people in common. I felt like, 'Hey, this is going to go well.'"

Fertitta promised Alexander that he would close the sale before the Rockets' first game. He offered assurance in the form of a check. "I told Les, 'I'll put up \$100 million nonrefundable and I promise I'll close by October the 17th or you can keep the hundred,'" he says.

Fertitta smiles. "Les liked that," he says.



Like many NBA owners, Fertitta chooses to watch his team play from a folding chair on the hardwood. He also believes that every fan wants to get as close as possible. Accordingly, he plans to repurpose some of the arena's suites, perhaps creating additional club rooms for lower-bowl ticket-holders.

He has already tweaked the entertainment experience. Before the game, Astros pitcher Lance McCullers stepped on the floor to take a ceremonial free throw. Fertitta had wondered why baseball had a ceremonial first pitch but basketball didn't have an equivalent first shot. Now it does. If the celebrity misses the free throw, Fertitta will donate \$1,000 to charity. If he makes it, the donation is \$5,000. "It's a big deal here now," he says. "All of a sudden, everyone's calling us wanting to do one."

Later, a previously taped and edited one-on-one NBA Jam game between Morey and Rockets player Clint Capela plays on the big scoreboard during a break in the game. The crowd cheers as loud as it does for the game itself. Fertitta loves the reaction.

It helps that the Rockets have been

among the NBA's best teams in the season's first quarter. Fertitta initially claimed that he would leave the basketball side to Morey and his staff, but anyone who knew him knows that he can't enter a room without assessing what might be made better, let alone watch his basketball team play night after night. "I can rely on Daryl and Tad for anything I want to rely on them about," he says now. "But when they come to me and say, 'I want to do this,' I want to be able to at least challenge them and say, 'Well, did you look at it this way?' Besides, that's me. I always want to know everything about my businesses."

That's true with a basketball team, it seems, just as much as a seafood joint. "I'll never know what Daryl knows," he adds. "I don't have enough years left. And Daryl is extremely talented and I'm glad to have him. But there's nothing ever wrong with making someone look at something a different way."

Though he's been in the league orbit for so long, he doesn't count any of the other owners among his close friends. "I'm not a hobnob guy," Fertitta explains. "I know a lot of them a little, but none of them well. I've been busy building my own business."

Nevertheless, they seem to understand what they're getting in this self-made billionaire. "His experiences and successes can bring significant value to the NBA," said the Mavericks' Mark Cuban in an email.

And he isn't cowed by any of them. Much of the NBA is looking to emulate the Warriors, a franchise that Joe Lacob, the managing member of the ownership group, has described as "light years ahead" of the others. Fertitta bristles when he hears that. He has only been an owner for two months, but when it comes to pitting his business acumen against anyone else's, he's as competitive as Steph Curry. "I have all the respect

"He's in the same business that the league is in, the entertainment and customer-satisfaction business, and he's one of the best at it in the country. He's unique among our owners from that standpoint."

ADAM SILVER

NBA COMMISSIONER

in the world for Joe and what they've created out there," he says. "They've put together maybe the greatest team ever. They've really done a great job, and every decision they've made has been the right one. But as we know, it's not going to always go that way. And so, I don't sit there and say, 'Oh my God, they're on the edge and I want to be like them.' I don't look to them as a model."

Fertitta doesn't plan to pull back from involvement with his restaurants or casinos, and his television show, which debuted its third season Jan. 3, is going strong. Add time invested in the Rockets, and it doesn't leave much for league affairs. "I'm not one to go sit on committees just to sit on committees," he says. "If I see something I really disagree with or I feel I have something to offer, I'll spend time with the governors to get their point of view. I'll go to the league meetings." But unlike some owners, who define themselves through their teams, Fertitta doesn't. He pulls out a business card that has the Rockets logo at the bottom beside the Golden Nugget and Landry's. "That's how I think of myself," he says, pointing to all three of the logos, lined up in a row.

He's back in his office now. Outside the wall of windows is Fertitta's largest construction project ever, the Post Oak tower: a \$300 million, 38-story hotel with office space that is only weeks away from completion. Beyond that is the Bentley, Rolls-Royce and Bugatti dealership he owns, and flagship Mastro's and Willie G's properties that will open in the coming weeks.

Fertitta has had his failures — the first two Landry's he opened in Houston after the original both went bust — but in recent years, he has enjoyed a golden touch. At a net worth of \$3.6 billion, he's one of the richest men in a state full of rich men, and wealthier than many of his NBA colleagues.

"I made a billion dollars in the restaurant business and I made a billion dollars in the gaming business," he says. "Most people haven't done it in two [businesses]. Very few have done it in three." That third will happen, he notes, as soon as the Rockets' value exceeds \$3.2 billion, though he'll still have bank debt to pay off.

Fertitta's Rockets spent much of the first few months of the season with the NBA's best record. It isn't often that a new owner inherits a team that has a chance to win a title in the first year, something that hasn't happened since the Rockets won the 1994 and '95 championships in Alexander's first two seasons. The Warriors stand in the way, of course. Morey recently was quoted saying that the Rockets are "obsessed" by beating them.

Fertitta isn't as certain. He's in a hurry because he's always in a hurry, but makes it clear that, while winning in his first season would be wonderful, that isn't his goal. More than anything else, he says, he's a builder. He expects the structure he's constructing for his basketball team to last as long as the skyscraper taking shape outside his office window.

"We're in this for the long haul," he says. "I don't want to win for three or four years. I want to win forever."