

The burgeoning evolution of eSports

From the fringes to front
and center

Consumer Intelligence Series





What is eSports?

Competitive gaming has been around almost as long as video games themselves. Initially, much of the competition centered around friends challenging each other in a game of Pinball. But this quickly transitioned to organized tournaments beyond just arcade games. The Space Invaders Championship held by Atari in 1980 was the first large-scale video game competition, attracting more than 10,000 participants across the United States.¹ This tournament, and the others that have followed, set the stage for what would ultimately become eSports.

Some four decades later, has eSports finally reached its tipping point? We believe so.

For this survey, we defined eSports as organized video game competitions involving, for example, fighting (e.g., Mortal Kombat), first-person shooter (e.g., Call of Duty), multiplayer online battle arena (MOBA) tournaments (e.g., League of Legends), or massively multiplayer online (MMO) games (e.g., World of Warcraft).

¹ Digital Spy, "Gaming Like a Pro: An Overview of the eSports Scene," February 5, 2012.

Shaking off the social stigma

A negative stigma has long been associated with the act of playing video games: enthusiasts lack maturity, motivation, sociability. Telling someone you spent the weekend slaving over your gaming console would make it seem as though you'd sat alone in a basement for three days partaking in a slightly shameful activity. Yet, a slow but steady shift has occurred over the years, pushing the act of gaming closer towards acceptance.

In the early 2000's, the free-to-play model made gaming more accessible, which in turn delivered increased interest from consumers and publishers. With more people playing, the gaming giants had the incentive to invest in more entertainment. Pile on the inventions of streaming and social media, and you have a tipping point of awareness and legitimization.

The not-so-secret community

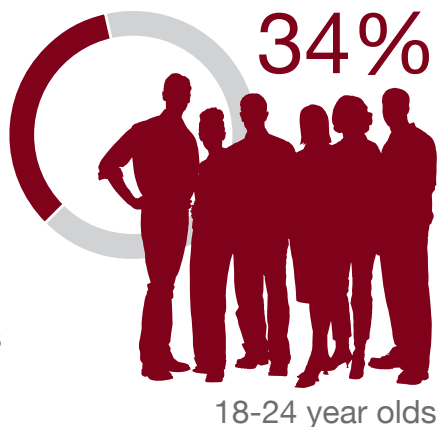
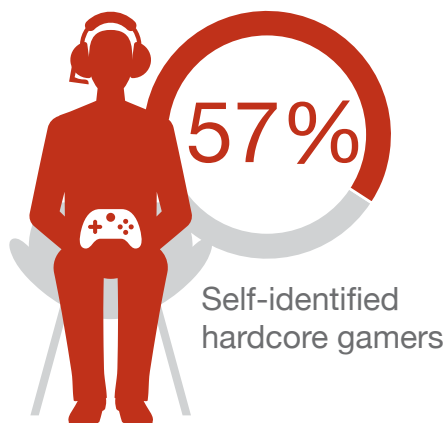
Social media has arguably been the most powerful catalyst for the mainstreaming of eSports. The chatter started small in online forums, but this medium was stunted by fragmentation and limited availability. It wasn't until the world became more connected—via the Internet and social media—that the gaming community could unite and flourish. Through Twitter and Facebook, gaming enthusiasts were finally unified and could interact with one another seamlessly, while remaining anonymously if they preferred.

Enter Twitch in 2011 and eSports finally had a home. Purchased for nearly \$1 billion by Amazon in 2014—to shock and awe from media outlets everywhere—Twitch helped transform eSports from the ugly stepchild to the star quarterback. Billing itself as the first and largest social network for video game fans, Twitch.tv is the epicenter of the gaming movement we see today. Last year alone, according to Twitch, its users streamed 241 billion minutes of video—or 459,000 years' worth.

“eSports is another genre that can't be easily dismissed as an underground ‘niche,’ or a mere subset of the gaming genre.”

– Chad Gutstein, CEO of Machinima

Highest awareness of eSports:



Base: Total respondents when accounting for full sample before quota terminations (n=2105); Q11. Are you aware of/have you heard of the term “eSports”?

From ugly stepchild to star quarterback

Today, social media remains the mainstay for eSports chatter. Twitter, RedditNews, blogs, and forums have all been created specifically to cover the competition, with topics ranging from game play to Q&As with eSports' most sought-after celebrities.

And much like the industry itself, the growth in conversation about eSports is increasing steadily. During our 3-month social listening campaign, we uncovered a total of 278,000 mentions of eSports. November 2015 yielded fewer than 5,000 mentions. A scant two months later—by January 2016—that number had spiked ninefold to more than 45,000 (driven in large part by ESPN's announcement of a dedicated eSports vertical on TV). Conversation took place mainly on Twitter, with a small but significant portion on forums.

From trendy to mainstream

eSports is big . . . and getting bigger. After years of slow and steady growth under the radar, we now have a phenomenon the country can no longer ignore or question. The game's stardom continues to reach new heights. Below are just a few of its most recent notable accomplishments:

- **August 2013:** The League of Legends Finals live competition sells out LA's Staples Center to more than 10,000 spectators
- **September 2014:** A small private university in Chicago—Robert Morris University—begins offering scholarships to videogame players.
- **Early 2016:** Turner Sports president Lenny Daniels says the network will cover eSports “just like it covers traditional sports like Major League Baseball, the NBA, and the NCAA Final Four.”²
- **January 2016:** ESPN launches a specific eSports vertical.
- **January 2016:** Turner Sports officially enters the eSports arena at the Consumer Electronics Show

(CES) with a \$50,000 “CS:GO” tournament that feeds into a \$2.4 million prize pool for 2016.

- **March 2016:** Yahoo! Inc. announces the launch of Yahoo eSports, a “new premier destination for delivering professional eSports coverage across major games and events, coupled with a comprehensive product experience.”³

A global movement

eSports' roots can be traced back to South Korea, which pioneered the space and has one of the most established eSports organizations to date. It's taken the world some time to catch up, but now that it has, we can expect massive growth in involvement and profitability. Says David Stern, former commissioner of the National Basketball Association, “An important characteristic of eSports is the combination of its Asian roots moving into North America and Europe with their installed infrastructure of consoles and enthusiastic base of video gamers. Just like social media, it's a global phenomenon without borders.”

The global eSports economy continues to surge ahead, with revenue expected to hit \$463 million this year—a 43% jump from 2015.⁴

The US is leading this global market with a 38% share of revenues, according to figures from research firm Newzoo.⁵ Company CEO Peter Warman forecasts the US will maintain its lead and generate \$175 million in eSports revenue this year from online advertising, sponsorships, media rights, merchandise, tickets, and additional publisher investment.

“An important characteristic of eSports is the combination of its Asian roots moving into North America and Europe with their installed infrastructure of consoles and enthusiastic base of video gamers. Just like social media, it's a global phenomenon without borders.”

– David Stern, former commissioner of the National Basketball Association

² Fortune, Here's why eSports is coming soon to a TV near you,” September 28, 2015.

³ Yahoo press release, “Yahoo Launches New Experience Dedicated to Esports,” March 2, 2016.

^{4,5} Newzoo, “2016 Global Esports Market Report,” January 25, 2016.

“The rise of social media, live streaming, and expanded distribution options for broadcasts of top level competition have enabled eSports to break down geographical barriers in a way that many traditional sports have struggled with.”

– Mike Sepso, Senior Vice President of
Activision Blizzard Media Networks



A new world: growing up gaming

Today, kids are being born into a world where playing video games can be as strategic as a quantitative math problem. As the competition continues to attract more attention and money, it is moving out of the shadows, landing squarely front and center for new generations of enthusiasts.

July 2015 saw the launch of a new Gen Y-focused live-action sitcom from Disney XD: *Gamer's Guide to Pretty Much Everything*. The show follows a young boy named Conor, a professional video game player who goes by the name of Kid Fury. In November 2015, the show was renewed for a second season.

Growing pains: is eSports even a sport?

The gaming community has fought long and hard for legitimacy in the sports world. Take, for example, ESPN's recent investment in eSports. While many fans were excited about the national platform, equally as many X Games fans claimed that eSports, while competitive, are not legitimate sports or “action sports.” Despite the controversy among the community, ESPN moved forward with its decision.

Says David Stern, former commissioner of the National Basketball Association, “Of course it is a ‘sport.’ It fills arenas and stadia, has an OTT network built on it (Twitch), and there is a robust market in team purchases that seems to be developing.”

Blaine Graboyes, CEO of eSports arcade machine maker GameCo, agrees. “There’s no question that eSports is a ‘sport’ in the same sense as

football or baseball. eSports viewership exceeds top traditional sporting events such as the World Series and NBA Final. eSports athletes are receiving the same visa and drug testing as traditional athletes. Sports stars such as Shaq and A-Rod are investing in eSports. A decade from now eSports will have continued its growth and be on par with today’s traditional sports.”

The eSports community recognizes they have a long road ahead: to continue educating the public on why their sport is indeed, a real sport. It’s entirely possible, though, that the growth or success of eSports won’t be tied to whether or not it’s acknowledged as a sport, but rather whether the eSports value pool is on par with traditional sports and other sectors.

All the angst and uncertainty notwithstanding, eSports has already proven itself a worthy competitor. It’s here to stay.

Survey overview and study objectives

Through PwC's ongoing Consumer Intelligence Series, we gain directional insights on consumer attitudes and behaviors in the rapidly changing media and technology landscape. This report summarizes key findings from a 757-responder survey⁶ conducted in March 2016. The goal of this research was to study the eSports landscape.

Specific objectives were to explore:

- Overall awareness level of eSports
- Who the eSports consumer is and how they are interacting with the sport
- Frequency of eSports interaction and the change year-over-year (past and future)
- Types of gaming content that's winning over the eSports community
- Motivators behind eSports viewership and participation
- Monetary implications derived from eSports
- Likelihood of future eSports involvement among current non-consumers and deterrents/barriers to doing so

How do we define eSports in this survey?

What clarifies as an "eSport" is still in question; even those entrenched in the industry dispute various definitions and parameters. For this survey, we defined eSports as: Organized video game competitions involving, for example, fighting (e.g., Mortal Kombat), first-person shooter (e.g., Call of Duty), multiplayer online battle arena (MOBA) tournaments (e.g., League of Legends), or massively multiplayer online (MMO) games (e.g., World of Warcraft).

"Someone who puts in hours of practice a day, competes against the best in the world, and has to endure the pressure of a massive fanbase dissecting their strategy certainly deserves the title of 'athlete' to me."

– Brian Selander, EVP of Whistle Sports

⁶ Demographics—56% male, 44% female

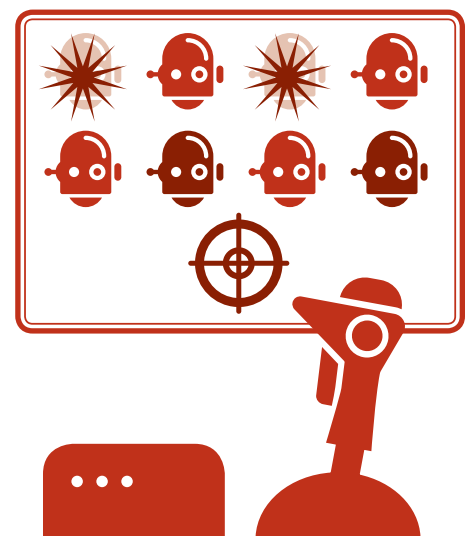
19% of sample: 18-24 years old

44% of sample: 25-34 years old

24% of sample: 35-49 years old

13% of sample: 50-64 years old

Census representation for ethnicity and race.



Key findings

“A decade from now eSports will be on par with today’s traditional sports.”

– CEO of eSports arcade machine maker, GameCo, Inc.

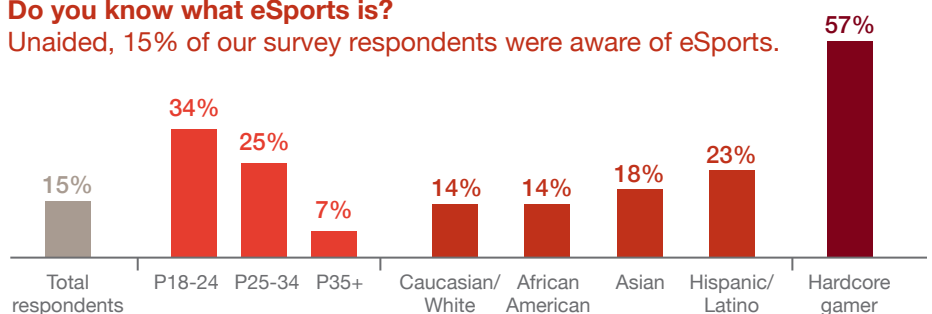
The growth of eSports

Becoming a household name

- Total awareness jumped to 30% after a definition of eSports was given.
- Overall awareness was notably higher, unaided and aided, among millennials and those who identified themselves as hardcore gamers.

Do you know what eSports is?

Unaided, 15% of our survey respondents were aware of eSports.



Base: Total respondents when accounting for full sample before quota terminations (n=2105); Q11. Are you aware of/have you heard of the term “eSports”?

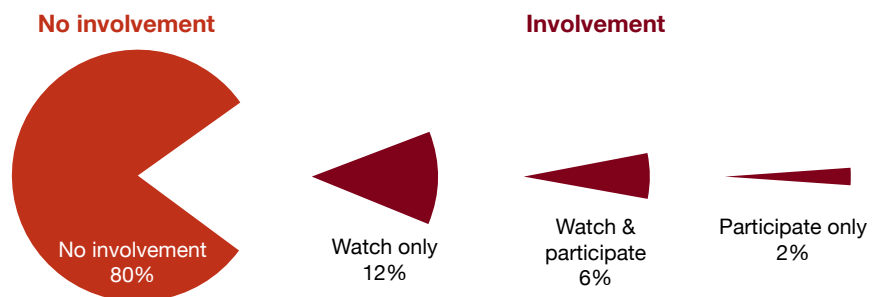
How did you first learn about eSports?

Word-of-mouth was the primary awareness driver for all eSports consumers. It was also the highest source of awareness for self-identified casual and new gamers.

For hardcore gamers, however, they first learned about eSports from online gaming communities and other online user-generated sites (e.g. reddit).

Watcher, players, or both

20% of those surveyed are involved with eSports as watchers, players, or both.



Base: Total respondents when accounting for full sample before quota terminations (n=2105); Q13. Have you ever watched and/or participated in an eSports event/competition?

What does the eSports consumer look like?

eSports Consumer



vs

Non-eSports Consumer

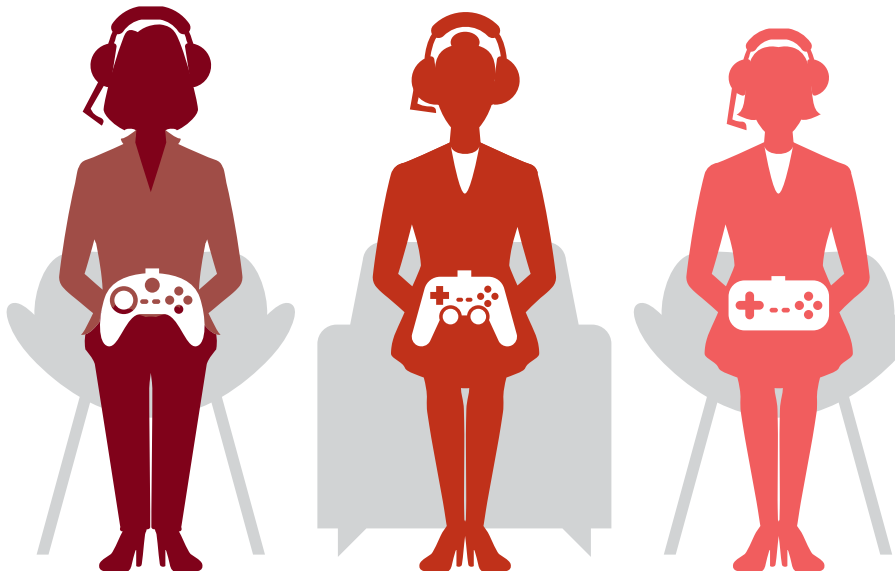


- Gender neutral
- Median age: 28
- 69% P18-34
- Racially diverse
- More likely to own various tech devices (desktop computer, connected TV, connected device, etc.)
- Spends more time in front of screens, whether gaming or streaming video content

- Gender neutral
- Median age: 34
- 55% P18-34
- Skews white
- Much less active on social media
- Less likely to invest in sports (i.e. buying tickets to a Football game)
- Much less likely to play fantasy sports

A woman's game, too

22% of women surveyed say they're involved with eSports vs. 18% of men. While this difference is relatively small, it could indicate an early trend that women are just as, if not more engaged with eSports than their male counterparts.



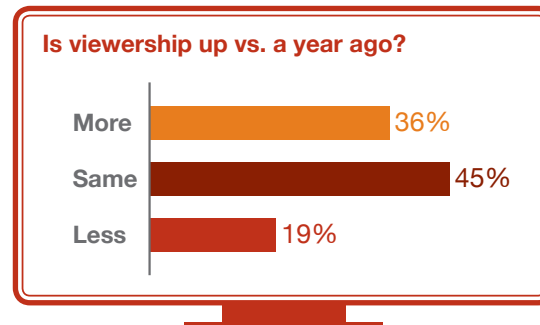
“For success in eSports, it’s critical to recognize that today’s ‘average’ gamer is not the stereotype of a male teen in their parents’ basement.”

– Cinnamon Booth, COO of GameCo, Inc.

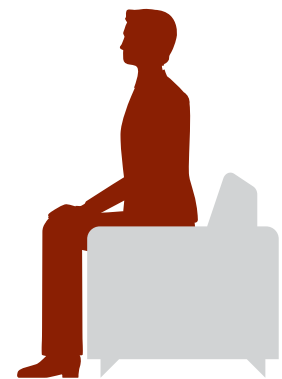
The eSports viewer

Viewership on the rise

- Among total eSports viewers, 1 in 5 watch weekly.
- The eSports consumer averages 19 days of viewing per year.
- Asian and Hispanic viewers tend to watch more frequently (27 days and 23 days, respectively).
- Self-identified hardcore gamers watch most of all (averaging 32 days per year).



Base: Total eSports viewers (n=373); Q16. How does the amount of eSports you currently watch compare to how much you watched a year ago?



Traditional devices—laptop and desktop computers—win the game

- 57% of respondents who have watched an eSports competition have done so on a laptop or desktop computer. This is more than any other device, making traditional computers the preferred method of viewership.
- Laptop and desktop computers are even more popular among Asians (79%), 18-24 year olds (73%) and males (67%).
- Gaming consoles are being used more frequently among females (60%) and hardcore gamers (56%).

Desktop or laptop computer

57%



Smartphone

26%



Gaming console

46%



Tablet

24%



Television

32%



In-person (live event)

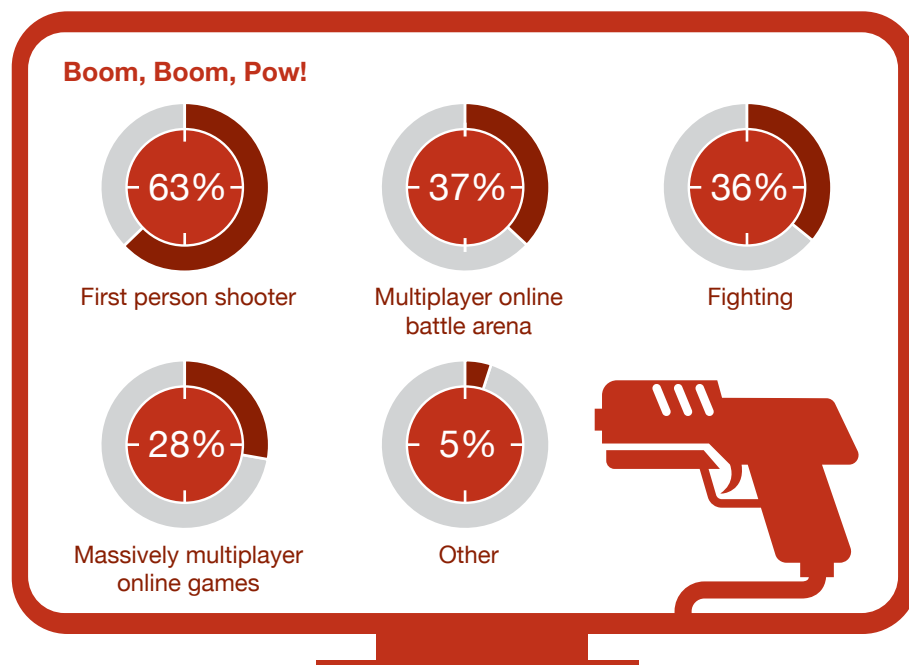
12%



Base: Total eSports viewers (n=373); Q17. From the list below, please tell us how/where you've watched eSports gaming/competitions (select all that apply).

First-person shooter rocks content

- First-person shooter games are the #1 watched genre in eSports among viewers, regardless of age, gender, or type of gamer.
- Multiplayer online battle arena competitions run a close second for 18-24 year olds (47%), who are significantly more likely to watch the genre more than any other age bracket.



Base: Total eSports viewers (n=373); Q18. Which of the below eSports genres do you usually watch?

Men like competition; women enjoy social interaction

- We see some of the biggest gender differences here. Men appear to be watching eSports from a competitive lens—they not only enjoy watching their favorite games being played at the highest level, but they also watch competitions to improve their own game.
- Women, on the other hand, appear to watch for enjoyment—they truly enjoy watching the game and the social aspect that comes along with the competitions.



Base: Total eSports viewers (n=373), Male eSports viewers (n=217), Women eSports viewers (n=156), P18-24 eSports viewers (n=89), P25-34 eSports viewers (n=169); Q23. From the list of reasons below, please select the ONE that best describes why you watch eSports gaming/competitions.

The eSports player

Almost half play once per month

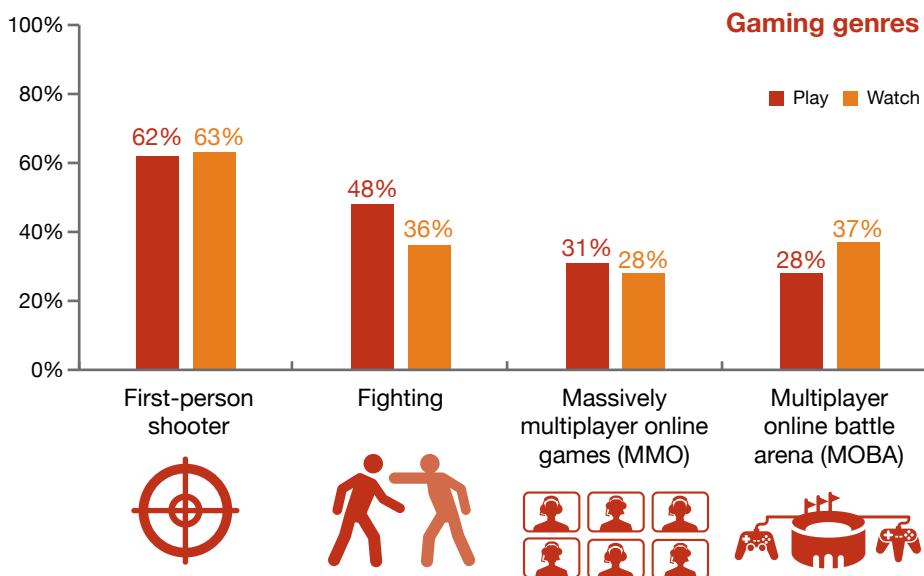
- Among total eSports players, nearly half (42%) are playing at least once per month.
- Respondents spend slightly less time per year participating in eSports events (17.5 days) than watching them (19 days).
- Directionally, men are playing slightly more often than women.

In-home competitions rule the day

- Playing in one's home versus in person at an event is more convenient, especially for those players living in small towns or in areas where live games are not easily accessible. So it's not surprising that in-home competitions are most prevalent.
- Home also provides a safe space for new eSports gamers, or those players who are shy; eSports players who classify themselves as casual or new gamers overwhelmingly choose home as their only location to play (79%).
- Directionally, self-identified hardcore gamers are most likely to play outside the home, with 60% saying they've played in person at a live event.

First-person shooter games win again

- eSports competitors overwhelmingly play first-person shooter games more than any other type of game (62%).
- The similarities between the types of games played and those watched end there, however:



Base: Total eSports players (n=170), Total eSports viewers (n=373); Q35. Which of the below genres have you participated in? Please select all that apply.

Total eSports players

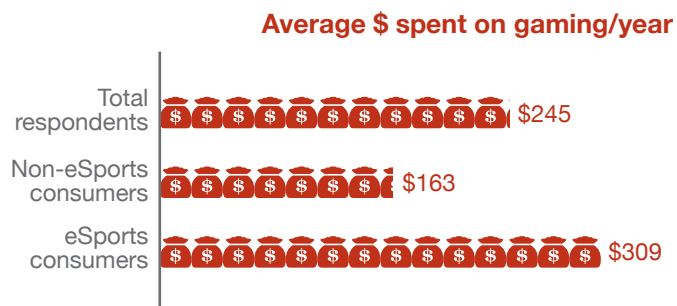


Base: Total eSports players (n=170); Q33. Have you participated in eSports gaming competitions at home, in person at a live event, or both?

The eSports consumer

eSports consumers spend more overall

- Survey respondents spend, on average, \$245 on video games per year—this includes but is not limited to the purchase of consoles, games, accessories, subscriptions and events.
- The eSports consumer, however, spends more—their annual spending, on average, tops \$300.



Base: Total respondents (n=757), eSports Gamers [ever engaged with eSports] (n=418), Non-eSports gamers (n=339); Q10. How much do you estimate you spend per year on video games (including consoles, games, accessories, DLC, subscriptions, events, etc.)? If you do not pay but someone else pays for you, please count that as well.

The business of eSports

Who's playing the game?

With competitive gaming seeing rapid, triple-digit growth, opportunities abound—and companies industry-wide are taking notice. Agencies, advertisers, live event companies and sporting venues are just some of the businesses aligning with eSports.

The appeal to investors surpasses the game itself, relying heavily on the passionate audience who's watching. On Twitch.tv, an estimated 70% of all viewers are under the age of 35—our sample mirrored this, at 68% under the age of 35 among those who have ever watched a competitive game. Not only is this age bracket appealing, but it's become harder and harder to reach millennials on traditional platforms like linear television. Moreover, TV viewers can sometimes be passive; eSports viewers tend to be highly engaged.

So who's entered the partnership arena with eSports? Players, teams and leagues make up the bulk of the current investment pie, but it won't be long before we see further expansion into non-traditional partnerships. Below is a small snapshot of the eSports partnership playing field:

- **Agencies:** Agencies are clamoring to represent players and leagues as sponsorship money continues to skyrocket.
- **Brands:** Consumer beverages, finance companies, auto manufacturers, the list goes on. Brands are sponsoring and/or partnering with players, leagues, teams, and more.
- **Fantasy:** Traditional fantasy sporting companies are betting on eSports, allowing consumers to bet on the competitive game much like they would any other sport.
- **Hardware:** More attention and money is being paid to creating gaming equipment (think: controllers, keyboards, etc.) that is specifically designed for eSports.
- **Linear:** Television networks are beginning to broadcast eSports on the big screen.
- **Mobile:** Mobile apps are popping up to provide fans with news, stats, and live scoring coverage.
- **Publishers:** Gaming companies continue to acquire, partner, innovate and create in the space.
- **Tech:** Tech companies are backing eSports in more ways than one; recently, a well-known company signed on for a long-term deal to provide demonstrations and product sales at numerous eSporting events.
- **VR:** Much attention is being paid to the convergence of eSports and virtual reality; venture capitalists agree this marks huge growth potential.

Is eSports poised for digital domination?

Most of the companies investing in eSports are forming digital partnerships; the streaming of eSports represents a market ripe with value.

And opportunity: **Nearly one out of every five (18%)** of our respondents who has watched an eSports competition has paid a subscription fee to do so. Additionally, consider these numbers:

- **334 million**—the total cumulative daily unique impressions of the League of Legends 2015 World Championships (up from 288 million in 2014).
- **421.6 minutes**—the amount of programming minutes gamers view per month on Twitch.tv (far higher than YouTube’s 291 monthly minutes).⁷

The digital world is an eSports ally that will continue to surge upwards. Companies looking to join the fray should find their niche while the competition is still segmented enough to enter.

Spotlight: Live events

The gaming industry always pushes the boundaries of what’s deemed “entertainment,” so live events are a natural progression for this growing competition and its cult fan base. Some might think that eSports may still have to prove themselves in this space—while gaming competitions have been around for decades selling out a live arena still sounds far-fetched. However, eSporting events have passed the proof-of-concept phase and entered the big leagues. The signs of success are clear:

- More than 70 million people watch competitive gaming (that’s 10 million more than the population of the UK).⁸
- Riot’s League of Legends tournament in 2014 sold out Seoul’s second-largest arena (a stadium that once hosted the 2002 FIFA World Cup).
- Prizes for winning tournaments are nudging \$10 million+.
- More people watched the League of Legends championships in 2015 than the World Series or the NBA finals.⁹

Base: Total respondents (n=757), eSports Gamers [ever engaged with eSports] (n=418), Non-eSports gamers (n=339); Q10. How much do you estimate you spend per year on video games (including consoles, games, accessories, DLC, subscriptions, events, etc.)? If you do not pay but someone else pays for you, please count that as well.

⁷ TechCrunch, “Twitch’s Users Watch More Video In a Month, On Average, Than Typical YouTube Users Do,” February 11, 2016.

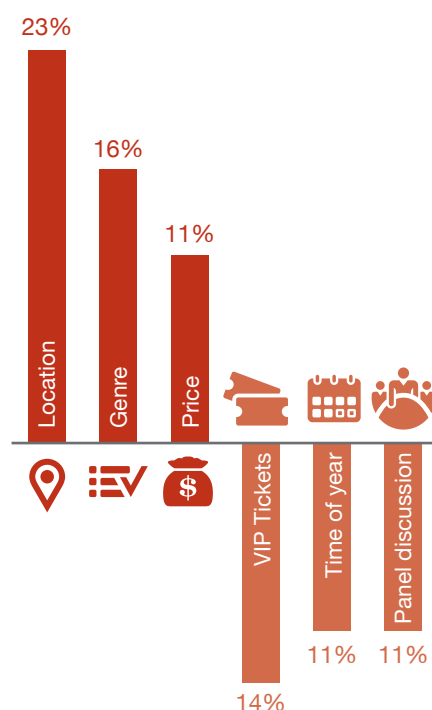
⁸ SuperData, “The worldwide eSports market reaches 134 million viewers,” May 4, 2015.

⁹ ESPN, “League of Legends’ ratings top NBA Finals, World Series clinchers,” December 3, 2014.



Decision drivers for attending an event

Most important drivers



Least important drivers

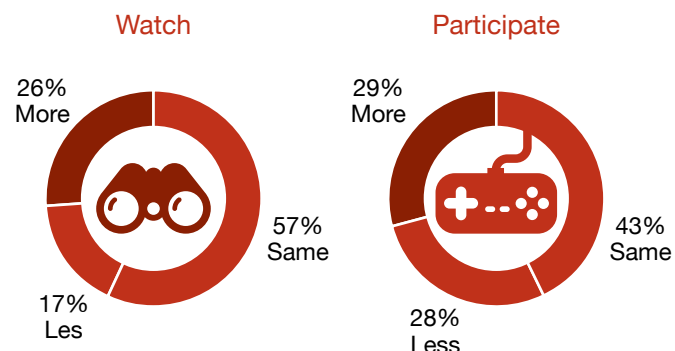
The future of eSports

Interest in eSports among current consumers will remain strong

- The majority of current eSports consumers will either increase or maintain their level of involvement in the coming year, both in viewership (83%) and participation (72%).

Base: Total eSports viewers (n=373), total eSports players (n=170); Q16. How does the amount of eSports you currently watch/play compare to how much you watched/played a year ago and how much you intend to watch/play in the future?

How does current eSports behavior compare to future intent?

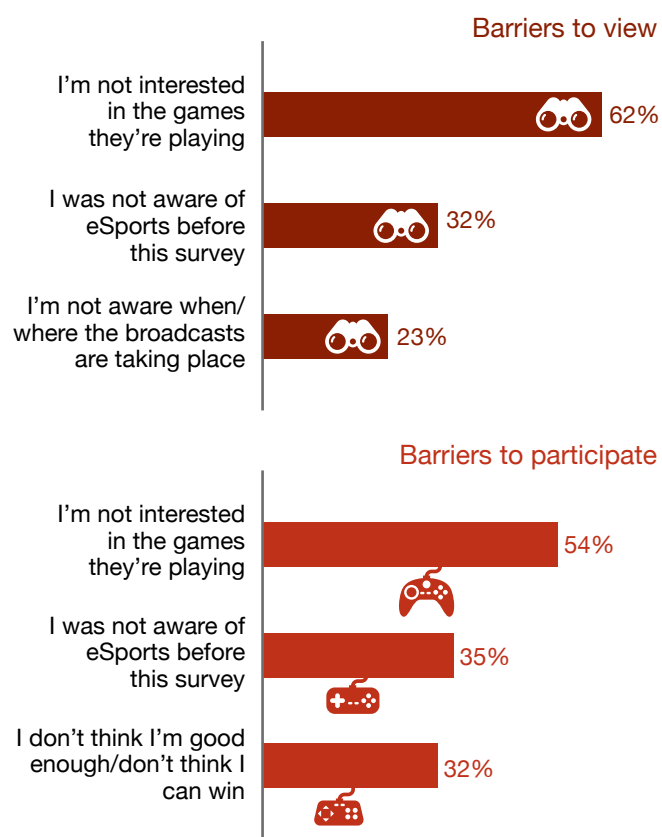


Can I just watch?

- More respondents who are not currently involved with eSports are interested in watching a gaming competition in the future (one-third) than in participating (26%) in a competition.
- Lack of interest is heavily tied to content, either to watch or play. Lack of awareness appears to be another huge barrier, but that's changing.

Base: Respondents not currently involved with eSports (n=339); Q38. How would you rate your level of interest in watching and/or participating in the future?; Q39. Please select up to three reasons from the below that best describe why you are not that interested in watching and/or participating in eSports competitions.

Top 3 reasons behind lack of future interest



Implications

- 1. The eSports consumer represents a vast source of untapped potential** for companies to build relationships and market new products. Seen as not-quite-mainstream for many years, these fans—male and female—are passionate, loyal, and willing to spend money on what they enjoy.
- 2. Though growing, overall awareness is still low.** A third of our survey respondents said they didn't watch or participate in eSports because they were unaware of its existence, representing another vast untapped source, this time of potential future customers. Going beyond major cities to smaller markets might well yield a new customer base. As could new games. Look beyond the typical gamer to those who know nothing about eSports today. Showcase eSports as a new source of entertainment.
- 3. The mystique surrounding eSports sometimes intimidates new and beginner players** who don't think they're good enough to participate. Offer a variety of levels and the ability to play anonymously.
- 4. eSports is a market ripe with value, especially digitally.** Though growing, live events still represent a small piece of the eSports pie. Given location restrictions and other limitations, live attendance will require demand to be aggregated from wide geography, which will place pressure on admission fees. For now, save live events for premium content—championships vs. league play. To scale, focus should be placed on digital distribution, which is a platform that can scale quickly with demand.
- 5. eSports fandom and loyalty are heavily tied to the content itself,** unlike traditional sports where fans tend to follow specific teams or players. What game is being played vs. who is playing. Consider this notion when marketing or sponsoring tournaments.
- 6. Revenue opportunities abound,** from online advertising and sponsorships to media rights, merchandise, tickets, and additional publisher investment (money invested by publishers that is not recouped directly through its eSports activities). It's time to take the plunge.



For more information on this research, the PwC Consumer Intelligence Series, or how digital transformation is shaping the entertainment and media industries, please contact one of our specialists:

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