

# eSports, the Next Big Content Play

Data and insights on media's hottest new topic



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## The Scope of This Data

### Key Definitions

#### eSports

Competitive gaming in an organized format; an event or league, organized by a third party, with a specific goal (i.e. winning a tournament or prize money), with a clear distinction between players and teams who are competing against each other for a chance to reach that goal.

#### eSports Economy

A model that incorporates five key components that are not mutually exclusive: Channels, Publishers, Leagues, Events and Teams. Revenues from Brands and Consumers feed this ecosystem.

#### eSports Awareness

Gamers who have heard of eSports, including both the group of gamers who are aware of eSports but no longer view it and the eSports Audience.

#### eSports Audience

Gamers who watch and/or participate in eSports.

#### eSports Enthusiasts

Gamers who watch eSports more than once a month and/or participate in (amateur) eSports leagues.

#### Occasional Viewers

Gamers who watch eSports less than once a month.

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## Why eSports Matters

To Everyone, including you

*“eSports is the biggest disruption to hit our industry since the iPhone in 2007”*

The traditional focus of game publishers has been on the gamers themselves, who spend money directly in or on their titles. More recently, publishers have put another group at the center of their marketing effort: the content creators who create and share game video content on channels such as YouTube, Hitbox, Dingt and Twitch. This group has proved to be a valuable and cost-effective marketing tool for publishers, bringing increased attention and players to their games. eSports is a prime example of this. eSports competitions and the content around them help publishers to grow engaged and active communities around their titles, increasing the lifetime value of their gamers and transforming their titles into true entertainment brands. The number of viewers can easily outnumber the number of gamers and could provide as much monetization opportunities as the players themselves.

INTERACTIVE  
MEDIA

BROADCASTING  
MEDIA

GAMERS

CREATORS

VIEWERS

MONEY

MARKETING

OPPORTUNITY

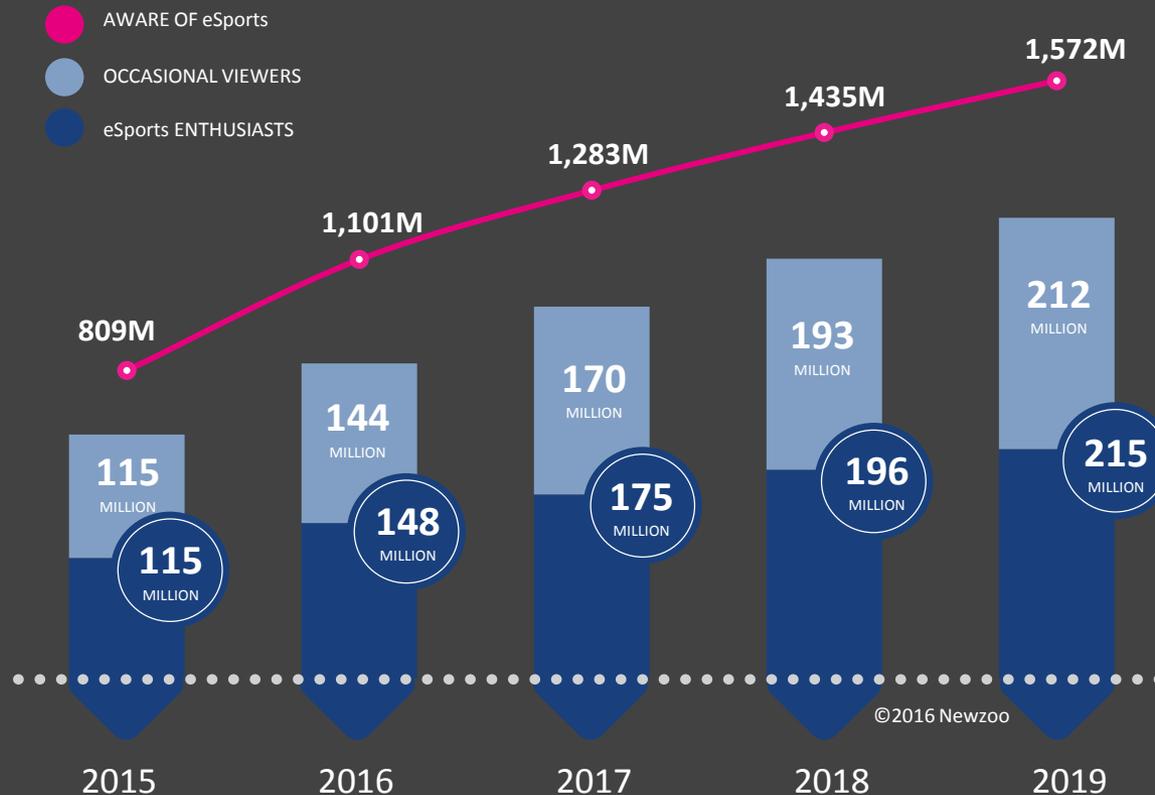


**Rapid Rise of eSports: The Numbers**  
Revenues & Audience Growth

# Global eSports Audience

Rapid growth continues as awareness increases

eSports Audience & Awareness Growth | 2014-2019



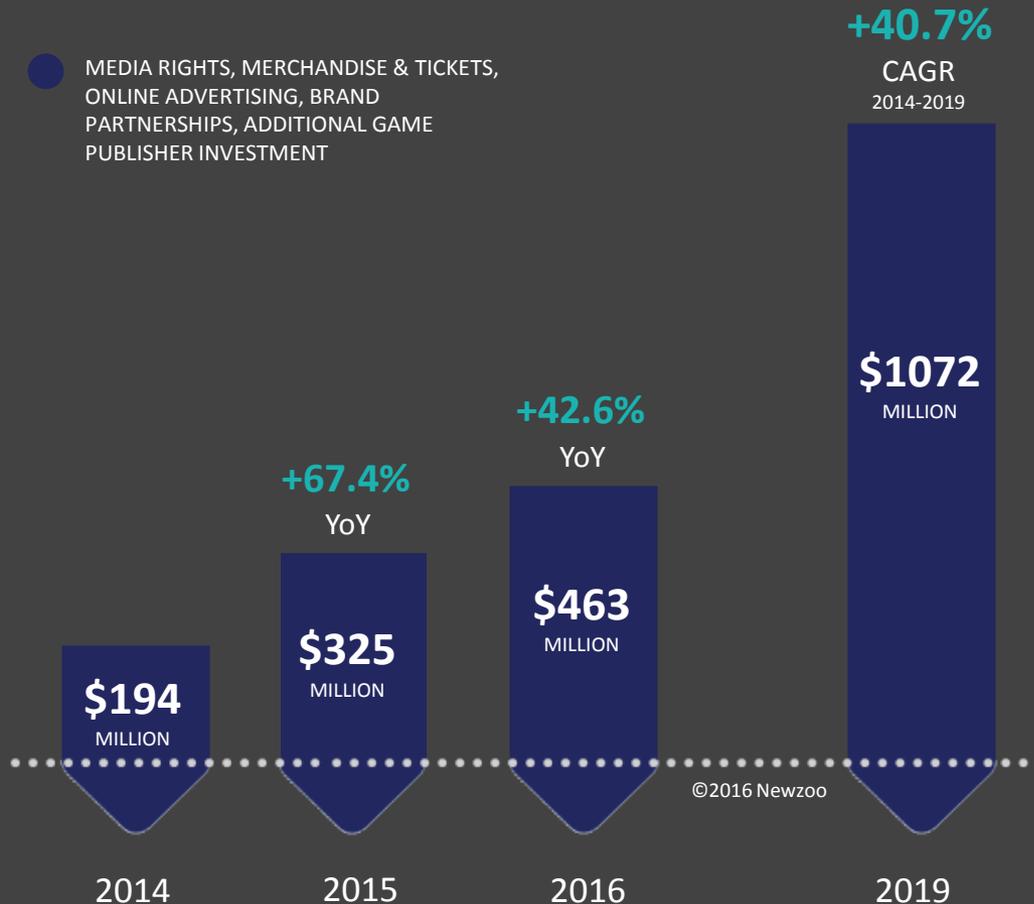
Globally, there are 148 million eSports Enthusiasts. Combined with the 144 million Occasional Viewers (those who watch eSports less than once a month and mostly tune in for a big event or watch along with someone else), the total audience will reach 292 million this year.

The number of consumers worldwide that are aware of eSports will surpass one billion this year, up 36% compared to last year. The global exposure of eSports has been accelerated by explosive growth in coverage from global and local media, an intensified effort from game publishers, as well as the launch of an abundance of new leagues and events.

# Revenues Continue to Grow as North America Leads the Way

## eSports will be a \$1 billion industry by 2019

Global eSports Revenue Growth | 2014-2019



In 2016, global eSports revenues will total \$463 million, a growth rate of 42.6% since 2015. North America is by far the largest market and will account for 38% of all revenues this year. China is the second largest with a 15% global share.

Brand spending accounts for \$325 million, or 70% of all eSports revenues. This includes \$128 million on eSports sponsoring and another \$197 million on advertising around eSports video content.

Importantly, these brand revenues don't include media rights. As the eSports economy matures and more traditional media companies enter the space, the share of media rights in total revenues is expected to increase significantly, and move closer to what we see in traditional sports.

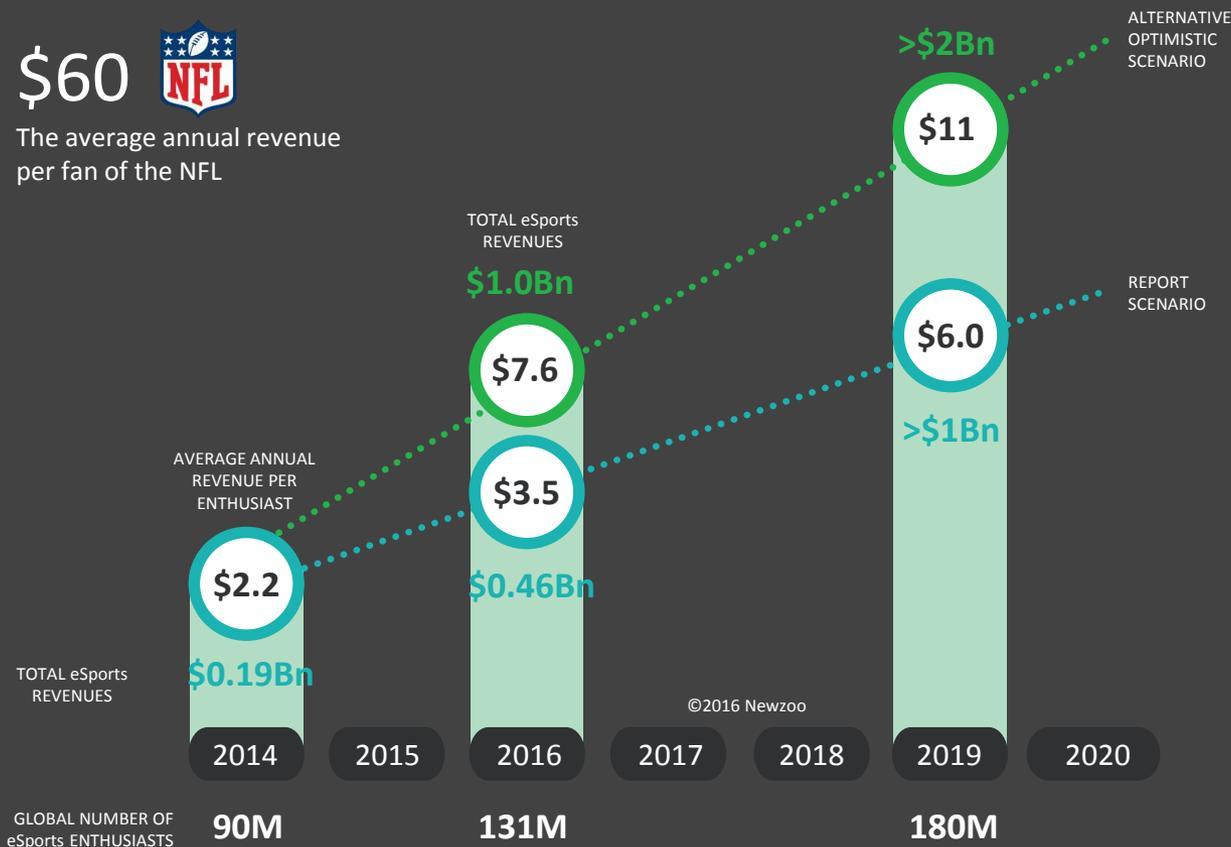
# Average Revenue Per eSports Fan vs. Sports

Shows serious room for growth in eSports revenues

Revenues Per eSports Fan | Scenarios Towards 2020

**\$60** 

The average annual revenue per fan of the NFL



The average annual revenue per eSports Enthusiast was \$2.83 in 2015 and is expected to grow to \$3.53 this year.

This is still a factor four lower than a mature traditional sport such as basketball, which generates revenues of \$15 per fan per year. This shows the huge potential growth of the sector.

 **\$15**

The average annual revenue per fan of basketball



**eSports Content**  
The Trends Reshaping Digital Media

## eSports Content & Games

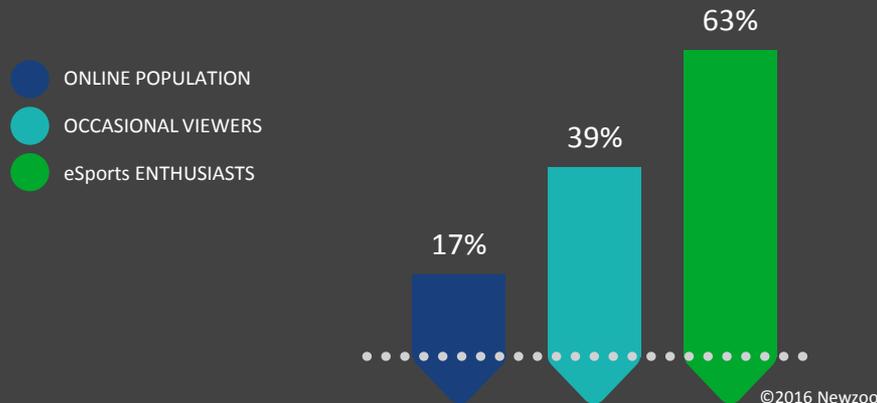
### Driving Game Video Creation and Traffic

eSports has acted as a real driver of video traffic and democratized content; that is, taken it out of the hands of a few major creators and placed into the hands of many. With platforms like Twitch and YouTube supplemented by broadcasting apps such as Meerkat and Periscope, the ability to create, upload, stream and host video content has been made significantly easier.

The emergence of video as a separate, but closely related, element of game culture presents developers with a simple choice: join in or be left behind. Encouraging and facilitating the creation of video content is increasingly vital for a company's success. In the future, video will be in the DNA of every successful game.

Streaming services like Mirrativ are making it easier than ever to record footage, and YouTube Gaming is bringing game content further into the mainstream. Platforms like Twitch are driving the growth of supplementary technology such as the Elgato Capture Card, which allows for easy video creation from a console. Nvidia ShadowPlay is widely used to capture gameplay on PC.

#### Watching Game Video Streams on Twitch More than once/month

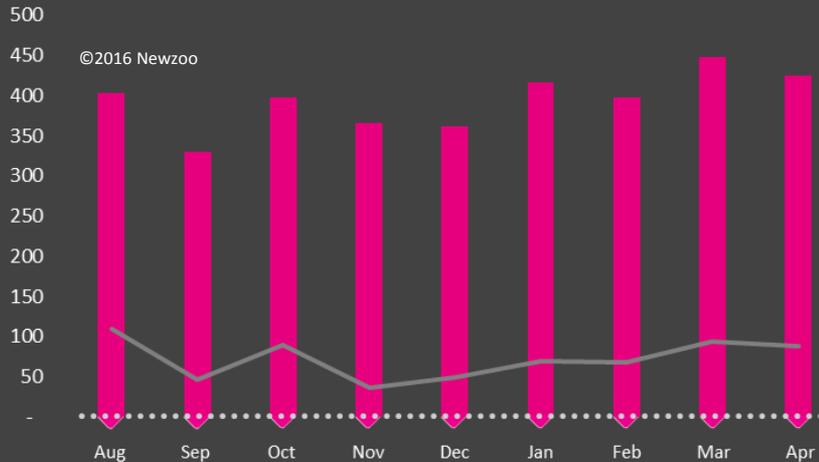


## eSports Content & Viewership

### eSports Dictates Highs and Lows of Twitch Audience

#### Monthly Hours Watched on Twitch (in Millions)

August 2015 to April 2016 | Global

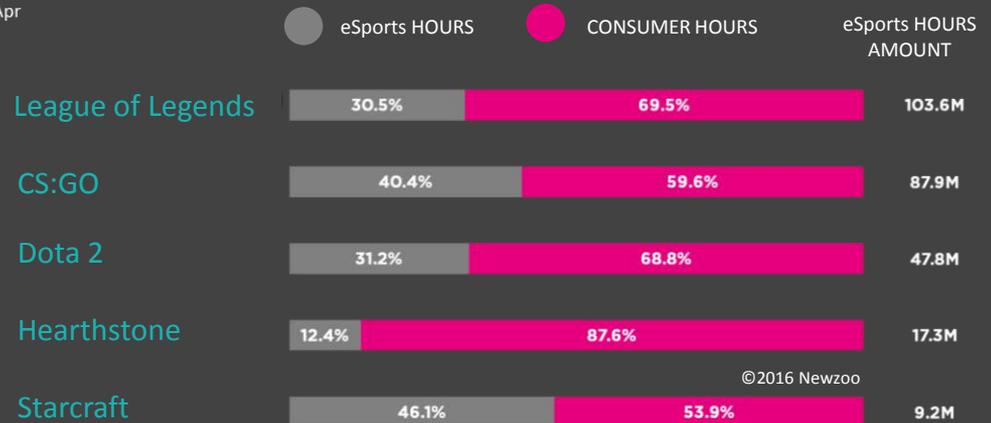


In terms of eSports hours watched, League of Legends takes the top spot with almost 104 million hours watched between January-Mid April 2016. Counter-Strike: Global Offensive comes second with almost 90 million hours watched. Dota 2 suffered from a lack of large tournaments so far this year but has racked up almost 50 million eSports hours. Hearthstone and StarCraft II are the next top performers on Twitch.

Twitch is the most important platform for eSports broadcasts and vice versa. The peaks in Twitch's monthly viewership numbers are caused by large eSports events, such as the League of Legends World Championships in October, or ESL's Intel Extreme Masters in March. At the same time, months that lack a large eSports event show a significant drop in total hours watched. This shows that eSports specifically drives people to Twitch and that the platform is a facilitator of the eSports audience, not the driver of it.

#### Top 5 eSports Franchises on Twitch

January to April 19, 2016 | Global



Increasingly, traditional media organizations are recognizing the eSports audience as a sizeable and valuable demographic to tap into. Unsurprisingly, eSports has been making its way into mainstream media. For example, WME/IMG's Counter Strike: Global Offensive (CS:GO) league ELEAGUE will air on TBS on Friday nights for 20 weeks in 2016. Teams will compete for a prize pool of \$1.2 million per season, comparable to that offered by ESL for its CS:GO championship.

TBS isn't the first cable network to show interest in eSports. Even after ESPN president John Skipper infamously suggested that eSports has no place on the network back in September 2014, ESPN has increasingly recognized the legitimacy of competitive gaming as a sport, covering more and more events. In 2015, a collegiate-level Heroes of the Storm competition "Heroes of the Dorm" was televised on ESPN 2 and Valve's multimillion dollar Dota 2 tournament, The International, was streamed on ESPN 3. In September 2015, the sports media conglomerate posted its first job opening for an eSports editor.

#### **The Face of Mainstream eSports**

In October 2015, BBC 3 broadcasted (online) the quarter finals of the League of Legends World Championship live from Wembley Arena. The broadcast had two of the scene's most popular shoutcasters providing commentary on the matches. Conversely, ESPN's dabbles in eSports were covered by traditional sportscasters.

The BBC's strategy recognized the importance of having faces the eSports audience would recognize - it even prompted fans to choose BBC 3 over Twitch. Game enthusiasts, including those who only watch and don't play, form a strong community that does not accept hotshots from other industries to represent their world.

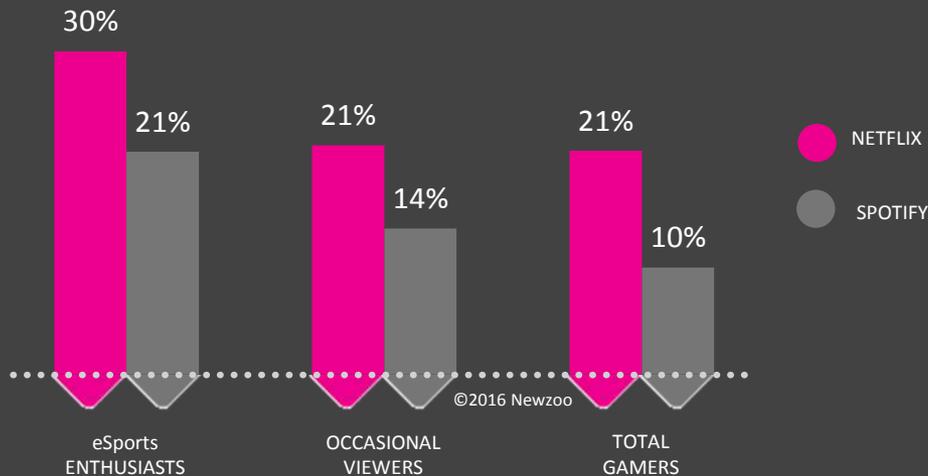
# eSports Content & the Media Landscape

## The Disruption of Traditional Media

eSports' underlying trends, outlined below, are also accelerating the disruption of traditional media. Television revenues are being eaten into as digital video rapidly reduces the amount of time spent watching TV. The way gamers interact with sites such as YouTube and Twitch is also challenging the traditional broadcast media model. While Twitch streamers often maintain regular schedules, the emphasis online is to curate a personal channel rather than follow a top-down scheduler. This pick-and-choose model has filtered back to TV. Supported by streaming services such as Netflix, TV companies and channels are being forced to move away from rigid schedules and offer content on demand across mobile, PC and smart TV boxes.

eSports Enthusiasts are leading examples of this trend, as they are willing to spend money on having digital content anytime and anywhere.

### Current Netflix & Spotify Subscriptions



Source: Newzoo 2015 eSports Consumer Insights

### Six Trends Behind eSports Growth

#### BUSINESS

1. Games as a service
2. Cross-screen entertainment

#### TECHNOLOGY

3. Creator & live streaming tools
4. Video platforms & communities

#### CONSUMER

5. Creation & Involvement
6. Consumers entertain consumers

## Twitch

Twitch is at the nexus of eSports and it would be difficult to find an eSports competition not broadcasted on it. This has forced its competitors to look at alternative ways to gain market share: exclusive broadcasting rights for events. As 2016 progresses, we will see if this strategy is enough to change the balance of power in the streaming market.

## YouTube Gaming

YouTube Gaming was launched in August 2015 as a direct competitor to Twitch. By combining the already abundant availability of VOD gaming and eSports content with improved recommendations for live streams, YouTube Gaming will, for now, be the only real competitor on Twitch's radar.

## Hitbox.tv

Officially launched back in 2013, Hitbox.tv has had its struggles ramping up its streamer and viewership numbers. Instead of focusing on exclusive streamer deals, Hitbox.tv announced an exclusive broadcasting deal with Wargaming for its popular franchise World of Tanks in November. Together with multimillion dollar investments, Hitbox.tv has cut out a clear strategy moving for 2016.

## Azubu

Azubu has been one of the longest running competitors of Twitch. While Azubu has had some success in attracting viewers to its platform during large events, concurrent live viewership has remained small compared to Twitch. With more than \$94 million in investments raised to date, Azubu dwarfs its competitors in terms of cash on hand. In 2016, Azubu will prove if it can transform these investments into a serious market position.

## China's Streaming Boom

Similar to the Western market, China has seen an influx of new streaming platforms over the last two years. Pointing out a market leader, however, is more difficult, as these platforms are known to use 'view bots' to artificially inflate their viewership numbers. Regardless, the huge opportunity of streaming in China cannot be understated, and 2016 will prove to be an interesting year for these platforms.

#### ESPN

ESPN entered eSports with its broadcast of the Heroes of the Storm league, a college competition for Blizzard's game Heroes of the Storm. The success of the broadcast led ESPN to increase its eSports efforts with dedicated coverage of the scene on the ESPN website. The company is now looking into broadcasting more major events on its network.

#### Turner

The upcoming eLeague, a co-operation between Turner and WME/IMG, will be Turner's first time broadcasting eSports. The self-organized Counter-Strike: Global Offensive competition will air on TBS on Fridays, with more coverage online in the rest of the week. The initiative received a lot of interest, with ProSieben already deciding to also broadcast it in Germany.

#### BBC

The League of Legends World Championship semi-final in London's Wembley Arena proved a great opportunity for the BBC to broadcast the matches live on its BBC Three online channel. By using familiar faces for the eSports viewer, the BBC was able to attract people away from Twitch and to its own broadcast.

#### Fox

In March 2016, Fox broadcasted the semi-final and grand final of the FIFA Interactive World Cup, which was held in the USA. The competition of the hugely popular soccer game has been recognized as the gaming tournament with the most participants in the world by the Guinness Book of Records.

#### ESL 24/7 eSports Channel

In April 2016, ESL announced the launch of the world's first dedicated eSports TV channel. The channel will broadcast all the action of ESL's biggest events, such as the ESL One or the Intel Extreme Masters. Broadcasts will start in May on MTG's Viasat platform in the Nordics and Baltics, with plans to expand to other platforms quickly.



## eSports Fans & Television Preferences

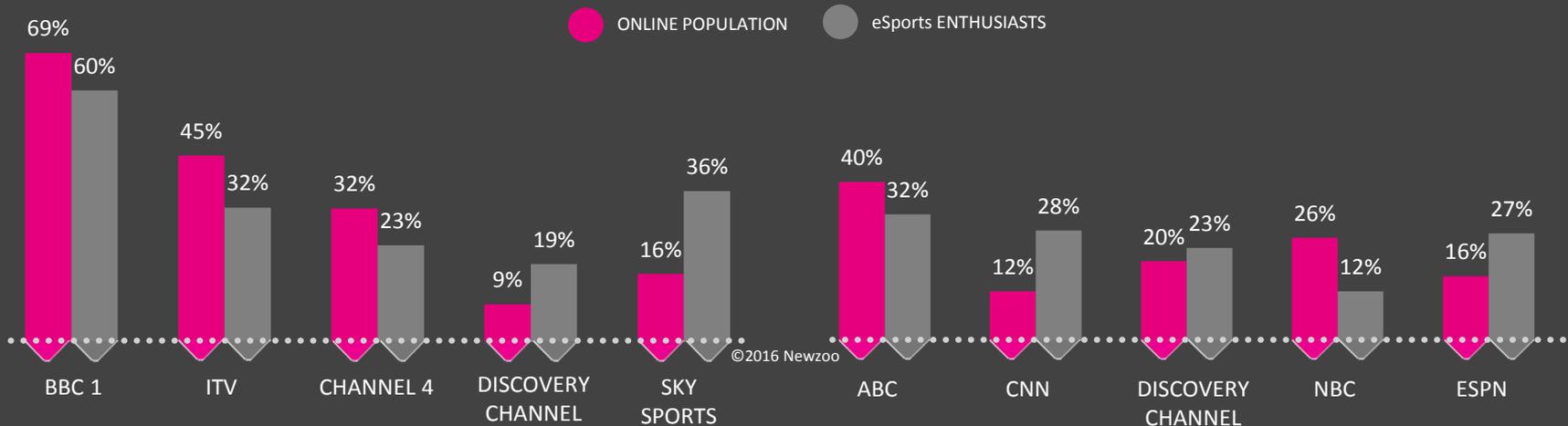
### Most Watched TV Channels

eSports Enthusiasts have different preferences than the general online population when it comes to TV channels. They prefer more diversified and specialized content offered by channels such as Discovery and CNN. Even more so, the eSports audience is comprised of bigger traditional sports viewers on TV than the general online population. Among eSports Enthusiasts in the UK, Sky Sports is the second most watched channel. In the US, ESPN is the third most watched channel by eSports Enthusiasts while the channel ranks 6<sup>th</sup> for the general online population.

With this preference in mind, it is not hard to see why sports broadcasters such as TBS, ESPN and Sky Sports are among the first traditional broadcasters to step into eSports.

#### TV CHANNELS WATCHED | UK

Online Population vs eSports Enthusiasts | 2016



#### TV CHANNELS WATCHED | US

Online Population vs eSports Enthusiasts | 2016



**The Valuable eSports Audience  
Reaching Millennials**

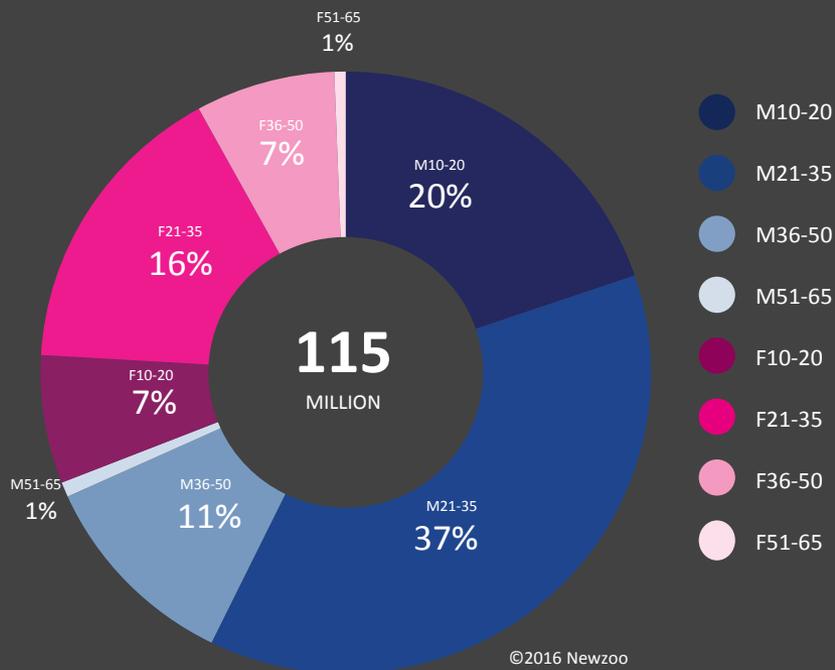
# The Valuable eSports Audience

## Attracting Hard-to-Reach Millennials

eSports entertains a young and desirable demographic with Enthusiasts aged 21-35 representing 54% of the eSports Audience. This age group is increasingly difficult to reach through traditional advertising as they spend less time watching TV, listening to the radio and reading printed media.

Several brands have entered the eSports industry as sponsors. Initially, these were mostly endemic brands, but last year saw a big increase in non-endemic brands entering the space. We expect even more non-endemic brands to make their move into the eSports industry in 2016. You can see why on the following pages.

Age/Gender of eSports Enthusiasts | Global | 2015



### Endemic Brands



### Non-Endemic Brands



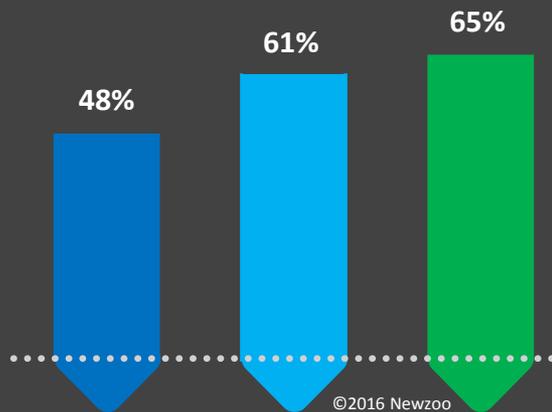
## Work Situation & Income of the eSports Audience

### The eSports Audience Has Money to Spend

Despite many misconceptions, the majority of the eSports audience has a full-time job and a higher-than-average income. Of the global eSports Enthusiasts, 65% has a full-time job vs. 48% of the general online population and 61% of the general online population and half of eSports Enthusiasts have a high income.

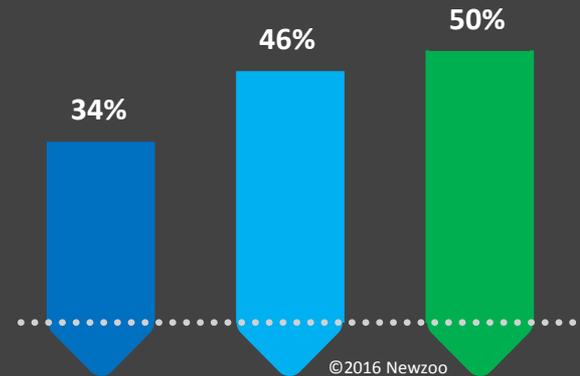
#### Full-Time Job

Online Population vs Occasional Viewers vs  
Enthusiasts | 2015 | Global



#### High Income

Online Population vs Occasional Viewers vs  
Enthusiasts | 2015 | Global



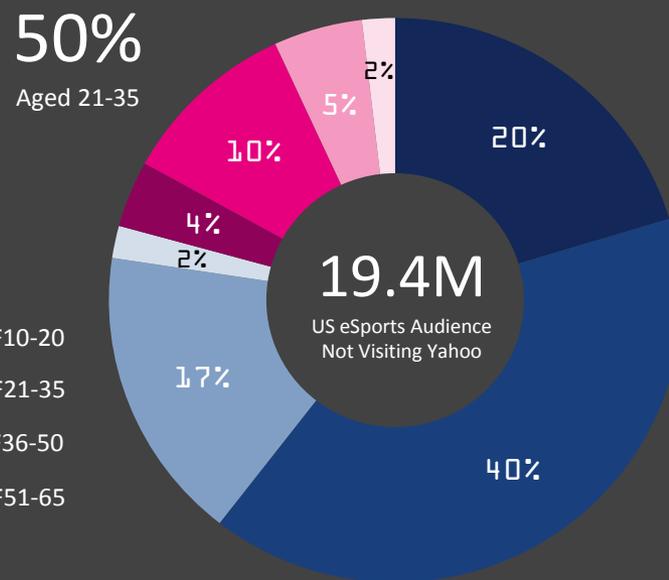
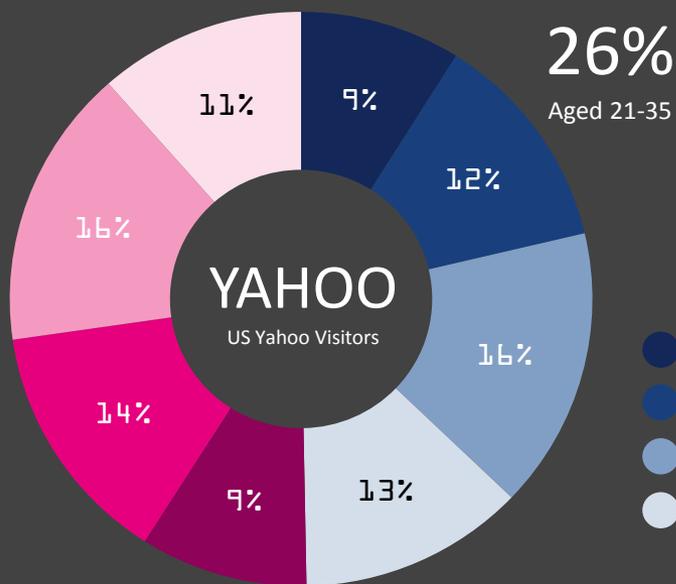
● ONLINE POPULATION

● OCCASIONAL VIEWERS

● eSports ENTHUSIASTS

# Case Study: Yahoo Targets Millennials with eSports Content

YAHOO can reach 19.4 Million New eSports Fans



# About the Author

## Newzoo: The eSports Experts

Newzoo is the global leader in games, eSports and mobile intelligence with offices in Amsterdam, Shanghai and San Francisco. Newzoo provides its clients with a mix of market trends, financial analysis, revenue projections, consumer insights, data modelling solutions and predictive analytics services across all continents, screens and business models. We are proud to work for the majority of top game and eSports companies along with many independent game developers and leading global technology, internet and media companies.

### Don't Miss Your Opportunity in eSports

Newzoo's industry-leading report, the 2016 Global eSports Market Report, provides in-depth insights in the current state and the future outlook of the eSports industry. Gather insights on the enormous opportunities eSports presents, stay on top of revenue streams, forecasts and market movement towards 2019.

[www.newzoo.com/eSports](http://www.newzoo.com/eSports)

### Global eSports Market Report



This report is brought to you by

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