



ESPORTS – WIN THE FUTURE

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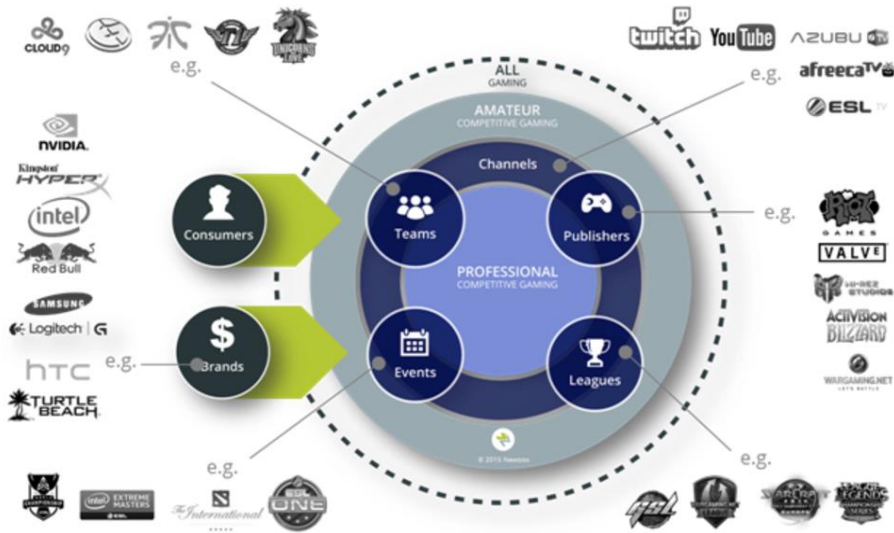


## SUMMARY

The Olympic Council of Asia (OCA) has announced that esports will be an official medal sport at the 2022 Asian Games in China. The OCA said the decision reflects “the rapid development and popularity of this new form of sports participation among the youth.” The “ICBC (Asia) e-Sports & Music Festival Hong Kong” launched by the Hong Kong Tourism Board first launched drew to a close on 6 August 2017, inviting professional league players of the online video game "League of Legends" from different regions of the world. Esports trend has become so widespread in recent years even the industry is not new. With the rise of online multiplayer and video streaming, eSports has been broadcast in more than a dozen new countries, suggesting the potential for massive earnings. North America is the largest esports market, while South Korea is now an esports hub in Asia with the expertly developed esports infrastructure. Many global betting companies already offer esports betting and start to tailor features to accommodate competitions at a higher level. Technological advancements facilitate the sudden growth in esports. With advanced Internet services, offering users a lag-free experience and allowing esports to become a part of people’s day-to-day lives. Users no longer have to sit in front of their computers to participate in playing or watching online sports. Mobile revolution allows users to access games from anywhere. This report seeks to give an overview of the trend of the esports market. Multiple data sources were applied in this report in order to provide a reliable industry trend.



## What is esports?



Source: <http://www.digital5sblog.com/the-evolution-of-the-esports-ecosystem/>

The first video game competition can be traced back to 19 October 1972, at Stanford University's Artificial Intelligence Laboratory in which about two dozen students competed playing Spacewar (Li, 2016). According to the lexicon at Dictionary.com, Esports described as competitive tournaments of video games, especially among professional gamers. Professional players perform for stadiums packed with thousands of cheering fans. Esports also known as electronics sports which is primarily facilitated by electronic system and getting popularity among gamers. Wikipedia defines it as a form of mind sports where players contest in video gaming competition in game arenas and eSports tournaments organized on a mass level. Esports gamers can be in the same room, or on opposite sides of the world. Competition can be individual or it can include hundreds, or even thousands of participants. Games require a high degree of tactical understanding for a gamer to defeat his opponent.

## Esports Trend

- **Global Recognition**

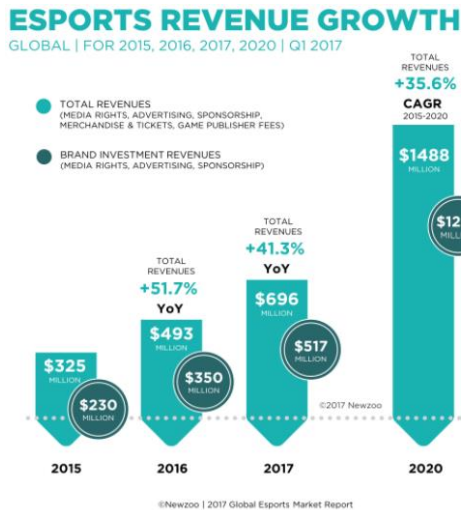
The Olympic Council of Asia (OCA) announced that eSports will be a medal sport at the 2022 Asian Games in China. The Guardian reported that esports could be included to the Olympic programme as an official medal sport in 2024<sup>1</sup>. Paris will be confirmed as the 2024 Olympic hosts in September. Tony Estanguet, co-president of the Paris bid committee said he will hold talks with esports representatives and the International Olympic Committee about the possibility of gaming joining the 2024 program. The move is a positive step forward for the recognition of esports on an international level.



- **Growth of Revenues**

Goldman Sachs valued eSports at \$500 million in 2016. It expects the market will grow at 22% annually compounded over the next three years into a more than \$1 billion. Asia Pacific is the fastest growing region in terms of number of gamers, while China and South Korea holds the majority of the market share in the region. Varsity, a magazine published by School of Journalism and Communication of Chinese University of Hong Kong, showed that top players in mainland China can earn up to 100,000 yuan per month, while the average monthly salary for pro-players worldwide was around HK\$40,000 in 2016. However, the salary was just HK\$5,000 to 8,000 in Taiwan, Hong Kong, and Macau. Some Hong Kong players have to join servers in Taiwan or mainland China to compete online if a popular game has no local servers.

The 2017 Global Esports Market Report<sup>2</sup> from Newzoo, the global leader in esports, games, and mobile intelligence also indicated a significant revenue growth of esports.

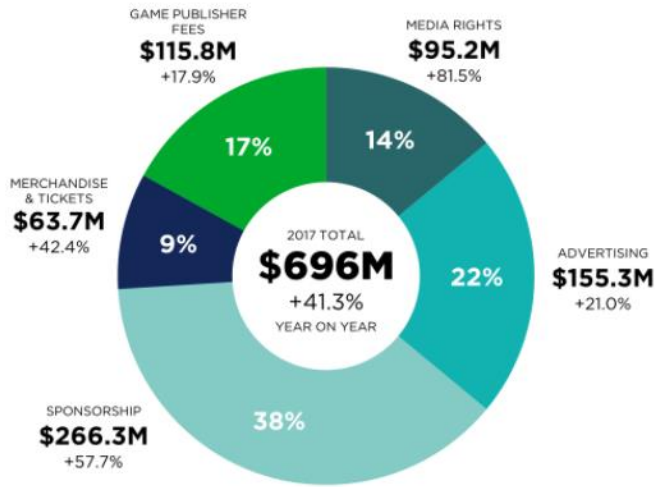


Esports revenue is generated by media rights, advertising, sponsorship, merchandise and tickets and game publisher fees. The global eSports market was valued at nearly \$493 million in 2016. Newzoo expects the industry to expand rapidly in the coming years. The esports economy will grow to \$696 million this year, a year-on-year growth of 41.3%. China and North America will be the major contributors, accounting for 52% of global esports revenues. North America is the largest esports market,

with revenues of \$257 million in 2017. This will more than double to reach \$607 million by 2020. Asia also generated almost a quarter of global esports market revenue. Newzoo predicts that revenues will grow with a CAGR (2015-2020) of 35.6% to reach \$1488 million by 2020.

# 2017 ESPORTS REVENUE STREAMS | GLOBAL

INCLUDING YEAR-ON-YEAR GROWTH | FEATURING ELEAGUE MEDIA RIGHTS | Q1 2017



Newzoo's esports revenue figures always exclude revenues from betting, fantasy leagues, and similar cash-payout concepts, as well as revenues generated within games.

©Newzoo | 2017 Global Esports Market Report

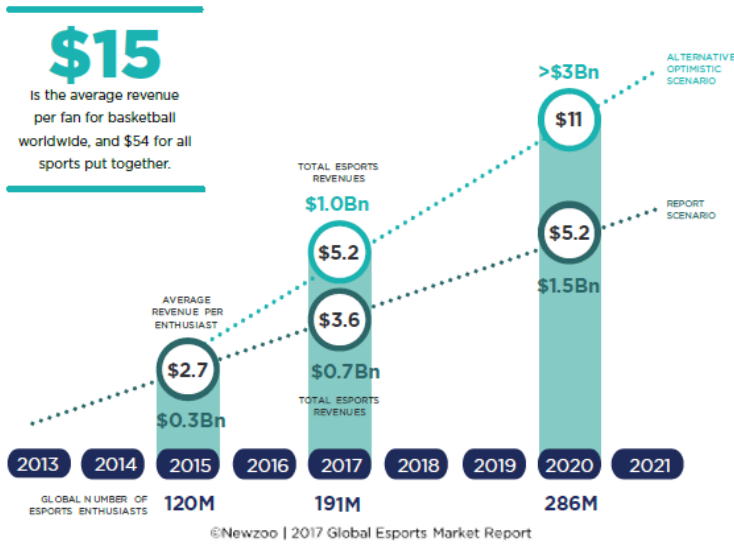
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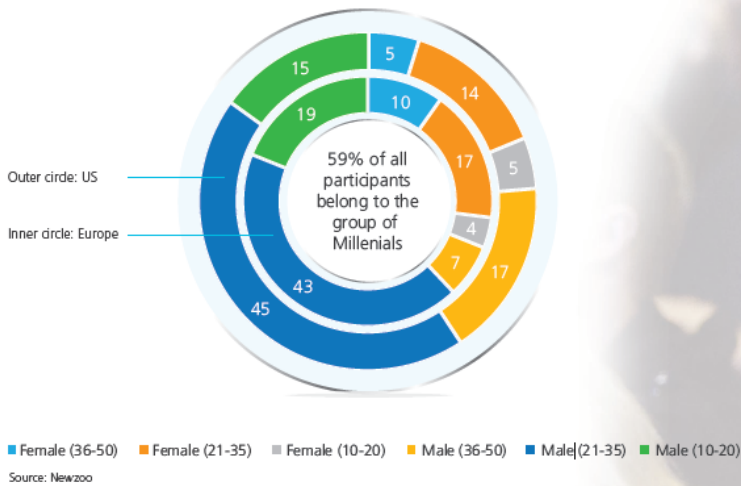
Everyone now wants a piece of the esports pie. Brands are expected to spend \$517 million in 2017, including \$155 million on advertising, \$266 million on sponsorship, and a further \$95 million on media rights. Brand investment is expected to double by 2020. Football clubs such as Manchester City have started signing Fifa stars who are players of the virtual game, rather than the real one. Besides, Paris Saint-Germain have signed up a whole squad of players in a number of different eSports, including League of Legends. PSG and Schalke both have League of Legends teams and Copenhagen own the Counter Strike team 'NORTH'. Sponsorship is the largest revenues and is expected to rise to \$655 million by 2020. Advertising brings the second most revenues and will grow to \$224 million by 2020. Newzoo sees media rights to be fastest-growing revenue stream, up from \$95 million this year to \$340 million by 2020. However, game publisher fees is expected to have the slowest growth as the esports economy becomes more self-sufficient and will no longer need funds by game publishers.

**AVERAGE ESPORTS REVENUES PER ENTHUSIAST**  
GROWTH SCENARIOS | GLOBAL | 2013-2021



Newzoo said esports spending per fan remains far below the equivalents for traditional sports. The average basketball fan worldwide spends \$15 per year, and the average spend for all sports is \$54. Esports enthusiasts will spend an average of \$3.64 in 2017, which includes all revenues streams. The average revenue per fan is anticipated to rise to \$5.20 by 2020.

**Demography of eSports participants in the US and EU by gender/age (percentage)<sup>1</sup>**

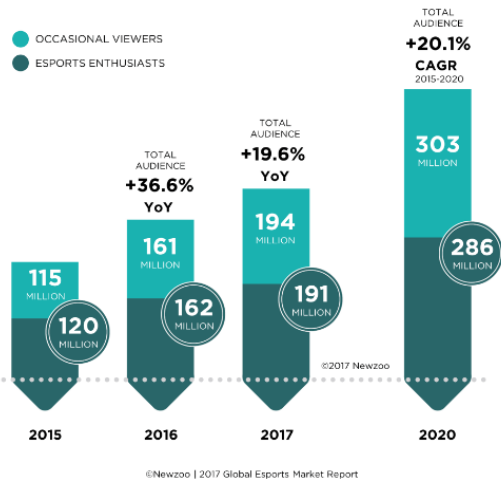


Besides, esports is particularly prevalent for Millennials. Born between the early 80's and the early 2000's, this demographic has played an important role in the way we use technology today. Millennials are always connected, technologically advanced and globally conscious. A study conducted by Group M's Mindshare showed 60% of esports enthusiasts are between the ages of 25 and 39. 15% of all Millennials watched esports, more than any other age group. 47% of them are millennial males, with a higher household income than the U.S. average. Those results are consistent with the general gaming population, where Millennials are also the majority.

- Growth of Audience

### ESPORTS AUDIENCE GROWTH

GLOBAL | FOR 2015, 2016, 2017, 2020 | Q1 2017



According to the statistics from Newzoo, the global esports audience will hit 385.5 million in 2017, including 191 million esports Enthusiasts and a further 194 million Occasional Viewers. The report views audience growth from a 2015 figure of 235 million to a 2020 estimate of 589 million, while global awareness of esports will reach 1.3 billion. The Asia-Pacific region may account for 51% of enthusiasts worldwide. The 25 million Enthusiasts in North America generate twice as much revenue per year than in any other region. Newzoo predicts that the U.S. and the rest of North America will account for 37% of revenues but just 13% of the esports enthusiasts worldwide by the end of this year. The 13% of enthusiasts in the North American region is still easier to leverage as a revenue stream than the enthusiasts in the Asia-Pacific region. While, esports enthusiasts in Western Europe will reach 22.6 million and total audience is estimated to hit 47.8 million.

- More Brands Get In Esports



Esports broadcasts feature many of the same advertising options as traditional sports. 50 more brands invested in Esports. In the first quarter of 2017, there were 30 more brands engaging in the industry. New entrants like Dollar Shave Club, Aviasales and Gerolsteiner. Coca-Cola has sponsored of League of Legends since 2013. They sponsored live viewing parties in movie theatres. CokeeSports is the brand's second biggest Twitter account. Intel sponsors the Extreme Masters, while Red Bull created an entire digital hub for content around the industry and sponsoring teams and events. When brands reinvest in the industry, they show optimism and confidence in the industry.

Source: <https://medium.com/tnlmedia/q1-2017-the-brands-that-invested-in-esports-ff2da1003536>



- **Esports in Virtual Reality**

With Samsung's Gear VR, Google's Cardboard and other VR hardware available to consumers, there could be a future for esports in virtual reality. Sliver.tv, a virtual reality app was launched in 2016. It broadcasts esports competitions for properties like CS:GO and League of Legends and offered Twitch level experiences to audiences for a while now by streaming events such as Intel Extreme Masters Oakland with chat and a 360 degree view. Sliver streams spherical mp4 videos directly to viewers' VR headsets, putting fans directly onto the battlefields at various "camera" points in a game map. CEO of Sliver said Sliver.tv must take the game data, render the world in VR, and send it along to the VR audience with only milliseconds of delay.

RealSport also sees the huge potential for an esport in a VR environment. RealSport experienced two-player co-op mode in the game Raw Data on the Vive at London's Meltdown esports bar, allowing two palyers to communicate with each other (from opposite sides of a busy bar) to coordinate our strategy to take down those evil robots.

John Koller, vice president of marketing at Sony Interactive Entertainment, believes the October PlayStation VR game, RIGS, could work. Developer Guerrilla Games has actually designed the game with eSports in mind, so that also adds to the potential for ushering in virtual reality eSports. The technology may not be matured yet, but it will continue to develop.





## CONCLUSION

In Hong Kong the biggest challenge for the esports industry is the absence of a high-quality league. Setting up a league would create more job opportunities for the industry and promote career development for talented players in Hong Kong. However, esports is growing rapidly in the world. Esports is becoming as popular as sports and competition structures are beginning to mirror the traditional sports industry. Esports continues to become part of the mainstream consumer landscape and offers media and brands a platforms to engage in a multi-billion-dollar business. It is clear that many industries and brands are gravitating towards this new concept to invest in this new financial goldmine. Esports will definitely play a key role in the future of sports betting.

## Endnotes

<sup>1</sup> the Guardian, “eSports could be medal event at 2024 Olympics, Paris bid team says “9August 2017, <https://www.theguardian.com/sport/2017/aug/09/esports-2024-olympics-medal-event-paris-bid-committee>

<sup>2</sup> 2017 Global Esports Market Report, <https://newzoo.com/insights/articles/esports-revenues-will-reach-696-million-in-2017/>

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