Trends to watch in 2019:

FIVE DEVELOPMENTS TRANSFORMING THE ESPORTS MARKET

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Esports BAR
The World's Esports Business Arena

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FOREWORD

Trends to watch in 2019

The esports market may be in its adolescence, but it is maturing faster than ever and the coming years are crucial. In this whitepaper, we will explore the five biggest trends shaping the industry's bright future. Despite the digitalization of other industries in recent years, segments of the esports industry are following a different path entirely. Thanks to the rise of local esports initiatives, plenty of viewership is moving away from the digital space toward bringing fans together at physical locations.

Meanwhile, esports broadcasting formats are rapidly changing and adapting tried-and-true strategies from linear TV and traditional sports. Yet, esports is also teaching the traditional sports industry a thing or two. One thing is for sure: things are heating up in the esports arena and trends we discuss in this report are at the forefront.

Jurre Pannekeet
Sr. Market Analyst

The global esports market will generate

$1.1Bn

in 2019, with a total audience of 453.8M

1. FROM ONLINE TO OFFLINE: LOCAL ESPORTS LOCATIONS AND COMMUNITIES ON THE UP

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LOCAL INITIATIVES INCREASE ACROSS THE WORLD

From physical to digital and back again

Our previous whitepaper highlighted the importance of local esports initiatives, which will continue to become more prominent in the coming years. These cafes were once incredibly popular. However, as Internet speeds improved, they took a huge popularity hit. Instead, people moved toward online gaming. The meteoric rise of esports has resulted in a resurgence of PC cafes as a location for esports competitions, as well as new locations like esports-dedicated bars.

An increase in local esports initiatives will also improve bonds between Esports Enthusiasts and their favorite esports pros and teams. This will directly strengthen esports organizations' brands, meaning more revenues from investments. In the end, local initiatives will make esports more visible in the public space, increasing the general population's esports exposure. This will have a positive effect on esports engagement and participation alike, attracting new fans and solidifying brand loyalty toward teams, leagues, players, and events.

China is leading in the development of local esports locations. The government is a major proponent of the move from online to offline. And for operators, physical locations present plenty of opportunities for monetization that are simply not possible within the country's highly regulated digital environment.

Esports Arena
7
Locations in the USA

Meltdown Esports Bar
27
Locations globally

Wangyu Cybernet Cafe
1,000
Locations globally

CASE STUDY: COMPETING TO BECOME CHINA'S ESPORTS HUB

Six cities want to become China's key esports hub and are incentivizing esports organizations to set up shop

Xi'an

Population: 9.5M

#9

Largest Chinese city by urban area inhabitants

Xi'an has doubled down on branding itself as a key esports city, introducing favorable policies for esports organizations.

Xi'an is the home of team WE and hosts several esports events, including the Demacia Cup, Honor of Kings College Cup Final, and LoL College Cup Final.

Versus Programming Network (VSPN), Team WE, and Banana Culture each signed partnership deals with the Xi'an government, focusing on tournaments, education, and property. The city will also host the 2019 World Cyber Games.

Sanya

Population: 540K

Sanya, one of China's most famous tourist cities, is banking on combining esports and tourism to boost its economy.

Through its many colleges and universities, Sanya already has many student residents—a group very active in esports.

In recent years, Sanya has successfully held a number of international esport events, such as the World University Cyber Games.

Haikou

Population: 2.2M

Haikou is Hainan Island's capital city, located at the north edge of the island. It is one of the top destinations for domestic and overseas tourists.

Supported by local government, the WESG Grand Final was held in Haikou by Alisport in 2018. There are also many local esport events.

Hainan is also the first province to pilot China's new game approval mechanism.

CASE STUDY: COMPETING TO BECOME CHINA'S ESPORTS HUB

Six cities want to become China's key esports hub and are incentivizing esports organizations to set up shop

Hangzhou

Population: 10M

By 2022, Hangzhou aims to invest over $2 billion into developing the city's esports activities. The city will host the 2022 Asian Games.

LGD Gaming built its own esports venue in the city, which will serve as the home venue for its LPL matches.

Other projects include an esports academy, esports-themed hotel, theme park, business center, and even a hospital designed for esports players.

#10

Largest Chinese city by urban area inhabitants

Chongqing

Population: 15M

To boost local esports activity, Chongqing singed a deal with Alisports, resulting in Alisports relocating its business unit to the city.

The sports affiliate of Alibaba Group will also work with Chongqing High-Tech Zone to build an international esports street in Jiulongpo District.

Alisports will also organize large-scale sports events and networking sessions to boost collaborations between foreign and domestic companies in the city's sports industry.

#5

Largest Chinese city by urban area inhabitants

Shanghai

Population: 25M

Shanghai recently held a signing session with multiple companies active in esports to put the city on the path to becoming a world esports center.

As a result, Tencent Games' Honor of Kings Winter Champion Cup took place in Shanghai, and The International 9 will happen there in 2019. Also, esports athletes can register with the city to receive benefits, and NetEase and Shanghai's government reached an agreement to move NetEase's esports facilities to the city. PandaTV and ShihouTV signed similar agreements.

#1

Largest Chinese city by urban area inhabitants

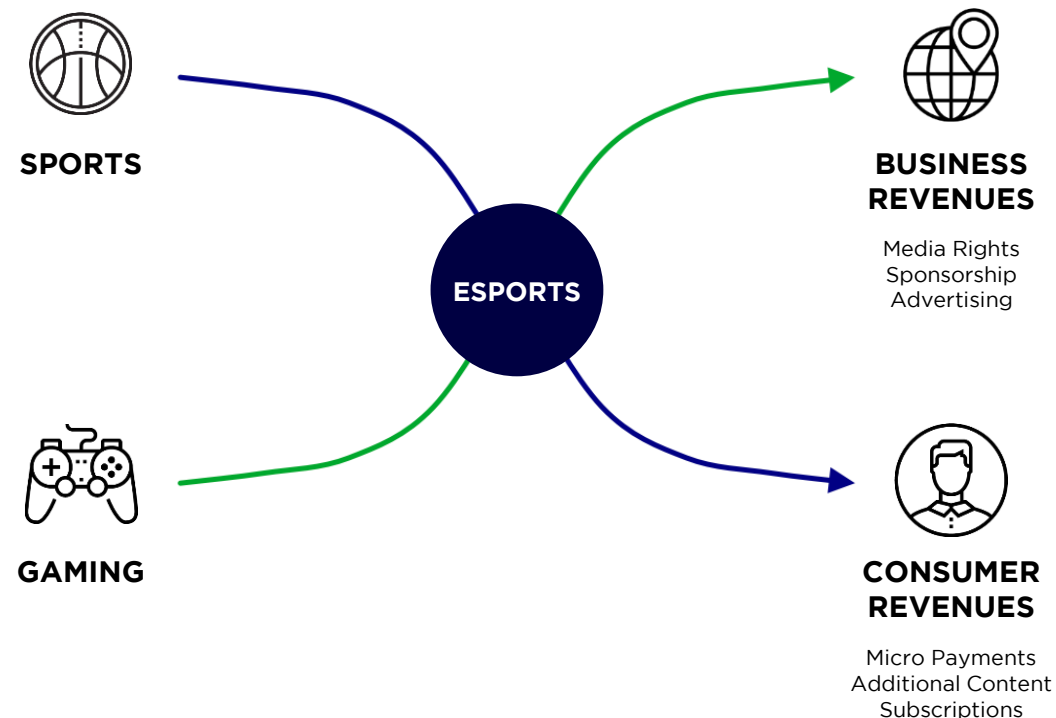**2. ESPORTS AND TRADITIONAL SPORTS ARE ADOPTING EACH OTHER'S STRATEGIES**

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LIVE VIEWERSHIP BUSINESS MODEL INNOVATION

Striking a balance between direct consumer and indirect business monetization strategies

The esports and games market combined will generate $149 billion in global revenues this year, more than the traditional sports market, which will be worth around $140 billion. The games and esports industry are focusing on increasing business-to-business revenues, such as media rights, sponsorship, and advertising. Meanwhile, the traditional sports scene will take cues from esports and gaming, looking to increase revenues from direct consumer monetization.

For quite some time, viewers have been moving away from traditional linear television, which is where the majority of sponsorship and media rights revenues come from in traditional sports. Many sports organizations are looking to offset the revenue decreases that come with shrinking TV viewership. And they are looking to the monetization models from games and esports to achieve this, including voluntary donations to content creators and premium content subscriptions.

Both industries are going through a transitionary period, aiming to strike a balance between directly monetizing consumers and indirect revenues through media rights, sponsorship, and advertising. For traditional sports, we expect this balance to skew toward the direct monetization revenue streams that games and esports pioneered.

SPORTS

GAMING

ESPORTS

BUSINESS REVENUES

Media Rights
Sponsorship
Advertising

CONSUMER REVENUES

Micro Payments
Additional Content
Subscriptions

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CASE STUDY: VOLUNTARY SPENDING OPTIONS

New monetization models for the sports industry?

	MICRO-SPENDING	**SUBCRIPTIONS**

PLAYING

Micro-spending on games occurs through purchases of in-game items such as cosmetics, boosts, characters, or items.

Additional content subscriptions, such as battle passes, give players an enhanced experience of the game they play, offering new elements and features.

VIEWING

Video content creators in the games industry monetize their viewers through voluntary donations from their fans, who appreciate and want to support their favorite content creators.

Premium content passes offer viewers an improved and personalized viewing experience through controllable camera views, exclusive shoulder content, in-game rewards, and more.

3. INFLUENCERS WILL BECOME BROADCASTERS FOR ESPORTS AND TRADITIONAL SPORTS

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ESPORTS TAPPING INTO STREAMERS' AUDIENCES

Influencers will be the next generation of broadcasters for many fans

Both esports and traditional sports will continue to distance themselves from media rights constraints, especially regarding who can broadcast and commentate on content. To that end, influencers will be allowed to commentate on content, attracting their respective fanbases to this content. Many of these fans are accustomed to spending money on content, opening plenty of direct-revenue opportunities for esports organizations.

This format is already being used in some esports. Fortnite and Dota 2 events often include influencers as commentators or competitors. Notable examples include Dota 2 streamer AdmiralBulldog and Fortnite streamer Ninja. Impressively, Ninja's stream for the NA Fortnite Summer Skirmish Week 2 generated half the live Twitch viewership produced by the official event stream. We will see more influencers getting involved in the coming years, for esports and traditional sports alike.

NA FORTNITE SUMMER SKIRMISH WEEK 2

- Viewing Hours
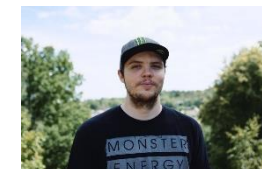- Average Concurrent Viewers
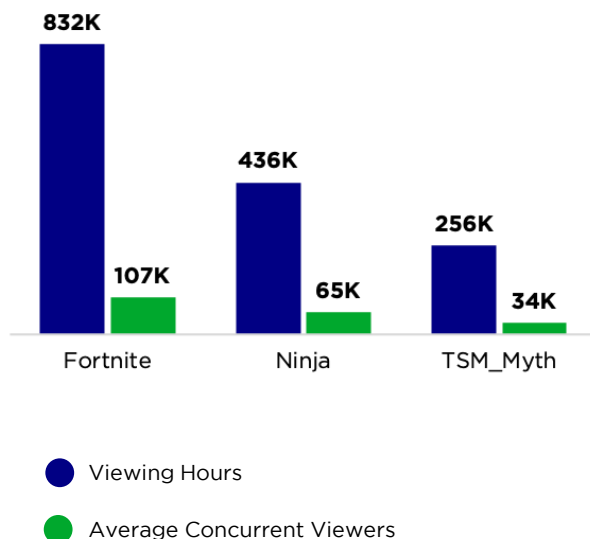
NINJA

#1

Fortnite streamer
on Twitch in 2018

231M

Live hours watched
on Twitch in 2018

ADMIRALBULLDOG

#9

Dota 2 streamer
on Twitch in 2018

13M

Live hours watched
on Twitch in 2018

4. CHANGING COMPETITION INTO ENTERTAINMENT: NEW ESPORTS FORMATS ON THE RISE

FINDING THE PERFECT VIEWING FORMAT

Esports will adapt and innovate traditional TV formats

Some game genres have yet to find their perfect esports viewing experience, especially when it comes to in-stadium viewing. To help change this, these games will look to existing forms of entertainment to build unique, engaging experiences around their esports offerings. Naturally, format innovations will also come with emerging technologies like AR.

Even though most entertainment is moving toward digital, esports is different. The market is taking some of the underlying strategies of linear TV and adapting them to the digital era. Chief among these is leveraging powerful, engrossing storytelling to pique the interest of viewers, introducing naturally evolving stories around up-and-coming players on their paths to success. Battle royale games will lead the way in this respect. The genre, however, will take few cues from the sports industry; rather, it will look to traditional TV. In general, genre innovation will play a major role in attracting viewership in the coming years.
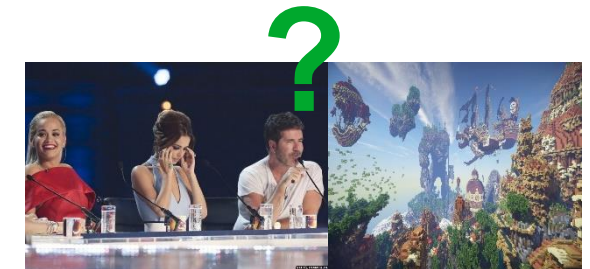
PUBG Global Invitational

Could Minecraft have a show where judges rate contestants on creativity and building skills?

CASE STUDY: APPLYING TECH IN LIVE EXPERIENCE

Asia leads in using new tech to drive live viewership experience

Technology such as augmented reality can greatly enhance the live stadium viewership experience of esports, adding even more spectacle and excitement to matches. AR can provide an engaging live viewership experience for fans both in the venue and at home.

For currently popular esports titles, emerging technologies offer valuable and practically limitless entertainment possibilities. Asia is a world leader in utilizing innovative tech in live esports experiences. The King Pro League, for example, brings in-game characters to life through holograms, and the League of Legends World Championship opening ceremony in 2017 featured a massive augmented dragon soaring around the arena. Likewise, the 2018 edition of the latter event gained plenty of media attention by featuring virtual pop group K/DA. The group performed "live" dressed as in-game characters.

5. THE BRANDING BATTLE FOR FAN ENGAGEMENT AND LOYALTY

# STRENGTHENING ESPORTS BRAND LOYALTY

Esports brand compete for the spotlight

All brands in esports are vying for the attention, engagement, and loyalty of fans, and increasing brand value will be the main priority for esports organizations in the coming years. Most Esports Enthusiasts have a deeper connection with the game and publisher—rather than the esports teams or pro players. This will change in the future when loyalty toward team brands will surpass loyalty to publishers and maybe even games.

For players and events to position themselves for the future and become attractive to investors, they must solidify bonds with fans. This entails doubling down on developing unique stories and powerful content around their teams, leagues, and tournaments. Teams, in particular, need to focus on clearly communicating what they stand for and what makes them stand out—essentially, showcasing their unique selling points to brands.

To that end, teams are increasing their brand messaging, putting a stronger emphasis on individual team brands over organizations.

Level of Brand Affinity of Fans

- 🟢 Current
- 🔵 Future?
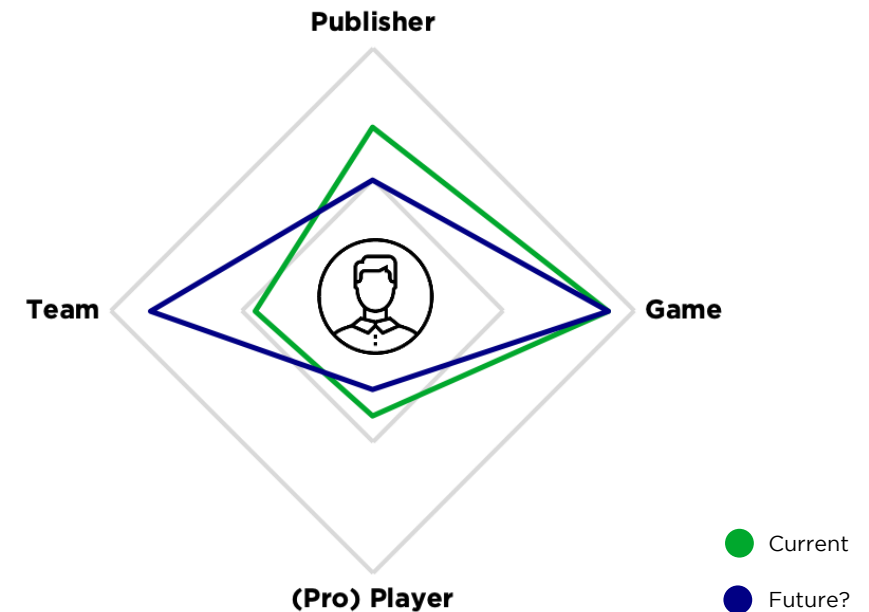
CASE STUDY: RFRSH ENTERTAINMENT

Different esports brands under the same umbrella company

RFRSH was founded in 2016 to help esports organizations increase their brand value through best practices in marketing, branding, coaching, and training. Thus far, RFRSH has been successful in its mission to move the esports industry forward.

A notable example of this is RFRSH Entertainment running both the Origen brand for League of Legends and Astralis for CS:GO. Ultimately, this gives teams and players their own unique viewer fan base for each game, giving them power within the esports ecosystem.

Existing organizations with multiple teams will increase branding efforts around their individual teams, helping them develop a diverse roster of team brands within the organization. Naturally, the team brands with the most appeal will be the ones that can attract the biggest sponsors.

PROFILE YOUR ESPORTS TARGET GROUP

In-depth esports consumer profiling in 30 markets

Newzoo Consumer Insights

Tap into your target market

Newzoo's esports consumer insights provide an in-depth overview of esports fans and enthusiasts in 30 different key markets. Analyze these valuable consumers by media habits, viewing preferences, brand attitudes, income, and 200 more variables.

Dive into the esports audience and understand:

- Viewers vs. Gamers
- Overlap with Sports
- Segmentation and Profiles
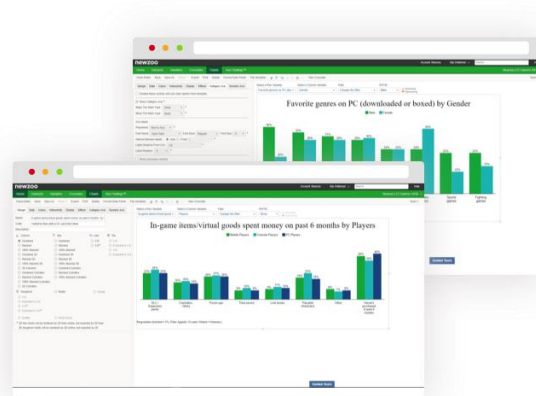
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Get in touch to see how our consumer insights can help you **understand and profile** your esports target group in 30 local markets.

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

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