



FANTASY GAMING COMES OF AGE

Andy Fry explains how the fantasy games market has grown into a multi-million dollar branch of the sports media sector.

SPORTS FANS WILL TELL YOU

that the worst thing about being the coach of a fantasy league team is that you end up rooting for stars who play for rivals of your favourite real-world team. As boss of your fantasy side, it's inevitable that you'll want to sign up the best players regardless of the colour of their kit. But when these enemies within start to rack up points, you don't know whether to whoop for joy or weep buckets.

Fortunately for the fantasy gaming sector, this conflict of loyalties hasn't done much to limit its popularity. With the growth in broadband connections helping to drive fan participation, there's growing confidence that this could prove to be one of the internet's authentic revenue-earners.

A few top-line figures underline just how significant the fantasy sports sector has become. In the US, which is the largest fantasy gaming market in the world, there are currently around 18 million unique users of fantasy football sites - with another 3 million playing baseball. In the UK, the two biggest soccer sites both managed to attract in excess of 1 million unique users at the start of the 2007/08 season.

These are significant numbers by any medium's standards. But it gets even better when you look at the audience profile. In the US, the typical user is a well-educated, affluent male aged between 18-49 - a pattern that repeats across most major territories. And despite protesting about how busy they are in the real world, these guys somehow manage to rack up 5-6 hours a week managing their teams. That makes them some of the most engaged people in the entire internet space.

Of course, anywhere on the internet which begins to attract audiences and revenues quickly develops into an intensely-competitive arena. So it's worth taking a step back for a moment and looking at how the sector has been developed.

Go back a decade or so and fantasy games were predominantly a newspaper phenomenon - with large cash prizes offered in return for entry fees. Even if these games didn't make a lot of money, it didn't matter too much - because they also had a role to play in boosting

circulation, generating direct marketing leads and attracting sponsors. Compared to other sales promotions, any game which could cover some of its costs was seen as a worthwhile investment. But the advent of fast-internet has changed the landscape of the fantasy market. While newspapers still have a role to play, the internet has proved itself ideally suited to the immersive gameplay that fantasy sports offer audiences.

Andrew Wainstein is MD of FantasyLeague.com - the company that operates the UK's biggest game fantasy.premierleague.com. He says fantasy football formats have established themselves on the internet "because they are the ultimate user-participation platform in a web 2.0 world. The immediacy of team statistics and injury reports encourages fantasy managers to really engage with site content and pushes traffic to related pages on the host site".

Wainstein's point is not just about the richness of the data

"Imagine you have something that is more like 'Destination Football,' you can play your game, track live scores, see breaking news, some video. Suddenly you have a very attractive proposition for media owners."

that the internet provides - but the speed at which players can gain access to it. Explaining the huge upsurge in fantasy traffic at the start of each season, he says "fans wait as long as possible to pick their teams, so they can get a clear idea of transfers. Online's immediacy facilitates this approach".

This, then, explains why destinations like Yahoo and ESPN.com have emerged as such key players in the fantasy games market. For newspapers, staying competitive has meant competing head-on with online aggregators and spin-offs from sports broadcasters in the web-space. In the UK, for example, the The Sun's Dreamteam was conceived as a newspaper promotion. But now it is predominantly an online property - with just a small percentage of older game players preferring to choose their fantasy teams via special

newspaper supplements and enter via premium telephony. With the advent of the fast-internet model, a number of interesting things started to happen. For a start, major players like Yahoo challenged the idea that such games needed to be based around entry fees and mega-prizes. While this model still has its place, the new wave of game operators started to rethink the entire commercial approach to fantasy league.

To understand why, it's worth looking more closely at the pros and cons of a paid-for model like The Sun's Dreamteam. For 2007-08, teams cost £5 to enter and the total prize fund is £500,000. At the start of the current season, this brought in an impressive 1.1 million unique users to the game's website according to market analyst ComScore. Not all of these users entered teams, but with some punters entering more than one, the total topped an impressive 785,000 entries. Even

with The Sun running a two teams for the price of one offer, this is still a healthy chunk of cash.

The problem, of course, is that the revenues often represent a one-off hit at the start of the new sporting season. For the vast majority of team owners, it is clear within about a month that they stand no chance of winning the big prize - so they gradually lose interest. Over the years, Dreamteam has combatted this with a couple of (paid-for) transfer windows and some monthly prizes to keep people involved. It then went a stage further this season by adding weekly prizes - prompting lapsed managers to get involved via email.

This approach, however, is expensive - and not guaranteed to work. This is because increased reliance on a prize-led approach makes the fantasy league resemble a labour-intensive game of chance rather than a game of skill.. Which

is where the new wave of fantasy games come in. Here, the league entry fee is often (but not always) dispensed with and the emphasis shifts towards a community-based approach. There are no mega-prizes, but players stay more engaged across the whole season - thereby driving a different multi-tiered commercial model for media owners.

One man who has first-hand experience of the difference is Nick Soye - who used to run Dreamteam until last year. At that point, he left The Sun's parent company, News International, to launch a European office for Stats, a US-based company with strong sports data credentials in North America. According to Soye, Stats has built up a powerful sports information database by sending an army of reporters out to 55,000 events a year. The company, which is jointly-owned by Associated Press and News Corp (the ultimate owner of The Sun - via News International), then provides everything from real-time scoring to statistics to third party clients. A good example is AOL - which has used Stats data across various online sports areas including fantasy games.

Soye's role is to replicate this success in Europe. Not only that, it is his job to try and convert European companies to the kind of fantasy gaming experienced by US consumers. "In the US, the most common form of gaming is based around the rotisserie concept. Instead of thousands of people all competing for the same prize, groups of friends set up leagues and compete with each other through the season."

In terms of game-play, the fundamental difference is this. Dreamteam players are given a list of player names and a budget - from which they choose their team (which means many will end up with the same players). The rotisserie approach involves individuals within a self-created league being allocated different players at the start of each campaign. During the season, they are free to trade between themselves - but you never get a situation where the same star is scoring points for more than one team at a time.

Soye managed to persuade the UK's Times Newspaper to go down

this route at the start of 2007-08 - dropping its dream team style * approach in the process. "It was a risk," he admits, "but as the season ends there's no doubt it's paid off."

The difference, he says, is that the model is more about community. "The result is that you get a more engaged audience - and this has knock-on revenue potential from three main areas. The first is advertising/ sponsorship - since you have an attractive upmarket audience. The second is paid-for services which enable players to improve their team. The third is cross-selling of other services in the group."

The latter two areas are both particularly interesting. In the case of paid-for services, for example, we are seeing something that is happening right across the web. Consumers are reluctant to pay for services upfront - but once they are immersed they may be willing to spend a small incremental amount to enhance the core user experience: "In the US, you get some big side bets between friends," says Soye. "So if that's the case, maybe it's worth spending a few extra dollars a month to improve your chances." Current figures from US trade body the FSTA (Fantasy Sports Trade Association) back this thesis - suggesting that players currently spend US\$150 a year on such ancillary services (which compares well with a glossy magazine subscription).

As for cross-selling, Soye believes we are starting to witness signs that fantasy games are being absorbed into a bigger editorial play by media owners: "Imagine you have something that is more like 'Destination Football' - where you can play your game, track live scores, keep an eye out for breaking news, maybe see some video. Suddenly you have a proposition which is very attractive to media owners."

No surprise then to see major media brands attempting to put this theory into action. Sports Illustrated (part of AOL Time Warner) has recently unveiled plans to push into the social networking world with the launch of a fantasy football Facebook application. This is a perfect example of how companies are trying to bring together fantasy

audiences with media expertise. Here, SI sells advertising space related to games and provides relevant journalistic content. The two partners then share the resultant revenues - if any emerge. Even if the money is meagre, the SI brand has secured itself an opportunity to engage with the trendy Facebook audience.

This integration of games into broader offerings is something we'll come back to. But before that, it's worth asking if any sport can sustain a fantasy game. Soye thinks so - but says there are considerations to keep in mind. "Obviously the relationship between size of fanbase and the cost of running the game is key. But so are the mechanics of each sport."

This works two ways. For example, a few years back, The Sun scrapped its fantasy FI game because everyone selected the same constructors and drivers for their teams (Schumacher, Ferrari). The result was that players would get to the end of the year and find that dozens of them were tying for first place.

The answer could be to drill down and have more detailed mechanics for varying point-scoring. But too much information can work against a sport. Fantasy gaming pioneer Chris Russo, for example, underlined this point in a recent interview with the International Herald Tribune when asked why so many people prefer fantasy football (NFL-style) to fantasy baseball. "Baseball was the first fantasy sport," he said. "But with baseball, you need to be on top of your teams and stats every day. Football is more weekly. Of course, there is a commitment in time, but fantasy games are a natural for football because of its rhythm during the week."

This point about rhythm is also important in a wider sense. As we've already discussed, interest in fantasy sports games can peak and drop away quickly. So the ability to integrate games with other kinds of sports (or lifestyle) content works well for media owners. Similarly, the ability to run a number of games throughout the year is a way of achieving repeated spikes - which perhaps can be channelled into new areas.

Consider, for example, the relationship between fantasy



Fantasy MLB...

game specialist CleverTV and UK national and regional newspaper publisher Trinity Mirror (recently extended for an extra two years). In this case, CleverTV has helped Trinity Mirror grow usage of its soccer game You The Manager by making it fit the online space. But in addition to that, it has also collaborated with the company on games related to Six Nations rugby union, the Rugby World Cup, FIFA World Cup, golf and horse racing (via its select a stable game).

The point is that Clever is helping Trinity Mirror introduce some consistency to its fantasy portfolio across the year. This is not only good for fans - but also internal departments which can build year-round commercial relationships and keep their minds open to possible gameplay innovations.

Of course, it's not possible to be prescriptive in this arena. Earlier we talked about the way some games have shifted from being about skill to being about chance. But that's not always a bad thing. Not all of us have the time to pore over game stats week-in, week-out and prefer a quick pop at a lottery-style game. Furthermore, media owners often need simple game mechanics to encourage new users in to their fold. ESPN, for example, recently launched a number of simple-to-use games for exactly this reason. So has Major League Baseball - which attached a US\$1 million prize to its Beat The Streak game. MLB's line is that "you can be a casual fan and enjoy the game - it takes 15 seconds."

So what of sports rights holders

(leagues, teams, individuals, federations etc)? What is their rightful position in the overall fantasy marketplace?

Well clearly they have a key role to play. In the UK, for example, the only football league which got a bigger user-base than dreamteam at the start of the 2007/08 season was the afore-mentioned fantasy. Premierleague.com - the official game of the FA Premier League (1.36 million unique users).

Leagues are clearly in a pivotal position in this sector. Not only are fans drawn to their sites at the start of the season (for fixture information etc), they can also offer fans money-can't-buy prizes such as tickets and player meetings. They are also in a strong position to link up with media owners - providing their officially-endorsed game to third parties.

In terms of the benefits they receive for fantasy games, there's the potential for onsite ad revenue. But there are also more subtle advantages. For example, games can help turn rights owner websites into more entertaining destinations for consumers. Currently, a lot of governing bodies and federations still have grey and undynamic brand images. But games can help alter the way consumers engage with them. Not only that, but games are an added extra which leagues can offer their headline sponsors. Here, there are benefits in terms of audience engagement - but also data capture from the vast number of people that register their email addresses.

If there's a problem with governing bodies, it's that some

of them (not all) believe that they own all information that emanates from their leagues/sports. It's not enough that they have TV rights, sponsorship and licensing to sell, they want to control the monetisation of image, data and scores as well.

In the US and UK, this has led to some interesting legal fisticuffs. A classic example was MLB's face-off with CBC (owner of CDM Fantasy Sports) - in which the league claimed that player names and statistics were MLB intellectual property. MLB wanted absolute ownership of such IP so that it could sell additional rights to media owners like ESPN (which in turn could use them exclusively for their fantasy games). But the courts decided this is a step too far, arguing that there is a first amendment right which protects CBC's use of such data.

On balance this is a good thing for sports fans. Although it may lead to some fragmentation and commoditisation in the fantasy games market, fans have found themselves increasingly boxed in by rights owners' aggressive commercialisation of their rights (higher ticket/merchandise prices, policing of sponsorship, monetisation of TV rights etc etc).

So anything that rolls that back a little is probably good. The truth is that rights holders are also likely to benefit in the longer-run from such a decision. After all, it's the plurality of the media and sports fantasy markets which is driving interest among fans and improving product quality. Stifling that would do little to foster entrepreneurialism.

This entrepreneurialism is at the heart of the fantasy boom. Although sports leagues have done well to co-opt such ideas, it's doubtful they would ever have come up with the idea of fantasy competitions alone since they are a classic case of a bottom up (not a top down) innovation.

Yet look how such games restore interest in mid-ranking fixtures. At a time when all the talk is of top teams breaking away to form elite leagues, fantasy gets audiences interested in the entirety of the league - acting as a counter-veiling force against break up. You could even argue that they foster a respect for rival teams by forcing fans to utilise players from rival teams.

That said, US legal decisions won't necessarily have any bearing on the legal arguments in other territories so it remains to be seen how this argument plays out internationally. But while we're on this subject, it's worth looking at how well fantasy games do around the world.

The US and UK are strong fantasy markets - as is Germany where Kicker Online's Bundesliga game Managenspiel attracts more than 300,000 users. France and Italy are not so strong but the Nordic countries and Benelux are. In the Netherlands, for example, Amsterdam-based Sportdreams works with leading players such as RTL and Telegraaf.

There are, of course, opportunities to run portfolios of games across multiple territories. CleverTV, for example, works with ESPN's soccer.net on fantasy football games for the Champions League, English Premiership, Spanish La Liga, French Ligue I, Italian Serie A and Mexican Primera League (offered to ESPN site members in five languages). Here we see the potential for a centralised backroom operation to create a suite of tailored products for different audiences.

The fast-growing Asia-Pacific market is interesting to fantasy specialists - with Stats recently starting work in China. Another specialist, Silent Manager, entered Australia last year - though this market has not historically been big on fantasy sports. The potential in Asia is, of course, dependent to some extent on broadband penetration. Sportdreams, for example, has taken advantage of Singapore's hi-tech set-up by creating a Formula One game for local telco Singtel.

This latter deal is not just interesting because of its location - but also because of Singtel's status as title sponsor of the first ever Singapore Grand Prix. Fantasy games can be used directly by brands as a way of trying to lure consumer traffic to their websites.

Singtel is not alone in exploring this route. Sportdreams has also hooked up with companies like ABN AMRO and Allianz - while Silent Manager's big break in Australia came when it hooked up with LG to launch fantasy cricket game at www.lgfantasy.com.au. "We are conscious that these types

of mechanics are a great way to attract customers and functions as a unique platform to communicate with the public," said LG's webmaster Andy Cho. "It's a great way to drive consumers to the LG website. "It will keep them coming back over a period of time and give them a reason to tell their friends and colleagues about our site.

Analysts believe that the MLB legal case in the US could lead to more examples of brand-driven fantasy games which use data without being directly aligned to leagues. However this approach may prove quite limited in impact when placed up against official versions of the same strategy. Take a case like Gillette and Nascar. Here, the brand owner has managed to build an entire world of activity around a sponsorship relationship that dates back to around 2003.

In its first phase, Gillette developed a Young Guns proposition around Nascar, focused on emerging driver talents. It then extended Young Guns through a TV ad campaign and a reality TV series. Finally, in 2008, it took the

idea into the fantasy sports realm, launching a Young Guns game. The game has the advantage of being part of a carefully-nurtured 360 degree strategy.

So is it all good news for fantasy gaming? There are two possible areas of concern. One is consumer burnout. The sector is still something of a novelty so it is not certain that the current high levels of usage will be sustained in the long-term. The other is the immense amount of game-related research that takes place during worktime. This was underlined by comScore's recent look at the English soccer market. Bob Ivins, EVP of international markets at comScore says "On the Friday before the start of the Premiership season, over 230,000 hours were spent on the fantasy football sites and 52 per cent of them occurred during office hours. There has been a lot of attention drawn to the impact social networking sites are having on the working day, but as these figures show, it is not just social networking that is enjoying a significant in-office following."

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