

# MARKET ANALYSIS

## Sports games could fulfill fantasy of player retention

With the cost of customer acquisition rising and the amount of competition making customer retention even harder, online sportsbooks have been looking to embrace content to keep people on their sites. Could fantasy sports games work as they do in the US?



(ACTION IMAGES)

NFL is the king in a US fantasy sports market worth \$3bn

### FOCUS FANTASY GAMES

While fantasy sports games have existed in the UK since the early 1990s, it is in America that the product has become really big business. The US fantasy sports market is already vast. The games are extremely sticky, combining competitive pay-to-play and reward tournament based game formats with the provision of rich sports related content.

In the US alone, over 15m people currently play fantasy sports games. Leading operators experience several million users per month visiting their websites, spending on average 15 minutes per user session. The fantasy sports industry barely existed in the States a decade ago. However, last year fantasy sports players in the US spent on average US\$154 (£87) a head to an industry that, according to the Fantasy Sports Trade Association, will top \$3bn (£1.7bn) in 2005. The market is growing at approximately 30 per cent per year.

In the United States, NFL draws the biggest fantasy sports audiences, followed in the distance by baseball and basketball. In Europe football is the dominant game, with the UK premiership generating global appeal. Significantly, while the European market is smaller than the US, it is growing at similar rates.

The importance of the fantasy sports product, whether it is NFL or premier-ship football, is that it turns sports fans into even bigger sports fans. Much of the value of the fantasy sports product is that it is highly content driven. Fantasy sports operators provide daily news and stats updates as well as providing in game and historic research tools. This breadth and depth of up-to-date information is extremely valuable to the sports enthusiast and drives further interest.

According to Chris Russo, the NFL's senior vice president of new media, fantasy participants watch nearly three hours more NFL football per week than non-fantasy viewers. In the US, broadcasters have clearly moved to commercially exploit the value of the fantasy sports market by integrating fantasy sports into their mainstream sports programming philosophy and schedule. This season, for the first time, ESPN published its own fantasy guide. Later this month, Fox, CBS and ESPN will each air fantasy preview shows hosted by their leading

sports presenters – also a first.

Despite recent popularity in the US and the UK, fantasy sports is potentially one of the most compelling but also one of the most underutilised products by both broadcasters and the online sports betting market. This is surprising considering the attractive customer demographics for fantasy sports. In one of the most comprehensive industry surveys undertaken into the fantasy sports market, Sports Illustrated reported that the (North American) fantasy sports customer is predominantly male (around 93 per cent), well educated with above average income – in excess of US\$89,000 (£50,000), and likely to spend long periods online (85 per cent spend over four hours per week on internet sports sites). While UK data is more limited, the customer profile is much the same.

Considering the intense level of competition between online gambling operators for acquiring and retaining customers, it is perhaps surprising that the fantasy sports product has not been more widely accepted, especially by sports books. Perhaps the lack of demand to date has been caused by a fear that these types of games will divert punter's attention away from betting activities.

However, a more likely explanation is that it has taken time for the sportsbook model to evolve into a more entertainment-led rather than a purely functional/transactional proposition. Significantly, in the UK, Blue Square is currently the only major online sportsbook to offer a season long fantasy football game although others, such as William Hill and Coral, have offered games based around specific tournaments in the past.

It is this second view that is held by Anton Kaszubowski, managing director of Fun Technologies. Kaszubowski's firm recently entered the fantasy sports market through the \$12m (£6.75m) acquisition of Fanball, the largest independent fantasy sports operator in the North American market. Commenting on the rationale for the acquisition, Kaszubowski said: "The acquisition makes sound strategic sense for FUN's business, consolidating the company's position as the leading operator provider of non-traditional pay-for-play products, which complement, but do not have the same regulatory and operating restrictions as more traditional 'harder' forms of online gaming.

"I believe that fantasy sports are a mainstream entertainment product that provides monetisable content and additional complementary revenue streams and customer bases to eGaming operators, especially sports books, looking for a competitive edge."

Only time will tell whether FUN Technologies' bet on the growing importance of the fantasy sports product to online gaming operators pays off. Perhaps the determining factor of the success of the product will be whether sports books can be convinced that marketed as a stand-alone product, fantasy sports games can be used as an effective acquisition tool.

In both the UK, and more significantly in the US, fantasy sports is considered to be legal. In North America it is telling that the product has been regarded as legal within the majority of proposed anti-gambling legislation that has been tabled over recent years. Consequently, it is possible to advertise the product much more widely than most other online pay-to-play products.

The US mainstream acceptance of the product is further demonstrated by the fact that sports television networks, such as ESPN, and the various league bodies are firmly behind the fantasy sports games.

Addressing the strategic value of the fantasy product, Rob Phythian, founder and president of Fanball, commented: "The inclusion of fantasy sports and scoreboards applications on a sports betting website represents a clear source of differentiation from competitors, delivering rich, functional, real-time content that is both interesting and useful."

Phythian believes that the product can also be used to improve customer retention and reactivation: "On the retention and reactivation battlefield, maximising the 'touches' you have with your customers keeps them engaged and maximises profits. Don't let them forget about you. Adding a hot score-board or a fantasy game with great prizes is a great hook to get legacy users to revisit your site when you announce the enhancement."

As competition increases in the online betting market and leading operators look to position themselves as mass market, entertainment-led betting and gambling portals, then the inclusion of fantasy sports products in their portfolio might well become more of a reality than a fantasy. 

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