

BRAND INVESTMENT IN eSPORTS

WHY THE ESPORTS AUDIENCE IS SET TO SURGE
AND HOW BRANDS CAN TAKE ADVANTAGE

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INTRODUCTION

Esports, which is short for electronic sports, refers to competitive video gaming watched by spectators. Competitions are hosted in large arenas where traditional professional sporting events are held, like the Staples Center in Los Angeles and the Barclays Center in Brooklyn. And, just as traditional sports vary widely, esports span a wide variety of genres, from first-person shooter games like “Counter-Strike” to the multiplayer online battle arena (MOBA) games like “League of Legends.”

Recently, wildly popular streaming platforms like Twitch have propelled gaming and esports toward the mainstream. The esports world has drawn the attention of superstar celebrities and athletes, some of whom are capable of drawing audiences of over [hundreds of thousands](#) of viewers to a stream at a time. The esports market will only continue to blossom, and this growth comes at a time when the reach of traditional TV is in decline. The size of the esports audience – which is expected to climb to 600 million global consumers by 2023 — is reason enough for brands to pay attention. What makes this market especially alluring, however, is its unique ability to capture young, ad-blocking viewers who are hard to reach via traditional media. Esports presents a sizeable and additive opportunity for the brands savvy enough to take advantage.

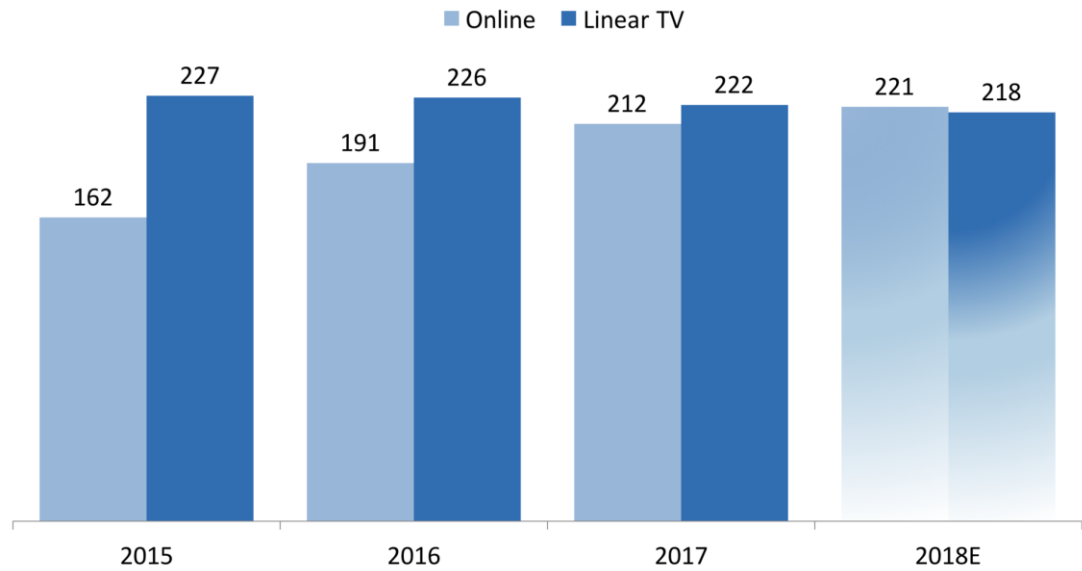
In this report, Business Insider Intelligence will explain the growth of the esports audience and why it presents an attractive advertising opportunity. Then, we'll detail the several different avenue brands can take to reach esports fans.

THE ESPORTS AUDIENCE IS GROWING

The esports viewership base has benefited from consumers' continued partiality to online entertainment versus linear TV. Consumers are spending more time viewing internet-delivered content because online video platforms provide more premium viewing experiences at a lower price than traditional TV. For example, ads on digital content are generally shorter than linear TV commercials, and streaming bundles usually cost around \$10 per month (compared with around \$100 for a pay-TV package). This helps explain why GroupM [anticipates](#) the average time spent on the internet per day globally to jump 36% from 2015 to 2018 while the same figure is expected to drop by 4% for traditional TV in the same period of time. Esports are primarily broadcast online, so this reallocation has helped power audience expansion. Also, once a consumer becomes a fan of one esports title, they're likely to branch out to others — the average esports fan follows over five esports titles across 2-3 genres, according to [Nielsen](#) — further amplifying audience growth after initial exposure.

Global Time Spent Online Vs. With Linear TV

Average minutes per day



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Source: GroupM, 2018

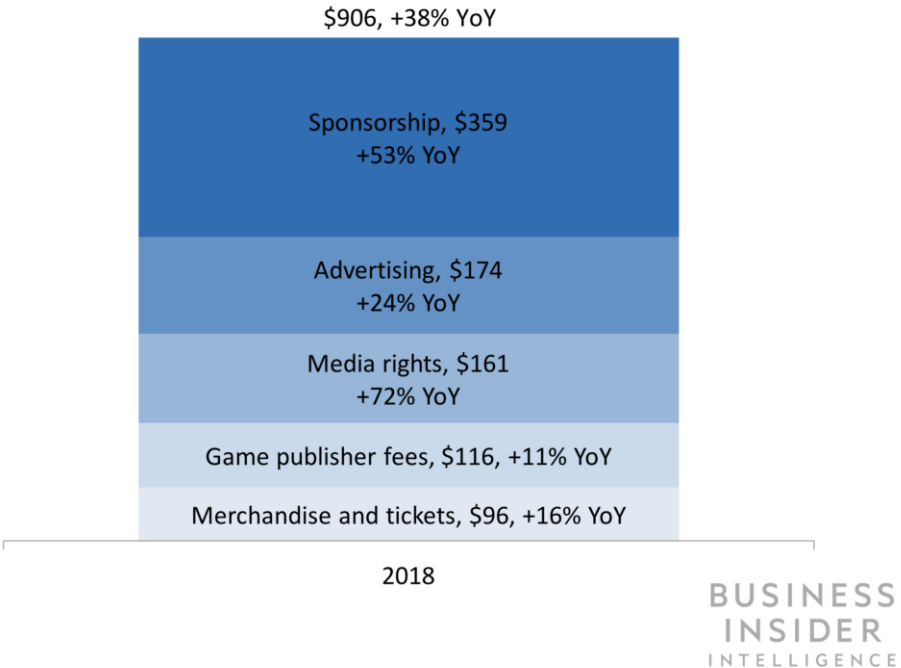
Business Insider Intelligence expects the global esports viewership base to grow by 59% from 2018 to 2023. We predict that 600 million consumers globally will watch esports in 2023, up from 378 million in 2018. This global esports audience figure includes esports enthusiasts, or those who watch professional esports content monthly, and casual esports viewers, or those who watch professional esports content more sporadically. For context, soccer currently has an estimated 4 billion fans worldwide, while basketball has an estimated 825 million fans worldwide, according to [WordAtlas](#).

BRAND INVESTMENT IN ESPORTS

Recognizing the opportunity to capitalize on a young and receptive base, brands have been directing more and more money into esports advertising and sponsorship. In 2018, global esports advertising revenue is estimated to reach \$174 million globally, up [24%](#) year-over-year (YoY), per Newzoo. Meanwhile, global esports sponsorship revenue is anticipated to reach \$359 million, up 53% YoY. Together, advertising and sponsorship are expected to account for 59% of the esports industry revenues in 2018, underscoring the crucial role brands will play in sustaining — and furthering — the competitive gaming boom.

Global Esports Revenue, By Stream

In millions



Source: Newzoo, 2018

While brand advertising and sponsorship contribute the lion's share of cash to growing the esports scene, media rights, tickets and merchandise, and game publisher fees also figure in. Business Insider Intelligence predicts that global esports revenue will reach \$2.1 billion in 2023, up 131% from \$906 million in 2018. For context, the NFL, MLB, and NBA all [pulled in](#) over \$10 billion in 2017, but these traditional sports leagues have several decades of growth on esports, making the gap understandable.

Global Esports Revenue Growth

In millions (\$)



*Note: Revenue figures are from advertising, media rights, sponsorship, merchandise and tickets, and game publisher fees.
Source: Business Insider Intelligence estimates; Newzoo, 2018*



HOW ADVERTISERS CAN REACH ESPORTS AUDIENCES

There are several different avenues brands can take to reach esports fans. The choice is largely dependent on a brand's end goal in reaching esports viewers — a brand trying to drum up interest for an upcoming product release might choose to focus on esports TV ads or sponsored shout-outs, while another company that's just looking for general brand awareness among millennials could become a main sponsor of a league, for example. Of course, brands have the option of doing a combination of sponsorships and advertising, and should experiment to see which drives the best results for their companies. Below, we take a closer look at what options brands have to experiment with to reach competitive gaming fans.

Sponsorship

Brands can sponsor things like esports teams, leagues, and events in order to reach the eyeballs of professional gaming

fans. Sponsorship revenue is anticipated to account for 40% of global esports revenue in 2018, higher than any other individual revenue stream, underscoring how common it is for brands to partner with esports stakeholders like teams, game publishers, and events in order to reach esports fans.

To narrow down where to best direct their potential sponsorship inquiries, brands should look to the most popular esports titles.

Esports titles that are playable on PCs may be the best area for brands to focus on reaching esports fans first, as PCs are the most popular device US esports fans play games on. Fifty percent of US esports fans play games on computers, while this figure was lower for Xbox One (35%) and PlayStation 4 (35%), per Nielsen. Brands can capitalize on the popularity of certain esports titles to reach their fan bases via in-game activation — the NBA 2K League's teams have sold in-game virtual jersey sponsorships, for example — or sponsorship of popular events and teams that are involved with the game.

Below are two of the most popular PC-exclusive esports titles globally:

- **"League of Legends":** Referred to by many simply as "LoL," this game was the most popular core PC game globally in August 2018 in terms of gamers, per [Newzoo](#). For background, "core" in this ranking refers to games that are supported by [Overwolf](#), whose software doesn't support casual browser games. "LoL" is a MOBA game developed by Riot Games, and it surpassed [100 million monthly active players](#) in September 2016. The top five teams in terms of total prize money earned for "LoL" — in descending order — are SK Telecom T1, Samsung, Royal Never Give Up, EDward Gaming, and World Elite, per [Esports Earnings](#), which is a community-driven site that compiles public information to display competitive prize earnings. "LoL" has 14 professional esports leagues, over 100 pro teams, and more than 850 salaried athletes globally, all overseen by Riot Games, per [VentureBeat](#). Current Riot Games sponsors include MasterCard, Acer, State Farm, and Mercedes Benz.

- **"Fortnite"**: This game was the second most popular core PC game in August 2018, per Newzoo. "Fortnite" is a cartoonish shooter game released by Epic Games in 2017. The game has generated a buzz outside of the gaming community, thanks in part to high-profile celebs like Drake and Travis Scott [cosigning](#) the game. Top competitive "Fortnite" teams include Team Liquid, FaZe Clan, and Ghost Gaming. Epic Games is providing [\\$100 million](#) to fund prize pools for "Fortnite" competitions in the 2018-19 season, which will help generate interest around the relatively new competitive "Fortnite" scene and accordingly drive eyeballs to the sponsors of pro teams and players.

Brands can also direct their sponsorship inquiries based on the most popular esports teams, irrespective of the game. A top benefit of sponsoring a team is that it can allow a brand to be exposed to a diverse array of fans if the brand secures a jersey logo placement. In contrast, if a brand sponsors a PUBG-focused tournament, they'd mainly be exposed to fans of that game, for example. Below is a breakdown of some of the most popular esports teams in the US:

- **Cloud9.** This team was the most commonly followed esports team in the US, per Nielsen. For an idea of its current total following, it counted 331,000 [Instagram](#) and 702,000 [Twitter](#) followers at the time of this writing. Cloud9 has 12 teams listed on its website that play competitively in games including "LoL," "CS:GO," "Fortnite," and "Hearthstone." Brands as large as Red Bull, HTC, and the US Air Force are [partners](#).
- **OpTic Gaming.** This team was the second most followed esports team in the US, per Nielsen. At the time of this writing, OpTic Gaming counted 495,000 [Instagram](#) and 3.3 million [Twitter](#) followers, respectively. OpTic's website [lists](#) 10 teams across "LoL," "CS:GO," "Fortnite," "PUBG," and other games. Its current brand [partners](#) include gaming audio company Turtle Beach and premium gaming chair brand DXRacer.
- **Team Liquid.** This team was the third most followed esports team in the US, per Nielsen. Team Liquid counted 343,000 [Instagram](#) and 400,000 [Twitter](#) followers, respectively, at the time of this writing. Team Liquid has 13 teams listed on its website that play competitively in games including "LoL," "CS:GO," "Fortnite," and "Hearthstone." Its current brand [partners](#) include Monster Energy, SAP, and Twitch.

Another sponsorship route brands can take is going through esports event organizers. A benefit of working with an event organizer versus other forms of sponsorship is the possibility of branding an entire tournament. In some instances, such tournaments become mainstays, affording brands long-term exposure in the esports space. For example, Intel sponsored the Intel Extreme Masters in 2006, and it's now one of the longest-running tournament series in the space. By getting into the esports scene at that time, Intel has been able to build brand awareness among esports fans relatively early compared with many other brands, which has been "hugely valuable" to Intel and the trust the company has among the esports community, Intel Director of Developer Relations Lee Machen suggested, per [AListDaily](#).

Popular esports competitions are typically either run directly by a game's publisher or by a third-party tournament organizer. An example of the former is Riot Games, which organizes "LoL" events like the League of Legends Championship Series. ESL is one third-party that organizes such events, like the Intel Extreme Masters for games including "CS:GO" and "StarCraft II," for example. [Riot Games](#) led the pack in terms of event organizing as of May 2016, in terms of share of esports viewing hours on Twitch. The LoL-maker accounted for 28% of watched esports content on Twitch from August 2015 to May 2016, while ESL (23%) and Dreamhack (11%) trailed.



Advertising

Brands can also reach esports fans by advertising on relevant streaming platforms, namely Twitch, and linear TV — to an extent. Esports ad revenue is expected to reach \$174 million globally in 2018, up 24% YoY and accounting for 19% of esports revenue globally, per Newzoo. Advertising is expected to comprise the second highest share of overall esports revenue in 2018, underscoring how central brands are to esports growth.

- **Twitch is the go-to streaming platform for esports fans and, in Q2 2018, it had more than two times the amount of average concurrent viewers of the runner up game streaming platform.** Twitch, the Amazon-owned streaming giant, averaged over 1 million concurrent viewers (the average number of viewers watching a Twitch stream at any given moment) in Q2 2018. YouTube Gaming Live, its closest competitor, saw 326,000 average concurrent viewers in the quarter, according to [Streamlabs](#). While other platforms like YouTube Gaming and Mixr offer live gaming content, Twitch's market dominance should command brands' attention. For context, [55%](#) of Twitch users are aged 18-34, and the platform counts over 15 million daily users that spend an average of 95 minutes watching live gaming. Twitch [offers](#) ad products including home screen takeovers, 15- to 60-second video ads, and banner ads that appear while viewers browse the website.
- **Esports broadcasts on linear TV are still rare, but legacy media companies like Disney have recently led the charge.** From January 2016 to August 2017, there were 31 original esports telecasts on linear TV, per Nielsen. Of this total, 20 went to Disney-owned properties — across Disney XD, ESPN2, ESPNU, and ESPN — and seven were on TBS Network. The NFL Network and the CW broadcast the remainder. As mentioned earlier in the report, ESPN, Disney, and the NFL earlier this year [announced](#) a multiyear deal to broadcast various Madden esports competitions across networks including Disney XD, ESPN2, and ESPNEWS. This will provide brands with more opportunities to reach esports fans via traditional TV.

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