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USA TODAY

Leagues see real benefits in daily fantasy sports



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Bud Selig once tried to warn the world about what would happen if legalized sports gambling spread to more states.

Instead of cheering for their favorite teams, the baseball commissioner predicted, fans would be more inclined to cheer for themselves to win money — a factor he said would harm his sport's character.

"Players would not be viewed by fans as exceptionally skilled and talented competitors but as mere assets to be exploited for 'fast money,'" Selig wrote in a statement submitted in federal court in 2012.

Two years later, Major League Baseball is singing a drastically different tune — and so are the NFL, NBA and NHL.

After all four leagues issued similar warnings in 2012, each sport is partnered up with two start-up companies whose business model relies on fans trying to make fast money every day based on player performance in games.

It's called daily fantasy sports. It's legal in almost every state. And its popularity is starting to soar, especially among young adult males.

But the recent rise in partnerships with this new industry marks a significant pivot point for these leagues that could have major ramifications for the future of American sports, various experts told USA TODAY Sports.

If the deals work the way the leagues hope, daily fantasy sports consumption will have a steroid effect on television revenue, because nobody watches live sports on television quite as intensely as fans with money at stake.

At the same time, such deals have led to conflicting, and certainly evolving, positions on the subject.

-- In November, the NBA announced it had become an equity investor in FanDuel, a daily sports fantasy site that says it pays out \$10 million in weekly cash prizes. Yet the NBA won't allow its players or personnel to buy what FanDuel is selling — daily NBA fantasy games that pay out these prizes based on real-life player statistics.

"Our policy is that NBA personnel are prohibited from participating in NBA fantasy leagues that require payment of an entry fee or award prizes to participants," NBA spokesman Tim Frank told USA TODAY Sports.

A day after the NBA's FanDuel announcement, NBA Commissioner Adam Silver advocated for legalized sports betting in an editorial in The New York Times.

-- College and pro sports leagues historically have stood united against sports betting. But they have a differing views on whether daily fantasy sports constitutes gambling or just a great new business strategy.

The NCAA considers it gambling and bars players, coaches and administrators from playing for cash.

"NCAA member colleges and universities have defined sports wagering as putting something at risk, such as an entry fee, with the opportunity to win something in return," NCAA spokeswoman Emily James told USA TODAY Sports.

-- The NHL and two NFL teams recently announced partnerships with DraftKings, a rival of FanDuel in daily fantasy sports. MLB also has an exclusive deal with the same company, which boasts, "Payouts happen immediately after the games — no more waiting until the end of the season to collect winnings!"

FantasyScore, another daily fantasy sports site, is a partnership between USA TODAY Sports Media Group and RT Sports.

The partnerships between pro leagues and daily fantasy companies are "a pretty big deal," said Les Bernal, national director of Stop Predatory Gambling, a non-profit in Washington, D.C. "It's going to be a kind of a defining issue in the next several years for pro sports."

GUARANTEED LIVE AUDIENCE

If there is a statistic that puts dollar signs in the heads of league commissioners, it's this one: Fans consume 40% more sports content — across all media — once they start playing FanDuel.

"This is the stat that helped us at FanDuel get our deal with the NBA," said Paul Martino of Bullpen Capital, an investment company with a stake in FanDuel. "That's a pretty amazing statistic."

With money on the line every day, daily fantasy participants want to see the results as they happen. So they watch more live games until the end, boosting advertising and television viewership, which fatten the golden goose of American sports: TV rights contracts.

In addition to television, it leads to "increased consumption of our digital content and overall interest in our sport," said Sal LaRocca, the NBA's president of global operations and merchandising.

More viewers for more NBA content means more money for the league. Starting in 2016, the NBA will begin a nine-year, \$24 billion deal with ESPN/ABC and Turner Sports, nearly triple its current annual average. Who will ultimately pay for it? Check your cable and Internet bill in a few years.

Fantasy sports have been around for decades, just in a different form — traditional season-long leagues that paid jackpots once a year. Participants generally would draft a team of real-life players before the season and then wait until after the season to see who racked up the most points based on a season's worth of statistics.

The digital revolution drastically intensified the dynamic.

The rise of better computers, broadband and mobile phones led to more instant gratification and more ways to play. Instead of playing a season-long game of fantasy sports, fantasy games now can be assembled online and computed each day.

"Daily fantasy could not have been possible just a short time ago based on technology's limitations," LaRocca said.

To enter a daily contest, a participant generally just needs to have an account, pay an entry fee and select players from multiple teams. The goal is to select the group of players who rack up the best statistics in that day's games.

For example, daily fantasy team owners generally aren't rooting for the Detroit Lions to beat the Chicago Bears on Thanksgiving Day. They're rooting for themselves to make money by having the Lions' Matthew Stafford, if he is the quarterback they selected, pass for more touchdowns and more yards than others at his position that week.

Jackpots can range from hundreds of dollars into the millions, juicing viewership much like traditional sports betting but without the same perceived risks to the leagues. Unlike in Europe, where it's largely legal, U.S. law forbids state-sponsored sports betting except in a few states, including Nevada. American sports leagues historically opposed it because they worried their games would be corrupted by criminals bent on bribing players to fix outcomes or shave points to win bets.

Daily fantasy sports don't appear to carry this risk because it seems infeasible to fix a fantasy game involving a group of real players who are on multiple teams. Experts tend to agree.

"It's hard to fathom a situation in which fantasy sports would pose an integrity risk," said Tony Cabot, a Las Vegas attorney who specializes in gaming law.

Legal or not, gambling already contributes to higher viewership of live sports. If it were legal in more areas, leagues similarly could help monitor it, control it and get a cut of it as partners, all while boosting TV viewership to new heights.

"The open connection with (daily) fantasy sports is an indication that the great wall barrier between the professional sports associations and Internet gambling is crumbling even faster," gambling law expert I. Nelson Rose told USA TODAY Sports.

Not everybody thinks this trend is good. Critics say daily fantasy could drain bank accounts from poor or middle-class "fish" to fund the jackpot that goes to the winning "sharks." Bernal, the gambling critic, notes many of the most successful sharks are experts with backgrounds in data-driven fields such as online poker. Some make six-figure livings off these games, while the companies keep about 10% of the pot.

"Better names for these fleecing operations are Rip-off Kings and ScamDuel," Bernal said. "The only way the daily fantasy sports model works is by attracting poor players, the fish, to feed the good ones, the sharks."

FanDuel spokeswoman Justine Sacco responded that the full-time professional daily fantasy players represent only a negligible portion of its users.

They also object to any association with gambling, noting that federal legislation in 2006 cracked down on online gambling but specifically permitted paid fantasy sports. The logic behind their legality is fantasy sports are considered games of skill and not chance.

Some states haven't been convinced, however. FanDuel and DraftKings do not offer paid-entry games in Arizona, Iowa, Louisiana, Montana and Washington because the laws are unclear or against such games in those states.

HUGE GROWTH PREDICTED

Viewers of TV comedy shows and dramas are known to record those programs on their DVRs and then skip through the commercials that are helping fund the content. By contrast, sports fans are known to watch games live with commercials, especially if there's money on the line.

Advertisers love this. So do the cable companies that sell subscriptions to watch it.

Just ask Comcast and NBC Sports. Both have venture-fund investments in FanDuel, along with the NBA.

"What's going to get you to watch Milwaukee play the Washington Wizards? If you have one of those players on your team, that's going to make you interested in that specific game," said Martino, the investor in FanDuel. "Not only does it increase viewership, it increases live

viewership, which is the reason these TV contracts are so valuable, because it's one of the few things you don't DVR."

Nigel Eccles, the CEO of FanDuel, told USA TODAY Sports that daily fantasy sports helps expand television viewership in other key ways, too. "This is the way to bring the younger consumer into watching sports," he said, noting that the average daily fantasy sports participant is in his or her early 20s.

It also motivates them to watch live games until the end, Eccles said, even if the score is lopsided. This means more commercial exposure for those who are watching to see if they're racking up enough stats to win money.

"This actually drives consumption of their product," Eccles said of the pro sports leagues. "That's why we have a big deal with the NBA, and that's what we'd love to get to with the other leagues."

Martino recently cited another key statistic: Less than 3% of the fantasy market has been turned on to the relatively new phenomenon of daily fantasy games. FanDuel, which claims about 70% of the daily fantasy sports market, said it had more than 1 million active users and would quadruple its revenue in 2014 to nearly \$60 million.

"We've barely scratched the surface," Sacco said.

Just don't expect all the real players to like the way it affects fans. Miami Dolphins wide receiver Mike Wallace told USA TODAY Sports he hates fantasy football.

"I think it made fans worry about the game in the wrong way," Wallace said. "I think they worry more about how you're performing for their fantasy team than you really actually do the win. ... I think it kind of ruins the real fan part of the football game."

Eccles sees it differently.

"We see no decline in people's support of their home teams," he said. "People support their teams through thick and thin. We're giving them a reason to watch other games ... those games they otherwise wouldn't watch."