FIFS FEDERATION OF INDIAN FANTASY SPORTS

THE BUSINESS OF FANTASY SPORTS

A study in collaboration with KPMG in India

JULY 2020


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SECTION 1

The Fantasy Sports landscape in India

The emergence of Fantasy Sports in India

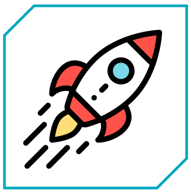
The emergence & growth in popularity of sports leagues in India, coupled with the rapid improvement in digital infrastructure and payments has led to the rise of Fantasy Sports as an alternative means for the sports enthusiast to connect with their favourite sports, and test their skills and knowledge of the game. This format has already seen significant adoption by sports fans in the global market and India has also witnessed exponential growth in the Fantasy Sports user base during the last 2-3 years.

Fantasy Sports has been played worldwide for more than 60 years; and was first introduced in India by ESPN -Star Sports in 2001 and wound up in the late 2000s. While Dream11 launched in the year 2008, Fantasy Sports as an industry has gained immense popularity since 2016.

What started with the introduction of a points-based system for selecting one's virtual, season-long Cricket team, has now expanded to a daily engagement format, covering different sports including Kabaddi, Football, Basketball, Hockey and Volleyball.

The format saw significant traction post-2016, catalysed by nation-wide, affordable mobile data services, coupled with the proliferation of smartphones and broadband internet, that enabled users to virtually connect with their favourite sport through Fantasy Sports platforms.

The Indian Online Fantasy Sports (OFS) industry has come a long way from its nascent stage in 2016-17. This growth has been reflected in the:



Launch of new Fantasy Sports platforms: From less than 10 operators in 2016, to 140+ operators at the end of 2019[1]

A high degree of adoption by sports fans - Fantasy Sports user-base grew from 2 million in 2016 to 90 million in 2019[2]

Further, the OFS industry has been increasingly making substantial contributions to the Indian economy. We will discuss these aspects in detail in the subsequent sections of the report.

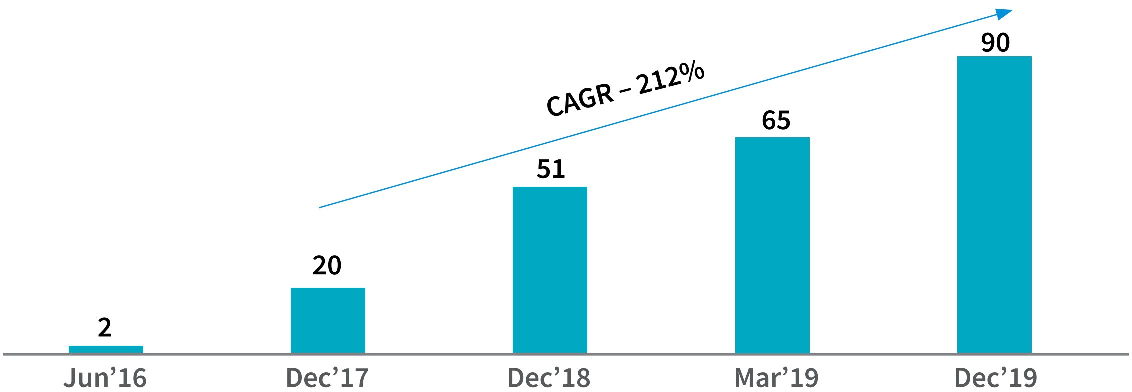
[1] Based on industry discussions
[2] KPMG in India analysis, 2020

The rapid rise in the OFS user base

As outlined above, the OFS user base has seen a rapid increase on account of the increasing popularity of OFS, increased internet and smartphone penetration in India, affordable data prices and proliferation of sports leagues across the spectrum. The OFS user base in India stood at a significant 90 million users at the end of CY2019. While the COVID-19 pandemic is likely to slow down this rapid growth in user base and engagement, the fundamentals of the business remain robust enough to experience a 'V shaped' recovery once sport resumes worldwide.

It is important to note that with the rise in internet penetration across Tier 3 cities and beyond (including rural markets), OFS platforms are likely to penetrate relatively newer markets, helping bring a larger cross-section of the populace into the Online Fantasy Sports fold.

Online Fantasy Sports Users in India (million)



Source: Industry discussions and KPMG in India analysis, 2020

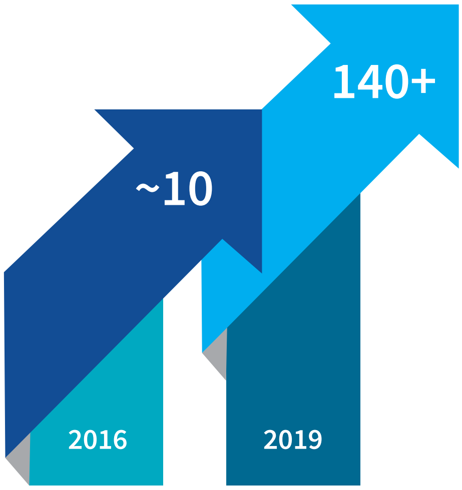
The proliferation of OFS platforms

The strong uptick in user interest and consumption across India's Fantasy Sports platforms, coupled with favourable court rulings in favour of Dream11's format being recognised as a game of skill, has led to a rapid proliferation of OFS platforms in India.

The number of Fantasy Sports platforms in India is estimated to be 140+[3] in CY2019. Interestingly, following the lead of players like Dream11, major business houses like Times Internet, Bigtree Entertainment (through BookMyShow), Living Media Group (through Aaj Tak) and Paytm, have also entered the fray with their multi-sport online Fantasy Sports platforms.

However, increasing competition, high customer acquisition costs, innovative offerings by the well-funded market leaders to acquire and retain their users, coupled with the business impact of COVID-19; is likely to result in a certain degree of market consolidation in the near to medium term.

Growth in Number of Operators



Source: Based on industry discussions

The top 4-5 players currently account for ~95 percent of the market share of the industry. The demand side pull, expansion into relatively underpenetrated geographies and the introduction of newer sports leagues will continue to ensure new user acquisition across Fantasy Sports platforms for the foreseeable future.

[3] Industry interactions, January 2020

Some of the marquee operators in the industry include:

OFS Platform	Inception Year	Sports Offered	Registered User base
DREAM11	2008	Cricket, Basketball, Football, Hockey, Kabaddi, Volleyball, Baseball, Handball	75+ Million[4]
MYTEAM11	2017	Cricket, Football, Kabaddi, Volleyball, Basketball, Hockey, Rugby, Baseball, Handball	15+ Million[5]
MY11CIRCLE	2019	Cricket	13+ Million[6]
HALAPLAY	2016	Cricket, Football, Kabaddi	10 Million[7]
FANFIGHT	2016	Cricket, Football, Kabaddi	4 Million[8]
CricPlay	2018	Cricket	5.5+ Million[9]

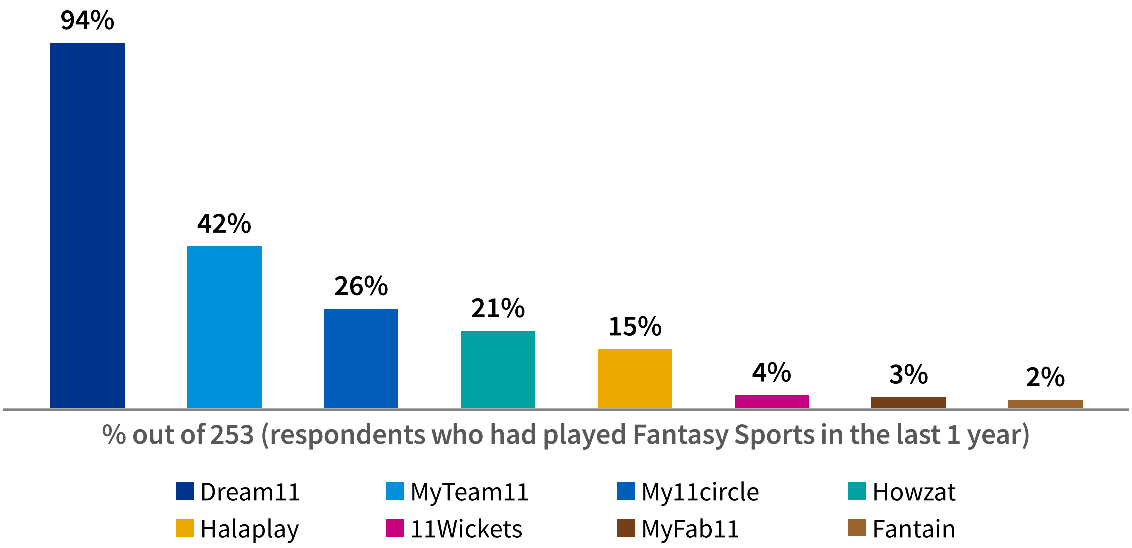
We understand from industry discussions that there is a significant overlap of the user base across the platforms, as users typically register on multiple platforms to participate in contests.

Based on a dipstick survey of 750+ respondents carried out across 10 cities in India for the purpose of this report, Dream11 was found to be the most popular platform across OFS operators, with ~94 percent of the respondents alluding to Dream11 as their preferred platform.

MyTeam11 & My11circle were the second and third most preferred platforms with ~42 percent and ~26 percent of the respondents engaging with these platforms respectively.

[4] Based on company website
[5] Company website accessed in March 2020
[6] Company website accessed in December 2019
[7] This June, BITS Alumni's Fantasy Sports platform HalaPlay will look to cash in on ICC World Cup, Your Story, June 2019
[8] Hindu Business Line (Published in November 2019) accessed on 10th January 2020
[9] How this fourth-time entrepreneur grew his fantasy Cricket startup 500 pc in less than a year, Yourstory India, Sutrishna Ghosh, accessed on 25 February 2020

Platform preference of Fantasy Sports users



Source: KPMG in India analysis, 2020 based on a survey
(Please note the survey had the option for users to select multiple platforms they preferred to engage with)

Growth drivers of the Indian OFS market

There are multiple factors driving the current growth of the OFS market and are likely to continue doing so in the near future. Some of them include:

Growth in Digital Infrastructure – Internet & Smartphone Penetration

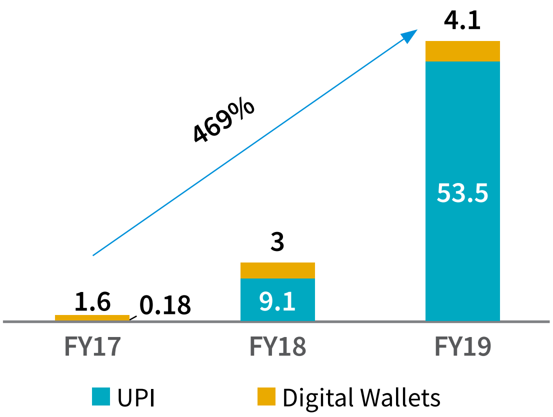
Smartphones have become the primary medium for users to participate in Fantasy Sports in India. The growth of smartphones in India & mobile broadband internet in tandem, expedited by the launch of Jio's affordable data plans in 2016 coupled with the launch of smart feature phones by Jio and other players[10], have emerged as major enablers for the growth of OFS in India. Smartphone penetration in India has been growing at ~13 percent CAGR from 2017 and its user base is expected to reach ~850 million by 2020[11]. While the rural internet penetration has reached 27.5 percent by Sep-19, the same still has significant scope for growth[12]. The number of broadband internet subscribers in India grew from ~482 million in Sept-18 to ~625 million in Sept-19[13], and is expected to grow at a CAGR of ~8-10 percent to reach 840 million by 2022[14].

[10] India home to world's second largest internet user base, thanks to to Jio: Report, The Economic Times, Jun 2019 accessed in February 2020
[11] Number of Smartphone Users in India Likely to Double To 859 Million By 2022, Business Standard, May 2019
[12] TRAI performance indicator report, Sept-19
[13] TRAI website accessed on 27th January 2020
[14] CISCO VNI Forecast Highlights accessed on 27th January 2020

Increase in digital transactions via Payment wallets & UPI

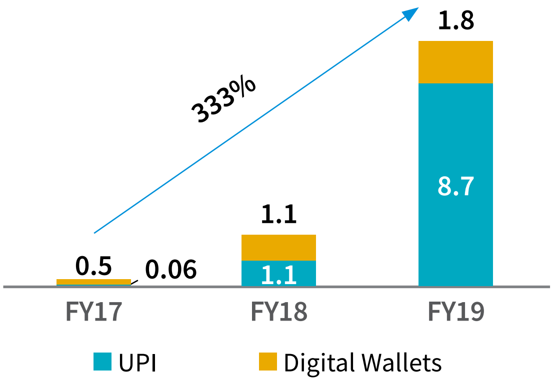
The increasing user adoption of digital payments and introduction of user-friendly payment modes such as payment wallets and UPI have also contributed to the growth of paid users of OFS in India. The transaction volume on UPI and digital wallets has grown at a CAGR of 469% over FY17-FY19, helping OFS users transact seamlessly on the platforms.

Transaction volume of UPI & Digital Wallets (USD Bn)



Source: Payment System Indicators, RBI Website accessed on January 13, 2020

Transaction Value of UPI & Digital Wallets (USD bn)



Source: Payment System Indicators, RBI Website accessed on January 13, 2020

Industry discussions indicate that ~50 percent of the transactions on OFS platforms are initiated from Tier 2 and Tier 3 cities in India, which outlines the significant penetration that OFS platforms have been able to make in these cities, as well as helping users in these Tier 2 and 3 cities familiarise themselves with digital payment mechanisms.

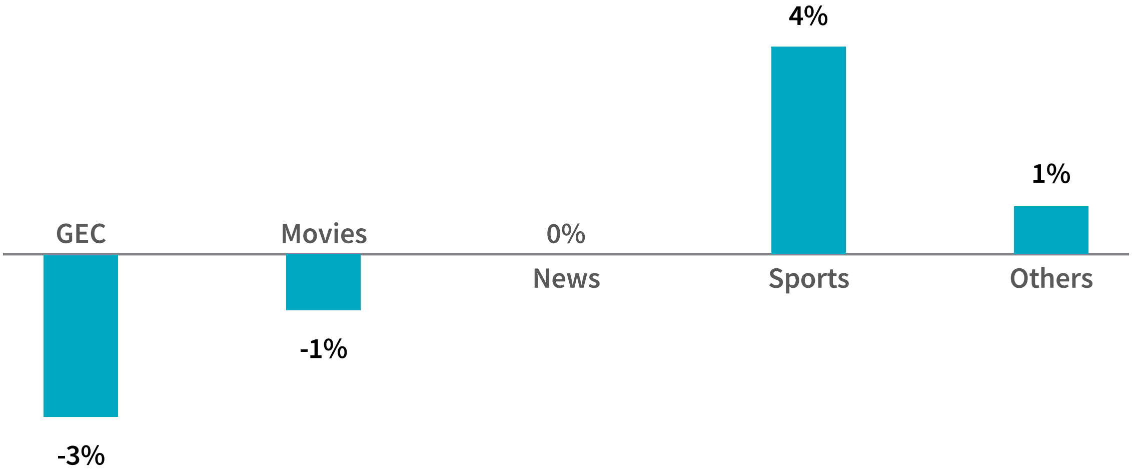
Growing popularity of Sports leagues

Historically India has been a Cricket-centric country, and both the core formats (Tests & ODIs) have received strong viewership. But the advent of the T20 format, and introduction of Indian Premier League (IPL) in 2008 revamped the sports league landscape in India. IPL follows an innovative city-based franchisee format, which not only pulls people to stadiums to watch their favourite players battle it out, but also unites residents of a city to come together & support their city franchisee and in turn drive viewership across channels. As per Broadcast Audience Research Council (BARC) India, IPL clocked ~462 Million viewers in 2019[19] on Television and around 300 Million viewers on Hotstar[16].

[15] IPL 2019 breaks viewership records, The Economic Times, May 2019 accessed in February 2020

[16] Hotstar shatters own streaming record, garners 18.6 million concurrent viewers during IPL final, Youstory, Sohini Mitter, accessed on 25 February 2020

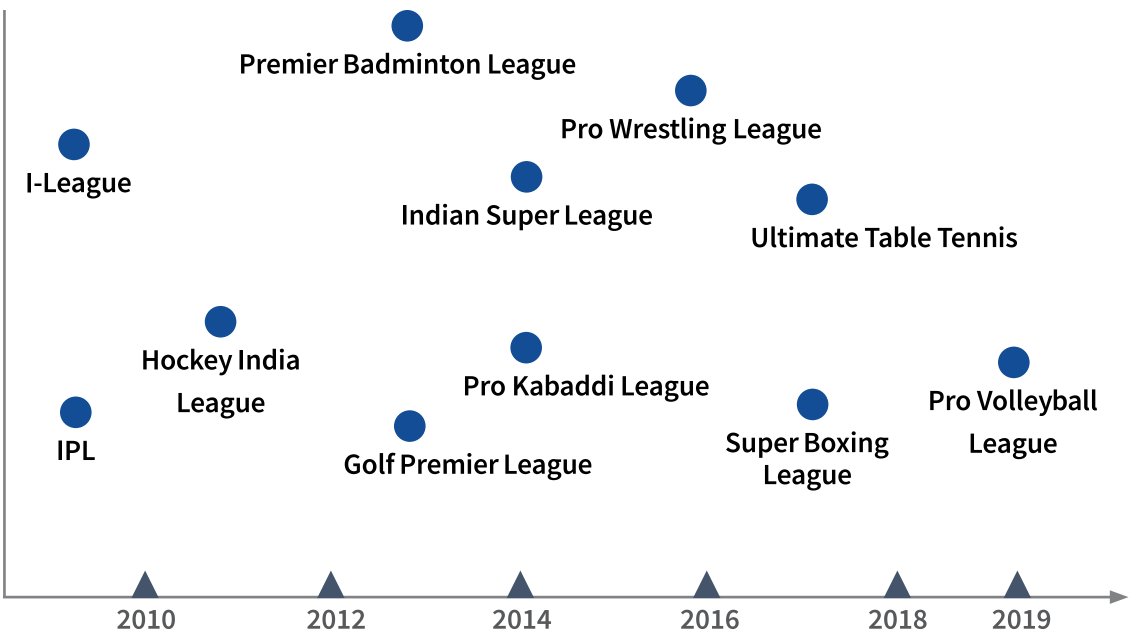
Change in contribution of some key genres to viewership during IPL weeks



Source: IPL Over the Years, BARC, 2018

Following the popularity of IPL driven by its location-based franchisee format that modified the Indian audience's affiliation with the teams and the viewership pattern of sports leagues, authorities of the other sports modelled leagues like Pro Kabaddi, Indian Super League (ISL), etc. in a similar league-format to leverage upon the growing popularity of league-based games among the Indian audience.

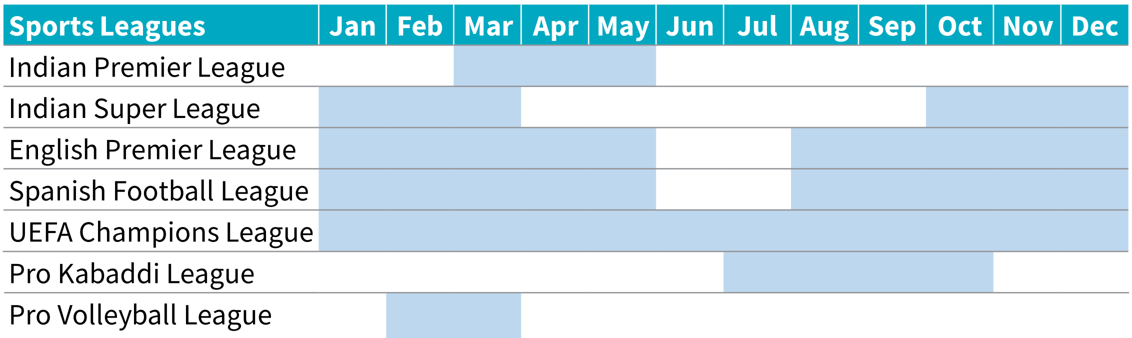
Inception of Sports Leagues in India



Source: KPMG in India analysis, January 2020

With sponsor support, participation of international sportsmen, celebrity endorsements and demand offtake by viewers, these new leagues have gained increasing traction, and Fantasy Sports operators have expanded their offerings to include these leagues in order to ensure continued user engagement on their platforms.

League Calendar for team-based sports



Note: The above is the normal league calendar for various sporting leagues, the calendar has been disrupted in 2020 due to the COVID-19 pandemic
Note: For UEFA Jun-Aug has the qualifying round and Sep-May is the League

Additionally, formalisation of different sports in League format and marketing initiatives by the promoters & broadcasters has increased the popularity of erstwhile recreational and non-mainstream sports among a national audience.

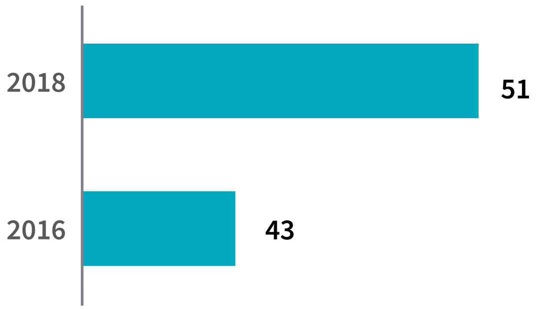
While sports like Hockey & Football have been the next most popular after Cricket, the tournaments were mostly regional with select representation of Hockey in Olympics and World Cup. Other sports like Volleyball, Basketball and Kabaddi though omnipresent in the country had never garnered notable traction at a national level. Incorporation of these team-based sports in a league format has increased the mass appeal of these sports.

Domestic Sports Leagues in India	Sport Being Played	Year of inception	Viewership base
India Premier League	Cricket	2008	~460 Mn (2019)[17]
Indian Super League	Football	2014	~429 Mn (2014)[18]
Pro Kabaddi League	Kabaddi	2014	~435 Mn (2018)[19]
Hockey India League	Hockey	2013	~41Mn (2013)[20]
Pro Volleyball League	Volleyball	2019	~14.3 Mn (2019)[21]

[17] IPL 2019 breaks viewership records, Economic Times, May 2019
[18] Wikipedia accessed in January 2020
[19] Wikipedia accessed in January 2020
[20] Move over Cricket – Time to change the game,
[21] Pro Volleyball off to a flying start, Economic times, February 2019; accessed on January 20, 2020

The inception of sports leagues in India has had a two-pronged effect on sports viewership in India. On one hand it has increased the overall engagement of viewers with sports as a genre, on the other it has created awareness and popularity around other types of sports.

Annual Sports Viewership – Normalised Impressions (Billions)



Viewership calculated on 30 min. normalised impressions
Source: Cricket in India – It's not just a game, BARC, 2019

Operator Investments in Tech and focus on GamePlay

Fantasy Sports operators are leveraging technology to provide a seamless product experience to users through continuous investments in technological innovation and upgradation of the platform, and partnering with technology solution providers, analytics platforms etc. For instance, Dream11 is hosted 100% in the Amazon cloud, giving the operator an infinitely scalable platform to build on. Its backend is built on micro-services architecture backed by distributed computing and in-memory databases to develop infinitely scalable systems. Being highly data-driven, the OFS operators are investing heavily in data engineering and data sciences infrastructure to run machine learning algorithms at scale to support their product offerings. To enable these tech-advancements at a targeted speed, players like Dream11 and MyTeam11 are moving towards a continuous deployment model, a completely automated testing framework and technological advancements in partnership with the likes of AWS. These technological investments improve the user engagement on the platform.[22]

Further, the operators are partnering with content platforms to offer insights and research avenues to users. They are increasingly launching solutions like group chats, clone team features, player statistics, etc. to develop meaningful ways for users to engage with Fantasy Sports.

The rapid rise in the number of market entrants and competition makes it imperative for the platforms to continuously differentiate themselves to maintain offering uniqueness and build customer stickiness. For instance, Cricwars is differentiating its offering by introducing an 'Auction' format which enables users to build a team by participating in a live auction sale held on the application before the start of every series. This interactive participation increases the user engagement even before the game starts. Users then earn points basis their team's performance in the entire series, and winner of the Fantasy Sports contest is decided accordingly[23].

[22] Industry discussions, February 2020
[23] Cricwars website accessed on February 19, 2020

Reaffirmation of the legality of the Fantasy Sports format in India

Judicial precedents in India have found a certain format of Fantasy Sports offered on OFS platforms has a preponderance of skill over chance and therefore ruled that this format qualifies as 'games of skill'. The courts have further clarified that the format offered by OFS platforms in India do not fall under the ambit of the Indian Public Gambling Act of 1867. Further, courts have specifically accorded the protection to the right to free trade and commerce guaranteed under Article 19(1) (g) of the constitution of India. The Punjab and Haryana High Court, in Shri Varun Gumber v. Union Territory of Chandigarh and Ors. (CWP No.7559 of 2017)[24] considered the Fantasy Sports format offered by one of the OFS operators (Dream11) and specifically held that participation and success in such Fantasy Sports formats requires "considerable skill, judgement and attention" and that success in the Fantasy Sports game considered in the case "basically arises out of user's exercise (of) superior knowledge, judgement and attention". The court examined that the format includes 4 distinctive features provided below and therefore ruled that the element of skill had a predominant influence on the outcome of the OFS contest.

While rendering the judgement in the said matter the High Court has discussed the following distinct features of the game:

- Users have to choose a team consisting of at least the same number of players as playing in a real-life sports team (e.g. 5 in Basketball, 7 in Kabaddi and 11 in Cricket/ Football)
- No team changes are allowed by users after the start of the sports match
- At any given time, a user will be restricted from selecting more than 75% of his/her Fantasy Sports players that constitute his/ her Fantasy Sports team or squad from a single real-world team/squad in a single contest. Any fractional amounts shall be rounded down to the nearest whole number.
- All contests are run for at least the duration of one full sports match

Pursuant to such findings, the Court adjudged the format offered on the Dream11 platform to be a "game of mere skill" that is exempt from the provisions of the Public Gambling Act 1867 and added that operation of Dream11 is a legitimate business activity that is entitled to protection under Article 19(1)(g) of the Constitution of India. An appeal against this decision before the Supreme Court was dismissed without consideration of the merits of the case.

Subsequently, the Bombay High Court, in Gurdeep Singh Sachar v. Union of India and Ors[25]. (Crim. PIL 22 of 2019), ruled that the Fantasy Sports format offered by Dream11, constituted a game of skill. The Court held that there is no reason for them

[24] Casemine Judgement, April 2017, accessed on January 20,2020
[25] Taxguru case judgement, June 2019, accessed on January 20, 2020

to interfere in a well-reasoned order passed by the Hon'ble Punjab & Haryana High Court, which also relied on 3 Supreme Court Judgements while holding the Dream11 game to be a 'Game of Skill'. Special leave petitions filed before the Supreme Court challenging the order were dismissed with the Supreme Court reiterating the finding of the High Court that Fantasy Sports contests are 'games of skill' and do not constitute gambling or betting.

Most recently, the Rajasthan High Court, in Chandresh Sankhla v. State of Rajasthan and Ors. (CWP No. 6653/2019)[26], dismissed a petition against the Fantasy Sports contests offered by Dream11 in the above cases, for lacking merit and specifically ruling that the determination of whether such OFS contests have "any element of betting/gambling is no more res integra in view of the pronouncements by the Punjab and Haryana High Court and Bombay High Court" and the dismissal of special leave petitions against these orders by the Supreme Court.

The recognition of Dream11 format of online Fantasy Sports contests as 'games of skill' by multiple High Courts outlines the judicial position on Fantasy Sports and the dismissal of special leave petitions concerned with the issue by the Supreme Court on multiple occasions lends additional strength to the legal position that Online Fantasy Sports contests are games of skill.

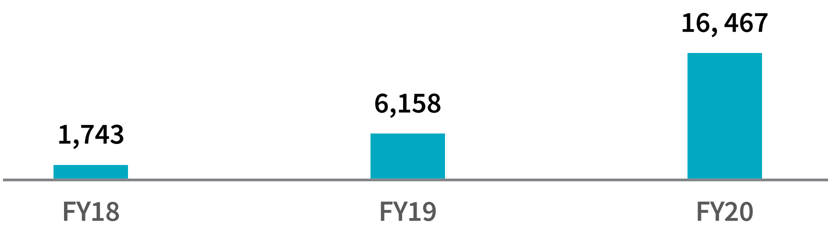
[26] Indiankanoon case judgement, April 2019, accessed on January 20, 2020

OFS in India – An INR ~16,500 crore market

The growth in the OFS user base has translated to transactions on the platforms as well, resulting in an exponential growth of the Contest Entry Amount (CEA) for the industry. The OFS market had a CEA of over INR 6,000 crore in FY19 and more than doubled to INR ~16,500 crore in FY20, at a growth rate of 167 per cent over FY19-FY20. The growth in FY20 is despite COVID-19's impact on loss of CEA and revenues for the last 15 days of March 2020.

While the incremental users from Tier 3 cities and beyond may come in at lower active rates and spends, the continuing increase in spends by existing users and innovations by operators around the gameplay as well as addition of new/global sports leagues is likely to drive the CEA growth going forward.

India OFS industry – Contest Entry Amount (CEA) (INR Cr)

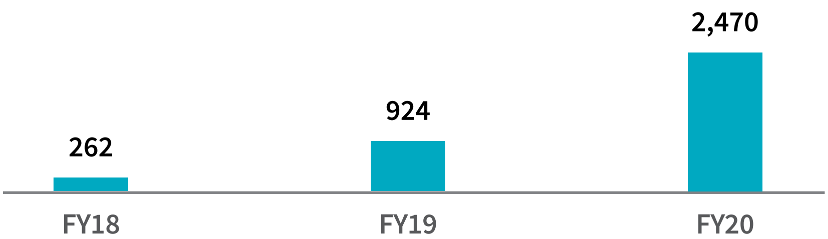


Source: Industry discussions, KPMG in India analysis, 2020

OFS platforms in India usually operate on a platform fee basis for the paid contests hosted on the platforms. This platform fee is typically in the range of ~10-20 percent depending on the platform size, the market standing as well as the portfolio of popular sports covered on the platform. The platform fee constitutes the primary source of revenue for the OFS operators that offer Pay-to-play contests. Some emerging OFS platforms only offer Free-to-play contests and earn revenues through alternate means such as advertisements.

Overall OFS operators' revenues stood at INR 920+ crore in FY19 and increased by almost 3x to INR 2,470 crore in FY20, driven by the growth in user engagement and the CEA.

Operator Revenues over the years (INR Cr)



Source: Industry discussions, KPMG in India analysis, 2020

OFS platforms seeing an increasing traction of paid users

The widespread social and legal acceptance of OFS as a skill-based game, the increase in number of sports leagues, the rapid growth in digital payments infrastructure, increasing focus on marketing and branding initiatives by OFS operators inviting users to sample their platforms, as well as adoption of Fantasy Sports by leagues as a means to deepen fan engagement, have led to a growth in the number of paid users on OFS platforms across the industry. Currently, close to ~15-20 percent of the active users on OFS platforms are paid-users, which is significant given the relatively younger vintage of the industry as compared to other digital businesses.

[28] KPMG in India's analysis 2020 based on industry interactions

Cricket rules the roost, although other sports continue to make inroads

In India, Cricket has the highest popularity across demographics, and commands a lion's share in terms of sports viewership. The strong sports preference directly translates to a high user base in Cricket-related Fantasy Sports, thus resulting in the highest coverage across OFS platform contests and transactions.

However, with the proliferation of domestic leagues across other sports such as Football, Kabaddi, etc. and success of Cricket-based OFS, operators have launched contests in sports like Kabaddi, Hockey, Football, Basketball, etc. too

Additionally, international sports leagues have been gaining popularity among the Indian audience. This is primarily driven by increased representation of India at global sports events and increased global sports content being aired on Indian television and across digital streaming platforms. The love for the underlying sports tends to attract fans towards global leagues especially in sports like Football wherein the Europe-based leagues are more developed than in India. Some marquee international sports leagues with strong traction in India include:

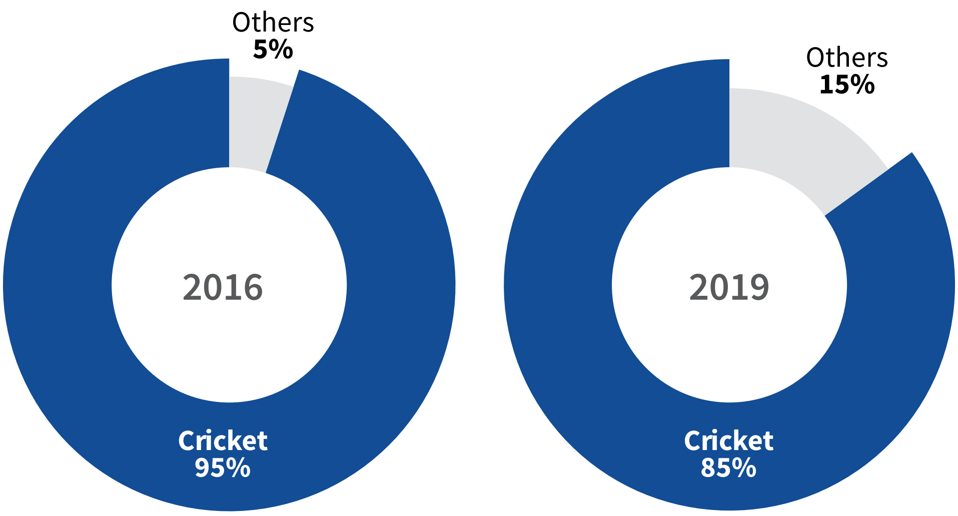
Global Sports League	Sports	Geography
UEFA Champions & Europa League	Football	Europe
La Liga	Football	Spain
Big Bash League	Cricket	Australia
NBA	Basketball	North America
English Premier League	Football	England

Some key OFS operators have been quick to identify this potential and have started incorporating these leagues in their platform offering. The market leader, Dream11 offers Fantasy Sports contests aligned to major international leagues like EPL, La Liga, NBA, Big Bash League and UEFA Europa League, in addition to inking an official partnership with La Liga[28]. Other players like MyTeam11, and My11Circle are also tapping into this potential especially in Football which has a strong fanbase for international leagues.

[27] Based on industry discussions
[28] Brand Equity, Economic Times, December 2019, accessed on January 24, 2020

This evolution in user preferences complimented by the expansion of sports coverage by the OFS operators has been instrumental in changing the CEA split across sports. Though Cricket continues to dominate, its share has reduced from 95+ percent in 2016 to ~85 percent in 2019, though the actual value of CEA contribution of Cricket continues to rise[29].

Split of OFS market by Sports (As a share of CEA, %)



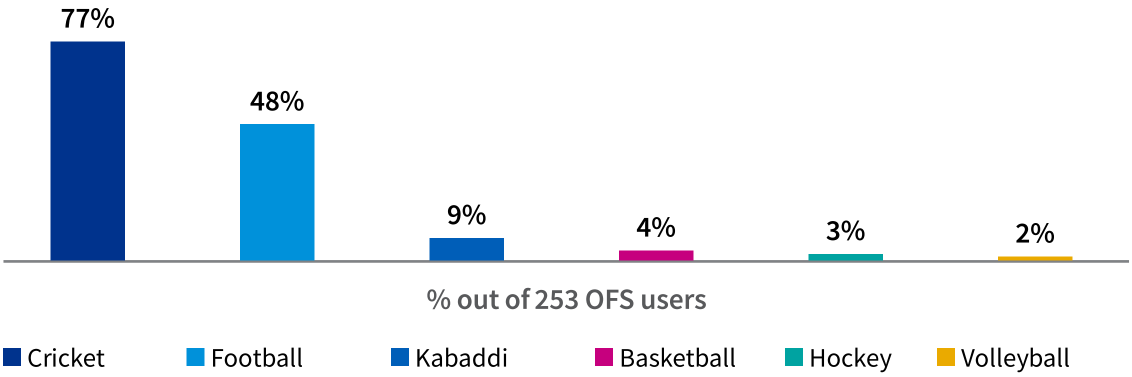
Source: Industry discussions

Operationally, the focus on non-Cricket sports helps address the seasonality in user-engagement arising from a single sport dependence. Season based sports like Football, especially the globally popular leagues like English Premier league and La Liga, keep the OFS users engaged on the platform throughout the year ensuring consistent revenue streams.

Industry interactions indicate that while single-sports stickiness is high among Football and Basketball fans; Cricket fans are quite adaptive to trying out new sports. KPMG substantiated this hypothesis through a consumer survey of 750+ respondents across 10 cities.

[29] Based on industry discussions

Preference for sports on Fantasy Sports platforms for surveyed OFS users

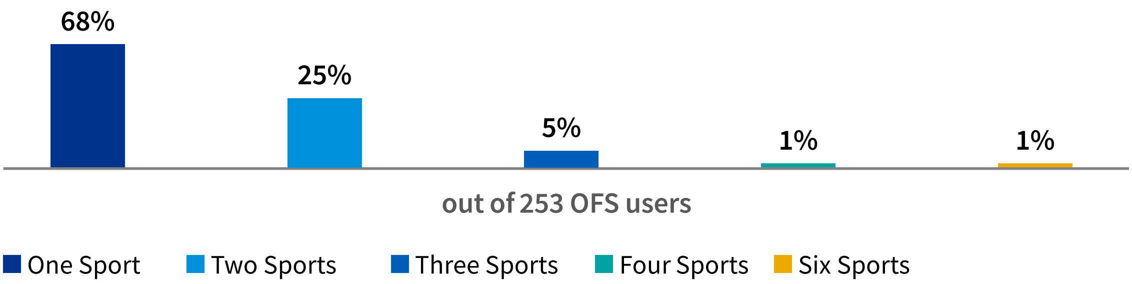


Of the 750+ respondents, 253 were OFS users (i.e. having played a Fantasy Sports game online in the last one year) and the remaining were not OFS users. Over 77 percent of the 253 users engaged in Cricket contests on the OFS platforms, whereas Football (47 percent) & Kabaddi (9 percent) stood second and third in terms of popularity.

Note: Respondents could choose more than one sport

Importantly, the survey indicated that 32 percent of all respondents who have played Fantasy Sports in the last one year, were engaged with more than one sport on the platform. The same is encouraging for the industry and indicates a widening interest of users as far as type of sports is concerned. This interest across various sports can also help in increasing engagement of the users with the particular sport at large.

Respondent's engagement with number of sports on the OFS platform



Of the 750+ respondents, 253 were OFS users (i.e. having played a Fantasy Sports game online in the last one year) and the remaining were not OFS users. The above analysis pertains to responses by the OFS users only

Monetisation Models prevalent in the OFS Industry

The industry has two primary monetisation models:

- **Pay to Play -** Users pay an entry fee to participate in a paid contest. Average ticket varies between INR. 35-40[30]. Operators disburse the prize pool amount amongst the winners post deducting a platform fee of 10-20 percent[31]. Majority of the operators including Dream11, My11 Circle, MyTeam11, etc. employ this business model with the platform fee serving as the key source of revenue.
- **Free to Play –** Users don't pay any fee to participate in the contests, and rewards are in the form cash bonuses and gift vouchers. CricPlay is one of the key platforms which offers this as the sole option on their platform[32]. However, most of the OFS operators including the likes of Dream11, Myteam11, Halaplay also offer free contests for users to practice & get familiar with the platform before they graduate to paid contests. The primary source of monetization for this model is in-app advertisements.

Some of the alternate monetization models for the operators, although currently marginal, include:

- **Advertisements, sponsorships & brand partnerships –** Apart from the in-app advertisements, operators have also leveraged innovative brand integration opportunities. For instance, CricPlay recently conducted a campaign with Oyo wherein all the top users of certain contests were awarded Oyo gift vouchers[33]
- **Fantasy Sports Research –** Many leading Fantasy Sports operators are partnering with content creators or launching their own Fantasy Sports research platforms to expand their presence across the entire value chain. Some examples include Sports.info from 11wickets, FanCode from Dream11's parent company, Myteam11's news aggregator platform SportsTiger, Cricket.com from Fanfight's parent company; and My11Circle's partnership with Cricinfo. These platforms, while acting as research outlets for users currently, can potentially be monetised through advertisements or deeper subscription led insights, in the future.

[30] Dream11 application accessed on 9th January 2020
[31] Based on Industry discussions
[32] Based on discussion with Cricplay in January 2020
[33] Based on discussion with Cricplay in January 2020

Key Challenges faced by the OFS industry

Strong demand from a growing user base and a complimentary rise in the number of offerings from OFS operators are poised to drive growth of the OFS market. However, there are some key market challenges that the operators would need to focus on:

High Dependency on Cricket

Cricket as a sport continues to dominate the OFS market. High dependence on a single sport reduces user engagement during the lean months of the sport and leaves a large monetisation opportunity gap. Though India is witnessing a rise in popularity of other sports leagues and the operators are making considerable efforts to increase the user's affinity to other alternate sports, Cricket continues to dominate with ~85 per cent share of the CEA in 2019[34]. However, while the dominant preference of Cricket may not fade away anytime soon, the increasing engagement of users with other sports augurs well for the future.

Seasonality

The domestic sports leagues are organised annually for about 6-8 weeks, and across sports the global tournaments like the World Cup are held once every 2-4 years, leading to a seasonality-based challenge for the OFS industry. There are instances of popular leagues concentrated at specific times of the year. For instance, in 2019, the IPL was held in April-May, immediately followed by the World Cup in June-July, after which there was no planned major tournament till IPL 2020, which now stands postponed due to the COVID0-9 pandemic and might be held during September-October 2020. Seasonality tends to disrupt user's engagement with the platform, adversely affecting user retention, repeat participation in paid contests, and a consistent revenue flow.

Consumer Perception of OFS being a Game of Skill

Despite a favourable ruling by Hon'ble Supreme Court of India and multiple high courts on Dream11's format of Fantasy Sports, there is still a preconceived notion among certain sections of the market that tends to mistake this 'game-of-skill' for 'betting' which can hamper user acceptability and growth of the market. Hence it is crucial to improve end consumer education & awareness about the format and legality of OFS.

Low Entry Barriers

The increasing popularity of OFS has catalysed the entry of new operators in the market. Currently there are 140 operators[35], and most new entrants have similar product offerings as the existing players. This lack of differentiation in terms of product offerings by different platforms, and prevalent deep discounts and cash bonuses for customer acquisition leads to an increase of incidences of platform switching by users. This reduces

[34] Based on Industry discussions
[35] Based on Industry discussions

platform loyalty & repeat transactions. As the industry matures and goes through a consolidation phase coupled with innovations around offerings, one can expect the platform stickiness to go up significantly.

Play Store Listing Limitation

OFS platforms engaged in paid contests have not been permitted to list on the Play Store by Google, restricting access to the large organic customer base of the Play store. Further, no parent app linkages are allowed for Fantasy Sports platforms either. These restrictions may lead to a high Cost per Install (CPI), in turn driving up the overall customer acquisition costs of the platforms.

Google Play Store Guidelines around Fantasy Sports indicate the app must only allow access and be distributed in the United States; Daily Fantasy Sports (DFS) apps targeting jurisdictions outside the US must establish eligibility through the Real Money Gambling Apps process.

Low Women Participation

As of 2019, less than 10 percent of the total Indian fantasy users are women[36], whereas in the developed OFS markets, women account for over 20 percent of the total user base[37]. The relatively low appeal of OFS among almost 50 percent of India's population limits the scope of expansion of the overall user base.

[36] Despite initial success, fantasy gaming may need a new strategy, The Economic Times, April 2019
[37] Industry Demographics 2019, Fantasy & Sports & Gaming Association accessed on 28 January 2020

COVID-19 and its impact on the OFS landscape in India

The year 2020 witnessed the unprecedented outbreak of the global pandemic, COVID-19. Strict measures undertaken by the governments across the globe to curtail the growth of the disease, also resulted in cancellation and postponement of most of sports leagues & tournaments around the world, barring a few. The same also had a direct impact on the revenue streams of the OFS platforms and ensuring user engagement emerged as a key challenge for the operators.

Our industry interactions have indicated that Q1 FY21 was adversely impacted, with the IPL not being held, as the IPL constitutes~35-40% of the industry revenues, being a marquee property. Further, the impact of postponement of major global Football leagues, Indian Cricket and the Euro 2020, resulted in a depressed Q1 FY21.

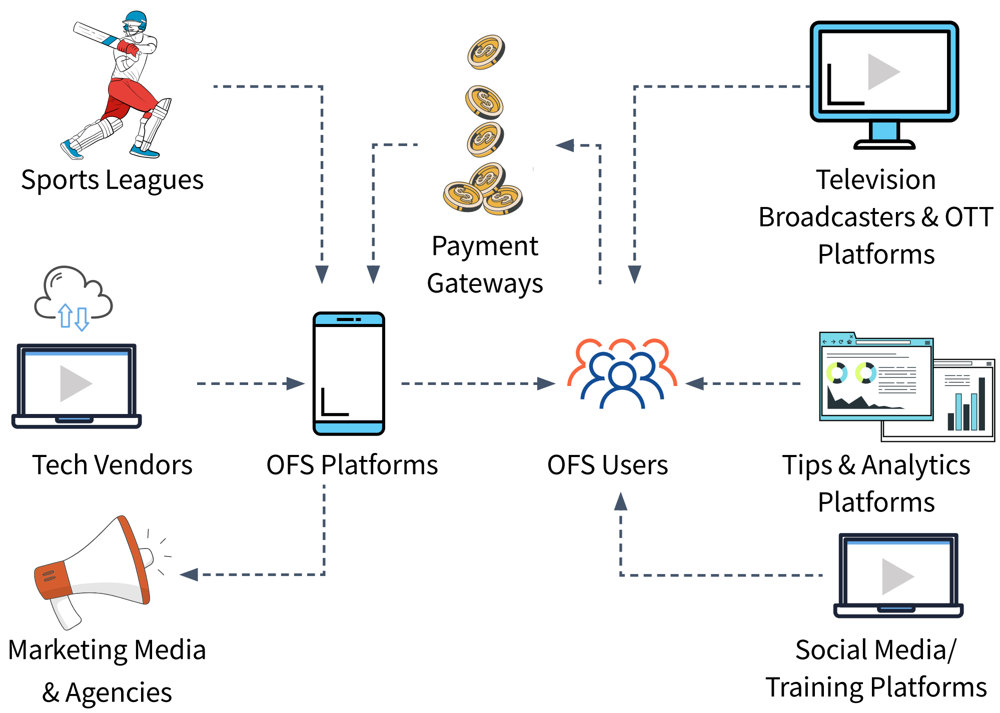
Our discussions with industry stakeholders also indicated that the OFS operators have been proactive in their actions to combat the challenges posted by this force majeure while adhering to the FIFS guidelines of operating within the contours of the game-of-skill ideology. The OFS operators employed multi-pronged strategies encompassing an increase in the spread of sports being covered, showcasing sports leagues being held in secondary markets, launch of skill-based ancillary offerings such as quizzes, investments in platform innovations to improve user engagement and leverage platforms like FanCode and SportsTiger to expand the offerings under sports streaming and news categories. These initiatives were launched to ensure continued user engagement and to generate alternate revenue streams, to partially offset the loss of revenues from their core offering.

The recent developments around relaxation of lockdowns in many global economies has meant that popular European leagues like the Bundesliga (Football) have already commenced in May 2020, while others like the English Premier League (Football), Serie A (Football) and La Liga (Football) have already resumed in June 2020. Additionally, UEFA has announced dates for European competitions, International cricket in England, Cricket leagues in Sri Lanka, West Indies and across Europe are set to begin or have begun, signalling a steady momentum towards normalcy with respect to Sports Leagues. Further, some of the long-tail leagues Cricket leagues like the Taipei T10 League, Vincy Premier League and Vanuatu T10 League have been completed successfully.

These developments are expected to generate momentum among the users who did not have access to sports events over the last few months and catalyse the OFS ecosystem towards a fast recovery. Further, with indications that the IPL might take place in Q3 FY21, a strong V-shaped recovery for the sector is not inconceivable. At an overall YoY level, the same could help arrest some of the revenue loss, with the industry only ending up with a ~20-22% decline in terms of GMV in FY21, as compared to FY20.

The OFS Ecosystem

Illustrative overview of the participants in the OFS Ecosystem



Source: KPMG in India analysis, January 2020

While the Fantasy Sports operators are the interface that provide a platform to around 90 million users presently to deeply connect with real-life sports; the OFS ecosystem comprises several ancillary services, which make up the levers that operationalise this market.

Sports leagues

The sports leagues have been the key catalysts to this market; the advent of these leagues has not only led to the uptake of OFS, it has also helped boost audience engagement with the sport itself. 2019 witnessed some key announcements and forming of associations between leading sports bodies and Fantasy Sports operators. The Board of Control for Cricket in India (BCCI) announced a 4-year exclusive partnership with Dream11 in 2019, with the official fantasy game of the Indian Premier League (IPL) to be powered by Dream11. Some key official partnerships of Fantasy Sports platforms with sports leagues include:

Online Fantasy Sports Platform	Sports Leagues & Bodies[38]
DREAM11	Indian Premier League, Pro Kabaddi League, Indian Super League, Board of Control for Cricket in India (BCCI), National Basketball Association (NBA), International Cricket Council (ICC), Caribbean Premier League T20 (CPL T20), Fédération Internationale de Hockey (FIH), Big Bash League (BBL), Mumbai T20 League, European Cricket League, Karnataka Premier League
MYTEAM11	Pro Volleyball League
FUNTASY	Premier Badminton League
dotball EVERYTHING CRICKET	Tamil Nadu Premier League

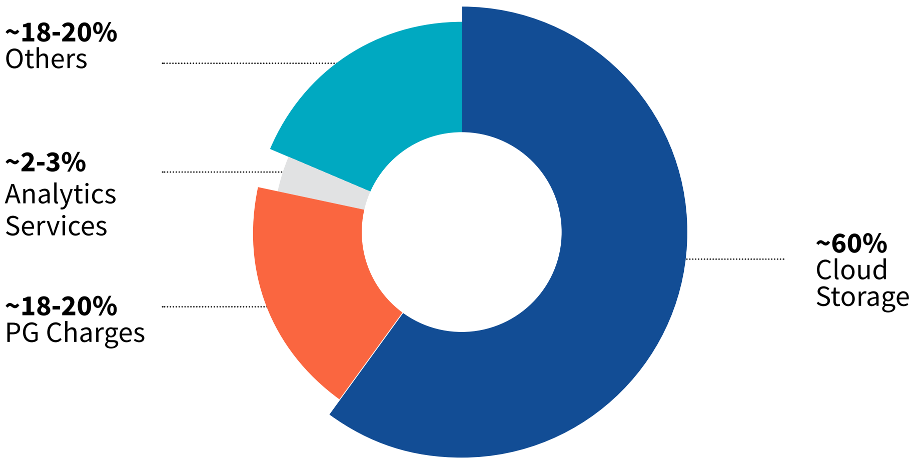
[38] Websites of the platforms, accessed on January 24, 2020

Technology solution providers and vendors

The digital nature of the OFS platforms requires a high degree of technological intervention across areas of platform innovation, maintenance, API, cloud storage, etc. IT infrastructure expenses (including payment gateway charges) account for ~14-15 percent of the top platforms' net revenues[39]

While all OFS operators essentially maintain an in-house tech-team, these operators tend to have external alliances with specialised tech-vendors especially in areas of cloud storage, analytics and API depending on the scale of business and in-house specialisation. The span of tech services availed by the OFS operators range from tech support in user acquisition to communication and engagement. Some of the key tech vendors include AWS, Clevertap, Google Analytics, Zendesk and Google Suite.

Indicative share of annualised spend of the IT infrastructure costs



Source: Industry interactions, KPMG in India analysis

[39] Based on Industry discussions

The key outsourced tech-expenses include cloud storage and analytics cost accounting for >60 percent of the IT infrastructure costs. Payment Gateway charges account for ~20 percent of the tech-expenses borne by the OFS operators[40].

Marketing and Branding

Like any emerging industry, marketing & branding initiatives play a crucial role in driving awareness and building brand equity for the OFS platforms. OFS operators have been spending over 80 percent of their total expenditure on different branding and marketing initiatives[41]. Being a digital platform, OFS operators focus on measurable impact across all their marketing initiatives.

Amongst various avenues of marketing, the platforms' major focus is on digital marketing. This enables focussed, targeted and highly optimised CAC driven campaigns to the ever-growing base of Fantasy Sports consumers. Brands are spending a significant ~80-85 percent[42] of their marketing expenses on digital marketing, given the online nature of the business. Other media vehicles explored by the OFS brands include television, OTT platforms, social media and public relations.

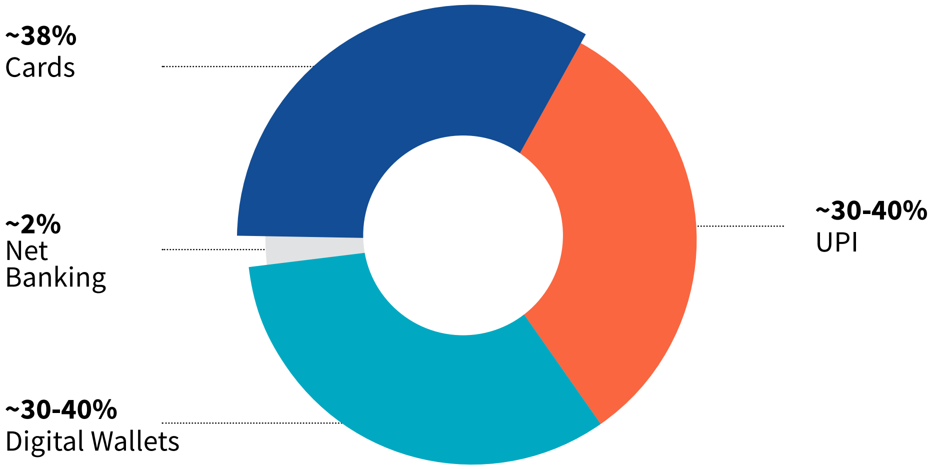
While the OFS operators employ highly qualified in-house marketing teams, they also engage with different specialist professional marketing agencies to carry out varied functions - PR, Social Media, Media Buying & Planning, Production Houses etc. Additionally, the OFS operators have also been leveraging the fandom of marquee sports players to draw in users by appointing them as Brand Ambassadors for their platforms.

Payment Gateways

A key ecosystem service availed by the paid users continues to be digital payment gateways that facilitate transactions on the platforms. The payment gateways provide the interface of monetisation for the OFS platforms. The growing proportion of paid-users on the OFS platforms has catapulted the digital transaction volumes on these platforms. The Pot buy-in by the paid-users are essentially digital in nature including – UPI, mobile wallets and digital transactions through Netbanking, Credit & Debit cards. For some of the leading operators, RuPay constitutes ~50% of the card-based payments[43], which helps boost the 'Digital India' initiative of the Government of India (GoI), supplemented by the fact that all transactions, including withdrawals are limited to only online transactions. Industry interactions indicate that the number of paid users has grown in tandem with the overall growth of registered users on OFS platforms and is expected to reach ~20 million users by IPL season 2020[44].

[40] Based on Industry discussions
[41] Industry interactions and Dream11 ROC filings accessed on January 14, 2020
[42] Based on industry discussions
[43] Based on Industry discussions
[44] Industry interactions

Illustrative split of transaction by mode of Digital Payment



Source: Industry Interactions

Sports Analytics

Sports analytics services in India are at a relatively nascent stage and largely focused on a B2B clientele which includes OFS platforms, sports leagues, sports magazines, etc. Some of the key players and their services include:

Players	Services Offered
Raonuz API	• Provides API, Live Score & Stats for Cricket, Football & Kabaddi[45] • Key clients include Kings XI Punjab, Sportskeeda, Mobile Premier League (MPL), Halaplay, MyTeam11, Fantasy Power11
Formcept	• A Sports Analytics Platform • Marquee clients include ESPNCricinfo[46]
Sportmechanics	• It is a Predictive & Descriptive Sports Analytics platform • Strategic partner for ICC and several sports leagues teams & corporates[47]
Kadamba	• It is a Sports data & analytics covering Cricket, Kabaddi, Volleyball, Football, Badminton • Key offerings include team performance analysis, data feeds, editorial, auction & draft, social media & infographics, sports website development, match centres, ball & player tracking, broadcast graphics[48]
SportingMindz	• Proprietary product 22Yardz — a Cricket match analysis software which gives in-depth statistics along with appropriate video analysis and is backed by an extensive reporting system • The platform has four IPL teams – RCB, KingsXI Punjab, KKR and Deccan Chargers as their clients among other international sporting brands[49]

[45] Raonuz website accessed on 20 December 2019
[46] Formcept website accessed 20 December 2019
[47] Sportsmechanics website accessed 20 December 2019
[48] Kadamba website accessed 20 December 2019
[49] SportingMindz accessed on 20 December 2019

Players	Services Offered
Sports Insight	• The company's Cricket match analysis software iCricket gives detailed statistics along with the accurate video analysis to analyse a player in all the aspects of the game — batting, bowling, fielding, partnership and over by over analysis[50] • The company also provides front-end analysis services, player profiling, and data management services • Provides real-time analysis and counts Indian Premier League Franchisees, Bangladesh Premier League, USA Cricket Board and has leading sports academies as their key clients

Source: Based on secondary research

Sports Research, Tips and Tricks Websites/Apps

Majority of the OFS users in India rely largely on Free-to-use digital sports magazines and sports-information portals to get insights on match updates, predictions and OFS related tips. Some of the key popular portals include:

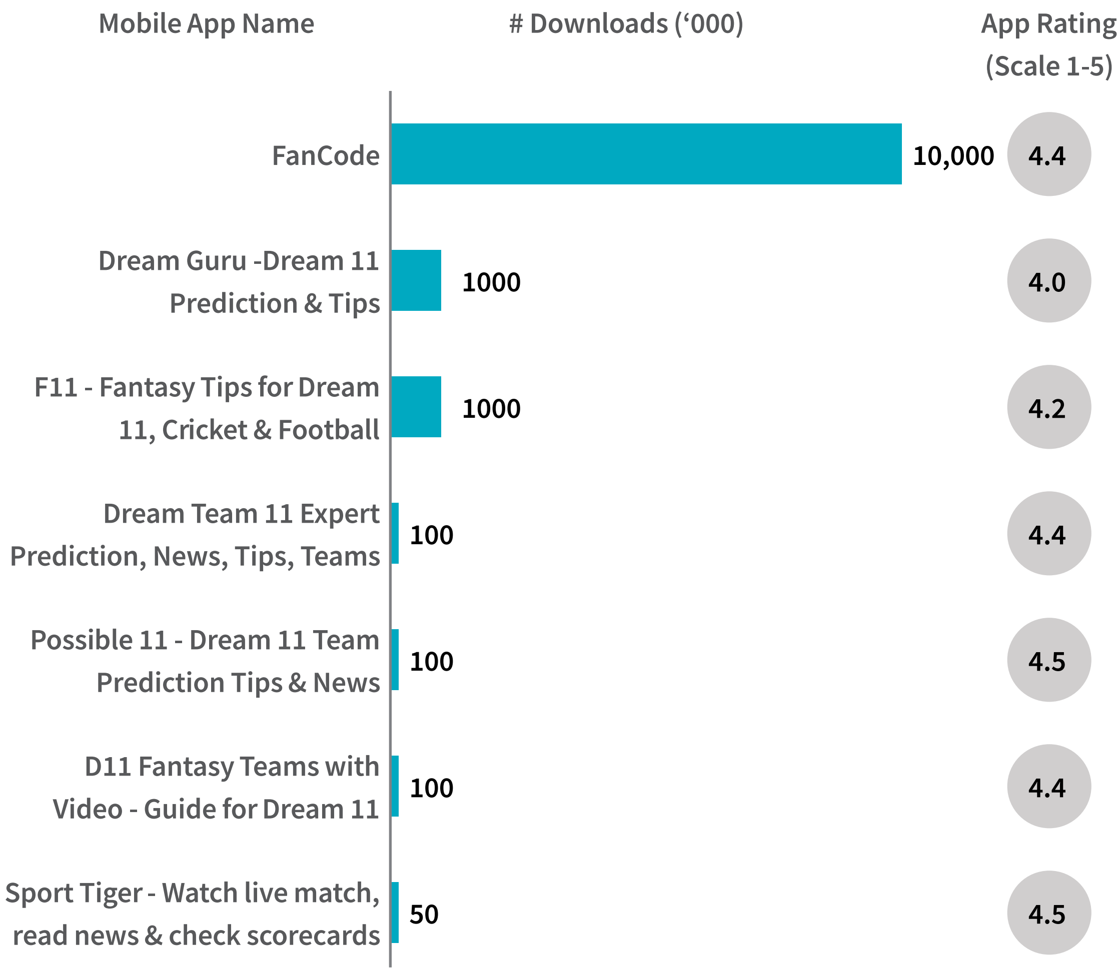
Portal	Services Offered	Sports Covered
FanCode	• Multi-sports aggregator platform that focuses on long-tail sports content and contextual commerce related to sports • Caters to the ever-growing sporting needs of the sports fans like streaming sports matches, data and research, fantasy predictions and advisory, on-demand content, live match commentary etc	Cricket, Basketball, Football, Hockey, Baseball
SportsTiger	• Multi-sports aggregator app providing news updates and OTT streaming	Multi-sports
CricBuzz	• Features news, articles & live coverage of matches including videos, scorecards, text commentary, player stats and team rankings	Cricket
CricTracker	• Provides Fantasy League tips, predictions, news, etc.	Cricket
Online Fantasy Cricket Tips	• Provides Free Fantasy Cricket Tips, Prediction, Dream11 Tips, and Prediction for Latest Cricket Matches	Cricket
India Fantasy	• Provides match predictions, views on fantasy teams, match previews, sports & industry news, player biographies	Cricket, Football, Hockey, Kabaddi, NBA, Volleyball

[50] Sports Insight website accessed on 20 December 2019

Portal	Services Offered	Sports Covered
Sportskeeda	• Provides Tips, predictions, live updates & articles	Cricket, Football, Kabaddi, Wrestling
The Fan Garage (TFG)	• Provides real-time information, focused editorial, audio & video content • Provides OFS focused tips and has podcast features	Cricket, Indian Football, Kabaddi, Hockey, Table Tennis
Cricket Addictor	• Provides Live Score, stats, match predictions & fantasy league tips	Cricket

Source: Based on secondary research

Given the mobile first nature of digital India, numerous free-to-use mobile applications have been launched that provide OFS tips. Some of the popular mobile applications include:



Source: Google Play Store

As the Indian Fantasy Sports market evolves, the Fantasy Sports users may potentially follow developed OFS markets like the United States of America (U.S.A) and seek premium & differentiated resources to improve their performance on the Fantasy Sports platforms. While these developed Fantasy Sports markets continue to have numerous free-to-use services & resources, the matured users in these markets subscribe to premium platforms to avail differentiated and niche data driven services to improve their performance on Fantasy Sports platforms. Some of these premium pay-to-use services providers in the US include:

Service Provider	Services Offered	Subscription Plans
LineStar	Provides line up optimisation, match predictions, injury notifications, score updates, news, etc.	• USD 19.99 p.m. • USD 199.99 annually[51]
numberFire (Acquired by FanDuel)	Provides customised team drafting optimisation, analytics, predictions, player profiling & news, etc.	• Recruit Plan: USD 19.99 p.m. • Rookie Plan: USD 29.99 p.m. • All-Pro Plan: USD 49.99 p.m.[52]
FantasyPros.com	Provides analytical team drafting solutions, line up optimisation, match analytics, etc.	• Paid subscription starts from USD 2.99 p.m. (prices scale up with features added to the account)[53]
Rotowire	Provides daily fantasy lineup optimiser services	• Paid subscription starts from USD 2.99 p.m. (prices scale up with features added to the account[54]
Jockalytics	It is a contest marketplace which helps the user select the most attractive Fantasy contest for any match in the ongoing sports leagues	• Paid subscription starts from USD 9.99 p.m. (prices scale up with features added to the account[55]

Source: Based on secondary research

[51] LineStar website accessed on 13 January 2020
[52] numberFire website accessed on 13 January 2020
[53] FantasyPros.com website accessed on 13 January 2020
[54] Rotowire website accessed on 13 January 2020
[55] Jockalytics website accessed on 13 January 2020

The growing popularity of Fantasy Sports platforms is positively impacting the growth of ancillary service providers that help operationalise the OFS platforms, as well as the research & content platforms availed by the users to improve their performance.

The co-dependence of these stakeholders within the ecosystem is shaping the fast-growing OFS market. This emerging market in India is steadily gathering critical mass and has started making its impact felt on the Indian economy, which we discuss in detail in the next section. The evolution of the market and growth in its user base is further going to strengthen this effect going forward.

Role of the Federation of Indian Fantasy Sports (FIFS)

With the OFS industry rapidly gaining critical mass, and multiple operators emerging on the horizon with varied business models and offerings, it is imperative to have a governing body that shapes and monitors this fast-growing industry. The Federation of Indian Fantasy Sports (FIFS) formerly known as the Indian Federation of Sports Gaming (IFSG), was founded in 2017 to protect consumer interests and to create standardised best practices for the Fantasy Sports landscape in the country. This self-regulatory body not only ensures policy advocacy, but also works with key industry stakeholders and liaisons with the policymakers to create a robust governance structure to support the sustained growth of the industry and increase users' confidence in the OFS format.

FIFS currently has 33 members. The members comprise of Fantasy Sports operators and relevant ancillary stakeholders.

SECTION 2

The economic impact of Fantasy Sports

The economic impact of 'Online Fantasy Sports' (OFS) on the Indian economy

Overview

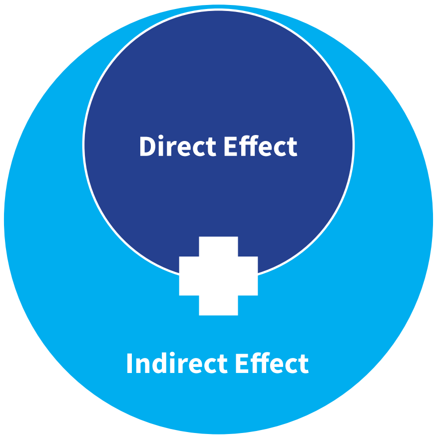
The OFS market, though still in an emerging state, has been contributing significantly to the Indian economy, both directly and indirectly. The direct impact stems from revenue and employment generated by the OFS operators and the pay-outs to the exchequer in terms of taxes. The indirect impact is via the multiplier effect on both upstream and downstream ancillary industries operating in the OFS ecosystem, including payment gateways, advertising platforms & agencies, tech-vendors, and other service providers both for the OFS platforms and users.

Every rupee of revenue earned by the OFS platforms translates to revenue for its supporting industries; thereby resulting in indirect topline growth for these service providers. The rise in the number and scale of OFS operators has also triggered a surge in the direct employment generated by the OFS operators and has paved the path for indirect employment in the ancillary markets that support the operations of the OFS platforms. Also, the very format of the OFS helps generate winnings for its users that adds to their household income. Further, the incremental earnings generated by each member of the ecosystem results in incremental tax collections that can be used to fund Government expenditure into the Indian economy.

In addition to the domestic ecosystem stakeholders, the growth trajectory of the OFS market and its future potential has caught the eye of overseas investors. Multiple foreign investors have already invested in OFS platforms and with the growth in user engagement, the same is likely to continue in the years to come.

Illustration of key areas of Direct & Indirect Economic Impact

OFS Ecosystem



Revenue Generation for the Private Sector

- Growth of the private sector economy through higher revenue generation for the OFS operators and its ancillary & support service providers

Employment Generation

- Increased direct & indirect employment
- Consumption spend of these employees into the economy

Incremental Earning for the OFS Users

- Winnings from the OFS platforms results in an extra source of income for the OFS users
- Incremental consumption expenditure by the users

Taxes

- Corporate taxes & GST on the incremental earnings of companies in the ecosystem
- TDS on salary & winnings of the individuals

Digital Adoption

- Intrinsic nature of the OFS platforms improves digital engagement for content & transactions
- Helps promote digital adoption in the economy

Increased Consumption of Sports

- Increased consumption of sports owing to continuous engagement with OFS platforms
- Broadening sports consumption to add to revenues of entire sports value chain

FDI

- The Fantasy Sports startups have successfully attracted investments from overseas investors
- This results in FDI inflow into the Indian economy

Source: Interactions with Industry representatives & KPMG in India analysis, 2020

Fuelling the growth of the private sector

The growing popularity of Fantasy Sports in India has led to the emergence of a new industry consisting of the OFS operators and ancillary ecosystem players. Though still evolving, this market has seen a steady increase in the number of platforms from 10 in 2016 to over 140 by 2019[56]. Driven by a strong user base of ~90 million and a steady rise in the number of paid users[57], the offtake of Fantasy Sports has resulted in revenue generation not just for these companies but also for other service providers in the OFS ecosystem.

With the user base of OFS expected to show robust growth post the return to normalcy following the COVID-19 pandemic, and the industry CEA having touched INR ~16,500 crore in FY20, there is a direct impetus on the private sector economy through the revenue generation by the OFS operators. The operators tend to charge ~10-20 percent[58] of the Contest Entry Amount (CEA) as their platform fee. A CEA growth of 167 percent between FY19-20 has materialized into ~INR 16,500 Cr worth of CEA by FY20. The same translated to INR 2,470 Cr in revenue for the OFS operators by FY20.

Contribution to the economy through direct revenue generation – OFS operators

	FY17	FY18	FY19	FY20
OFS Operators' Revenue (in INR Cr)	62	262	924	2,470

Source: KPMG in India analysis, 2020

The OFS ecosystem also consists of several ancillary service providers that support the operations of the OFS platforms. The operational expenditure of the OFS operators across key functions such as tech-support, marketing, digital transactions, etc. translates to revenue generation for these service providers. Thus, every incremental rupee generated directly by the OFS operators; indirectly results in incremental revenue generation for the supporting service providers.

[56] Industry interactions, January 2020
[57] Industry interactions, January 2020
[58] Industry interactions, January 2020

Contribution to the economy through indirect revenue generation – OFS ecosystem

Revenue Projections (INR Cr)	FY17	FY18	FY19	FY20
Tech-vendors	7	29	104	277
Marketing Media & Agencies	58	243	857	2,293
Payment Gateways	2	7	25	66
Total	**66**	**279**	**986**	**2,636**

Source: KPMG in India Analysis, 2020

Contributing through economic growth of the wider sports ecosystem

In addition to these three key ancillary service providers, increased engagement with Fantasy Sports also enables revenue generation for other players in the ecosystem, including:

- **Advertisement and subscription revenues for broadcasters & Over The Top (OTT) video platforms:** OFS users have a propensity to spend an incremental amount of time viewing sports as compared to non OFS users; in order to stay up to date with strategies for their Fantasy Sports teams.

  This additional viewership generated by the broadcasters and OTT platforms, attributable to the OFS platforms, results in incremental advertising and subscription revenues for them. Further, with sports being one of the most important monetisable genres on television and OTT, the impact of increased viewership translating into incremental revenues is more than any other genre.

- **Sponsorship revenues for sports bodies and leagues:** As outlined above, there is a significant amount of spend on marketing and brand building by the OFS operators; estimated at INR 2,293 crore in FY20. A substantial portion of these marketing spends finds its way as sponsorship revenues for various sports bodies and leagues. In the last 2-3 years, leading OFS operators have been extremely active in sponsoring major sporting properties in the country. Tabulated below are some of the key sponsorship initiatives undertaken by some OFS operators recently:

Sponsored Event	Sponsor
• Associate Sponsor for BCCI for National Cricket Team • Official Fantasy Game Partner & Sponsor - IPL • Title Rights Partnership with NZ T20 League – Super Smash	Dream11
• Title Sponsor for the India Tour of West Indies 2019 • On-air Sponsor for Pakistan Super League 2019	MyTeam11

Source: Based on Secondary Research

The revenues thus earned by these sporting leagues and bodies results in a ripple effect of economic growth that spans the sports bodies, the players of that particular sport, as well as spends for grassroots development.

- **Spends on brand ambassadors and player tie ups:** In order to build a robust brand presence, as well as educate users on the skill-based nature of OFS, platforms are spending a significant amount of money as marketing spends on roping in credible brand ambassadors, as well as having tie-ups with multiple players. Some of the leading Indian Cricket personalities like Mahendra Singh Dhoni (Dream11), Sourav Ganguly (My11Circle) and Virender Sehwag (MyTeam11) have been engaged as brand ambassadors of leading platforms.

- **Sports statistics & research platforms:** Free-to-use digital platforms such as SportsKeeda, CricBuzz, FanCode and SportsTiger are accessed by the users to gather information about team/player performance, playing history, pitch analysis reports, other related statistics and news updates that would help them make an informed decision while picking players for their Fantasy Sports teams. Majority of these platforms largely operate on an advertisement revenue model. The increased number of hits on these platforms due to the OFS users results in incremental revenue generation for these platforms

- **YouTube Channel Owners:** In India YouTube serves as a key platform for OFS training and accessing tips/tricks videos. There are currently over 1 million videos[59] with OFS related content catering to the Indian audience. Growing popularity of OFS is likely to translate to an increased number of views on these channels. YouTube pays the channel owners 55% of the INR 150-170 CPM for every 1,000 views above a base-view of 1,000. Some of the top channels with OFS content in India have consistently over 20,000 views per video[60]

- **Spends on CSR initiatives centred around sports:** Some of the more established OFS platforms in India are also contributing to the wider sports ecosystem through CSR spends on sports. A case in point is the ‘Stars of Tomorrow’ (SOT) programme by FIFS (Federation of Indian Fantasy Sports) which is also supported by the Dream Sports Foundation. Launched in late 2018, SOT aims to sponsor competition, coaching and nutrition expenses of budding athletes. The SOT athletes won 75 medals across various competition by March 2020[61].

- **Proliferation of other digital apps around sports content:** The recent years have witnessed the growth of ancillary companies that provide research, tutoring, and analytics services to Fantasy Sports users and coach them to create their teams. There are more than 350 Apps on Google Play Store offering tips and tricks to create teams on Dream11 and other fantasy platforms. Further, as per industry discussions, there are coaching classes conducted offline by the Fantasy Sports users for users who aim to become better at fantasy sports.

[59] Industry interactions, January 2020
[60] YouTube accessed on January 2020
[61] Based on Industry discussions

Create avenues of employment

A rapid rise in the popularity of Fantasy Sports has resulted in the emergence of numerous start-ups launching their own platforms, resulting in direct employment generation for the industry. On an average every OFS operator employs ~20 employees with the more established platforms in the industry having anywhere between 100-300 on pay-roll employees[62]. While the industry is expected to consolidate going ahead, the increase in scale of the platforms is expected to continue generating direct employment, contributing significantly to the Indian economy. The industry employed ~2,800 on-payroll employees in FY19[63] and this rose to ~3,400 employees by FY20'[64]. Dream Sports looking at hiring ~250 employees this year as they expect the demand to peak, and 180 of the same are likely to be for Dream11. The company's other brands include FanCode and DreamX. The company has already hired 80 employees since January 2020[65].

Contribution to the economy through direct employment creation by OFS operators

	FY17	FY18	FY19	FY20
Direct Employment (#)	~600	~1,400	~2,800	~3,400

Source: KPMG in India analysis, 2020

Given that some platforms outsource certain aspects of their operations including tech-support, marketing, payment gateways etc. to external vendors; every job directly created by the OFS operators translates to indirect job creation in the ancillary industries through a multiplier effect. Further, those employed under the OFS ecosystem access the services of multiple other service providers in the formal sector, creating a ripple effect. Leveraging the established input-output multiplier for indirect employment generation; for every direct employment generated by the OFS operators, there are 1.5 in-direct employment avenues generated in the economy. Thus the OFS industry resulted in direct employment to the tune of ~4,200 employees in FY19, which increased to ~5,100 employees by FY20[66].

Contribution to the economy through indirect employment creation

	FY17	FY18	FY19	FY20
InDirect Employment (#)	~900	~2,100	~4,200	~5,100

Source: KPMG in India analysis, 2020

[62] Industry interactions, January 2020
[63] Industry interactions, January 2020
[64] Industry interactions & KPMG in India analysis
[65] When others fire, Dream Sports hires, Indian Television, accessed on 29 June, 2020
[66] KPMG estimates using input output multiplier for indirect employment

Contribution to the economy through consumption expenditure of employees

	FY19	FY20
Salary & Wages (INR Cr)	214	405

Source: KPMG in India analysis, 2020

Both direct and indirect employment through the OFS industry contributes to the household earnings which in turn translates to private consumption in the Indian economy. Estimates indicate that the OFS operators spent ~ INR 214 Cr in FY19 on salary and wages[67] and this increased to ~INR 405 Cr in FY20[68]. Given an average Indian household spends ~50 percent of its earnings on private consumption, this would translate to an incremental contribution to the GDP by ~INR 200 Cr in FY20 via the consumption route alone.

On the same lines the indirect employment created by OFS industry would contribute to incremental private consumption, further increasing the contribution of the overall OFS ecosystem to the Indian GDP.

Generate incremental earnings for the OFS winners

While the OFS operators charge ~10-20 percent of the CEA as a platform fee; the balance ~80-90 percent is redistributed among users as winnings or cash bonuses/ promotional credits[69]. OFS operators indicated that ~INR14,000 Cr were paid out in the form of winnings and cash bonuses/ promotional credits in FY20[70]. This provides incremental earnings to the recipients which in turn helps boost their discretionary spending on private consumption.

Contribution to the economy through incremental income for individuals in the form of winnings

	FY17	FY18	FY19	FY20
Winnings (INR Cr)	~350	~1,480	~5,230	~13,997

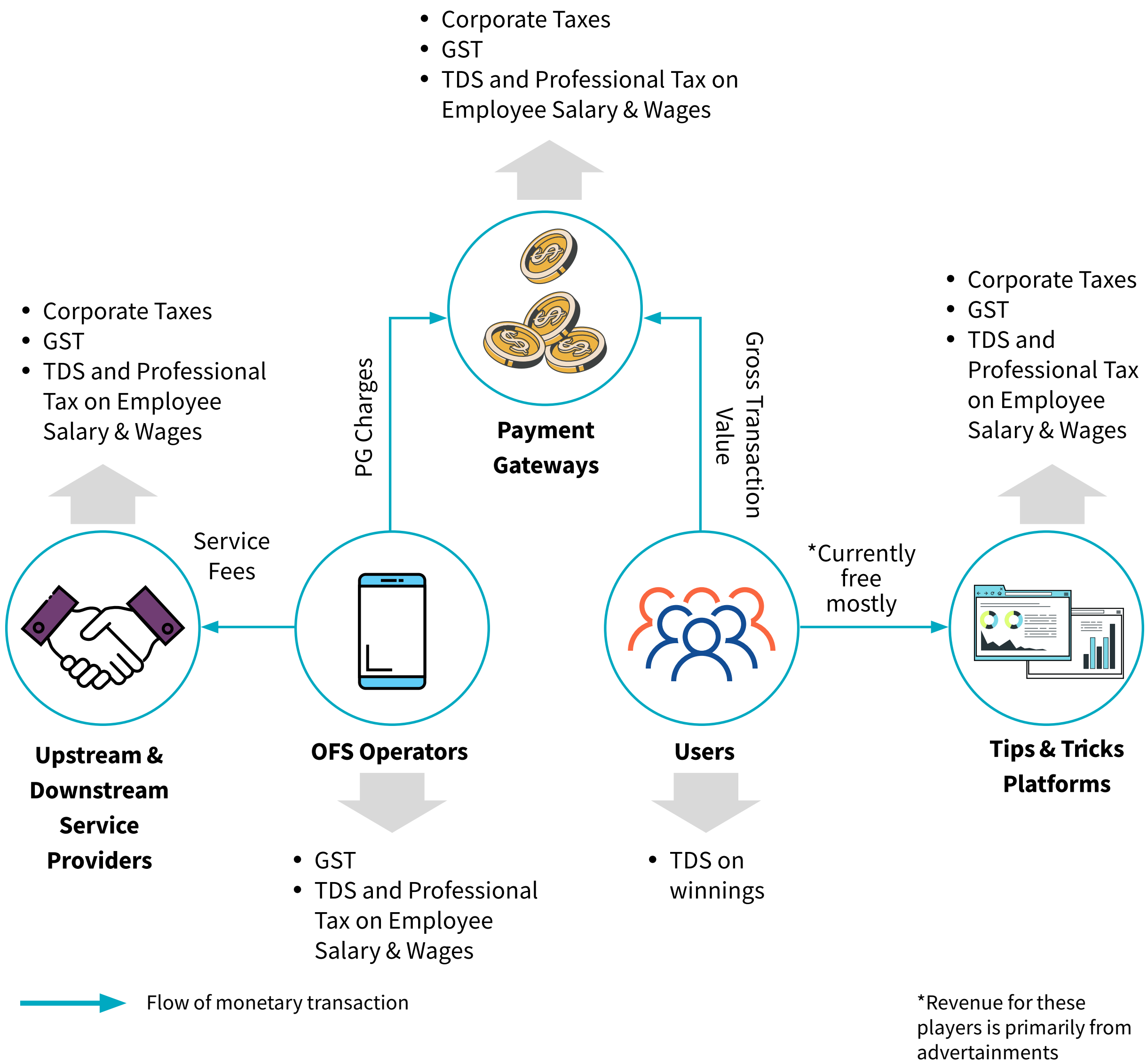
Source: KPMG in India analysis, 2020

[67] Industry interactions, January 2020
[68] KPMG estimates basis industry interactions
[69] Industry interactions, January 2020
[70] Industry interactions, January 2020

Contribute to government expenditure through taxes

The direct & indirect revenue and earnings generated in the OFS ecosystem are subjected to different categories of taxes; which in turn finds its way into the GDP through government expenditure.

Illustration of key tax pay-outs due to the OFS ecosystem



Source: KPMG in India analysis, 2020

The OFS operators currently pay 18 percent Goods and Services Tax (GST), which is applicable on the platform fee charged by the OFS operators. Industry estimates indicate that the OFS operators cumulatively paid GST to the tune of ~INR 166 Cr in FY19[71] and the same increased to INR 445 Cr by FY20.

Contribution to the economy through taxes – GST paid by the operators

	FY17	FY18	FY19	FY20
GST Paid by OFS Operators (INR Cr)	11	47	166	445

Source: KPMG in India analysis, 2020

Additionally, the OFS operators also deduct the applicable TDS on winnings at source, before disbursing the amounts to the winners. TDS of 31.2 percent is applicable on winnings above ~ INR 10,000[72]. In FY19 alone TDS on winnings was to the tune of INR 93 Cr, increasing to INR 250 Cr by FY20.

Contribution to the economy through taxes – TDS on winnings

	FY17	FY18	FY19	FY20
TDS on Winnings (INR Cr)	6	26	93	250

Source: KPMG in India analysis, 2020

Also, the salaries earned by the employees of the OFS platforms are subject to income tax. In FY19, the cumulative income tax outlay due to the direct employment wages was to the tune of INR 43 Cr, doubling to INR 81 Cr by FY20.

Projections of Income Tax of Direct Employees

	FY19	FY20
Income Tax Paid by Direct Employees (INR Cr)	43	81

Source: KPMG in India analysis, 2020

Further the 'Indirect' revenue and employment generated in the ancillary and supporting industries due to the OFS market also result in incremental business and personal taxes paid to the government, thereby increasing the contribution of the OFS ecosystem towards Taxes due to the multiplier effect.

[71] Industry interactions, January 2020
[72] Do I have to pay taxes when I withdraw money to my bank account? - FAQs, Dream11 website accessed on January 11, 2020

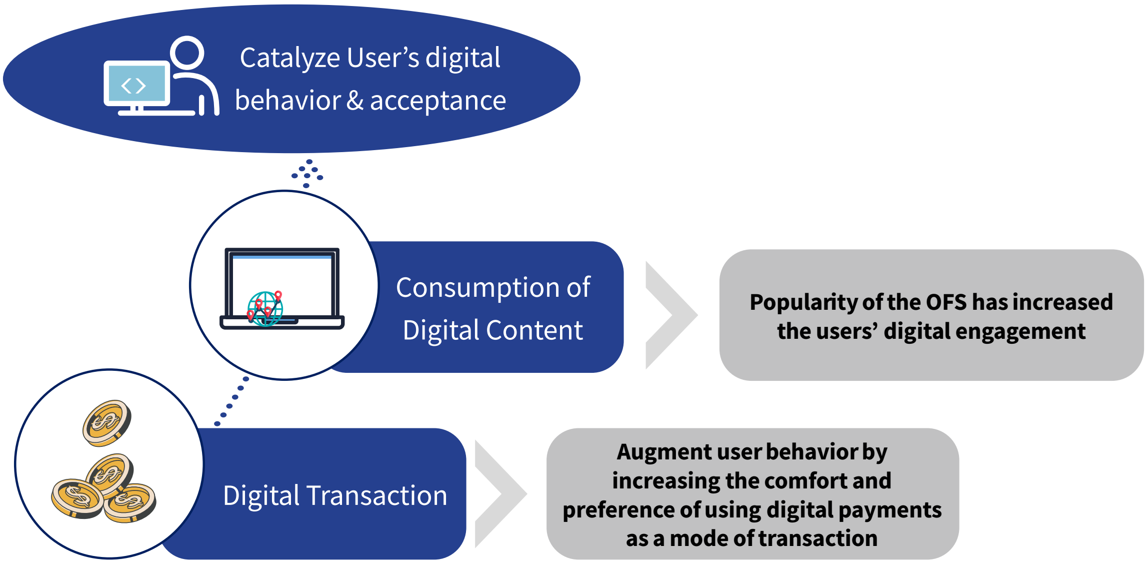
OFS helping catalyse digital adoption in the Indian economy

Currently with ~690 million[73] internet users, India has emerged as one the largest and fastest growing digital-enabled economies in the world. The Ministry of Telecom and Information Technology, Government of India envisages India has the potential to become an INR 70 lakh Cr digital economy by 2025.[74]

Both government and corporate initiatives have been focused on attaining the vision of driving economic growth through digital enablement. The government launched the 'Digital India Program' in 2015[75] to ensure that government services are made available to citizens electronically. The program focuses on key areas such as digital infrastructure as a core utility to every citizen, provides governance and services on demand electronically and helps increase digital empowerment for the citizens. The launch of nationwide 4G services by Reliance Jio and other incumbent telecom operators in 2016, transformed the digital infrastructure penetration in the country[76].

The intrinsic 'Online content-consumption and transaction' driven nature of the OFS ecosystem can be instrumental in driving the offtake of digital usage among the Indian consumers through a two-pronged lever:

OFS ecosystem's 2-Pronged Lever to encourage Digital offtake in India



[73] The Indian Telecom Services Performance Indicators, TRAI, Jul-Sep 2019 accessed on January 17, 2020
[74] India's Trillion-Dollar digital opportunity, The Ministry of Telecom and Information Technology, GOI accessed on January 17, 2020
[75] Digital India Program website accessed on January 17,2020
[76] Reliance Jio: All you need to know, Gadgets Now accessed on January 17, 2020

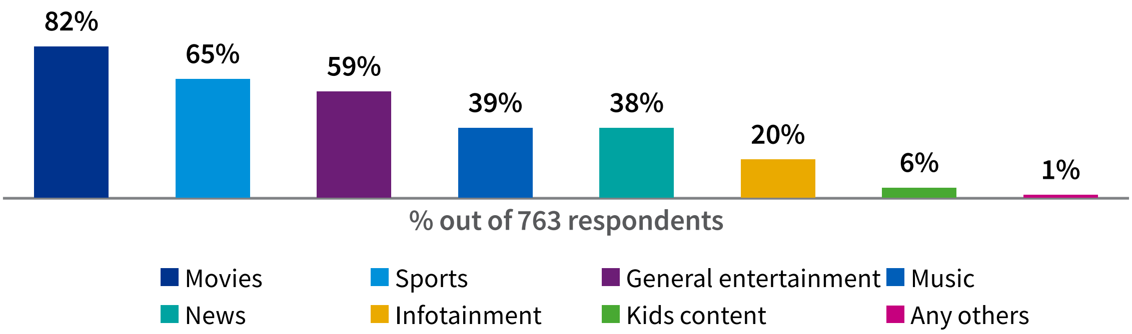
Discussions with OFS operators indicate that their user split between 'Metro & Tier I' and 'Tier II and below' cities is almost equal. The paid-consumers on these platforms also indicate a similar split. This indicates that the OFS operators have managed to expand the reach of their platforms and the ease of doing digital transactions on these platforms well beyond the Top cities in India. Further, a large amount of transactions on leading OFS platforms (~35-40%) are through RuPay or Unified Payment Interface (UPI), thus helping democratise the use of these payment methods amongst the users.

Fostering a sporting mindset

A dipstick study was commissioned to understand the consumer behaviour emanating from the interaction with OFS platforms in India and the impact OFS has on the wider engagement with sports.

The results indicated that 'Sports' was the second most preferred genre watched by the respondents on television and digital platforms. ~65 percent of the respondents indicated that they watched Sports as a genre on television and OTT, surpassing 'General Entertainment' which was watched by ~59 percent of the respondents. Further over ~60 percent of respondents across all age groups indicated that sports was among one of the Top 3 genres watched across television and OTT.

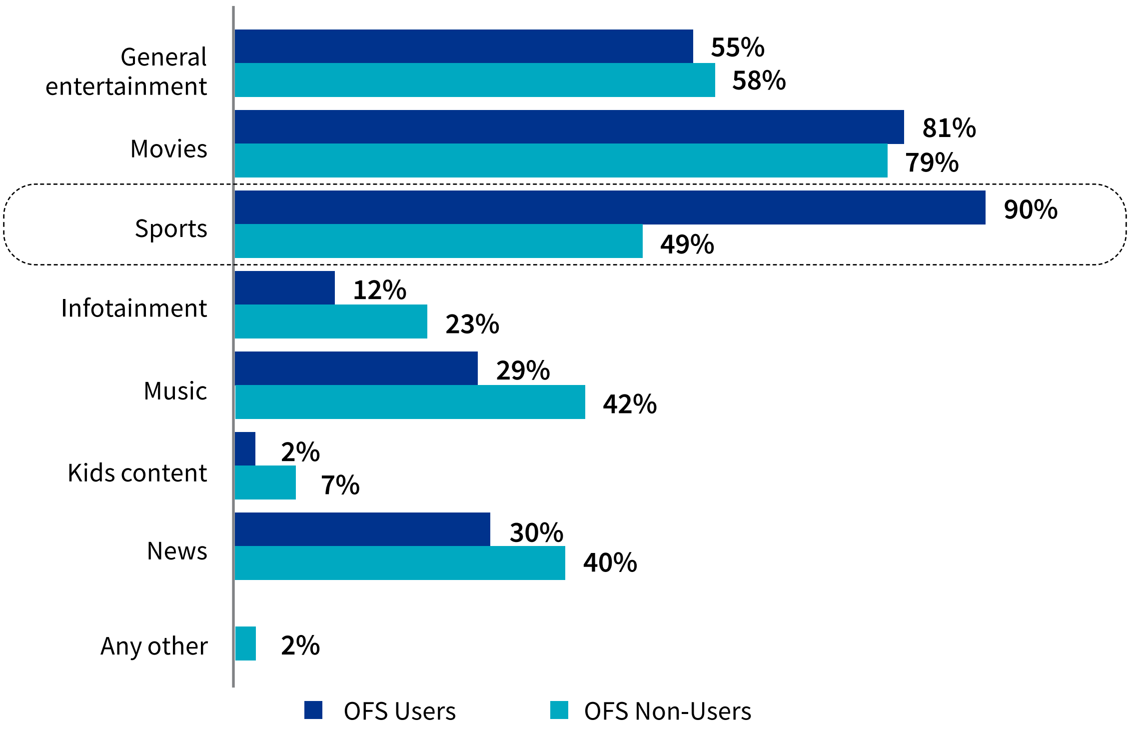
Content Genre watched on Television and OTT (% of respondents)



The survey was conducted on a sample size of 750+ respondents spread across 10 cities. 253 of these 750 respondents were deemed to be OFS users having played Fantasy Sports on an online platform in the last one year.

Source: KPMG in India analysis, 2020 based on a survey
Note: Respondents could choose more than one genre

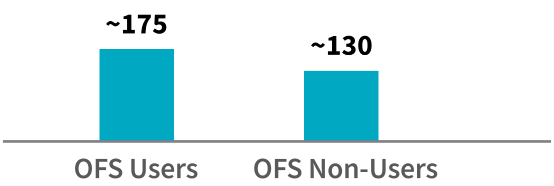
Interestingly, the survey indicated a strong difference in the genre preferences between the OFS users and non-users, especially in the Sports category. Amongst the OFS users (defined in the survey as respondents who have engaged with OFS in the last 1 year), Sports was the most preferred genre with 90 per cent of the respondents attributing to the same, higher than movies. Amongst the non-OFS users, the same preference of Sports dropped to 49 per cent, behind Movies and General entertainment. This highlights the significant impact that OFS has on the preference for engagement with sports at large.



Source: KPMG in India analysis, 2020 based on a survey

The survey further revealed that 'Sports' as a genre was watched for a longer duration for the OFS users vis-à-vis other respondents.

Average time spent watching Sports (minutes/week)



Source: KPMG in India analysis, 2020 based on survey

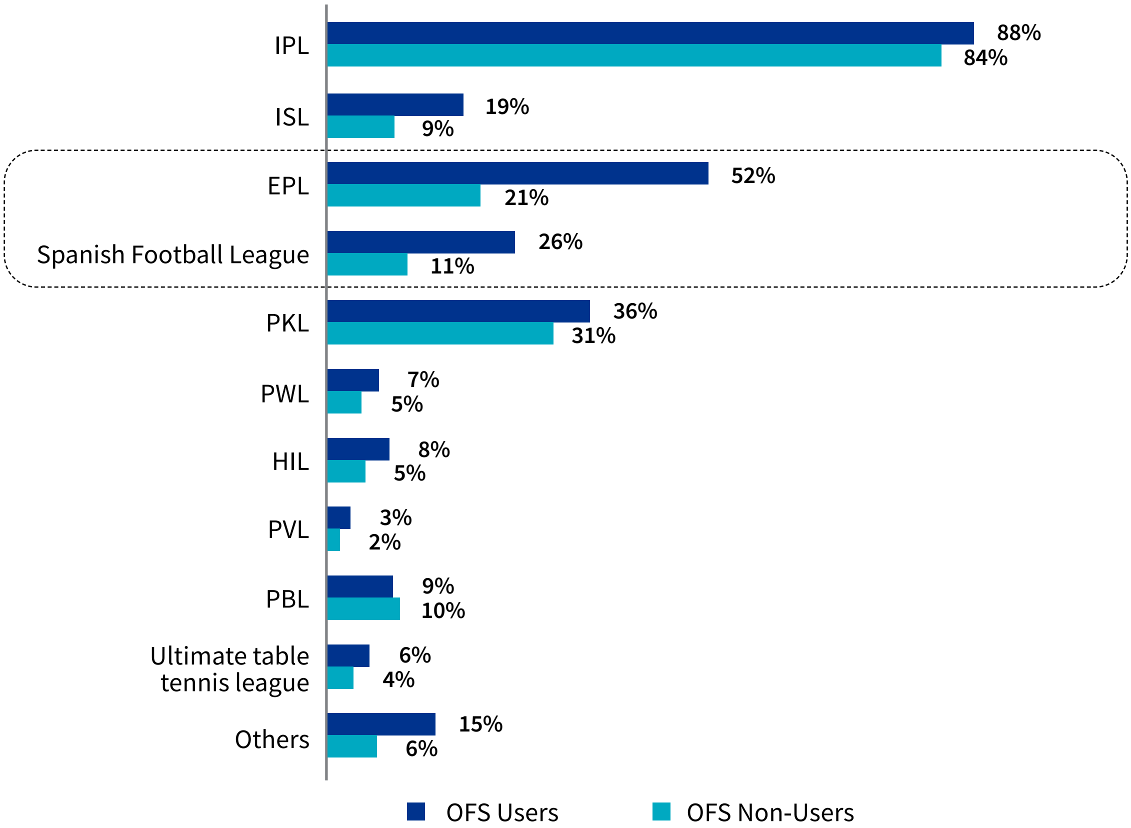
Also, fantasy sport users who engage with OFS platforms more than 4 times a week spend on an average ~215 minutes/week watching sports in comparison to users who engage less than 4 times a week and spend ~160-180 minutes/week watching sports. This substantiates the hypothesis that OFS engagement has a direct impact on sport viewership, in turn helping foster a sporting mindset.

The OFS Users also indicated having a higher degree of awareness about both domestic and global sports leagues vis-à-vis non-OFS users.

Awareness about Sports Leagues (Average # of leagues known per user)

Source: KPMG in India analysis, 2020 based on survey

Awareness of Sports Leagues (% of respondents)



Source: KPMG in India analysis, 2020 based on survey

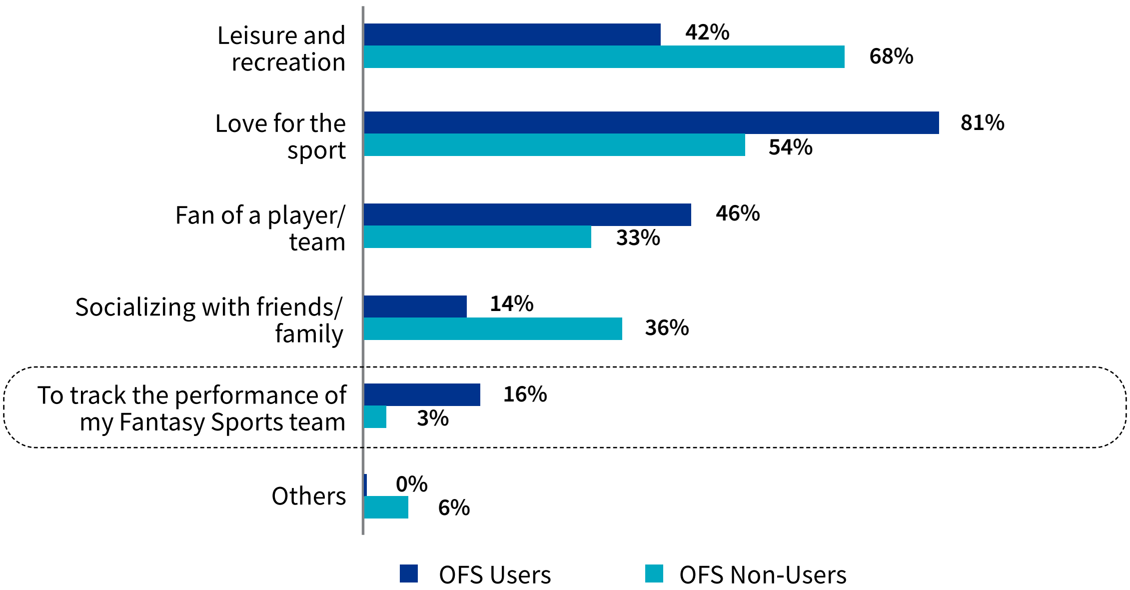
The degree of awareness about major and minor Sports leagues in India is also higher among OFS users with the exception of Pro Badminton League which garnered comparable responses from both users and non-users, potentially as badminton is not offered as a sport on most leading fantasy platforms. Additionally, the OFS users indicated a considerably high awareness about the global Football leagues vis-à-vis the non-OFS users.

The relatively higher knowledge of non-mainstream sports leagues amongst the OFS users points to an important aspect around OFS helping increased consumption of these leagues. The same helps these relatively smaller leagues build a loyal user base, as well as helping popularise the sport across the country.

The underlying intent of sports consumption also varies between the OFS users and non-users. While the OFS users indicate a strong affiliation with the sports, teams and the players; most non-users tend to watch sports as a source of recreation and entertainment. This also shows that OFS has the potential to convert passive sports viewers into active sports consumers.

Further, the survey revealed that ~16% of the OFS respondents categorically mentioned that the key motive of watching the Sports Leagues is to track the performance of their OFS teams.

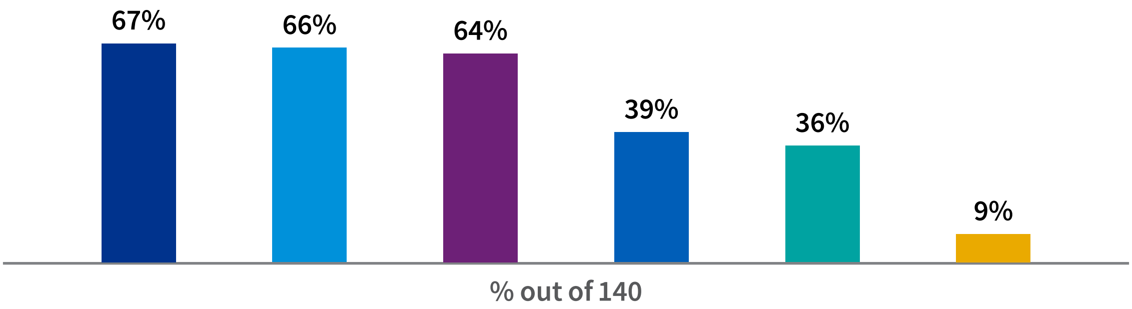
Motive for watching the Sports Leagues (% of respondents)



Source: KPMG in India analysis, 2020 based on survey

Though the intrinsic personal affinity for sports could be the initial driver for a user to start playing Fantasy Sports, the survey results revealed that for 55% of the respondents their engagement with sports increased once they start engaging with Fantasy Sports. Over 65% of these respondents indicated that there is a direct increase in the time spent in analysing, watching and reading about the Sport once they start playing Fantasy Sports online.

Indicators of increased attachment with Sports due to OFS (% of respondents)



- More time spent watching/reading about the game
- Independent analysis of prayers and the game
- More time spent watching Sports on TV/Digital
- More spends on Online Fantasy Sports platforms
- Visiting websites and Youtube channels for information on players and the sport in genereal.
- Going to the stadium to watch Sports in person

Source: KPMG in India analysis, 2020 based on survey
Note: Respondents were allowed to select all applicable options

The engagement of OFS users with sports is also supplemented by them availing the services of ancillary services providers which provide statistics around the current & historical performance of athletes and teams, ground & weather conditions etc. This sports-related information can be sought from multiple sources - multi-sports aggregator platforms like FanCode, user generated tips, training & advice based content on YouTube or by viewing and visiting the official websites of various sports leagues. As per the Survey, ‘YouTube’ emerged as the top platform of choice for incremental engagement with the sport followed by the websites of ‘Fantasy Premier League’ (Football) and the Cricket platform ‘CricBuzz’.

Impact on OFS on attracting Foreign Direct Investment (FDI) into India

Unlike the matured global markets, the OFS industry in India is emerging and on a fast growth trajectory. High demand driven by a rapidly increasing user base and widespread acceptability of OFS is complimented by initiatives undertaken by the OFS operators to increase the width of platform offerings, expand user reach and improve user engagement. Strong demand and supply side levers coupled by a strong growth potential have attracted a steady flow of investments from both domestic and overseas investors. Inflow of FDI in this sector has not only driven the growth of the OFS industry but also helped boost the overall economy. Illustrated below are some deals made in the industry in the recent years[77]:

OFS Platform	Key Investors	Deal Value (INR Crore)	Investment Year
Dream11	Steadview Capital	~400-500	2019
Dream11	Tencent Holdings	~700	2019
Paytm First Games	SAIF Partners	~175	2019
Halaplay	Nazara Technologies, Delta Corp	~40	2019
Halaplay	Kae Capital, Nazara Technologies	~35	2018
Fanfight	Head Infotech	~7	2019
Rooter	Anthill Ventures	~2	2019
Rooter	Venture Catalysts	~4.5	2018

Source: Secondary Research and KPMG in India analysis, 2020

The increasing engagement with OFS, a robust paying user base and a critical mass of users is likely to attract more investors to this segment. The current 90 million registered user base of OFS is a fraction of the total reach of the sports in India providing a strong headroom for growth.

[77] Crunchbase accessed on February 18, 2020

Conclusion

The growing Direct and Indirect effects of the OFS ecosystem on the Indian economy is a manifestation of the evolution of Fantasy Sports in India. Like all emerging industries, as this ecosystem grows, both OFS operators and other services providers in the ecosystem will continue to innovate their offerings and introduce new services to improve the user engagement. Thus, while the OFS market will continue to make the aforementioned impacts on the Indian economy, both the scale and width of these impacts is expected to grow as the market shapes itself towards a more developed industry and the operators explore new business models and services.

SECTION 3

The impact of COVID-19 on OFS in India

The COVID-19 pandemic – A new normal

The first quarter of FY21 witnessed the unforeseen impact of a global pandemic in the form of COVID-19. The novel coronavirus impacted the entire globe, destabilised economies, stopped global movements and disrupted the modus operandi of businesses across sectors. Most companies across the world are likely to be impacted by the COVID-19 coronavirus pandemic, either directly or indirectly, and the increased economic uncertainty has catapulted the need to innovate and align to the interim new-normal.

Increased health concerns and government measures to ensure social distancing to contain the spread of the virus has restricted gatherings in public and workplaces and has given rise to the omnipresent norm of work-from-home across most sectors. The ripples of the COVID-19 crisis and the social distancing measures have made its effect felt across the healthcare, education and corporate sectors, and the brunt of the ripple has also strongly affected the sports ecosystem across the globe.

The primary sports ecosystem largely rests on the levers of team-based games and stadiums filled with fans supporting their teams. The interim new-normal resulted in major leagues and tournaments with global appeal like the Euro 2020 and the Summer Olympics, either postponed or cancelled, keeping in mind the safety of sportsmen, coaches, audiences and other participants in the events. League-based sports have taken a major hit since these are largely team-based games and hosted in geographies which have remained under complete or partial lock-downs since March 2020.

League Calendar for team-based sports & current status

Strict lockdown measures were taken across the globe due COVID-19 scare

Sports Leagues (2020)	Jan - Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Indian Premier League (April – June)		Delayed till further Notice								
Indian Super League (October to March)								Delayed till further Notice		
English Premier League (August – May)				Kickstarted again from 17 June; Schedule till 12 July announced as of date						
Spanish Football League (August – May)				Kickstarted again from 11 June; Schedule till July announced as of date						
UEFA Champions League (August – June)						• Season 2019-20 to be resumed and wrapped up in August • Season 2020-21 to begun in August and proceed as with slight changes in schedule				
Pro Kabaddi League (July – October)					No announcement as of date					
Pro Wrestling League (Jaunary)										
Pro Volleyball League (February – March)										
Pro Badminton League (Jaunary – February)										
Ultimate Table Tennis League (July – August)					No announcement as of date					

Note: Basis OFS industry interactions, there is a likelihood of IPL commencing from September/October 2020

The postponement and cancellation of major sporting events across the globe and especially marquee properties like the Indian Premier League (IPL) back home; has had a direct and adverse impact on the businesses operating in the OFS ecosystem such as OFS operators, marketing agencies, analytics platforms & others. In the absence of real-time sports, the active users on these platforms declined sharply.

Short-term impact on the OFS platforms

OFS platforms were directly affected by the temporary discontinuation of sporting leagues, as these skill-based gaming platforms run on a format that has direct dependence on the real-time sport being played. The lock-down in India was initiated just when the entire country was gearing up for Season 13 of IPL, and the OFS operators were focusing on their strategies and investments to gear up for the season.

This force majeure has created business disruptions in the short-term. Industry interactions indicated that IPL, being the most popular sporting league in India, generates ~30-40% of the revenues for most of the OFS operators. Though the postponing of the event has put cash-flow pressures on the operators, there is a likelihood of the league being held in the third quarter of FY21, albeit with empty stadiums.

This is expected to result in a partial recovery in terms of revenues for the operators and not a complete loss due to IPL. Further industry incumbents have indicated that customer engagement took a hit due to the absence of leagues and was instrumental in some users switching to other real-money gaming platforms. These short-term revenue and customer engagement disruptions have prompted the OFS operators to innovate around their offerings to generate cash, in order to reduce the high dependency on Cricket and major leagues like the IPL.

Initiatives undertaken by the OFS Operators to counter the short-term disruptions

Industry interactions indicated that the operators have been proactive in their actions to combat the challenges posted by the Covid-19 crisis. Some of the FIFS members have modified their offerings while operating under the 'game of skill' umbrella.

The operators have utilized this time to focus on multi-pronged strategies with a view to expanding their platform offerings:

01 Focus on increasing the assortment of sports being covered

02 Offer long tail sports leagues and matches

03 Launch skill-based ancillary offerings such as Quizzes

04 Focus on innovation on the platform to improve user experience

05 Leverage on subsidiary platform to expand offerings under sports streaming and news

Introducing relatively lesser known leagues and sports on platforms

While the major sports leagues across the globe were disrupted, the leading OFS operators have moved ahead to include leagues from secondary markets, which were relatively less affected by the ongoing pandemic. A long-tail of new leagues which are approved by their respective governing bodies such as Belarus Premier League (Football), Taipei T10 League (Cricket), Vanuatu T10 League (Cricket); as well as leagues in Baseball and Handball have been added by the OFS operators as a part of their offerings. While these offerings are relatively new to the Indian audience, industry interactions indicate that there has been some uptake seen in terms of engagement with these leagues, albeit not at the scale of Indian leagues.

Streaming sporting action on associated sports content platforms

Dream11 along with FanCode actively worked towards bringing global sporting action which was on during the pandemic, to the Indian fans. The platform introduced Baseball and Handball and hosted OFS matches, showcased specialised content from long-tail sports tournaments, like Vincy Premier League, Nicaragua League and many more (FanCode). Since March 2020, FanCode has live-streamed over 150 matches across 10+ leagues.

Similarly, MyTeam11 has acquired exclusive Global Streaming rights for Taipei T10 league and non-exclusive streaming rights of Vanuatu T10 League under its SportsTiger platform. The platform has been investing heavily in generating content. An interview series called "Off the field" has been started by the platform, wherein sports stars are interviewed.

Through these initiatives the platforms have helped recover some of the user-engagement that had seen a sharp dip amidst the pandemic and provided sports-based content for the fans who were devoid of any engagement opportunity with sports at large, be it watching or participating in online Fantasy Sports.

With some of the global markets coming out of lock-down, the commencement of the Bundesliga in May 2020 and the English Premier League (EPL), the Serie A & Spanish Premier League (La Liga) in June 2020 is positive news for the OFS operators, who are fully geared up to meet the pent-up up OFS demand from users and offer them an improved experience.

Innovations around offerings

Most players have used the lean period to innovate their platform offerings to add features that would make the user experience more seamless. Dream11 focused on developing a sports social network on the platform and used the time to revisit the non-user focussed features that were no longer needed to reduce redundancies. In the coming few weeks, players like Faboom are looking to introduce new features such as 'Responsible Gaming' which would provide its users features such as 'self-determined' exclusion tenures, option to set deposit limit (daily & weekly) and contest participation limit.

Introduction of quizzing

An innovative move by the operators has been their foray into quizzing. Quizzing has always been a game of skill transcending ages and social groups. These quiz-based games operate on the same participation and platform fee format as the OFS; each quizzing cohort has 4-5 users and the quiz-topics are spread across genres. The user who correctly answers the maximum questions wins the pool. It is worth noting that introduction of quizzing expands the addressable market beyond fans of a specific sport. This in turn helps address one of the pre COVID-19 challenges of the industry, which was to increase participation of female users on the platform. Some operators are thus looking at integrating quizzing as an integral part of the platform in the long run.

Though postponement of the leagues had affected the cash-flows of the OFS operators, industry interactions have indicated that none of the leading OFS operators have down-sized their organization sizes. The lean period was used by the teams to innovate the product offerings and business strategies. The OFS firms are optimistic that this is just a small blip in the industry's growth trajectory. Once the overseas and domestic leagues start commencing, industry players expect a ~20-25% jump in the revenues of Q3 FY21 over the planned revenue. The stakeholders are also of the opinion that once things return towards normalcy, a sharp recovery is expected with the leagues restarting. Companies like

Dream11 have factored this into their hiring strategies with plans to add ~250 members in the near term to its existing team, MyTeam11 has also added 20 new members to it company during the lockdown and is looking forward to going ahead with hiring plans as it expands[78].

Long-term alterations to the market fundamentals

Like any force majeure of such magnitude, COVID-19 is likely to alter the long-term market fundamentals across sectors. The ripple effect of this would be felt on the OFS industry as well.

Some of these alterations were imminent in the long-term but have been fast tracked by the current crisis. Industry representatives have affirmed that OFS operators would need to invest in design changes to differentiate platform offerings and improve-customer experience. The norms of social distancing have called for revisiting the reliance on call-centres for customer support making a systematic push towards automation using chatbots and IVR. This would also benefit users through more real-time assistance, while reducing costs for the OFS operators.

The disruptive growth of the industry was also marked with a surge in the number of OFS operators. Like any emerging industry, market consolidation in the long run was a given. OFS operators are of the view that the current market situation is likely to accelerate the rate of consolidation than was foreseen pre COVID-19, with the longtail of players likely to face challenges in the absence of sporting action till the situation normalizes. Marketing strategy and investments in branding and marketing is expected to undergo a transformation going forward. Most operators have indicated that the next ~6-8 months post the lock-down would be focused on targeted marketing to regain users who might have migrated to other real-money game platforms or other forms of entertainment.

Industry representatives remain optimistic about the growth of the market after this short-term blip. The operators are poised to employ multi-pronged growth strategies encompassing a mix of initiatives to regain and increase user base, offer new sports leagues under its offerings and expansion into skill-based ancillaries subject to the operator's target customer segment, user preferences & product's value proposition. Platforms like FanCode and SportsTiger are also likely to broaden their array of offerings to increase engagement & improve customer experience by educating them about sports that would in turn compliment their sister platform's OFS offerings.

[78] Industry interactions, June 2020

The road-ahead

As India strives to overcome this crisis, it would be premature to comment on when the domestic sports leagues will resume. Though the overseas leagues including the widely popular English Premier League will help user engagement on the OFS platforms; IPL drives ~35-40% of the OFS market's revenues.

If IPL indeed takes place around October – November 2020, the Indian sports fans are likely to have access to sporting leagues and tournaments non-stop for 8-9 months spanning between October 2020 and May-June 2021. This would help partially offset some revenue loss due to the postponement and cancellation of sporting events in Q1 FY21. Further, with global events like the Euro 2020 postponed to FY22, as well as the ICC Cricket calendar also likely to see a packed FY22 owing to rescheduling of cancelled bilateral Cricket series; the long-term growth prospects of the OFS industry in India remain robust.

SECTION 4

Online Fantasy Sports in India – Looking Ahead

Online Fantasy Sports in India – Looking ahead

OFS to fuel content for other modes of online sports engagement

The OFS target market is a tech-savvy demography with high engagement time on digital platforms. The increased consumption of Fantasy Sports in India is likely to have a ripple effect on the type of content offered on digital content platforms, as well as fuel organised content creation for tips & tricks websites and apps.

There are over 35 OTT platforms in India currently[49] catering to over 325+ Mn viewers, making it one of the fastest growing digital media driven by smartphone & affordable high-speed internet penetration. OTT players such as Netflix, Amazon Prime & Disney+Hotstar each invest in and launch multiple originals annually specifically to address the sensibilities of the Indian audience[80].

Leveraging the increased digital engagement around sports in terms of consumption of live sports streaming across apps, OTT players have begun to launch content aligned with sports to cater to the sports fanatics across the globe. Amazon Prime launched 'All or Nothing: Manchester City', an 8-episode documentary series covering Manchester City's 2017-18[81] Premier league season, which is now available in India. Around the same time Netflix launched a similar show 'Cricket Fever: Mumbai Indians' to cater specifically to the Indian viewer's affinity for Cricket while tapping on the growing popularity of Indian Premier League (IPL)[82]. Hotstar's show centred around the Chennai Super Kings franchise, 'Roar of the Lion' was also launched in 2019, aimed at leveraging the large fan base of Cricket in India[83].

The growing OFS ecosystem has resulted in the emergence of multi-sports aggregator platform like FanCode, that focusses on long-tail sports content and contextual commerce. FanCode offers a personalised, curated sports experience across live streaming, news, live match scores, in-depth game analysis and Fantasy Sports statistics & tips. FanCode offers varied sports related services such as streaming, news, live match scores, in-depth game analysis and Fantasy Sports statistics. MyTeam11 recently launched its multi-sports aggregator platform called SportsTiger, which provides relevant news in 60 words format for on the go consumption and has also introduced an OTT streaming feature.[84]

[79] KPMG in India's analysis, 2020
[80] To win over Indian audiences, OTT platforms need to understand the sensibilities of Bharat, January 25, 2019; accessed on 15 January 2020
[81] Amazon Prime accessed on 15 January 2020
[82] Netflix accessed on 15 January 2020
[83] Hotstar accessed on 15 January 2020
[84] KPMG in India's analysis 2020 basis Industry interactions

On similar lines the popularity of Fantasy Sports has encouraged the global OTT platforms to develop niche content to ride the Fantasy Sports wave in mature markets like the USA. Amazon Prime launched documentaries such as 'The Deep End: Meet the Sharks of Daily Fantasy Sports' & 'Living the Fantasy'. These shows focus on Fantasy Sports and walk the audience through engaging formats of interviews with professional & amateur players and a window to their Fantasy Sports journey during the season[85]. Netflix partnered with external broadcasters to add 'The League' to its digital library which follows the lives of fantasy-Football playing friends[86]. The semi-scripted comedy-ensemble helps the audience witness the excitement of winning, the disappointment of losing and the adrenaline rush of apprehension during the league; emotions that directly echo with the innate interest of the Fantasy Sports users. This show garnered over 40,000 viewers[87]

OFS analytics poised to gain traction

The top OFS users constitute a highly analytical community, spending considerable time researching across websites/expert opinions and creating their teams. All the major online sports content platforms including Sportskeeda, ESPN Cricinfo etc. have come up with separate sections covering fantasy tips/tricks, statistics & analysis pertaining to the major sports leagues. FanCode has inked partnerships with Indian & international sports leagues like BPL, Mzansi Super league, NBA, ECL, etc. to enable local users to live-stream these non-mainstream sporting leagues[88]. Also, SportsTiger has inked a deal with Pakistan Super League to become the official streaming partner in India for Pakistan Super League (PSL) 2020. The same has helped Indian sports fans and OFS users get access to the not so easily available sports content.

[85] Amazon Prime accessed 15 January 2020
[86] Netflix accessed on 15 January 2020
[87] IMDB accessed on 15 January 2020
[88] Indians can catch live NBA matches on FanCode app, Livemint, 26 November 2019; accessed on 15 January 2020

OFS demographic to drive a transaction economy

The OFS users constitute a demography in India which is largely comfortable with digital transactions. Popularity of Fantasy Sports is likely to fuel the economy driven by digital transactions, both in terms of users paying on Fantasy Sports platforms, as well as digital transactions on allied businesses catering to OFS industry. The relatively developed OFS market of the U.S.A is already witnessing this subscription led customer engagement with users increasingly opting for paid-resources to get analytical insights, tips & predictions on OFS.

The OFS analytics & toolset platform LineStar has over 150,000 users with premium packages of ~ USD 19.99 per month/USD 199.99 annually[89] offering unlimited access to the analytics platform, simplified research dashboards, player specific tips & signals, etc. In the next 3-5 years, as the OFS market matures in India and the willingness of the OFS users to pay for premium access to these ancillary services increases; all the key businesses in OFS ecosystem including the platforms, tips & tricks providers, etc. are likely to benefit significantly, and help create a strong digital transaction led OFS economy.

Emerging opportunities in Fantasy Sports Training

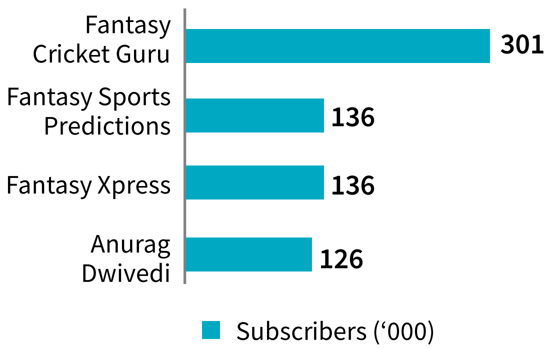
The Indian OFS market is evolving with a steady rise in the number of users, which is expected to cross 100 million by 2020[90]. The growth of this market is creating new avenues in the space of training of new OFS users to make educated decisions during the league games. This opens doors of additional revenue streams not just for the professional OFS users with experiential knowledge of the sport but also for analytics professionals & statisticians, who can apply their knowledge and intelligence to train Fantasy Sports users in terms of achieving better outcomes while designing teams.

Currently, in India, YouTube serves as a key medium of informal OFS training. Professional & experienced OFS users host channels to educate new users on how to play on the different platforms & also includes a few tips & tricks which may help these new users outperform the peer-pool.

[89] LineStar website
[90] KPMG in India analysis, 2020
[91] KPMG in India's analysis 2020 based on industry interactions

Over 1 million[91] YouTube videos have been created pertaining to OFS such as 'How to make money with Dream11 – Full guide step by step' (2.7 million views), 'Dream11 Kaise Khele|| Dream11 Kaise Khele 2018' (2.3 million views) and 'How to Play Dream11 Full A to Z Complete Process 2019' (1.6 million views)[92].

These training videos not just help these proficient OFS users/ channel owners earn an incremental income, but also create a name & brand for themselves in the growing world of OFS. Some of the marquee YouTube Channels in India focused on OFS training and tips include:



Source: YouTube accessed in January 2020

Globally, the Massive Online Open Courses (MOOCs) platform Coursera has included a free course by University of Houston – 'Math behind Moneyball' which is focused on helping Fantasy League users understand various modalities of player selection strategies using probability theories & analytics. It consists of an entire module on player selection optimisation in a daily Fantasy Sports setup[93]. Another MOOC, Udemy has a course titled 'How to Make a Living Playing Daily Fantasy Sports' created by Marcus Hayne who in 2014 won over USD 25,000 playing US Daily Fantasy Footfall. The course encompasses some strategies & tips for new users playing Football, Basketball & Baseball. Over 1600 students have participated in this course[94].

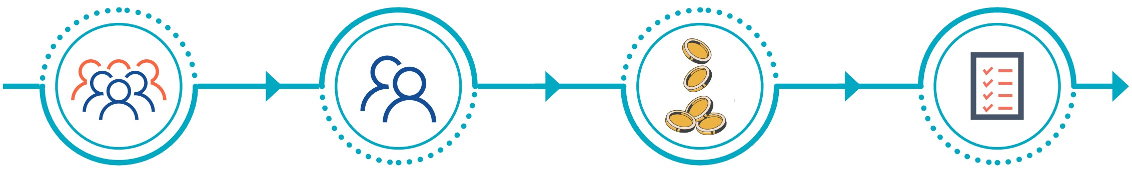
In India, IIM Bangalore conducted an independent study titled 'Fantasy Sports: A Game of Skill or Chance' to outline the predominance of skill over chance in determining a user's success in Fantasy Sports as offered on Dream11. The case proved that playing Fantasy Sports on Dream11 requires a predominance of skill. The case was published on Harvard Business Case and the IIM Bangalore website[95].

In India with the exponential growth in the number of new users on OFS platforms, novice users are increasingly showing interest to upgrade their understanding and skills to improve performance. As the OFS market in India sees an upsurge, we can expect MOOC platforms to include similar courses modelled around Fantasy Sports, while the training on social media platforms such as YouTube is likely to continue to rise.

[91] Industry interactions
[92] YouTube accessed on 15 January 2020
[93] Coursera accessed on 7 January 2020
[94] Udemy accessed on January 7, 2020
[95] Fantasy Sports : A Game of Skills or Chance, Harvard Business Publishing Education, published in July 2019, accessed on February 18, 2020

Paving the way for Fantasy Sports Insurance

While Fantasy Sports are a skill-based game, the OFS users have an exposure to the externalities of injuries that their chosen sportsmen may encounter during the actual games. The matured Fantasy Sports global markets have already addressed this concern with the emergence of Insurance Schemes for Fantasy Leagues. The path was paved in the U.S.A. in 2009, when a company called Fantasy Sports Insurance decided to offer insurance against injury of 75 players scheduled to participate in an American Football league[96].



~59 Mn Fantasy Sports Users

Source: FSTA

~ 10 percent of the users are willing to buy insurance

Source: Real Insurance for Fantasy Football, July, 2014

Average Annual Spend on Fantasy related costs is USD 556

Source: How the $7 billion US fantasy Football industry makes its money in 2017, September 2017

Average premium on covered amount is ~10.5 percent

Source: Real Insurance for Fantasy Football, Risks & Investments, July 28, 2014

Insurance companies predominantly have a fixed list of players covered in a season of any league, thereby giving the fantasy league user the flexibility to buy insurance for varying number of key players in his/her season team. If that insured player misses more than a certain number of games (fixed by the insurer) in that season, the fantasy user receives a pay-out.

Illustrative list of popular insurance policy options for Fantasy Footfall in U.S.A

[96] Real Insurance for Fantasy Football, Risks & Investments, July 28, 2014

Illustrative list of popular insurance policy options for Fantasy Footfall in U.S.A

Insure one important player against missing nine games in the event of an injury

Insure two players against missing a combined fourteen games due to injury

Insure three players against missing 18 games

Note: Policy premium varies depending on the number of sportsmen covered under insurance. Insurance providers such as Fantasy Player Protect (FPP) gives the option to insure as many 5 fantasy players a team and 10 fantasy players a season.

Source: Protect your fantasy investment with fantasy Football insurance, Net Quote, Accessed on January 2020

With the popularity of Fantasy Sports across different sports types, the insurance providers have customised policies to suit the type of leagues.

Illustrative examples of insurance policy options for Fantasy Leagues for different sports in the U.S.[97]:

Sports		Policy Overview
	**Football**	• To qualify for a claim, the insured player must miss 9 or more games due to injury
	**Baseball**	• To qualify for a claim, the insured player must miss 78 or more games due to injury (2nd half coverages covers the players if they miss 45 or more of the back half of the season) • To qualify for a claim, the insured player must have played in 15 games or less due to injury
	**Basketball**	• To qualify for a claim, the insured player must miss 29 or more games due to injury
	**Hockey**	• To qualify for a claim, the insured player must miss 26 or more games due to injury

Note: Suspensions, Rest, or any other non-injury related issue does not count towards these games

[97] Retosurance, accessed on January 2020

Insurance fee (or premium) is generally 9-13 percent of the coverage amount depending upon the historical health of the player and being prone to accidents during a game[98].

The insurance providers usually use a three-pronged approach to decide the premium on insuring a certain player:

The insurance company's coverage amount is intended to cover the league entry, plus research expenses such as magazine or online subscriptions; insurance provider FantasyPlayerProtect caps its pay outs to USD 1,000 including upto USD 250 towards research expenses[99]. Majority of the players offer insurance in the traditional format of fantasy which is the league format, which can span from a few weeks to a few months. On the Daily Fantasy Sports front, currently only 1 player exists - Rotosurance, offering insurance for every game in a OFS format in the U.S.A. If the insured player gets injured in the first half and does not return for the second half of the game due to injury, then the OFS user is covered.

Further, the Indian OFS market has set a precedent by introducing revenue-protection insurance products for OFS operators covering multi-sports multi-location leagues. Some of the key insurance providers include New India Assurance and National Insurance Company[100]. These revenue protection policies insure the operators against abandoned matches thereby enabling the operators to recover their platform fees lost due to cancellation of the match. Additionally, these insurers also offer products that provide sponsorship protection for abandoned matches. OFS operators invest in sponsorships of sports leagues to gain visibility, in case of match cancellations these operators can claim the sponsorship amount invested[101].

[98] Real Insurance for Fantasy Football, Risks & Investments, July 28, 2014
[99] Fantasy Sports Insurance to Protect Your Team Investments, Trusted Choice, September 13, 2019
[100] KPMG in India's analysis 2020 based on industry interactions
[101] KPMG in India's analysis 2020 based on industry interactions

Avenues of Value Chain Integration for OFS operators

Increased growth and popularity of the OFS platforms is likely to translate to an overall growth of the OFS ecosystem including analytics, content, digital transactions, etc. As the user base reaches a critical mass and the user needs mature, it will be imperative for OFS operators to evaluate avenues of vertical integration to further improve & increase the engagement on OFS platforms.

As the India OFS market evolves, demands for analytics and structured information related to players & teams will rise to make informed decisions in the skill-based sport. This will not only increase the time spent by an OFS user on the platform, but also give the platforms an opportunity to add & develop an additional revenue stream in the form of providing analytics & other content at a fee (fixed one-time, on-demand or subscription based) to the OFS users. Further, the OFS operators can invest in content creation targeted at the OFS users to increase both engagement of existing users and adoption by new users.

Further, the OFS operators have a captive user base (MAUs) that are currently being monetised only through contests. These OFS users do use additional external resources for tips, news and analytics to make informed decisions during the league. An expansion of the OFS platforms into different offerings of the OFS ecosystem would provide opportunities for the platform to realise additional revenue streams.

These integration initiatives could be both organic or inorganic in nature. Developed markets are already witnessing these strategic moves, with the leading U.S. OFS company like FanDuel acquiring sport analytics company numberFire[102]. The direct correlation in the growth trajectory of the OFS platforms and the ancillary analytics & tech business makes vertical integration an attractive proposition. The integration of the proprietary algorithms & analytics tools with the OFS platform highly improves the customer experience while providing additional revenue streams. The Indian OFS landscape is likely to see similar waves of organic & inorganic strategies to include ancillary services under a common umbrella. Dream Sports, the parent company of Dream11 has already taken a step towards the same with the launch of FanCode that provides Fantasy Sports research, tips, expert opinions, news and livestreaming non-mainstream domestic and international leagues to the sports fans.

[102] FanDuel acquires sports analytics platform numberFire, Gaming Intelligence, August 20,2015

FIFS FEDERATION OF INDIAN FANTASY SPORTS

About FIFS:

Formed in 2017, the Federation of Indian Fantasy Sports (FIFS) formerly known as Indian Federation of Sports Gaming (IFSG) is India's first and only self-regulatory industry body for Fantasy Sports (FS). FIFS was established to protect consumer interest and create standardized best practices in the FS industry. FIFS aims to develop and implement a robust regulatory framework to protect the interests of FS users and operators.

FIFS works with key industry stakeholders and liaisons with the policymakers to create a robust governance structure to support the sustained growth of the industry. FIFS currently has 33 members, who cumulatively account for over 95% of the FS market. The members comprise of Fantasy Sports operators and relevant ancillary stakeholders. FIFS was earlier known as IFSG (Indian Federation of Sports Gaming).

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