FREE VERSION

2017 GLOBAL ESPORTS MARKET REPORT

TRENDS, REVENUES, AND AUDIENCE TOWARD 2020

newzoo

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INTRODUCTION

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FOREWORD

FROM NEWZOO'S CEO

PETER WARMAN,
CEO Newzoo

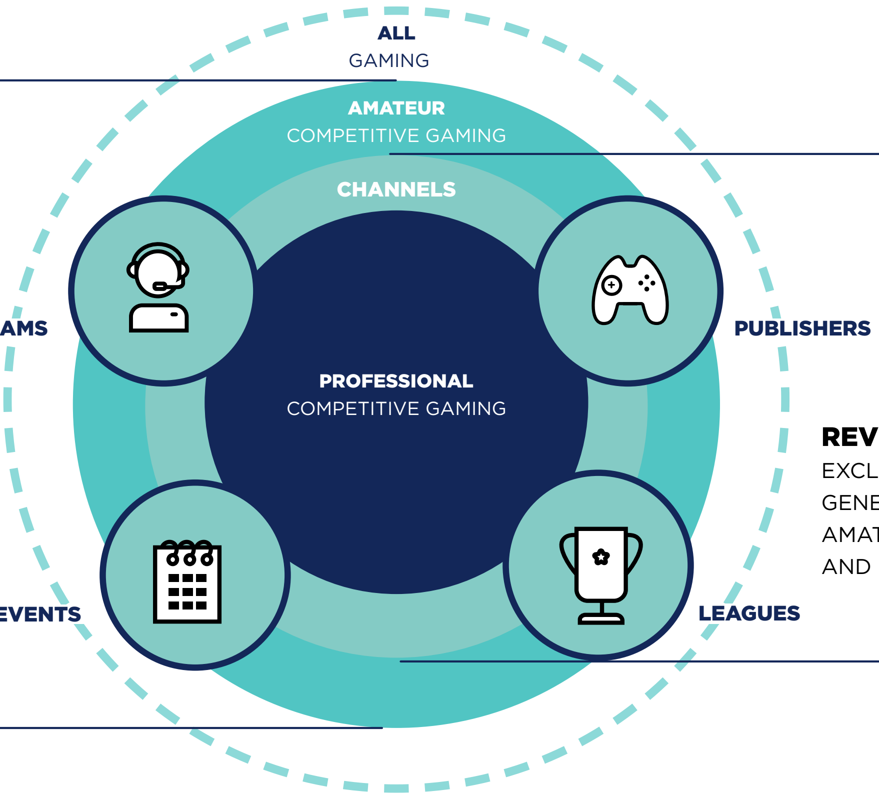
2016 was another big year for esports, with the industry showing signs of becoming a global mainstream market. This year will be no different, another pivotal year for esports. As the convergence of games and traditional media accelerates, esports is leading the way. Already, esports has been broadcast on TV in more than a dozen new countries, major media companies have invested big into esports, and numerous traditional sports teams and agencies have entered the industry. Media rights trade is becoming a serious business and is expected to grow sevenfold from only $50 million in 2016 to close to $340 million in 2020. Further, even more major non-endemic brands will close big sponsorship deals with teams, leagues, and events. Nike, Adidas, and Under Armour will battle it out for jerseys in 2017. Early movers are increasing their investment by several factors year on year. Ultimately, esports provides brands an entry point into the favourite pastime of digital natives and Millennials: gaming.

As the esports industry becomes increasingly local, we have increased our regional focus in this report. Through our primary consumer research on esports engagement across 27 countries, our strategic partners, new data streams, and an ever-increasing granularity of our Global Esports Audience and Revenue Forecasting Model, we have made a big jump forward in what we can offer to support companies that are interested or already vested in the esports market. We hope you enjoy this complementary report with important high-level numbers and trends from the paid report.

SCOPE OF THE REPORT

AUDIENCE & REVENUE SCOPE

This report aims to give a reliable and realistic overview of the current status and future of the esports market. Multiple data sources were used in shaping the Global Esports Audience and Revenue Model, which is continually updated. When it comes to audience, we have taken viewers of (online) amateur leagues and championships into account, but limited the Esports Enthusiast numbers to the frequent viewers and active participants. For revenues, we have focused only on the professionally organized esports teams, leagues, and events.



AUDIENCE SCOPE
INCLUDES (ONLINE) AMATEUR LEAGUES AND CHAMPIONSHIPS

REVENUE SCOPE
EXCLUDES (AD) REVENUES GENERATED BY ONLINE AMATEUR LEAGUES AND CHAMPIONSHIPS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A SNAPSHOT OF KEY TRENDS

ESPORTS ACCELERATES MEDIA CONVERGENCE

GAMES, ENTERTAINMENT, AND MEDIA MOVE TOWARD A COMMON FUTURE

Esports is not only growing exponentially as a new independent business and industry, it is also accelerating the convergence of various established industries. For brands, media, and entertainment companies, esports provides a chance to capitalize on the favorite pastime of digital natives and Millennials: playing games and watching game content. With the arrival of live streams and events, gaming has entered the realm of broadcasters and media that now can apply their advertising business model to a market previously out of reach for them.

For traditional sports, it solves the problem of an ageing fan base. On top of that, the quest for original content is a global phenomenon that is no longer driven by traditional broadcasters alone. Following examples set by Netflix and HBO, tech and e-commerce giants, such as Apple and Amazon, have started to invest heavily in content.

AT&T ACQUIRES TIME WARNER, TURNER, MACHINIMA

The most recent sign of consolidation on a large scale is the acquisition of Time Warner by US telecom provider AT&T for a staggering $109 billion. In the same week, Time Warner announced the full acquisition of Machinima, the digital programming platform focused on fandom and gamer culture. Machinima is an active player in the development and sale of content formats around esports. Turner, part of Time Warner, operates the ELEAGUE, a CS:GO league broadcast on TBS, Twitch, and YouTube Gaming. An element of the convergence of industries that is not often highlighted is the expertise that the games industry brings to media companies: business model innovation. Games rely on consumer spending while media companies rely on advertising for the most part of their revenues. In the long term, this convergence of industries will provide media conglomerates of the future with a more diverse and sustainable revenue mix.

AT&T

turner

TimeWarner

MACHINIMA

SPORTS STEP UP THEIR INVOLVEMENT

SPORTS TEAMS, CLUBS, AND LEAGUES SEE ESPORTS AS A NEW OPPORTUNITY

The involvement of sports clubs and personalities, leagues, and agencies will significantly accelerate the development of the global esports industry and help local esports scenes to grow. Traditional sports clubs and leagues bring with them an established local fan base, along with a well-known and respected brand. Leveraging this, they can ensure their esports initiatives are instantly perceived as top-level competitions. Agencies bring their vast experience in sports marketing to the space, telling stories around the teams and players that suit their client base of sponsor brands. Further, the inclusion of well-known sports teams gives a boost to the awareness and acceptance of esports as a legitimate form of mainstream entertainment. It will also give a boost to esports activities around sports games such as Madden and FIFA, as a significant share of esports initiatives are built around these franchises. Many plans that were announced or rumored last year will come to light in 2017.

SOCCER LEAGUES START FIFA "E-LEAGUES"

Rumors will become reality in 2017. Many European soccer leagues are rumored to be launching esports leagues soon. In fact, France, Spain, and the Netherlands have already formed FIFA leagues with national soccer clubs. The top-tier soccer league in the Netherlands was among the first national sports leagues to launch a full FIFA league season with esports teams branded by the soccer clubs.
A large share of the top European clubs has already invested in teams, with clubs such as Schalke 04 and Paris Saint-Germain leading the charge. Paris Saint-Germain was a driving factor behind the recently founded e-League 1, the French FIFA competition. Its marketing efforts have also provided successful, with its League of Legends team generating more than 300,000 views on YouTube.

MORE TRENDS COVERED IN THE FULL REPORT

Esports & VR, Content Rights Trade Heats Up, Growing Tension as Stakes Rise, Fragmentation of Leagues, Esports and Its Debatable Definition, Esports Content Diversifies


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THE GLOBAL ESPORTS MARKET

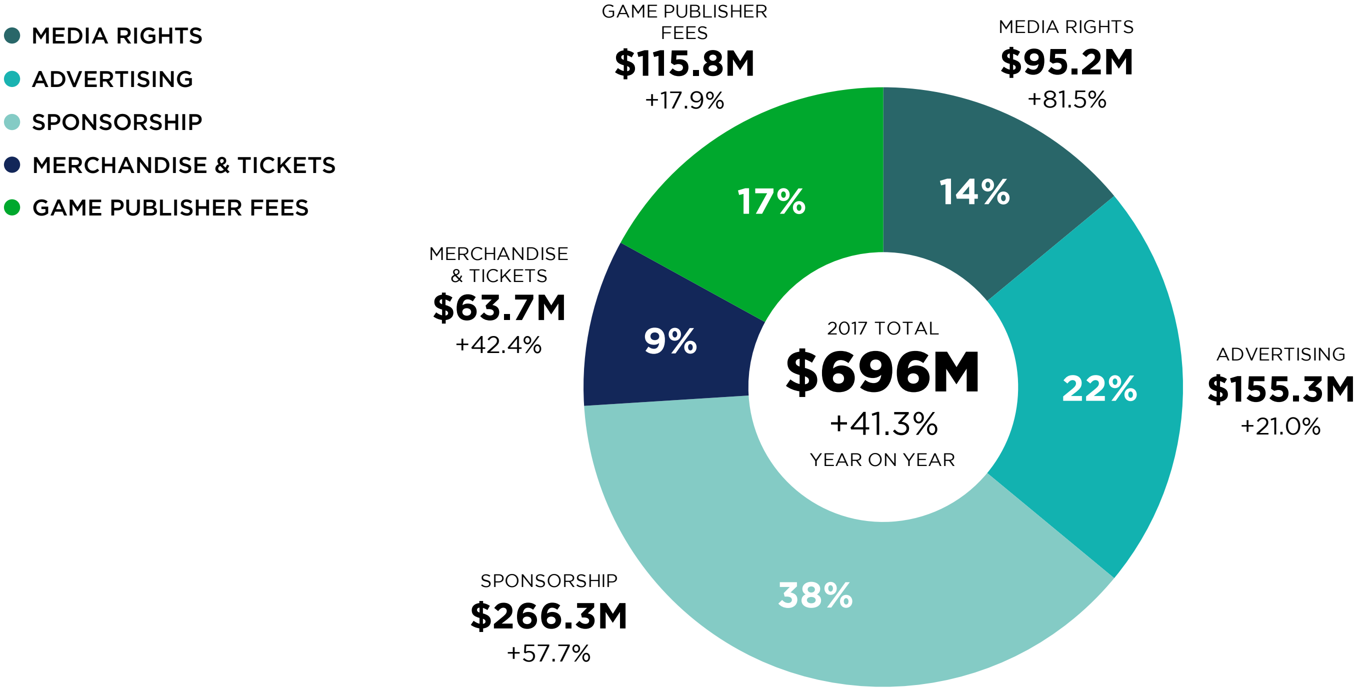
REVENUE SPLIT

GLOBAL

The coming year will see the Esports Economy grow to $696 million, a year-on-year growth of 41.3%. Brands are expected to spend $516 million, broken down into $155 million on advertising, $266 million on sponsorship, and a further $95 million on media rights. Consumer spending this year on merchandise and tickets will amount to $64 million. The remaining $116 million is the total investment that game publishers will make into esports, the share that is not directly recouped by any of the other revenue streams. It illustrates that, for most game publishers, esports is currently not a profitable business. However, their investment is justified by the positive impact on game revenues and the future potential of their esports activities as a stand-alone business.

REVENUES PER STREAM

GLOBAL | 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.*

REVENUE FORECAST

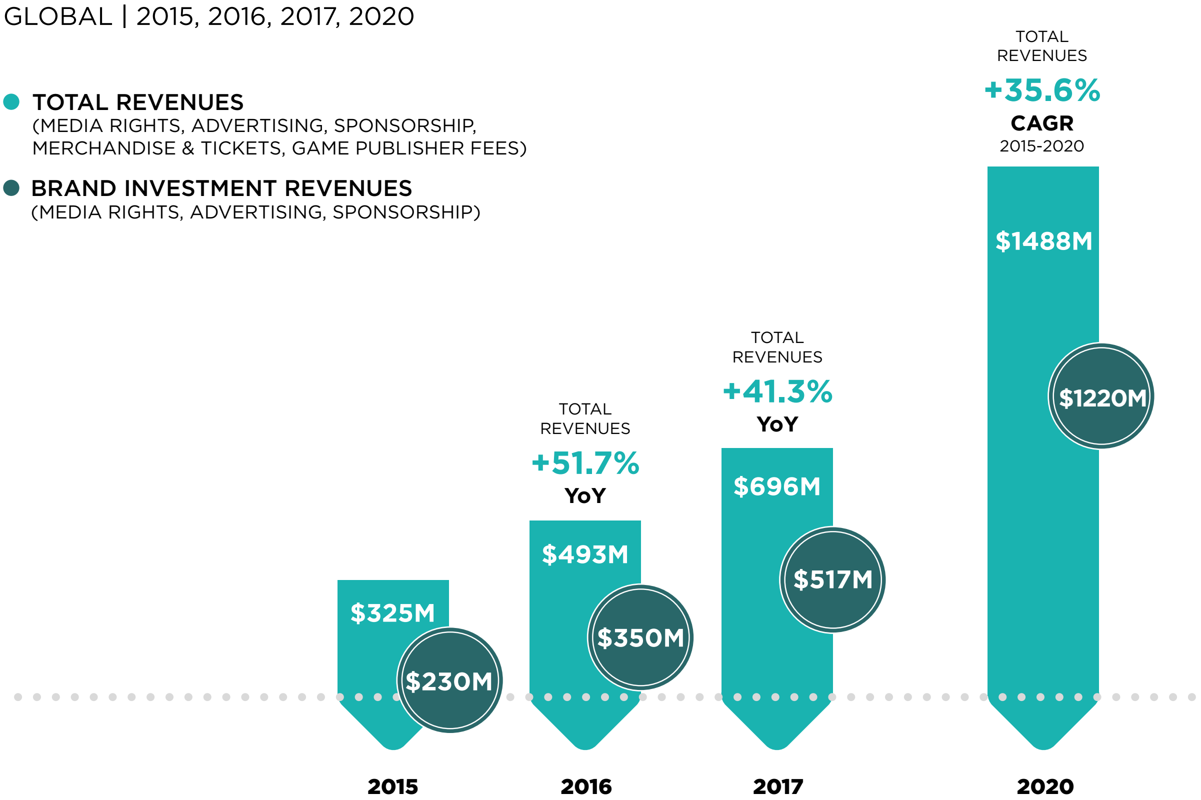
GLOBAL

Revenues will grow with a CAGR (2015-2020) of +35.6% to reach $1488 million by 2020. Sponsorship is the largest revenue stream and will grow to $655 million by 2020. New brands, especially non-endemic brands, entering esports will drive the growth in sponsorship revenues in the coming years. Advertising generates the second most revenues and will grow to $224 million by 2020.

Game publisher fees will see the slowest growth. As the esports economy becomes increasingly self-sufficient, it will no longer require investments by game publishers. The fastest-growing revenue steam is media rights which will generate $340 million by 2020, up from $95 million this year. Exclusive content deals, as seen in traditional sports, will drive this growth.

ESPORTS REVENUE GROWTH

GLOBAL | 2015, 2016, 2017, 2020



FULL REPORT INCLUDES THIS DATA FOR 10 SUBREGIONS

INDUSTRY POTENTIAL

GLOBAL

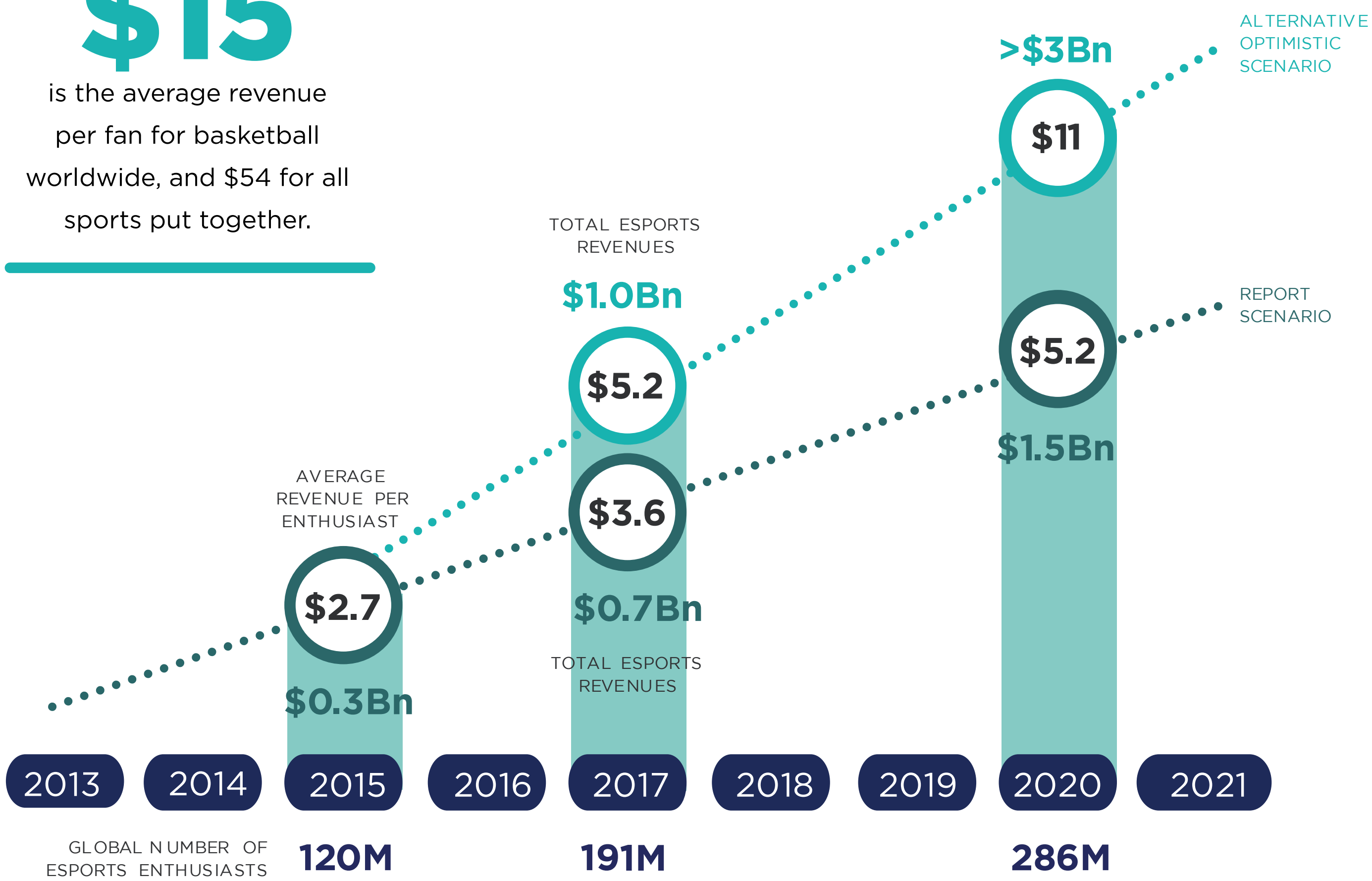
Esports Enthusiasts will spend an average of $3.64 each in 2017. This includes all revenue streams, while the average direct spending per fan on merchandise, tickets, or subscriptions is $0.33 in 2017. Revenues per Esports Enthusiast will grow to $5.20 by 2020. Fan spending is still low compared to traditional sports, as esports content is still largely available for free and the money spent on merchandise remains relatively small. If the average direct spend per fan increased to $2.00, the industry would generate more than $1 billion this year.

AVERAGE ESPORTS REVENUES PER ENTHUSIAST

GROWTH SCENARIOS | GLOBAL | 2013 -2021

$15

is the average revenue per fan for basketball worldwide, and $54 for all sports put together.



THE GLOBAL ESPORTS AUDIENCE

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AUDIENCE FORECAST

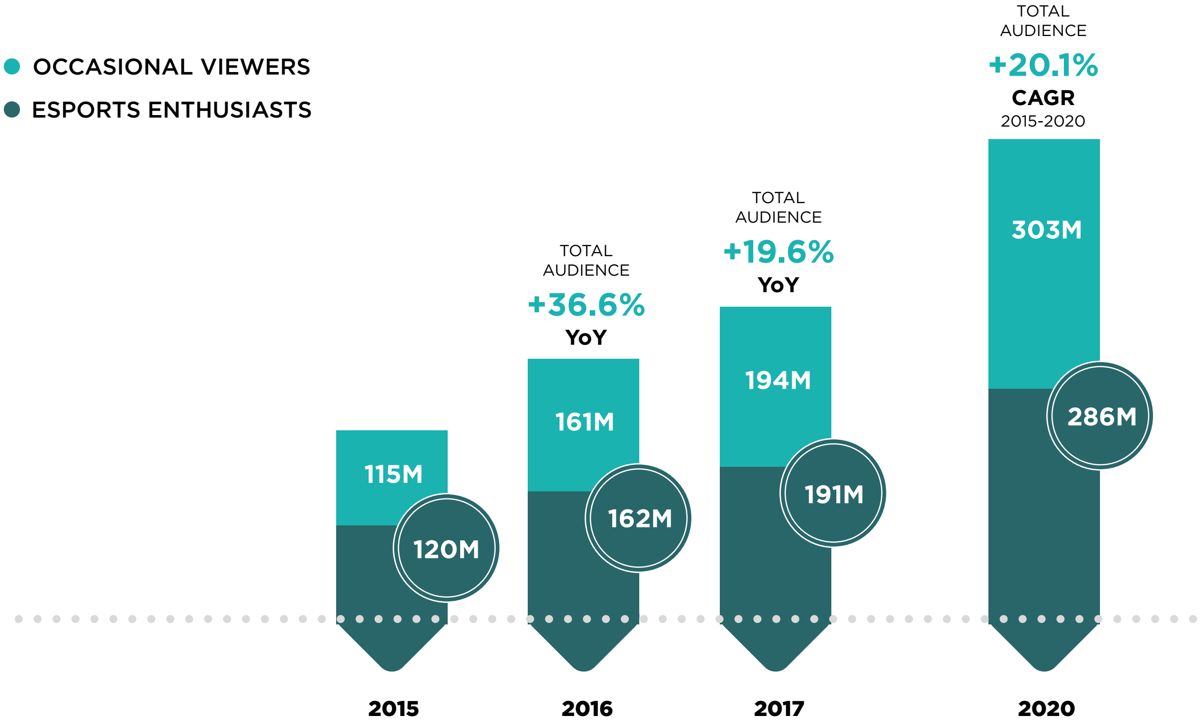
GLOBAL

The global esports audience will reach 385 million in 2017, made up of 191 million Esports Enthusiasts and a further 194 million Occasional Viewers. The number of Enthusiasts is expected to grow by 50% toward 2020, totaling 286 million. Growth in emerging regions, such as Southeast Asia and Middle East & Africa, increased viewership from TV broadcasts, and new franchises like FIFA and Overwatch are the main drivers of global esports viewership growth.

Global esports awareness will reach 1.3 billion in 2017, up from 1.1 billion in 2016. Awareness is estimated to approach 1.8 billion by 2020. This growth will be aided by game publishers incorporating esports into their game clients and other communication channels, along with increased coverage of esports in the media. The number of esports participants globally will reach 58.4 million this year, up from 49.8 million in 2016.

ESPORTS AUDIENCE GROWTH

GLOBAL | 2016-2020



FULL REPORT INCLUDES THIS DATA FOR 10 SUBREGIONS

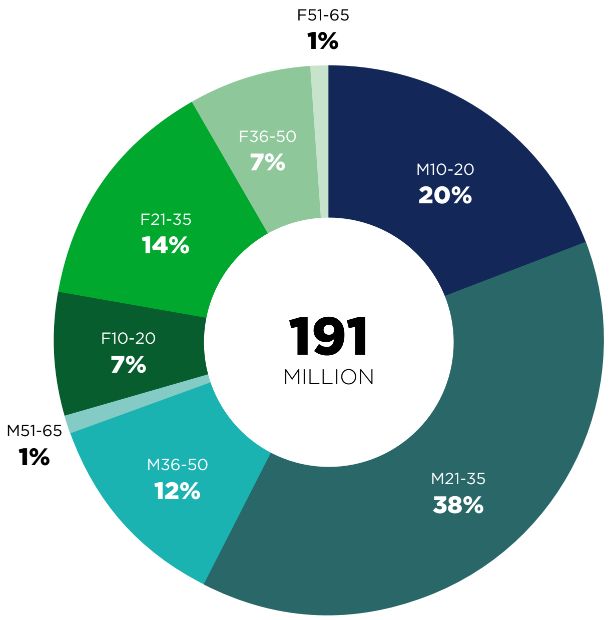
AUDIENCE OVERVIEW

GLOBAL

The Esports Enthusiast audience skews young and male, with half of them aged between 21-35 and 71% men. The majority of Enthusiasts are in full-time employment and enjoy a good income. This makes them a very desirable target group for different parties, especially big brands. Esports Enthusiasts are digital natives, and are more likely to be consuming content online than through traditional media outlets.

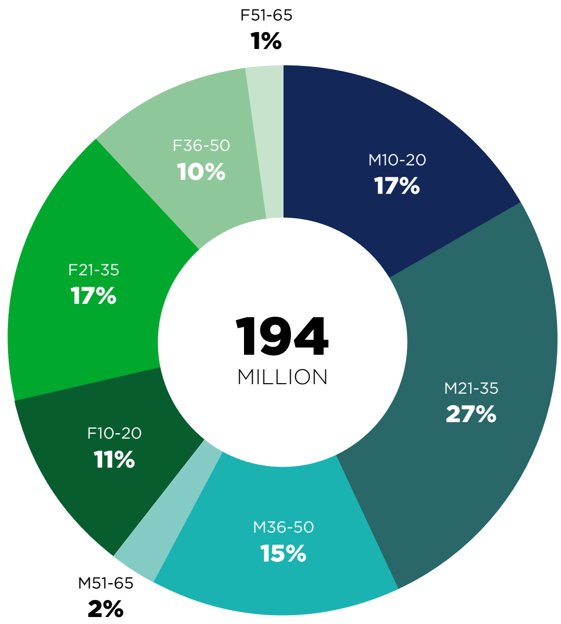
AGE/GENDER: ESPORTS ENTHUSIASTS

GLOBAL | 2016



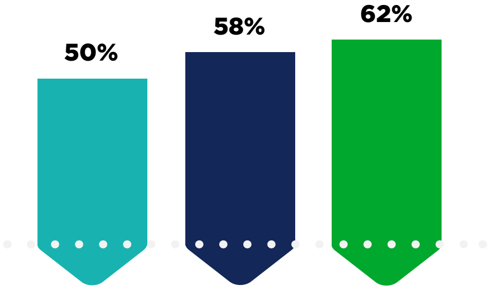
AGE/GENDER: OCCASIONAL VIEWERS

GLOBAL | 2016



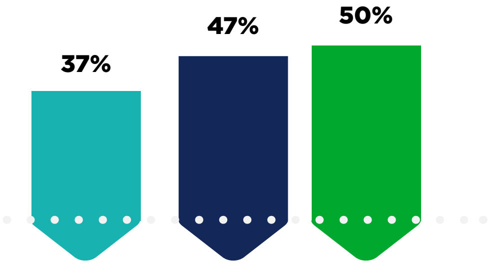
FULL-TIME JOB

GLOBAL | 2016



HIGH HOUSEHOLD INCOME

GLOBAL | 2016



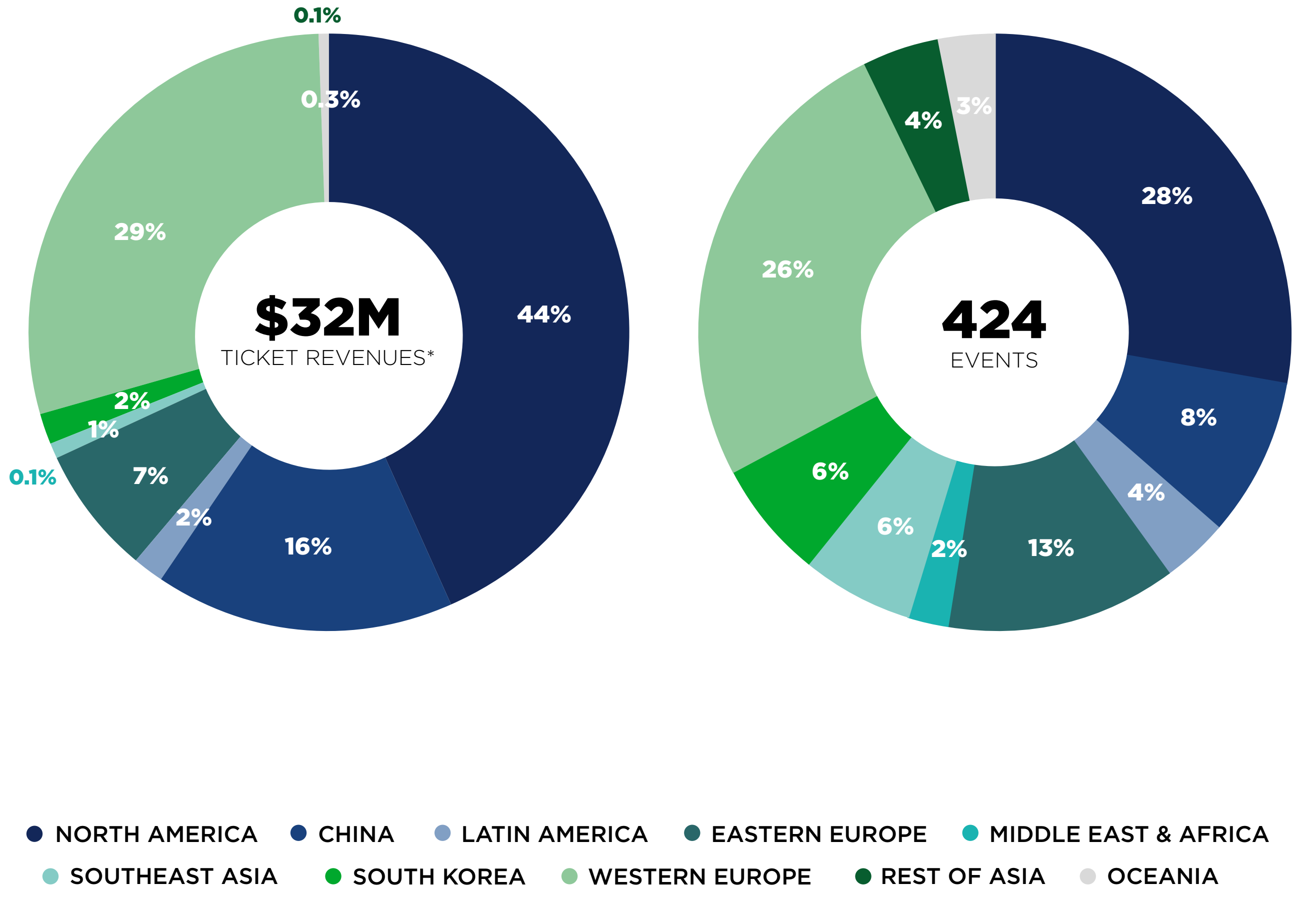
ONLINE POPULATION OCCASIONAL VIEWERS ESPORTS ENTHUSIASTS

EVENTS

GLOBAL

NUMBER OF MAJOR EVENTS & TICKETS REVENUES

SPLIT PER REGION | GLOBAL | 2016



In 2016, there were 424 esports events with a prize pool above $5000 worldwide. North America held the most events (28%), followed by Western Europe (26%), and Eastern Europe (13%). In total, ticket revenues for these events generated $32 million in 2016, up from $21 million in 2015. North America generated 44% of ticket revenues, followed by Western Europe with 29%. Globally, ESL, Blizzard, Riot Games, and MLG are the organizers that hosted the most tournaments last year. The League of Legends World Championship generated the most ticket revenues, an estimated total of $3 million, followed by The International Dota 2 championships, and the Mid-Season Invitational.

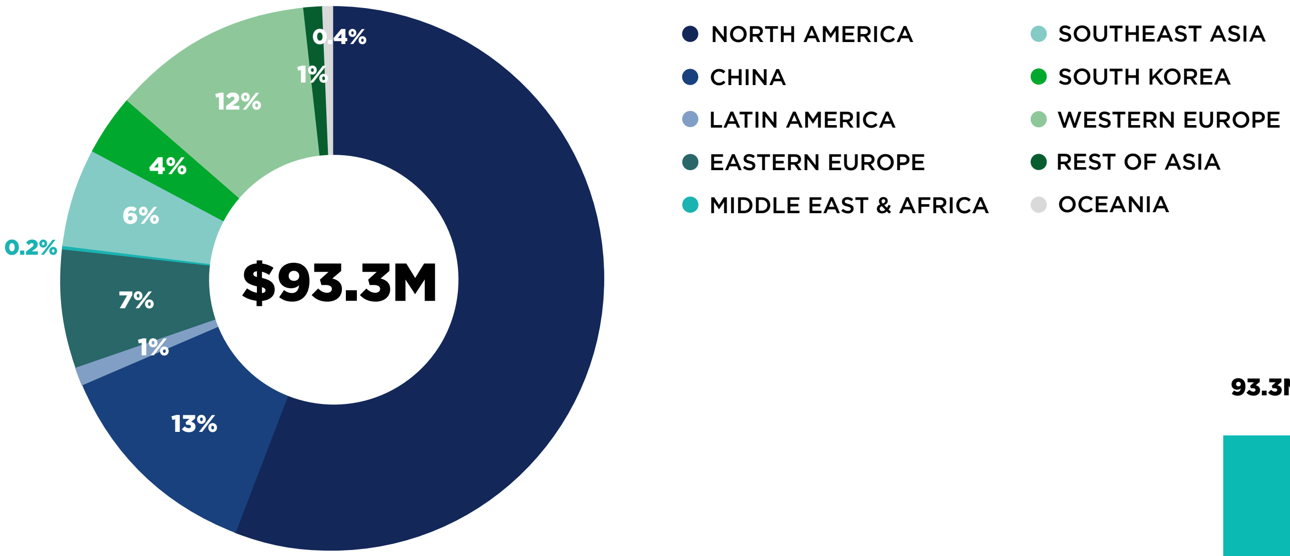
PRIZE MONEY

GLOBAL

Total prize money in 2016 reached $93.3 million, up from $61.0 million in 2015, or +52.9% year on year. Looking only at the major events with prize pools above $5000, total prize money reached $81.5 million, up from $54.7 million in 2015, or +49.0% year on year. The largest prize pool was awarded by The International with a record $20.8M, or 22% of the global total. For the first time, the League of Legends World Championship allowed consumer contributions, driving prize money to more than $5 million. Both events were held in North America, resulting in a 56% share of global prize money generated from this region.

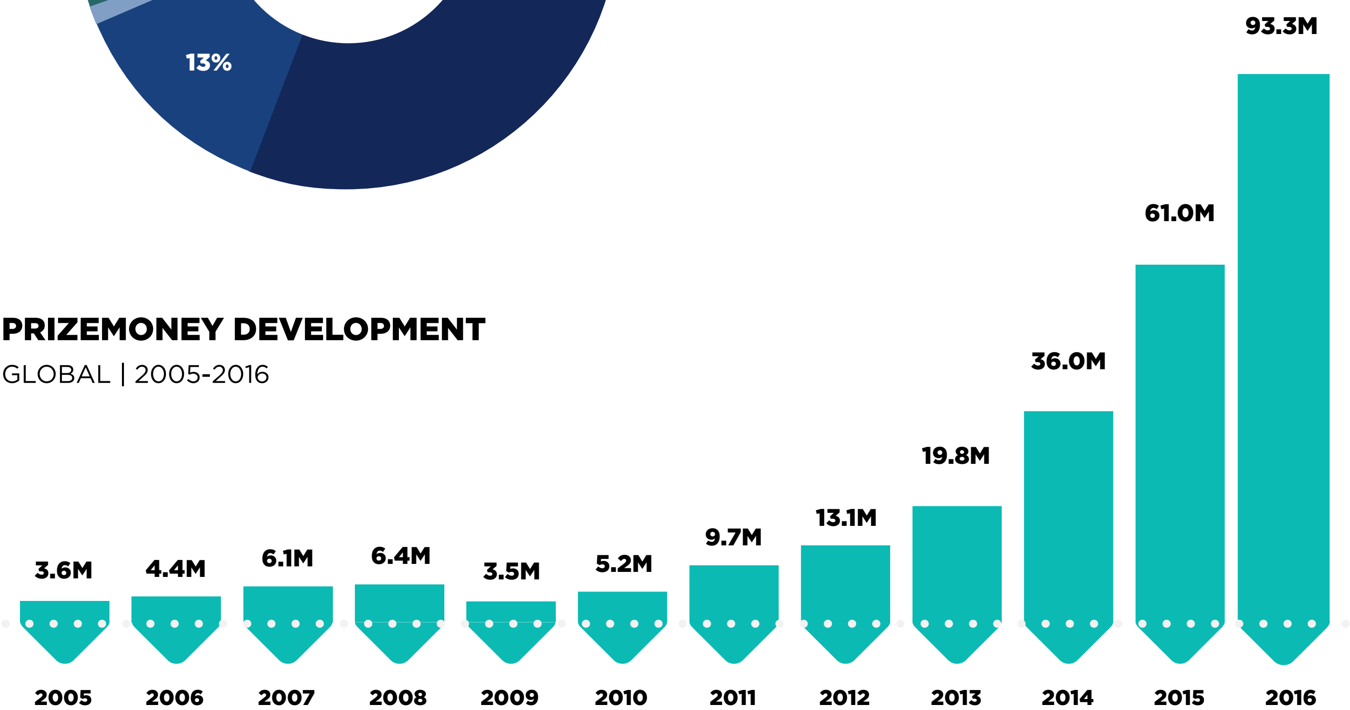
MAJOR EVENT PRIZE MONEY

SPLIT PER REGION | GLOBAL | 2016



PRIZEMONEY DEVELOPMENT

GLOBAL | 2005-2016



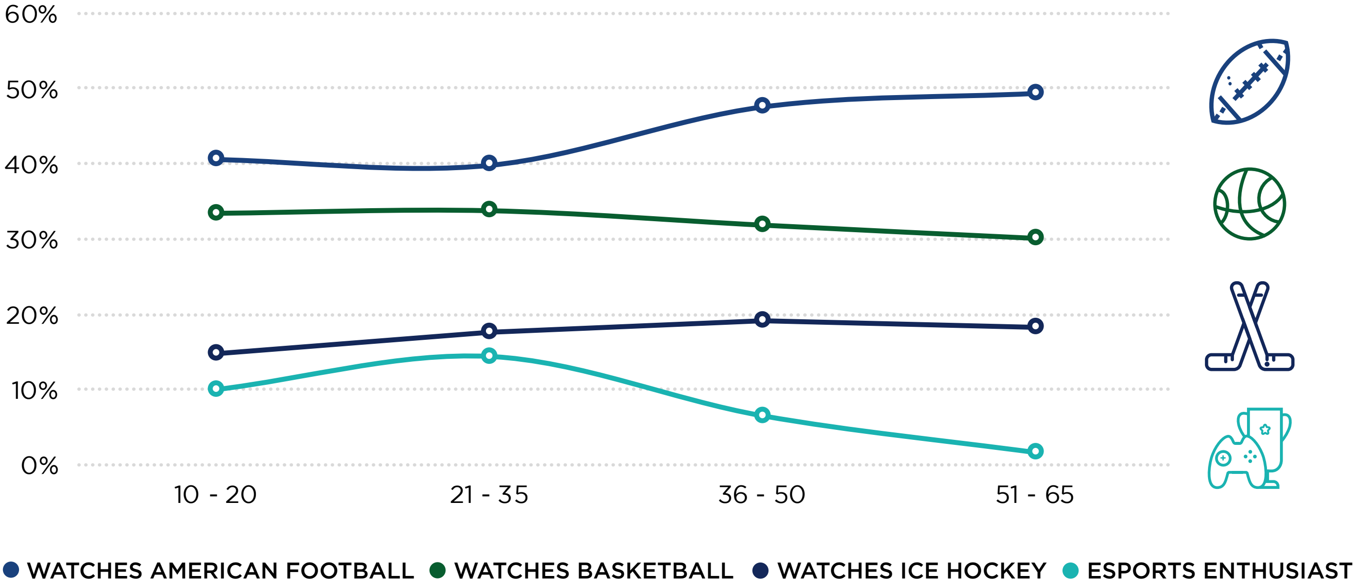
VALUE OF THE AUDIENCE

NORTH AMERICA*

** Consumer insights on this page are based on US and Canada.*

POPULARITY OF TEAM SPORTS* VS. ESPORTS** BY AGE

AMONG THE ONLINE POPULATION | NORTH AMERICA | 2016



** Includes those who have indicated that they have viewed the sport in the past three months.*
*** Includes those who have indicated that they watch esports content at least once per month (Esports Enthusiasts).*

North America generates the most revenue per Esports Enthusiast and has the highest direct spend globally. Comparing esports to traditional sports, we see that esports is almost as popular as ice hockey among Millennials; 14% of North Americans aged 21-35 are Esports Enthusiasts, while 18% of this group watch ice hockey. The most popular team sport in North America, American football, is watched by 40% of Millennials. However, it is more popular among older age groups, suggesting that popularity among younger fans is declining.

FULL 119-PAGE REPORT

SUBSCRIBE:

newzoo.com/esports-report-2017

FULL REPORT INCLUDES THIS DATA FOR 10 SUBREGIONS

METHODOLOGY

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METHODOLOGY

SIZING THE MARKET WITH A VARIETY OF DATA

ESPORTS REVENUE AND AUDIENCE MODEL

Newzoo's Esports Revenue and Audience Model and subsequent datasets were developed by using a tried-and-tested and rigorous methodology that combines an array of statistical methods, such as predictive analytics and structural equation modeling, leveraging a variety of local and regional data and cross-checks, from sources such as, but not limited to:

- National (and regionally/globally aggregated) census data.
- High-level local, regional, and global gamer and player numbers from our Global Games Market Model.
- Local, regional, and global franchise unique player and engagement data.
- Input from our primary consumer research performed in 27 countries.
- Revenue and engagement actuals and validations from teams and organizers.
- Prize money earnings on a local, regional, and global level.
- Online streaming and video platform viewer engagement on a team, event, and organizer level.
- Offline event attendees and ticketing revenues aggregated on a regional and global level.

ESPORTS REVENUE SCOPE: WHY BETTING IS NOT INCLUDED

Betting on esports is the hottest topic in the real-money gaming industry, as betting companies see esports as a huge "blue ocean" opportunity. Three years ago, a traditional betting company stated that esports was already its seventh-biggest sport worldwide in terms of betting volume, positioning it above golf and tennis. Traditional sports market reports do not include betting or fantasy league business models, let alone sponsorships from these betting companies. The two industries are separate for obvious reasons. Moreover, sports betting is a far bigger business than sports media rights, sponsorship, and consumer revenues put together. As an example, the NFL generated $13 billion last year, but betting and fantasy leagues around the NFL games are supposed to have made north of $50 billion. With most big betting companies already embracing esports betting on a global scale, it's possible that esports betting alone is larger than the esports economy itself.

THE NEXT STEP

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GET THE REAL DEAL

SUBSCRIBE TO OUR GLOBAL ESPORTS MARKET REPORT PREMIUM

KEY TOPICS & DATA POINTS

- THE ESPORTS INDUSTRY: A PROFILE OF KEY PLAYERS & ORGANIZATIONS
- KEY TRENDS SHAPING THE MARKET
- THE ESPORTS MARKET (2016-2020): GLOBAL & 10 SUBREGIONS
- RANKINGS: TOP COUNTRIES & EVENTS PER REGION
- THIRD-PARTY RESEARCH
- TERMINOLOGY & METHODOLOGY

REGION SCOPE

- NORTH AMERICA
- LATIN AMERICA
- EASTERN EUROPE
- WESTERN EUROPE
- MIDDLE EAST & AFRICA
- CHINA
- SOUTH KOREA
- SOUTHEAST ASIA
- REST OF ASIA
- OCEANIA

10 SUBREGIONS

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