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Sites see big season for fantasy sports

Two decades ago, a coterie of baseball fans began meeting in a restaurant to crunch stats. Little did they know that the Net would help turn their hobby into a multimillion-dollar business.

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In the 1980s, Glen Waggoner and 11 other baseball fanatics would convene in the back room of Tony's Italian Kitchen in New York to pore through weekly issues of *The Sporting News* and crunch statistics.

Little did they realize that, 23 years later, the Internet would help turn their hobby into a multimillion-dollar business serving 15 million rabid fans.

"We had no idea--not even a glimpse--that the ball would get as big as it did," said Waggoner, an editor at ESPN: The Magazine, who along with fellow journalist Daniel Okrent, is now considered one of the founding fathers of fantasy baseball. "The transformation brought on by the Internet is like before and after the invention of the wheel."

Once considered a closeted hobby for numbers geeks, fantasy sports leagues are booming online, where they've become both a fast-growing business and an unlikely demonstration of Web publishing at its best. Fantasy sports leagues are now offered on major Web sites such as SportsLine.com, ESPN.com and

Yahoo Sports, which covet the loyalty of the fans and their willingness to pay for services that greatly simplify what was previously a laborious pen-and-ink exercise.

Fantasy leagues let participants assemble teams from real players and compete based on those players' real-world performances. Leagues often start with a draft where participants either pick their players themselves or are assigned a team randomly. Participants then face off against each other, accumulating points according to a variety of criteria. In baseball fantasy leagues, for example, teams may compete based on overall leadership in categories such as hits, home runs and strikeouts.

It's an obsessive pastime that has made fantasy sports into a rare success story for Web subscription services, helping drive overall online sports spending to an expected \$50 million this year, according to Jupiter Research.

For companies such as Yahoo, fantasy leagues seemed an ideal fit; the leagues let people create communities where they can post messages and communicate by using a company's instant messenger or e-mail services. Yahoo also offers Java applets that update scores live, though as an add-on for a one-time fee.

"It creates a deeper level of engagement for fans in the season," said Brian Grey, Yahoo's general manager for sports. "We've made it almost too easy."

May I have some more data, please?

Although Web-based communities have played a role in the success of online fantasy leagues, the star is data, served in real time, which keeps players returning to game Web sites for updates--in some cases several times a day.

One of the biggest beneficiaries of the fantasy sports boom has been Stats, a division of News Corp., which feeds Web sites with real-time statistics. The company has a network of 500 reporters throughout North America who attend games and update player statistics.

The reporters enter statistics into a proprietary software application that then relays the information to Stats' headquarters in Chicago. From there, the company sends out updated information to its clients, many of whom use their own algorithms to update live Web scoreboards and to convert data into fantasy league scoring.

Fantasy players' thirst for information is "the reason why our business has grown," said Steve Byrd, senior vice president at Stats. "They're the ones who want to buy books, buy magazines and scour the Web for all the data that media clients get from us."

Sites that serve fantasy sports leagues range from ESPN, SportsLine and Yahoo to smaller ones such as SportingNews.com and SandboxPlus. All have some form of pay-for-play element. SportsLine charges \$140 for managers to set up their own leagues, while Yahoo generally lets people play for free but imposes fees for add-ons such as live scoring, wireless access and division play.

These fees are the primary revenue drivers for most of these leagues. SportsLine in 2002 reported \$11 million in revenue from its fantasy league service--\$8.8 million from football, \$1.5 million from baseball and the remainder from basketball and hockey. In 2003, SportsLine expects its football revenue to jump 50 percent, while baseball has already reached \$2.6 million in revenue.

SportingNews made about \$5 million last year, according to one executive. Yahoo and ESPN declined to offer financial details for their fantasy leagues.

The services cater to a coveted demographic. Out of the total 15.2 million adult fantasy sports players in the United States, most are male, college-educated, white-collar workers in their 30s, according to a survey conducted by the Fantasy Sports Trade Association. About 93 percent of them play in football leagues, while 63 percent play baseball, 33 percent basketball and another 33 percent hockey. The average annual income per player is \$76,000, and each

player spends about \$120 a year on Web site fees and under-the-table pools within their leagues, the survey said--creating an estimated fantasy sports economy of about \$1.8 billion this year.

Fantasy sports leagues have also begun to win attention from traditional media outlets such as cable networks and satellite TV systems. ESPN's cable network is exploring ways to add fantasy elements to its popular "SportsCenter" and "NFL Live" TV programs.

Meanwhile, EchoStar Satellite's Dish Network is trying to take advantage of the craze in its own way. EchoStar in August will launch an interactive game for \$9.95 a season where subscribers pick winners from 15 football games every week. Players enter their picks into their set-top boxes through software provided by OpenTV.

From slide rules to Java apps

This synthesis of multiple mediums is a far cry from the old days before the Internet, when fantasy leagues were conducted using pens, calculators and lots of patience.

The Sporting News, the venerable weekly newsprint magazine founded in 1886, was the bible that offered weekly baseball statistics that were more comprehensive than those served up by the dailies. Fantasy buffs all subscribed to it and centered most of their weekly analyses on the magazine's breakdown of events.

"Normally, the commissioners would spend half their day once a week crunching numbers," said Jason Kint, general manager of SportingNews. "He couldn't be married--or wouldn't be married for long."

But as PCs began to significantly penetrate households in the early 1990s, fantasy leagues also began to take on a new flavor. Fantasy players began to use computing power to their advantage.

In 1995, James Serra, then a computer consultant, became frustrated with predictions from fantasy football magazines. He began entering player data into an Excel spreadsheet, updating his calculations every day during the preseason and assigning values based on whether the player was healthy or destined for the bench.

"With the magazines, everything was outdated," Serra said. "They go to press in June, and by the time of draft, you're picking guys already hurt during the year."

Five years ago, Serra quit his job and started First Place Sports Software, which sells fantasy football draft-day software that evaluates potential performance per player. Although he declined to offer sales figures, Serra said sales increased nearly 40 percent between 2001 and 2002.

As desktop-based statistical tools such as Serra's began to gain fans, the growing popularity of the Web changed the equation completely.

It wasn't until 1997 that the first major online fantasy system was launched. Produced by The Sporting News, the site was one of the first to let people create their own leagues while updating scores based on the day's events. Statistics became more readily accessible, and soon sites began allowing players to analyze statistics that skirted around analytical software and manual calculations.

While many other sites followed, trends in the market during the dot-com boom years began to shift as well. The industry trend of offering content and services for free to attract customers and sell advertising also hit online fantasy sports. SportsLine lifted the paid curtain in 2000 and began letting people create leagues for free, a move that other competitors would follow.

Players and producers alike say the appeal of fantasy sports goes beyond informal money pools and a fascination with numbers. It's about the competition and the glory of outsmarting friends and co-workers that has turned many players into borderline obsessive-compulsive cases.

Edgar Chou, a physician from Marlton, N.J., has played in multiple fantasy football, baseball and basketball leagues with his high school and college buddies. Earlier this year, Chou's wife Stella put her foot down and tried to bribe him. She offered to match the \$300 pot to stop him from participating in this year's baseball season.

"She felt this was taking too much time away from her and from me focusing on other things like investing our money," Chou said.

Eventually, Chou convinced his wife to let him play. Although his fantasy baseball team is near the bottom of his league, Chou wouldn't give up the camaraderie--or the one-upmanship of beating his friends.

"It's not about the money," Chou said. "It's about the competition."



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