

Selling the dream

Anton Kazubowski discusses FUN Technologies' latest acquisition and asks whether fantasy sports can be the next big event for sportsbooks

Fantasy sports is potentially one of the most compelling yet one of the most under-utilised products by the online sports-betting market. This is a surprising fact considering the intense level of competition between online sportsbooks for acquiring and retaining customers. A highly sticky and content-rich application, attracting an extremely attractive customer demographic, fantasy sports represents a strong fit as sportsbooks continue to position themselves as entertainment-led betting portals.

The fantasy sports market is already massive. In the US over 15 million people play fantasy sports games. Leading operators experience several million users a month visiting their websites, spending on average 15 minutes per user session.

The US market is growing at around 30% per year. In the US, NFL draws the biggest fantasy sports audiences, followed by baseball and basketball as distant seconds. In Europe football is the dominant game, with the UK Premiership generating global appeal.

The customer demographics for fantasy sports are highly correlated to those of the sports-betting market. The most comprehensive industry survey, undertaken by *Sports Illustrated*, showed the fantasy sports customer is predominantly male, well-educated with above-average income and likely to spend long periods online.

From a legal standpoint, fantasy sports offers a compelling acquisition tool, as in the US it is largely considered legal. The product has been regarded as legal within the majority of proposed anti-gambling legislation that has been tabled recently.

The mainstream acceptance of the product is further demonstrated by the fact that sports TV networks and the various league

bodies are firmly behind the fantasy sports games. In the UK, fantasy sports games have been mainstream since the mid-1990s. The market is dominated by Premiership football competitions, with the largest competitions operated by daily newspapers. Operators require a pool betting licence to manage a prize-based game.

Value betting

Much of the value of the fantasy sports product is that it is content-driven. Fantasy sports operators provide daily news and stats updates as well as in-game and historic research tools. This breadth and depth of up-to-date information is gold dust to the sports enthusiast and sports bettor alike.

FUN Technologies recently entered the fantasy sports market through the US\$12m acquisition of Fanball. This 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. Fantasy sports is a mainstream business which provides monetisable content and additional complementary revenue streams and customer bases to egaming operators, especially sportsbooks looking for a competitive edge.

Fantasy sports games are sticky, combining competitive pay-to-play tournament-based game formats with the provision of rich qualitative and quantitative sports data – a compelling offer for US and European sports bettors. The combination of elements skill and competition with entertainment and reward, overlaid with the provision of detailed sports content hits the sweet spot for the sports fan and sports bettor.

The mainstream acceptance of fantasy sports can be leveraged by sports-betting operators owing to the fact it is possible to

advertise the product more widely than most other online pay-to-play products. Marketed as a standalone product, fantasy sports games can be used as an effective acquisition tool. Integrated into a sportsbook, the product can also be utilised as both a retention and reactivation tool.

"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," Rob Phythian, founder and president of Fanball, says.

"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 scoreboard with great prizes is a great hook to get legacy users to revisit your site."

Fantasy money

Sportsbooks have been slow to take up the fantasy sports product, perhaps fearing that these types of games will divert customers away from betting. A more likely explanation is it has taken time for the sportsbook model to evolve into a more entertainment-led rather than a purely functional/transactional proposition.

Nigel Payne, chief executive of Sportingbet, likens his firm to that of a mass-market retailer: "The way you should view the business is that we are the Tesco of egaming. It's a range of products under one roof," he says.

If this is the emerging business model for the global egaming operator, then the growing importance of fantasy sports as a significant component of the offering is a matter of time.

The demographic

- 15 million regular players in US
- 93% male, aged 23-49
- University educated, with an average annual income in excess of US\$89,000
- 85% spend over four hours a week on internet sports sites
- Internet-savvy, comfortable making online purchases
- US\$1.4bn in league entry fees in 2004.

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