

eSports: bigger and smaller than you think



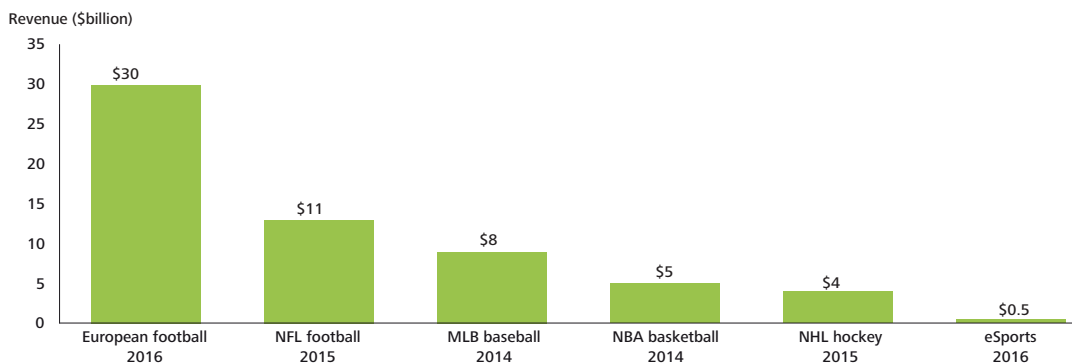
Deloitte Global predicts that eSports²⁸¹ will generate global revenues of \$500 million in 2016, up 25 percent from about \$400 million in 2015²⁸², and will likely have an audience of regular and occasional viewers of close to 150 million people.

The very idea that people may be willing to watch other people play competitive video games for big money prizes may surprise some. These people often underestimate the global annual market size at millions of dollars only. Conversely, eSports advocates overestimate the current market size, believing annual revenues are already in the billions, and comparable to major league sports.

In some ways, eSports is comparable. A single event (but not that many per year) may attract 40,000 people watching live, and tens of millions watching over the Web. This could be interpreted as meaning that “eSports is bigger than basketball²⁸³”. That may be true, when measured by audience size for an individual event, but in dollar terms, eSports is not yet playing in the big leagues.

In 2016, eSports revenues will represent a fraction of league revenues in major sports such as European football (soccer), US football, basketball, baseball, or ice hockey which range from \$4 billion up to \$30 billion (see Figure 14).

Figure 14: Major league sports revenues in \$ billions



Note: Revenue figures include ticket sales, TV rights, sponsorships and other commercial sources

Source: Forbes and Deloitte Global analysis based on publicly available sources. For further information on the sources, see endnotes.

Revenues for eSports are predicted to grow 25 percent in 2016, which is better than most mature sports, many of which have been around for a century or even centuries. Arguably, given its small size, some might ask why eSports’ growth rate is not higher.

Some believe that eSports is approaching a tipping point or upward inflection in the market: one American analyst predicts that eSports in the US alone will leap from \$85 million in 2014 to \$1.2 billion in 2018²⁸⁴: a 94 percent compounded growth rate, which is triple the projected 2016 growth over 2015.

Some are linking the popularity of online video game-related content to eSports²⁸⁵. The top gaming-related video star is PewDiePie, with 40 million subscribers²⁸⁶, and number two is VanossGaming, with 15 million subscribers²⁸⁷. They may be the biggest stars, but collectively gaming videos make up more than 10 percent of YouTube’s top performing channels²⁸⁸.

However, Deloitte Global does not believe that there is a direct correlation between online video gaming success and eSports and, therefore, that the annual growth rate of eSports revenues is not about to triple. The most popular online content is not about watching elite gamers competing. Instead, the content is about entertainment (both PewDiePie and Vanoss are better known for their humor than being top-ranked players) or is largely instructional in nature: teaching gamers how to find hidden treasures (such as Easter eggs) or surmount difficult in-game challenges.

281. There are two highly divergent publicly available reports that estimate the 2015 eSports market size. One suggests a market of \$250 million, fairly evenly split between Asia, North America and Europe while the other gives a figure of \$748 million, with Asia being over 60 percent of the total. See eSports revenues to pass \$250 million in 2015 – Newzoo, *gamesindustry.biz*, 3 June 2015: <http://www.gamesindustry.biz/articles/2015-06-03-esports-revenues-to-pass-usd250-million-in-2015-newzoo>. The worldwide eSports market reaches 134 million viewers, SuperData, 4 May 2015: <https://www.superdataresearch.com/blog/esports-brief/>. It is impossible to reconcile the two estimates, so Deloitte Global is using \$400 million, which is below the midpoint. Market growth for 2016 is assumed to be 25 percent, in line with both reports.
282. eSports is bigger than Basketball, Medium, 7 March 2015: <https://medium.com/@esports/esports-is-bigger-than-basketball-8c5bf84c2408.wm9680fd>
283. Activate Tech and Media Outlook 2016 (Page 104), SlideShare, 20 October 2015: <http://www.slideshare.net/ActivateInc/activate-tech-and-media-outlook-2016>
284. This Is eSports: Where Pro Gamers Are YouTube Heroes and Entertainment’s New Rock Stars, SingularityHUB, 28 October 2015: http://singularityhub.com/2015/10/28/this-is-esports-where-pro-gamers-are-youtube-heroes-and-entertainments-new-rock-stars/?utm_content=buffer85846Gutm_medium=socialGutm_source=facebook.com&utm_campaign=buffer
285. For more information on PewDiePie, see PewDiePie, YouTube, as accessed on 10 December 2015: <https://www.youtube.com/user/PewDiePie/about>
286. For more information on VanossGaming, see VanossGaming, YouTube, as accessed on 10 December 2015: <https://www.youtube.com/user/VanossGaming/about>
287. Gaming Channels With The Most Subscribers: The Top 10 Gaming Channels On YouTube, NewMediaRockstars, 4 March 2015: <http://newmediarockstars.com/2015/03/gaming-channels-with-the-most-subscribers-the-top-10-gaming-channels-on-youtube/>
288. New Report Details How eSports Is An Effective Engagement And Marketing Tool, *Forbes*, 25 February 2015: <http://www.forbes.com/sites/insertcoin/2015/02/25/new-report-details-how-esports-is-an-effective-engagement-and-marketing-tool/>
289. Amazon acquires Twitch: World’s largest e-tailer buys largest gameplay-livestreaming site, *VentureBeat*, 25 August 2015: <http://venturebeat.com/2015/08/25/amazon-acquires-twitch-worlds-largest-e-tailer-buys-largest-gameplay-livestreaming-site/>
290. This eSports company just got acquired for \$87 million, *Fortune*, 3 July 2015: <http://fortune.com/2015/07/03/esl-esports-acquisition/>
291. Russian eSports could bring billions of dollars to investors, RBTH Network, 27 October 2015: http://rbth.com/business/2015/10/27/russian-esports-could-bring-billions-of-dollars-to-investors_534365
292. Cineplex buys into future of eSports, forming competitive video-game league, *The Globe and Mail*, 17 September 2015: <http://www.theglobeandmail.com/technology/tech-news/cineplex-buys-into-future-of-esports-forming-competitive-video-game-league/article26401328/>
293. UK’s first eSports arena opens in London next month, *Eurogamer*, 18 February 2015: <http://www.eurogamer.net/articles/2015-02-18-uks-first-esports-arena-opens-in-london-next-month>
294. Global Sports Market Grows as Gate Revenue, Media Rights Gap Closes, *Sportscaster*, 10 September 2015: <http://www.sportscastermagazine.ca/business/global-sports-market-grows-as-gate-revenue-media-rights-gap-closes/1003408650/>

The very idea that people may be willing to watch other people play competitive video games for big money prizes may surprise some.

There is nothing wrong with educating or entertaining tens of millions of gamers (usually for free, except for the ads), but this may not directly lead to tens of millions wanting to either subscribe or pay to attend an eSports tournament. So far, much of the online gaming audience is more comparable to fans of the Harlem Globetrotters (people who are entertainers, who happen to play basketball) rather than to fans of a successful pro basketball team who plays to win a championship.

Tech and media companies are paying attention to eSports, both for growth opportunities and because it appeals to a narrow and desirable demographic: 75 percent are millennials aged 18-34, and 82 percent are men²⁸⁹. Amazon acquired Twitch for just under \$1 billion in 2014²⁹⁰, while 2015 saw Swedish media company Modern Times acquire a majority stake in ESL, the oldest eSports company for \$87 million²⁹¹. Russian investors have committed \$100 million²⁹². Canadian motion picture exhibitor Cineplex is spending \$15 million to acquire an eSports company and create a new gaming league that will take place in its theatres²⁹³, and the first dedicated eSports venue has been opened in the UK in partnership with a cinema chain²⁹⁴.

295. Juniper Research: eSports to Beat NFL Viewership by 2020, TechZone360, 3 November 2015: <http://www.techzone360.com/topics/techzone/articles/2015/11/03/412407-juniper-research-esports-beat-nfl-viewership-2020.htm>
296. How esports fans spend their time, and their money, Polygon, 5 November 2015: <http://www.polygon.com/2015/11/5/9676764/how-esports-fans-spend-their-time-and-their-money>
297. Esports demographics: Fans skew male, spend more on games, GamaSutra, 6 November 2015: http://www.gamasutra.com/view/news/258786/Esports_demographics_Fans_skew_male_spend_more_on_games.php
298. US ESPORTS FANS AREN'T JUST PC GAMERS, Nielsen, 29 October 2015: <http://www.nielsen.com/us/en/insights/news/2015/us-esports-fans-arent-just-pc-gamers.html>
299. Super Evil Megacorp sees big potential in esports for mobile game 'Vainglory', The Los Angeles Times, 10 December 2015: <http://www.latimes.com/business/technology/la-fi-ftn-super-evil-megacorp-vainglory-20151204-story.html>
300. Sony creating new multiplayer esports game for Project Morpheus virtual reality headset, VentureBeat, 15 June 2015: <http://venturebeat.com/2015/06/15/sony-morpheus-rigs-multiplayer-game/>
301. Sony creating new multiplayer esports game for Project Morpheus virtual reality headset, VentureBeat, 15 June 2015: <http://venturebeat.com/2015/06/15/sony-morpheus-rigs-multiplayer-game/>

Bottom Line

Even if eSports' revenues were to triple between 2016 and 2020 (to \$1.5 billion), they would only be one percent of global sports revenues of over \$150 billion²⁹⁵. But eSports does reach tens of millions of people on a regular basis, and over a hundred million occasionally. As such, it is comparable to many traditional sports that have large audiences, big sponsors and interesting demographics. One study predicts that eSports will have more viewers than NFL football by 2020²⁹⁶. One report describes them as "an advertising goldmine²⁹⁷", which is supported by their spending habits: eSports fans are more likely to make in-game purchases, buy more apparel and buy more branded peripherals than other gamers²⁹⁸.

The assumption tends to be that eSports fans are dominated by those who prefer gaming on their computers. In fact, only 35 percent of US eSports fans were PC gamers, with nearly 80 percent of fans being console gamers²⁹⁹. Mobile games have not been a part of eSports, although that may change³⁰⁰.

Immersive technology like VR goggles may make eSports even more interesting³⁰¹. However, this is unlikely to be an important growth area for eSports in the near-term: our 2016 Prediction on the VR market expects combined hardware and software sales of less than \$1 billion (see Prediction: Virtual reality: a billion dollar niche).

There is nothing wrong with educating or entertaining tens of millions of gamers (usually for free, except for the ads), but this may not directly lead to tens of millions wanting to either subscribe or pay to attend an eSports tournament.

As used in Predictions, "Deloitte" refers to the Deloitte Touche Tohmatsu Limited member firm TMT (Technology, Media & Telecommunications) Practices. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 210,000 professionals are committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2016. For information, contact Deloitte Touche Tohmatsu Limited.

Designed and produced by The Creative Studio at Deloitte, London. J3774