

WHAT IS ESPORTS?

Tips & guidelines to understand the esports ecosystem


This is an exclusive white paper, brought to you by Esports BAR.
It is a straightforward but insightful breakdown of what exactly competitive gaming is about.
After reading this report, esports won't have any secrets for you!
Who are the stakeholders and how big is the market?
Who is the audience? How strategic it is for brands and media? Why can it be considered as entertainment?

WHY ESPORTS IS A PROMISING MARKET...

- + 0,3Mds\$ (2015) >>> 1,5/3Mds\$ (2020) | CAGR +35%
- + convergence of games, sports, entertainment, media & brands
- + The entertainment of the digital natives and millennials

**THAT'S WHY YOU NEED
TO KNOW HOW IT
WORKS!**

LET'S DEFINE ESPORTS FIRST...



Esports is competitive multi-player video-gaming organised to be watched by spectators live at venues. It is also watched online on streaming platforms via computers and mobile handsets, or on air via broadcast TV.

After spending several decades as an underground activity created for friends by other fanatical gamers, esports then became a marketing platform for games publishers. However, in recent years, it has evolved into an accessible revenue-generating and professional business.

The amalgamation of gaming with live entertainment and on-screen media has made esports one of the most original and innovative developments in international media and entertainment.

The beauty is that as a standalone sector esports is at the early stages, meaning there remains masses of room for growth.

ESPORTS MAIN STAKEHOLDERS

GAME PUBLISHERS

Investors learn that video-games **developers** produce the games (like Fortnite Battle Royale, Overwatch, League of Legends, Counter-Strike: Global Offensive) played by fans on consoles, online and on mobile.

The end product is picked up by its **publishers** (from Activision Blizzard for Overwatch to Riot Games for League of Legends) who own the intellectual property to license, market and sell to video-games players directly or via third-party retailers.

LEAGUES & FRANCHISES

Depending on their success rates, teams can join **leagues** and/or pay to own **franchises** (similar to sports leagues) to share revenues generated from advertising, sponsorship, ticketing and other sales, plus media rights.

PROFESSIONAL TEAMS

Each tournament series focuses on a different game (Fortnite Battle Royale, League of Legend to Overwatch), and players that are good at those games are invited to join participating **professional teams** that belong to specialist organisations that train and professionalise them.



EVENT ORGANISATIONS

Esports **events organisations** (ESL for e.g..) approach publishers for the right to host live esports tournaments based on different games at venues, where pro gamers compete for prize money and glory.

BRANDS

Brands can work in esports in different ways: as sponsor, as content partner, through product placement. Their objective in getting into esports is to reach fans that might ignore traditional ads.

Endemic brands are the ones which core business operates in esports (Dell, Intel), they are the first brands that have entered esports.

Non-endemic brands are companies operating in the industries like Airlines, Rail, Automobiles, Banks, Insurance, Beverages, Food, Energy, Textiles, Apparel. They are getting more and more involved in esports.

MEDIA & STREAMING PLATFORMS

The live and recorded rights to the events can be sold to streaming platforms (from Twitch to YouTube) and TV broadcasters (from Ginx Esports TV to ESPN).

Media production companies are getting more and more involved into esports to format content for broadcast performance.

VIEWERS & ENTHOUSIASTS: WHO IS THE AUDIENCE?

In 2019, the esports audience will reach 453.8 million viewers according to Newzoo

453.8 million
Viewers
&
enthusiasts

...Comprising 252.6 million of occasional viewers and 201.2 million enthusiasts, representing respectively +16.3% compared to 2018 and +14% growth. In just one year, total audience will have grown by +15%.

Newzoo predicts the total will continue to grow at a 14%-plus rate to 557 million in 2021, of which 303 million will be occasional viewers. The majority are **between 18 and 34 years old with a significant number of them high-income earners.**

The actual number of women interested in esports remains a bone of contention as the majority of players and teams are male. But estimates indicate about **one-third of the core fans are female.** In July 2018, the UK-based Women in Games organisation and its counterparts in some European countries collaborated to launch a campaign that encourages more women to participate in esports games, including women-only tournaments.

The participation of more women as players and viewers is expected to influence the overall global growth.

SHAPE OF THE SECTOR

“Esports is on track to become a multibillion-dollar industry”, says investment bank Morgan Stanley. => is now a billion-dollar in

+19,21% in
revenues
by 2023

In fact, for the first time, esports has become a billion-dollar industry, being due to exceed \$1 billion revenue in 2019, representing a growth of +26.7% compared to 2018.

Hundreds of millions of passionate gamers and fans watch and pay for esports content live online and at location-based venues regularly. But as esports goes mainstream, leading market research firm Newzoo predicts 1.6 billion people (a quarter of the world's population) will be aware of esports' existence by 2021. The sector will then have a valuation of US\$1.7bn, from US\$905.6m this year. North America, Western Europe and China have the biggest market shares in terms of revenues. When the trajectory of the traditional sports sector is applied, esports possesses an US\$80bn valuation in terms of sponsorship opportunities.

Various research organisations are contributing to the narrative surrounding esports, which is part of the US\$130bn-plus global video-games sector.

- ✓ ResearchandMarket.com predicts a 19.21% compound annual growth rate to US\$1.76bn in revenues by 2023.
- ✓ By 2021, the world's 10 biggest capital cities will each be operating a dedicated esports stadium (Newzoo).
- ✓ There will be 580 million esports viewers internationally by 2020 (Newzoo).
- ✓ Investment bank Goldman Sachs recently announced that **the number of esports enthusiasts could rise to about 250 million globally in 2021 from a reported 165 million in 2018. That is a 51.5% growth rate.**
- ✓ CB Insights calculates that there are more than **300 active esports leagues** and that, in the year to February 2018, an estimated US\$5bn was raised by private esports ventures in 350 deals, a 30% growth from the previous 12 months.

ESPORTS & BRANDS

'Brands will contribute to more than 75% of global revenues in 2018'

Newzoo reports.

Revenues from sponsorship of events, online and broadcast content, advertising on streaming platforms and television, endorsement of players and teams are set to become major drivers.

Initially, only endemic gaming-related brands showed any commitment. **But, increasingly, non-endemic brands (in categories that include the food-and-beverage, automotive and consumer-finance sectors) are pouring money into esports.**

In the US, brands like **PepsiCo**, Procter & Gamble's **Gillette**, credit-card giant **MasterCard** and car maker **Audi** are now associated with esports teams and events. Such agreements are significant because the brands are reaching a new generation of young consumers who have stopped watching traditional TV or were never interested in the first place.

Ninja, the superstar player, is a magnet to potential brand owners who hope to reach his large number of dedicated fans and the other young gamers who have never been interested in conventional media, including sports TV. He recently clinched a major deal with Red Bull, the energy drink brand.

Nielsen Media reports indicate more than **600 esports sponsorship deals have been sealed since the start of 2016, and growing.**



eSports: Mastercard comes on board as global sponsor for League of Legends in multi-year deal

ESPORTS & MEDIA

‘Linear TV is enabling esports to expand from its underground-gaming roots to go mainstream.’

+24%
revenues
IN MEDIA
BY 2021



Esports has been spiking the interests of streaming-media platforms and TV operators seeking original content that appeals to today’s generation of digital-native audiences. This partly explains why Twitch paid US\$90m for the two-year “digital broadcasting” rights to Activision Blizzard’s Overwatch League (OWL) tournaments. Meanwhile, the Walt Disney Company’s transmission of the OWL’s finale on its traditional mass-media TV networks, ESPN and ABC, is a sign of traditional media’s increasing interest. Media-rights revenue is forecast to be among the fastest growing parts of esports, with Newzoo predicting an impressive 24% annual growth rate to US\$400m by 2021. On-screen esports on streaming platforms is demonstrating how digital interactivity can create dynamic new ways for people to consume entertainment.

Fans’ ability to communicate with their heroes and make donations directly during streaming has shown the traditional TV industry that there could be more to broadcasting than passive viewing.

Simultaneously, dedicated broadcast networks like UK-based GINX Esports TV are betting that esports can offer compelling mainstream entertainment. Nielsen Media, the company that pioneered TV-audience ratings in the US, recently acquired games-insights specialist SuperData Research in its bid to provide a similar service about esports-audience viewing.

ESPORTS & SPORTS

Sports are investing in esports... Why?

The traditional-sports sector in all its forms is worth US\$700bn, according to KPMG. Sports events alone yield about US\$80bn annually, of which sports media rights alone are said to be worth about US\$47bn.

With a potential valuation of US\$1.7bn, esports is tiny in comparison...

But because of the demographic audience that esports converge, it has attracted teams and leagues from baseball, basketball, football, hockey, soccer – and even the Olympics – that are now investing in esports.

Some of the biggest esports investors are sports organisations, including the UK top-flight soccer's Premier League, the NFL and the NBA.

And there are now plans to include esports as a medal event at the Olympics-backed 2022 Asian Games.

Commercial esports leagues like Activision Blizzard's Overwatch League and NBA 2K League, a subsidiary of the NBA, the iconic US professional-basketball organisation, are based on the paid-for franchise system. Teams are paying up to US\$20m each for a league franchise.

In return, they share revenues from ticket and merchandise sales generated from live tournaments, media advertising, sponsorships of events, teams and players, plus media and streaming rights.



MOST PLAYED GAMES IN ESPORTS



By Riot Games



By Valve Corp.



By Valve Corp.



By Activision
Blizzard



By Psyonix



By Activision
Blizzard



By Blizzard
Entertainment



By Blue Hole



By Nintendo



By Ubisoft



By Activision
Blizzard



By Epic Games

TO CONCLUDE...

“If you are a CMO and you are not in esports, you are going to risk getting fired.”

**Tobias Sherman, Former Global Head of Esports
WME-IMG**

THANK YOU FOR READING THIS EXCLUSIVE ESPORTS BAR WHITE PAPER!

About Esports BAR

At Esports BAR, we are committed to transforming the sport of the digital generation into the future of entertainment by providing industry leaders with the most productive and meaningful events where esports tastemakers and non-endemic top-management executives meet to shape esports' future.

Read more about us:

<https://www.the-esports-bar.com/en.html>

For more information, please contact our BARTenders:

BARtender@reedmidem.com

The Author

Juliana Koranteng is the founder/editor-in-chief of **MediaTainment Finance (MTF)** and **TechMutiny**, the business journals that cover investments in international media, entertainment and creative sectors, and the impact of related digital technologies.

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