

Online Fantasy Sports: Entertainment or Income

Are you one of the estimated 60 million Americans and Canadians who play fantasy sports? While professional football is my particular addiction, sports fans today can participate in fantasy sports ranging from professional automobile racing to hockey. An estimated 20 million play fantasy cricket in India, fantasy soccer is played in 99 countries, and fantasy Mixed Martial Arts M is building a solid base of regular players. Some analysts project that video game competitions with professional players will become increasingly popular as juvenile players today become adults tomorrow.

As an avid golfer, an occasional poker player, and lifelong sports fan, I enjoy placing small wagers on my play or sports acumen. I consider such bets as entertainment since the sums involved are small and any losses will not affect my lifestyle or financial health. More importantly, I am confident that those with whom I bet are similarly capable of affording a small loss. After all, the purpose of friendly wagers is to gain a bragging right, not to gain a financial windfall or the belittle one's opponent.

Fantasy sports' extraordinary growth in recent years is usually attributed to the link between MA) the sports, gambling, and the internet. While many fantasy owners participate solely in season-long leagues, most are attracted to daily fantasy sports competitions (DFS) offered by online vendors that combine the ability to draft a team of professional players and compete with other anonymous team owners for winnings above \$100,000. Fantasy sports betting is big business with billions of dollars being wagered each year.

Fantasy Sports Leagues

My experience began with the formation of a fantasy football league in 1989 after suffering from Dallas Cowboys' three straight losing seasons (1986-1988). Searching for a way to bring excitement back into football after the retirement of Captain America (quarterback Roger Staubach), a dozen friends and family members formed a league with two six-team divisions playing fourteen-game seasons, followed by a playoff week and a Super Bowl. Despite the Cowboys enduring a horrible season (1-13) in 1989, our fantasy league was a great success that year.

Since that season, the rules became more intricate, scoring opportunities increased, and competition more intense. Wives and girlfriends joined us over the years and sons and daughters have gradually replaced the original league founders. Through the years, the excitement of draft night has never dimmed, fueling the hope that this year will be the year your team wins the fantasy football championship.

The Big Four Fantasy Sports

The sports of football, baseball, basketball, and hockey in that order draw the most participants each year. Most leagues work with a similar formula:

- Participants (team owners) draft players from the professional league each year, the order of the draft either random or from the worst to the best record of the previous year.
- Scoring is based on the statistical performance of the players drafted. For example, in football, the teams consist of offensive players (quarterback, running backs, receivers, place-kickers) and a defensive team in its entirety. Each league determines its own specific scoring system, with points awarded for a combination of total yardage gained running or passing, actual touchdowns or extra points, number of catches or carries, etc.
- Schedules are pre-determined, though each team usually plays an opponent at least once in a fantasy season. The match-ups may be a single game (as in football), a specific period (one week, for example), or any system that provides an equitable opportunity for each team.
- Leagues are administered by a commissioner, typically a volunteer willing to spend the time to check each player's points that week. The commissioner also settles disputes between the team owners.
- A betting or participation fee is collected from each owner that is divided between the league and the winning teams at the end of the season. The money is used to pay any costs of administration, the winnings, and the expense of a party on draft day and the Championship weekend.
- Individual team owners may wager among themselves each week.

When fantasy leagues initially developed, players relied on traditional media reports on players, usually selecting a single source for scoring data to avoid disputes.

Due to the popularity of fantasy sports, specialized media - magazines, television and radio programs, websites - focused on news, statistics, draft, and trade selections quickly appeared. Team owners could purchase information on each player (past, present, and future) for a fee. Today, each of the first- and second-tier networks have dedicated fantasy sports programming. The first dedicated fantasy sports network debuted in 2014. The quintessential business magazine - Forbes - likened the skills needed for winning fantasy games to picking stock investments in mid-2017.

Private Fantasy Leagues

Most fantasy sports were played in private, season-long leagues before the introduction of daily fantasy sports. However, internet providers, recognizing the marketing potential of fantasy leagues, developed applications to eliminate most of the dreary administrative work associated with fantasy sports. For example, a potential league founder can use free applications from the NFL, ESPN, Yahoo Fantasy Sports, or CBS Sports Fantasy for a predetermined scoring system, analysis, data, and communication with team owners instead of creating his own system. Wannabee Sports, Bleacher Reports, and Football Guys offer data for drafting players and managing teams while Chetu will develop specialized fantasy sports apps for a fee.

Most fantasy leagues included a financial element such as the costs to buy a team, wagers on individual match-ups, and cash prizes at the end of a season. A fantasy football league in East Texas requires a \$10,000 annual payment from each team, the Super Bowl champion earning a \$12,000 prize. Fortunately, most leagues involve substantially less for participation,

Fantasy leagues were generally ignored by legislatures and law enforcement similar to the friendly poker games that occur in homes on kitchen and card tables or the office pools that seem ubiquitous around the Super Bowl, the NCAA national tournament, and the World Series. However, the landscape of fantasy sports was turned on-end in 2007 by the appearance of the daily fantasy sports industry, merging fans love of the sport with online wagering platforms.

Sports Betting

Humans have gambled for thousands of years; evidence of a primitive form of keno (pai-ko p'iao - a game where participants attempt to pick a number matching a random draw - has been found in China dating to 2300 BCE. Wagers on dice, horse and chariot races, and other contests were present in ancient Greece while the Christian Bible reports several instances of "casting lots" including for the clothes of Jesus at his crucifixion and the replacement of the apostle for Judas.

For most of history, gambling has been frowned upon, if not prohibited, by religious and governing authorities:

- The Jewish Mishna considers anyone 'who plays with dice or other games of chance' as "thieves and robbers" and "unfit to give testimony,"
- The Quran considers games of chance as a "great evil," while
- The Christian evangelist Billy Graham said, "Gambling has often done untold evil to people by making them lose money that could be used for good purposes or even the necessities of life. Money is given to us by God to be used for good, not evil. Anyone seeking to do God's will should not be involved in gambling."

The Pilgrims and Puritans in early America viewed gambling as a sin and the Continental Congress of 1774 required colonists to "discountenance and discourage every species of extravagance and dissipation, especially all horse racing, and all kinds of games, cockfighting, exhibitions of shews [sic], plays, and other expensive diversions and entertainments."

Despite the unsavory aspects of gambling, secular governments around the world recognized the activity was virtually uncontrollable but could be a significant source of government revenues (as long as it did not get out of hand). As a consequence, gambling was limited to certain places and activities, typically out of the view of the respectable public. Over time, the attitude about gambling has shifted from an act of sin, a personal vice, to a harmless, entertaining activity.

According to Gallup, two-thirds of Americans gamble occasionally. Other experts claim the numbers are even higher, since wagering occurs in many forms, most often between individuals, and many respondents are reluctant to admit their practice. Few would deny gambling is rare, supporting a gaming industry in the U.S. with a \$240 billion economic impact and employing 1.7

million people. In 2017, the gross gaming revenues (GGR) - the total of all funds wagered minus winnings paid out - for Las Vegas casino alone were more than \$11.6 billion.

Traditional Betting Venues

Gambling on horse races has existed for centuries, but the advent of professional baseball leagues in the late 19th and 20th centuries generated massive participation by the public. Wagers on college football and basketball games, boxing matches, and the outcomes of horse racing's Triple Crown were popular in the 1920s. Though betting on sports was illegal, law enforcement generally ignored the practice, allowing criminal organizations to dominate the industry through the use of the illicit wire services.

Though Nevada legalized gambling in 1931, sports betting across the country continued to grow until the passage of the Interstate Wire Act of 1961, limiting the mob's influence on sports betting and forcing it underground to local bookies. Nevertheless, sports betting continued to grow leading to passage of the Professional and Amateur Sports Protection Act (PASPA) in 1992.

As a consequence, sports betting was illegal in most of the United States, driving those who wanted to wager to illegal book-makers or privately among friends. In 2018, the Supreme Court overturned PASPA and ruled that each state could establish its own gambling regulations. Today, multiple states sponsor public lotteries and support limited gaming activities such as horse- and dog-racing, casinos, and slot machines in restricted areas.

Fantasy sports were generally exempt from regulations due to their outcomes being determined by a fantasy player's knowledge of the game and the professional athletes who participated in its play. Presumably, a winning outcome is the result of expertise in accumulating a fantasy roster knowledge of rival team members. Generally, the law defines gambling as assuming financial risk for something of value on the outcome of chance, outside the control or influence of the gambler. In other words, wagering on the result of a fantasy football game between two participants in a private league was legal while wagering on the outcome of a contest between real sports teams or figures was not.

Online Gambling

The spread of the internet and its use as a gambling vehicle created more chaos in the gaming industry for industry participants as well as those required to regulate the activity. While prohibited in the United States, foreign online casinos proliferated in the mid-1990s. Anyone with a computer could access gambling sites anywhere in the world, many of which were illegal and operated without the regulation of domestic gambling companies.

The first casino games were limited and simple such as slot machines and roulette. None-the-less, the ability to place bets in the comfort of one's home was irresistible. Improved play (progressive jackpots, different card games, and multiplayer formats), accompanied by spectacular visuals and traditional casino music, quickly followed their appeal further enhanced by free bets, bonus plays, and cash back offers. In 2003, Tennessee accountant Chris

Moneymaker won the World Series of Poker and \$2.5 million, his entry in the tournament paid as a prize on an online poker site.

Most online casinos were based off-shore in nations that had little or no wagering regulations. In 2006, the U.S. passed the Unlawful Internet Gambling Enforcement Act (UIGEA), explicitly forbidding "knowingly accepting payments in connection with the participation of another person in a bet or wager that involves the use of the Internet and that is unlawful under any federal or state law." The law excludes fantasy sports with skill requirements, state lotteries, and inter-state horse race wagering. Today, online betting is legal in only three states - Nevada, New Jersey, and Delaware.

The Appearance of Daily Fantasy Sports Betting

The marriage between online betting and fantasy sports in 2007 turbocharged fantasy sports betting. Previously, fantasy play was season-long, the winners and losers decided over months corresponding to the underlying sport's season. When the UIGEA drastically curtailed online betting, enterprising technology companies turned to fantasy sports exempt from the law.

Unlike traditional fantasy leagues, the entrepreneurs created a game by game format where the players (team owners) could choose a new lineup for every game with winners and losers apparent immediately after the conclusion of the actual contests. The first DFS site appeared in 2007, quickly followed by competitors, many of which were financed by major media sites (Comcast, Fox, Time Warner) and professional sports leagues (NBA, major league baseball, NFL including Dallas Cowboys owner Jerry Jones and New England Patriot owner Robert Kraft), always anxious for a new source of revenues.

DFS participants are offered a slate of single or multiple games from which to select individual professionals on the teams involved. After choosing the desired contest, each participant could build a team composed of pros from NFL teams competing against each other. The website sets an arbitrary salary limit and assigns each potential professional player an assigned salary. The team manager then selects a roster of professionals whose total salaries equal the cap or less.

In 2018, I was an active player on the FanDuel site, one of the most financially secure DFS sites. During the professional football season, I entered 104 different contests for entry fees ranged from \$2.00 to \$9.99. I subsequently won prize money in approximately 27% of the contests, the largest prize being \$124.30 on a \$9 entry fee. I began the season with a \$25 deposit to my account, made no additional deposits or withdrawals, and ended with \$13 in the account at the end of the season. In summary, I spent \$12 for four months of enjoyment, less than the cost of a six-pack of beer. Whether my experience is typical is unknown as the DFS websites do not provide such data.

The number of teams in each contest ranges from 10 to 1000, with thousands of people playing every day. Entry fees are generally low but can be as high as \$100 with prizes of \$100,000 or more. In 2013, Travis Spieth won the first \$ 1 million prize on a contest with a \$10 entry fee; one year later, personal trainer Scott Hanson won \$2 million in the same contest. Most of the DFS we do not report large winners to protect their privacy, a practice some critics claim allows unrealistic hype and promotional fraud.

Pros and Cons of Fantasy Sports

As reported. I am an avid professional football sports fan and enjoy small wagers from time to time. Before the appearance of fantasy sports, my opportunities to combine both were limited. While my friends frequently used bookies to bet on games, often wagering \$1,000 on a weekend, the risk/reward ratio did not make sense to me. While I would have loved winning a \$1,000, losing \$1,000 was a non-starter, especially when I considered what that amount of money might buy.

My sole criteria for gambling is the amount of entertainment provided when compared to the same expense elsewhere. Losing \$50 to \$100 a weekend is the equivalent of an evening out whereas \$1,000 represents a month's house payment. I can forego an evening much easier than missing a mortgage payment.

Fantasy Sports Advantages

As a veteran of fantasy sports play in a private league and online, the activity has several features that attract broad audiences, including

- **Wide choice of sports and games.** While all of the major sports (and many of the second-tier sports) are available in fantasy leagues, DFS sites offer an extensive menu of contests including single games, as well as collections of games occurring at the same time of day, the same day, or the same weekend. Entry fees vary along with the experience of team owners (newcomers, veterans, or both).
- **Low cost.** While entry fees in a DFS league can become quite large for an active player, each participant controls his expenditures. In a season-long fantasy league, team owners set fees and prizes, ensuring that participants can comfortably afford the expense. For example, the cost to participate in my first league was \$50 for the season and included refreshments during Draft Day and Super Bowl.
- **Ease of playing.** Joining a fantasy league or making an entry in an online fantasy site is effortless and easy to understand. Unlike real sports, rules are minimal, and help is readily available from the private league's commissioner or a "Help" section on the DFS site.
- **Camaraderie.** DFS sites tend to impersonal competition with the names of team owners identified solely by a user name. While head-to-head contests are available, they are rarely between friends or acquaintances. On the other hand, private fantasy leagues are generally formed by groups of family and friends, allowing for friendly competition and bragging rights. If you are primarily looking for social benefits, a private, group-administered fantasy league is best.
- **Minimal time demands.** Many physical sports and hobbies require hours of practice to achieve proficiency. A round of golf can quickly turn into six hours of laying, for example, while creating a competitive team in season-long or DFS sports can be completed in less than an hour.
- **Mental exercise.** Many fans of a sport or team are certain that they (the fan) could build a better roster of players than the real team's General Manager or Owner. Fantasy sports

provides an opportunity to test one's expertise against the actual manager. Researching individual players, identifying the opponent's team weaknesses, selecting which players to start each contest requires thought and effort and, when the outcome is favorable, a great sense of satisfaction.

- **Enhanced spectator experience.** Few circumstances are less miserable for a sports fan than having a team that is out of contention for a championship, especially those teams with losing records year after year. The ability to build a team of players from around the league encourages an owner to follow the players on diverse teams, even when they accomplish records against your favorite real team. The television remote control is frequently in use during Fall Sundays as team owners search for trusts in multiple games.
- **Lack of gender bias.** Unlike real sports, fantasy sports can be played equally well by both sexes. Males represent the largest group of players (about 80%), but women are especially visible in season-long fantasy sports. My niece was the winner of our last football season, an accomplishment that will be recounted multiple times to her male brothers and cousins during this off-season.
- **Windfall cash opportunities.** While winning major cash prizes in a fantasy sports league is unlikely, the odds are better in fantasy sports than in a Powerball lottery, according to Market Watch's Steve Goldstein. He compared the two based on the same weekend in 2016 and found that "a person is about four times more likely to be a millionaire playing on DraftKings [a DFS website] than on Powerball. The possibility of either is enough to stimulate dreams of sudden wealth and its associated pleasures.

Fantasy Game Disadvantages

Despite the pleasures that many find in playing fantasy sports, the pastime is not for everyone. The critics of the activity claim that the popularity of the DFS contests disguises the potential costs and inequities that exist with the current industry.

Stimulates Gambling Habits

The availability of 24/7 access to DFS can be a gateway to a gambling problem for some people. Industry practices such as extensive marketing and advertising (more than the entire American beer industry in 2015), free play and liberal terms to create unrealistic expectations of rewards, and the ease of making a wager (or "entry") encourage players to participate in daily financial sports, especially since many, including law enforcement, do not consider the activity as gambling.

According to the North American Foundation for Gambling Addiction Help, almost 10 million people in America are gambling addicts, unable to grow their habit. The age group, 16-24 years of age, are especially susceptible to the obsession. Another website claims that one-half of those with a gambling addiction are likely to commit crimes to support their habits.

Scientists have discovered that gambling can alter brain chemistry, creating "unusually low levels of electrical activity in prefrontal brain regions that help people assess risk and suppress instincts." The effects are exaggerated when combined with alcohol or drug use, especially in people genetically disposed to high risk/reward activities. Despite the availability of treatment

centers and organizations like Gamblers Anonymous, four out of five addicts never seek help, and the recidivism rate for those who do is 75%.

Illusions of Easy Income

Gambling is a difficult way to make a living unless you are the casino owner. Alvin Thomas, better known as "Titanic Thompson" is reputed to be one of the greatest gamblers of all times. What is often overlooked is his practice of gaining an edge by cheating or setting the stage by practicing a fear before he bet on it. Professional gamblers do not rely on chance or luck, but preparation, practice, an uncanny ability to "read" physical signs of emotion, and picking the right opponents.

The latter in gambler parlance is known as "bumhunting" and refers to the practice of expert players searching for and exploring less experienced contestants. Those who have tried community video games are familiar with joining an online game, only to be quickly eliminated by those with higher skills, an easy way for the latter to build game points.

New York Times writer Jay Caspian King credits Chris Fargis, a professional poker player now working with DraftKings, with the comment that "DFS is the bastard child of online poker, with its dizzying prize pools, fast action, and perhaps most important, the dream of an easy living."

Contrary to advertisements, a McKinsey and Company report found that during the first half of the 2015 Major League Baseball season, 1.3% of the players won 91% of the prize money. More detailed data indicated that

- The top eleven players paid on average \$2 million in entry fees, collecting \$2,135,000 in prizes for an annual return of about 13%. As in the Las Vegas casinos, to win big money, you have to risk big money.
- The remaining members of the top 1.3% of players averaged prizes \$11,500 on \$9,100 in entry fees, a return of 27% for the period. While a positive return, the total net of \$2,400 would provide a meager income.
- The proportion of players accounting for the highest total of entry fees (5% of the total players) averaged \$3,600 in entry fees while experiencing \$1,100 in losses, a negative return on investment of -31%.
- Four out of five players (80%) averaged \$49 in entry fees with losses of \$25 (a negative return of more than 50%).

There is undisputed evidence that more than 90% of DFS participants will lose money because, according to Bloomberg Businessweek, "the majority of DFS customers lack the skill to ever have success and thus are relying largely on chance." In other words, the typical person should not participate in daily fantasy sports for any reason but entertainment; the odds are significantly against capturing an appreciable amount of winnings.

Uneven Playing Field

As King writes, the odds of winning are significantly skewed to the benefits of the whales - those participants who make multiple entries in each contest with the aid of sophisticated logarithms

and technology - who receive special treatment from the DFS sites. According to ESPN's Outside the Lines, players who enter less than 100 lineups in a big payout contest have little chance of winning, averaging losses on their entry fees of - 22% to -27%.

Saahil Sud, the epitome of a "whale," entered 888 baseball lineups in DraftKings' \$1 million Mega Payoff Pitch with a first place prize of \$100,000 for a cost of \$23,976 (888 X \$27). ESPN reported that he won five of the first 10 sports, including the \$100,000 grand prize, twenty-nine of the top 100 winners, and more than one-half of his lineups won money for a total of \$221,000. In November 2015, he reported winnings for the year of more than \$3 million. Alex Baker, who enters contests under the screen name "awesome," is the top fantasy player thus far in 2019, with earnings of more than \$1.7 million through April. Both players are currently working on plans to offer their "systems" to other DFS players for a fee.

The ability to quickly load hundreds of fantasy sports lineups and change the rosters to reflect the latest news in an instance are capabilities available to big players, but average players lack. Two of the biggest companies in the industry - DraftKings and FanDuel - were alleged with the unethical, if not illegal, use of inside information in 2015, giving some player/employees an edge on winning.

Despite complaints from the majority of players, the major DFS websites have shown little interest in changing their business approach, both focused on attracting new players (losers) for the high-volume, big-ticket winners to exploit.

Those who boast of being a gifted sports prognosticators and are destined be one of the profitable players due to their expertise should remember the truth claimed by former DFS consultant John Sullivan: "It's only a skill game if you have the biggest bankroll and the best technology,. That's the [industry's] dirty little secret."

Final Word

While the possibility of winning regularly or significant amounts are greatly exaggerated by the DFS providers and the sites unashamedly cater to big players, my participation in DFS professional football has been positive. I'm certainly no big or consistent winner; I consider a weekend when I break even with entry fees and winnings a success. At the same time, I carefully watch my entries, limiting each week to a maximum of \$20, about the same I would pay for a single movie ticket.

My participation in season-long fantasy leagues will continue as it has for the past three decades. Though the excitement of potentially winning a million dollars is missing in private leagues, the memories and laughs from sharing fun weekends with friends and family are not replaceable. I recognize that the financial rewards of participating in a private fantasy league are insignificant, but that is not my goal. The sheer joy of watching my brother waste a draft pick on a player who retired two months before the season or the pride I feel when a granddaughter's team beats her father is worth more than any money I might make.

Fantasy sports, whether season-long contests or DFS games over a single weekend - are not for everyone. Those who cannot control their gambling urge or hope to earn enough winnings from

fantasy sports to replace their current jobs would be better advised to seek other hobbies. On the other hand, for those who appreciate a little spice on the menu may find that zest by participation in a fantasy sport.