

pillsbury

Esports

INDUSTRY REPORT

Welcome to Pillsbury's Esports Industry Report.

We began developing this report before COVID-19. Then, esports was a burgeoning sector with exponential year-over-year growth. The commercial landscape was ripe with opportunities for all stakeholders in the esports ecosystem — from developers and publishers to tournament organizers, from corporate brands and media companies to players. Sponsorships and advertising drove esports revenues, with media rights predicted to eventually eclipse those streams and become the fastest growing esports revenue source.

Now, even in the midst of a global pandemic, esports is still projected to grow. Shelter-in-place orders have bolstered user engagement. Esports enthusiasts around the world are consuming more content with their extra free time, and new fans are coming on board as traditional sports events have been cancelled. This is not to say that COVID-19 has not impacted esports. Cancellation of live esports events has had the most pronounced effect on the industry, as they contribute significantly to the allure of the esports experience. Despite these challenges, the growth outlook for esports is positive, and monetization opportunities abound across multiple revenue streams.

This report covers the outlook for commercial opportunities and potential revenue streams from various stakeholders' perspectives within the esports ecosystem. As the industry matures in terms of sustainable business models, global audiences, sophisticated advertisers and savvy media companies, it will continue to offer an open playing field full of opportunity.

Enjoy.

Justin D. Hovey, Leader, Technology Industry, Esports

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Contents

Executive Summary	4
The Esports Ecosystem	6
The Esports Revenue Landscape	10
Sponsorships	12

Executive Summary

Sponsorship deals underpin the \$1 billion+ esports sector as traditional sports organizations take notice.

The growing size and global nature of the esports audience has allowed sponsorship and media rights deals to serve as the main drivers of the sector's revenue. The more the audience has grown, the bigger the deals have become. Before COVID-19, we anticipated this trend would continue along with viewership expansion, but as with many deals across a variety of industries, some sponsorship agreements were paused.

The esports sector is worth an estimated \$1.1 billion in 2020 and is predicted to grow up to 26.7 percent year over year.¹ Most of this revenue is being generated by traditional sponsorship deals.

Nearly half a billion people worldwide consume esports content, and most of those audience

members are under the age of 35—one of the most important and profitable demographics for brand awareness. Traditionally, this audience was not easily reached through conventional advertising campaigns, but in esports, sponsorships have become a significant way for brands to directly engage with a segment that may previously have been an unlikely target. Moreover, when COVID-19 shut down traditional sports leagues, fans worldwide were left without alternatives and discovered esports as an alternative viewing option.

Established traditional sports organizations are increasingly acknowledging the sector's popularity and strength with marquee events like the eNASCAR Coca-Cola iRacing Series (which drew the largest-ever TV audience for an esports event, according to NBC Sports), U.S. Soccer's participation in the inaugural FIFA eNations Cup, the NBA's 2K Esports League and the newly launched Ferrari Esports Series.

While stadiums and arenas sit empty, esports has filled the entertainment void for many, and traditional sports brands are recognizing the growth opportunity.

Available data indicate the esports audience will continue to grow year over year, and that growth is expected to heighten brand interest in sponsorship opportunities. As in traditional sports markets, media and brand investment follow audiences, so esports sponsorship revenues are expected to grow in lockstep with the sector's global audience.

Media rights are the next major growth area for esports revenue.

As the esports sector matures, media rights are predicted to be the next area of growth. Pre-pandemic, major media companies had signed significant esports deals in multiple territories. In 2020, to remain competitive in responding to heightened demand, entertainment companies across all categories have been challenged to create new content, and they're also dusting off popular reruns to leverage resources and attract new subscribers. The esports sector is exceptionally well-positioned to capitalize on this trend as greater media exposure facilitates continued growth.

Publishers control the sector, but teams and tournaments offer valuable commercial opportunities.

Publishers enjoy a strong position in the esports sector because they own the foundational intellectual property driving the industry: the games. However, teams and tournament organizers are in a position to offer potential partner brands significant commercial opportunities. While some tournaments are under the control of publishers, tournament organizers such as ESL and Flashpoint attract sponsorship revenue due to the access they provide to a large, engaged and growing audience that is highly desirable to brands and advertisers.

These tournament organizers stand out as unique because they specialize in esports and are well-versed in marketing and monetizing their products within this unique category. Brands that partner with tournament organizers can benefit not only from increased recognition, but also from physical and digital product placement during events and exposure to a new segment of consumers.

The development of the media rights market also presents revenue opportunities for esports teams and leagues as they become more visible through various media channels that are not available to traditional sports organizations, like the massively popular Twitch.

The Esports Ecosystem

What Is Esports?

Within the broad gaming market, esports/competitive gaming is the fastest-growing segment, with a predicted annual growth rate of 18.3 percent through 2023.² Pre-COVID, esports events typically comprised professional gamers or teams competing in person for prize titles or money in live-streamed tournaments that are also viewed by a live audience. Like all live entertainment categories, esports has likely forever been changed by the pandemic and will be required to innovate, leveraging its unique digital position, to replace the ROI formerly generated by live tournaments.

Esports' revenue is estimated to reach approximately \$1.1 billion in 2020 and \$1.8 billion by the end of 2022.³

Esports revenue is expected to grow to approximately **\$1.8 billion** in 2022.

Revenue typically includes sponsorship proceeds, shares of league revenue,

merchandise sales, local event sources and company shares of competition prize pools. Player-earned portions of prize pools are excluded. With revenue growing by nearly 40 percent in two years, there are significant opportunities for key stakeholders—publishers, tournaments and tournament organizers, teams, media partners and platforms, and the gamers themselves.

The Commercial Landscape

The sector has become fertile ground for brand investment in reaching this modern, engaged audience that tends to eschew traditional advertising. In 2019, viewers consumed an average of 2.4 billion hours of content on Twitch, esports' most popular streaming platform. Game publishers, players and brands are contributing to taking esports to the next level, and growth

Viewers consumed an average of **2.4 billion hours** of Twitch content globally in 2019.

opportunities like media rights arrangements abound in this digital landscape.

Publishers

Publishers are the most powerful group in the esports ecosystem, as they ultimately control the intellectual property that underpins most esports endeavors—the games themselves. Tournament organizers and teams often must obtain licenses from publishers to develop and compete in lucrative tournaments based around the publishers' game titles. As a practical matter, that means even if a publisher does not operate its own tournament, it can generate licensing revenue from these fees.

While some stakeholders are keen for esports to develop governance structures similar to those of traditional sports leagues, this would require publishers to relinquish some control over their intellectual property. Currently, it is not clear what kind of a financial arrangement

The newly established league **Flashpoint** is the first of its kind that is owned and operated by team organizations. While publishers historically benefit from the largest revenue stream, Flashpoint structured its business to provide the highest revenue share potential to the participating teams. This could become an important trend if other leagues follow suit.

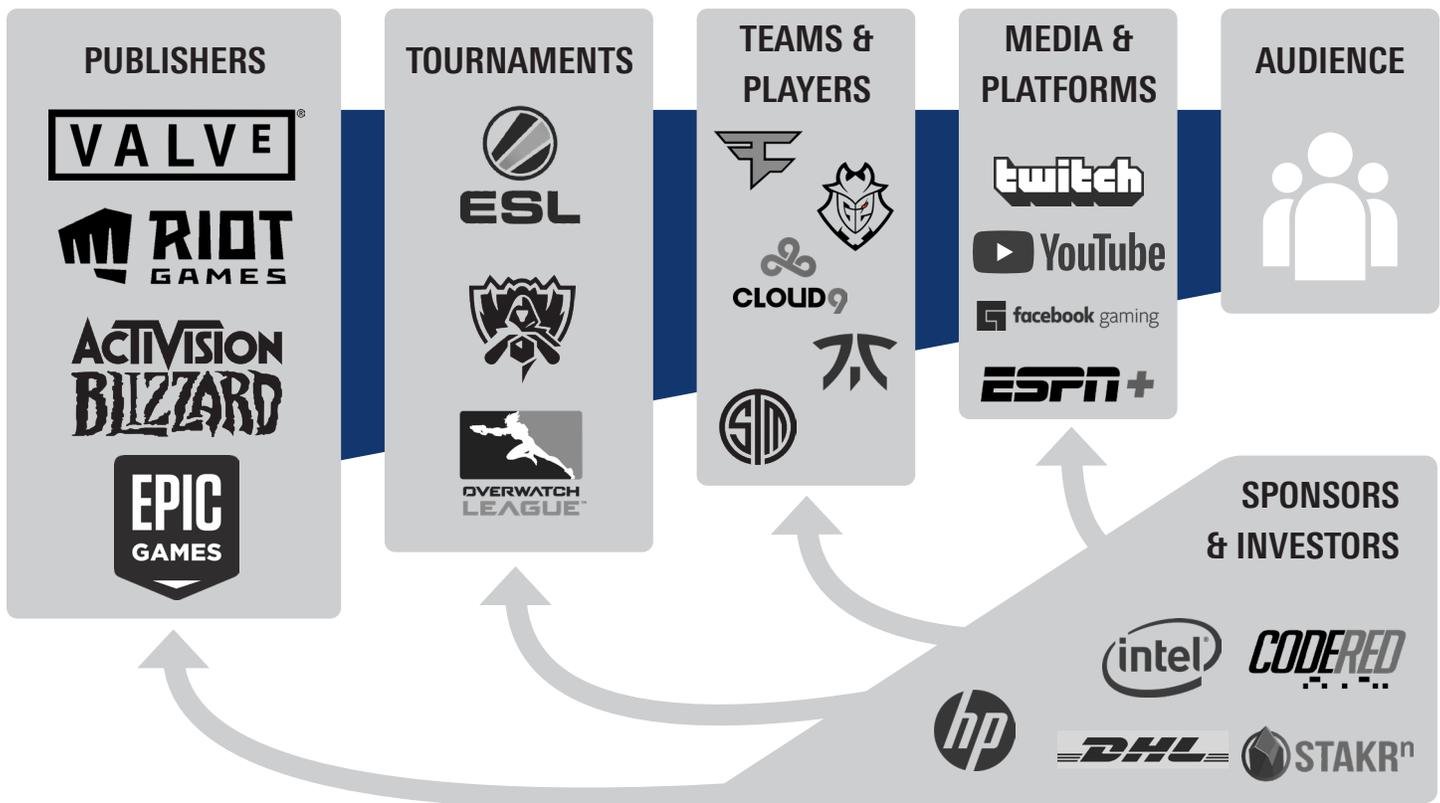
would motivate a publisher to abandon its legal monopoly on a particular title.

Tournaments & Tournament Organizers

Though many tournaments, like Riot Games' *Fortnite* World Cup and Valve's annual *Dota 2* tournament, The International, are established by game publishers themselves, other organizers also can develop tournaments under license from game publishers. One of the largest such entities is Cologne, Germany-based Modern Times Group, owner of tournament organizers DreamHack and the Electronic Sports League (ESL). With 2019 combined revenues of \$172 million, these are two of the leading esports organizers in the world.⁴ ESL hosts events for *Dota 2* and *CS:GO* and has attracted sponsors major sponsors like Intel and DHL. In addition to Riot Games, ESL and DreamHack, Major League Gaming (owned by Activision Blizzard) and ELEAGUE are considered top organizers.

Despite esports' primary delivery through digital media, esports tournaments do amass large in-person audiences and serve as a major revenue stream for teams and tournament organizers. For its original 2020 slate, the *Overwatch* League was scheduled to host 52 live, biweekly events across 20 cities. But COVID-19 has forced large-scale event cancellations, compelling teams, tournaments and publishers to move their events online and pivot their overall strategy.

The Esports Value Chain



Teams, Owners & Players

Esports teams are largely underwritten by investors and sponsors, who fund the teams' tournament entry fees and player salaries. While competitive gamers can have direct-to-consumer relationships with fans through streaming channels on YouTube and Twitch, they must be part of a team structure to enter lucrative tournaments.

Tournament entry fees can be significant, reaching millions of dollars for events featuring popular titles. In turn, these fees have driven increases in the resulting prize money,

and those higher stakes have boosted the competitive and market profile of tournaments.

The escalating costs for tournament participation partly explain the recent rise in capital investment for esports teams from celebrities, venture capital groups and brands. Commercial opportunities exist for these investors to access new audiences through the esports teams they sponsor, so developing new channels to reach those audiences will be a crucial strategy consideration. Additionally, and similarly to traditional sports, merchandise and event tickets represent another revenue stream.

Media Groups & Platforms

While sponsorship agreements may be the industry's biggest revenue driver now, analysts forecast that media rights agreements will be the next key area of growth and will be critical to the sector's continued monetization. As the industry matures, video game titles that have a professional competitive element will seek to strike media rights deals that provide a substantial revenue stream by licensing broadcast and streaming rights for tournaments, along with copyright agreements for specific tournament content.

Esports has not just grabbed the attention of traditional investors. Celebrities who have recently made high-profile esports investments include entertainers Drake and Will Smith; entrepreneur, NBA owner and investor Mark Cuban; and professional athletes Serena Williams, Shaquille O'Neal and Alex Rodriguez.



The Esports Revenue Landscape

Audience Profile & Market Implications

The motivation for any commercial sports partnership is audience access — typically, a larger audience means a larger investment. For example, the 2018 *League of Legends* World Championship drew an impressive 100 million total viewers globally. By comparison, cricket’s World Cup saw 1.6 billion viewers, and association football captured 3.5 billion. Cricket and association football, however, are mature, long-established sports. And while these sports currently have significantly higher viewership figures, *League of Legends* viewership is growing 24 to 38 times faster than those established sports.⁵

In the United States, established, traditional sports organizations like the National Football League

(NFL) and the National Basketball Association (NBA) have captured huge audiences and therefore command lucrative sponsorship and media deals. With a 2019 audience size that far surpassed both the NBA Finals and Major League Baseball’s World Series, it is no surprise that esports events like the *League of Legends* World Championship have drawn the attention of mainstream brands.

Competitive gaming has established massive popularity in China, South Korea, Europe and the U.S., and its popularity is growing in regions such as Eastern Europe and South America. By comparison, most traditional sports primarily appeal to specific domestic audiences (e.g., NFL football in the U.S.) and perhaps only a few key international territories.

Non-endemic sponsors are businesses whose products or services are not directly linked to the market, but who still benefit from the marketing strategy. **Endemic sponsors**, brands that create products that are used in the production or playing of esports, such as software and computer component manufacturers and energy drinks, are the most regular sponsors of esports.

Although the esports audience is global, it's particularly crucial that brands and media organizations recognize and understand audiences in Asia and how to reach them strategically, as 25 percent of the worldwide esports audience is located in Asia and 49 percent of esports revenues are generated in the region.⁶ As internet connectivity in parts of Asia continues to improve in tandem with the esports audience's growth, there remains significant potential for increased esports revenue generation in the region.

Since 2016, the esports audience has grown significantly, and it is projected to reach an all-time high in 2022 with audience members reaching 557 million.⁷ This enduring growth represents a huge opportunity for brands, both endemic and non-endemic, and for media organizations. Endemic brands create products that are used in the production or execution of esports and have long promoted their esports-adjacent products to competitive gaming audiences (e.g., HP promoting computer hardware). Non-endemic brands (e.g., Mastercard and Louis Vuitton) are increasingly recognizing and seizing opportunities to reach the massive esports audience.

The 2019 *League of Legends* World Championship's peak audience of **44 million viewers** demonstrates that certain gaming titles can be seen as comparable to any mainstream sport.

“It’s imperative that teams have processes in place to protect their revenue streams and overall brand.”
 — Callie Bjurstrom, esports and intellectual property partner

Global Sports Viewership	2014	2018	5-Year Change
<i>League of Legends</i> World Championship	27m	100m	+269%
ICC Cricket World Cup	1.5b	1.6b	+7%
FIFA World Cup	3.2b	3.5b	+12%

Sponsorships

The esports sector's estimated value is \$1.1 billion, with the bulk of that revenue generated from brand sponsorships, while media rights comprise the rest. Brands are entering into partnerships at all levels of the esports ecosystem, with publishers, tournaments and teams all attracting brand partners. But brands are not limiting themselves to sponsorships—media rights through digital and traditional platforms are also based on brand support through advertising.

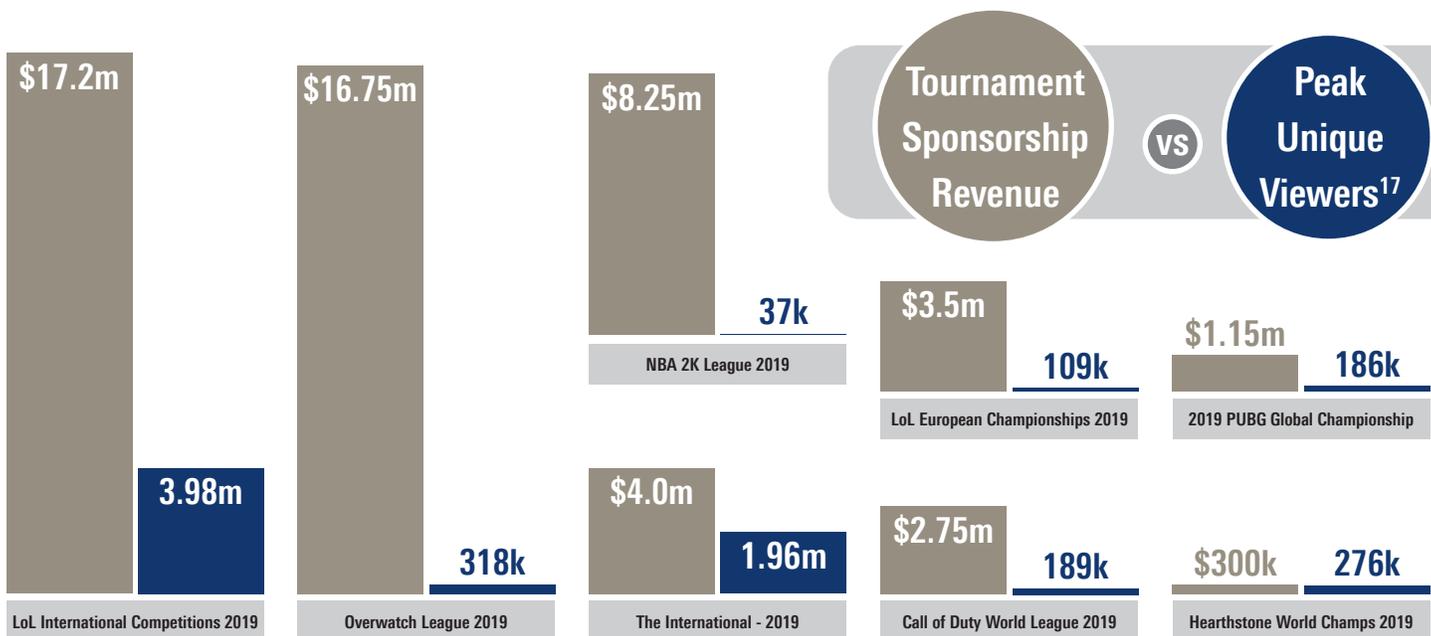
Sponsorship Revenue: Publishers

While publishers generate huge revenues through digital and hard-copy game sales (e.g., Activision Blizzard's \$7.5 billion in 2018⁸), the category's rapid growth has presented new opportunities for publishers to generate additional revenue, primarily through sponsorships of specific game titles. Alternatively, some publishers shun sponsorships to promote wider consumer access to their titles, as Epic Games has done with *Fortnite*.

“Non-endemic sponsors are coming into the industry. It is very helpful that esports has not been monetized in the same way as traditional sports. A lot of teams have been trying to pull in other sponsors like Nike and Adidas to ground additional audiences.”

— **Kendy Chan**, esports and tech industry associate

Partnerships with publishers offer brands a degree of protection, as opposed to sponsoring the games themselves, as the popularity of a particular game title can ebb and flow. For instance, while Riot Games' *League of Legends* is an established and extremely popular title, there is no guarantee that it will remain so. Epic Games' *Fortnite* did not exist in 2016 but is now one of the market's most popular titles. By partnering with a publisher, brands can strategically mitigate these unpredictable variables.



Sponsorship Revenue: Tournaments & Audiences

The above chart highlights the value of some of the most popular tournaments based on sponsorship revenue as compared to audience size and speaks to the commercial opportunities available for brands, with sponsorship partners spending around \$6.7 million per tournament.

The growing esports audience figures, along with the massive volume of content consumption (e.g., an average of 2.4 billion hours on Twitch in 2019⁹), reveals a highly engaged audience that intensely appeals to brands. Brands with strong sponsorship portfolios in mainstream sports have identified the opportunities presented by esports and are eager to capitalize on them by associating with the most popular game titles. Twitch saw a massive 62-percent increase in hours watched from Q1 2020 to reach five billion hours watched in the second quarter of 2020 amid COVID-19 lockdowns.

For instance, the *Overwatch* League has secured prominent brand partners including Intel, Bud Light, Coca-Cola and Toyota. Three of these four brands also are top Olympic partners. The fact that the *Overwatch* League launched its inaugural season in 2018 and has already attracted more than \$16 million in investments from household brand names underscores the rapid growth and potential opportunities throughout the market.

“There’s a broad ecosystem for esports that is ripe for investment. When there is a big trend like this, there is a lot of opportunity for investing without necessarily having to make bets on teams or leagues themselves.”

–Riaz Karamali, esports and tech industry partner

TEAM	MAIN SPONSORS	Total Revenue 2019 (Estimate)	Sponsorship Rev. 2019 (Estimate)	% of Total ¹⁸
 FaZe Clan	      	\$35m	\$16m	46%
 Team SoloMid	      	\$35m	\$15m	43%
 Cloud9	        	\$29m	\$13.5m	47%
 Team Liquid	       	\$24m	\$11m	46%
 G2 Esports	    	\$22m	\$10m	45%
 NRG	        	\$20m	\$9m	45%
 Fnatic	     	\$16m	\$7m	44%
 OpTic Gaming	       	\$11m*	\$7m	64%

* for franchise owner Immortals Gaming Club

Of the team-brand partnerships highlighted in the chart above, 67 percent of all team deals are with endemic brands, while 33 percent are with brands that have no natural affiliation to esports. These brands spent an estimated \$88.5 million on just eight teams, averaging \$11 million per deal.

While the bulk of team revenue to date has been generated by investors, sponsorships are a crucial revenue stream for teams as they help attract top talent. Most team revenue is spent with publishers on licenses and tournament entry fees, so teams rely on corporate partnerships to provide wages and facilities that are now

synonymous with being part of an esports franchise. The revenue generated through partnerships also is used to fund cash bonus performance incentives for team members.

While esports teams will become more reliant on corporate partners to help support their growth, it is perhaps telling that certain teams are being “sold” to corporate brands. Team Vitality, based in France, recently entered into partnership with French car manufacturer Renault and rebranded as Team Renault Vitality. A partnership with a corporate entity that can absorb risk and provide funding like Renault will likely be a blueprint for teams across the market as growth continues.

The Unlikely Sponsor: Louis Vuitton

In September 2019, Riot Games announced a surprising partnership with luxury goods provider Louis Vuitton, which designed a bespoke travel trunk for the Summoner's Cup (awarded to the winner of the *League of Legends* World Championship). Though Louis Vuitton had previously produced similar cases for FIFA's World Cup trophy and the America's Cup, its foray into the world of esports undoubtedly surprised fans of both *League of Legends* and Louis Vuitton. Yet, given the demographics of esports viewership, it's not difficult to understand the rationale behind the partnership.

From Riot's perspective, it is procuring a long-term partnership with a well-known luxury goods brand associated with marquee conventional sports. Such an alignment helps further legitimize esports as a competitive endeavor even as it helps reframe what one thinks of as the "gaming lifestyle."

From Louis Vuitton's perspective, a partnership with Riot Games was an opportunity to differentiate itself from other luxury goods brands to an increasingly affluent, global audience that may otherwise never have so much as contemplated purchasing Louis Vuitton products. Louis Vuitton and Riot Games' partnership extends far beyond a bespoke case for one of esports most coveted trophies. Louis Vuitton also designed in-game cosmetic

items for *League of Legends* to be purchased via microtransactions. This agreement was the first time that Riot Games allowed a third-party, commercial organization to design in-game skins and cosmetic items for *League of Legends* champions.

Given that *League of Legends* generates the majority of its revenue via in-game microtransactions, this represented a significant extension of good faith on the part of Riot Games, with a very real potential impact on the company's bottom line.

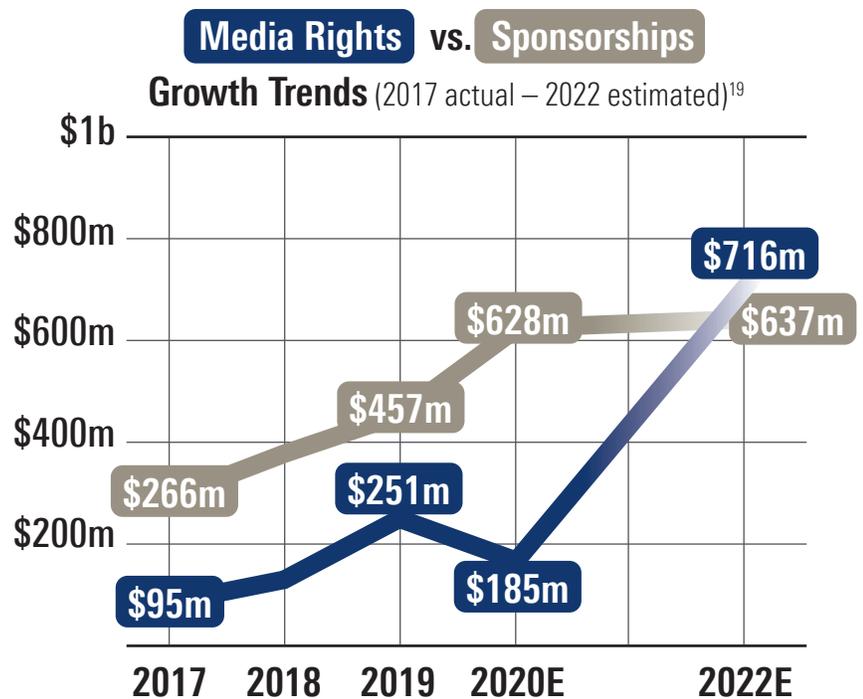
“The rising audience viewership, plus a highly successful team, increases the appeal to brands, and that equates to higher-value sponsorships.”

—Justin Hovey, esports and tech industry team leader

Sponsorship Outlook for Brands

During the 2019 *League of Legends* World Championship tournament, the 24 competing teams had agreements with 87 distinct brands.¹⁰ This is significant, as esports teams have traditionally struggled to attract sponsors, particularly non-endemic brands. While the tournaments and events themselves receive enough media exposure and have large enough attendance figures to be attractive to non-endemic sponsors like State Farm, Mastercard and Louis Vuitton, team sponsorships have typically been signed with smaller, endemic brands such as computer hardware or software providers. But as the popularity of esports grows, teams become more appealing to brands as a sponsorship option that is more cost-effective than partnering with tournaments or publishers. Sportcal analyzed the sponsorship portfolios of the top 20 esports teams by prize money won in 2017 and reported that just 11.3 percent of

team sponsors were non-endemic. Fast forward to 2019: 39 percent of the LoL’s competing teams’ sponsors were non-endemic — a significant increase in the number of non-endemic brands entering the space. While not an apples-to-apples comparison, the data show the commercial development of esports in general as brands look to associate themselves with the sector.



Franchise Fees Driving Publisher Revenues

As a means of generating additional revenue, some publishers, most notably Activision Blizzard and Riot Games, have moved toward franchising their esports titles. Under this model, teams must buy in to compete in tournaments run by the publishers themselves, with fees potentially reaching as high as \$60 million per team, per entry. For publishers, this is

“There’s an idea around esports that it’s something only kids are doing, but there is tremendous growth opportunity—it’s not just one demographic that’s interested. And because it is all connected to social media, there is a continuity to the industry that’s still playing out but that indicates an incredible amount of branding opportunity.”

—**Jeetander Dulani**, esports and tech industry special counsel

fast becoming a lucrative way to monetize their intellectual property, since teams are eager to compete for the huge amounts of prize money available in these tournaments. Total esports prize money awarded in 2019 reached \$211 million—a 38-percent increase over 2018.¹¹

With huge audiences watching, successful teams with a license to compete will make themselves appealing to brands trying to reach that audience, which in turn will lead to higher-value sponsorship agreements. Furthermore, by having the most popular teams competing, the demand to watch the tournaments should in turn drive significant investment in media rights from platforms trying to entice viewers, thereby developing the commercial opportunities for esports even further through associated advertising.

Media Rights

Media rights agreements presently account for 23 percent of esports market revenue, with that number predicted to grow to 40 percent by

2022 as a rising number of media entities and platforms strive to increase advertising revenue by reaching esports’ global, digital native-dominated audience.¹²

For instance, in December 2019, Chinese video-sharing website Bilibili reportedly paid \$113 million in a three-year deal for exclusive rights to stream the *League of Legends* World Championship in China.¹³ This was the first time that media rights to an esports tournament in China were offered on an exclusive basis. Such exclusive regional media rights agreements, a foundational element of mainstream sports markets, will underpin the growth of media rights as a revenue source for the esports market as well.

The most popular platform where esports fans consume content is Twitch. Bought by Amazon in 2014 for \$970 million, Twitch allows viewers to livestream esports content from tournaments, teams and even their favorite players. With a 74-percent market share in 2019 among the top

four platforms by hours watched, Twitch is the gateway into the world of esports for most.¹⁴

Not only is the size of the esports audience growing, but the volume of content being consumed also is rising significantly. In 2020 alone, viewership has spiked due to the COVID-19 pandemic (e.g., Twitch.tv's 20-percent jump in viewership during the first quarter). Overall, however, the top four streaming platforms' viewership had already increased by 2.3 billion hours in 2019 over 2018—a 23-percent increase, pre-pandemic.¹⁵

With other streaming platforms entering the market—such as Microsoft's Mixer, YouTube Gaming Live and Asia-focused platforms Dooyu and Huya—demand for new content will continue to grow and allow for the development of exclusivity agreements, whereby streaming a particular tournament or gamer would be exclusively available on one platform, much like the media rights structure seen in traditional mainstream sports.

Media Rights Landscape for Publishers

The streaming platforms are powerful in their own right on account of their global reach and record numbers of viewers. While publishers monetize titles through tournament entry fees and sponsorship deals, esports media rights agreements are predicted to be the next significant area of revenue growth. Through online streaming services like Twitch, plus

Streaming platform hours watched

Platform	2018	2019	Growth
 Twitch	7,778m	9,340m	20%
 YouTube	2,310m	2,681m	16%
 facebook gaming	257m*	710m*	176%*

Source: State of the Stream 2019 (StreamElements & Arsenal.gg)
*Includes Mixer streaming hours

emerging platforms through YouTube and Huya, publishers have the ability to promote their games to a mass audience that consumes significant amounts of content.

Fortnite publisher Epic Games benefitted from one such media partnership when esports superstar Ninja, the most popular streamer on Twitch, moved to Microsoft's new platform Mixer in August 2019. Ninja is credited with the explosion of *Fortnite* after playing the game with rapper Drake on a livestream that garnered more than 635,000 concurrent viewers. Utilizing Ninja to promote *Fortnite* on a digital platform allowed Epic to reach its target market in an authentic and focused manner.

Both traditional and non-traditional media companies are utilizing esports as a means of building new audiences. The likes of TNT/ Turner Sports, Disney and Fox Sports have

purchased esports media rights with a view toward broadcasting them across traditional TV and new digital channels. Meanwhile, social platforms such as Facebook, YouTube, Twitch and Huya are using esports content as a means of drawing in new viewers, as evidenced by YouTube streaming the *Overwatch*, *Hearthstone* and *Call of Duty* leagues in 2020. To highlight the possibilities, even Emirates Airlines purchased rights to show ESL (formerly known as Electronic Sports League, owned by Modern Times Group) tournaments as on-demand, in-flight content in 2017.¹⁶

Media Rights Landscape for Teams

International mainstream sports benefit from the sale of media rights in significant ways. For example, in the English Premier League, all of the international media rights revenues and 50 percent of the UK media rights revenues are equally shared across all 20 teams, while 25 percent are shared based on where a club finishes in the league table. This allows for parity to be maintained across the league and promotes competition. As a result of huge media deals, teams playing within these leagues have the ability to market themselves to international audiences and attract global sponsors. In fact, 19 front-of-shirt sponsors of English Premier League teams are based abroad. Given the global nature of esports, these examples indicate the significant viability of esports teams as partners for global company sponsorships.

Given the popularity of esports in the region, Asia will likely be the major driver of media partnership growth. Exclusive streaming agreements, such as Bilibili's 2020 *League of Legends* World Championship deal, are already in place. As the popularity of esports grows, more deals for exclusive streaming rights, along with greater opportunity for teams to raise their profile and generate brand interest, will likely drive deal values up.

Development of Media Platforms

Esports league and tournament organizers will seek to sell media rights based on the strength of the media rights market in traditional sports. Traditional sports platforms like ESPN in the U.S. and Sky Sports in the UK and Europe now carry esports content. Additionally, online platforms such as Twitch, Mixer and YouTube provide gamers with channels to monetize their content by distributing it directly to fans.

Tencent, the Chinese technology conglomerate and majority owner of Riot Games, recently announced a partnership with Chinese live-streaming platform Chushou TV that gives Chushou exclusive rights to Tencent's games and live streams. Tencent also announced that, as part of the deal, both organizations will research and develop game advertisement products to further enhance the gaming experience for Chinese fans.

Further supporting the development of media rights as an esports revenue stream, YouTube announced in January 2020 that it will be the exclusive streamer of new seasons of the *Overwatch*, *Hearthstone* and *Call of Duty* leagues. *Overwatch* streamed exclusively on Twitch prior to this agreement, but thanks to a tie-up between publisher Activision Blizzard, the owner of these titles, and parent company Google, YouTube will now stream these events exclusively.

Key Takeaways

While the esports sector is still in its early stages compared to traditional sports, there is much room for the genre to grow commercially, as has been evidenced during the COVID-19 pandemic. Traditional sports were able to leverage the same media channels and stream their own esports content virtually, and this trend may continue to represent a cost-effective alternative going forward.

Esports viewership and audience sizes continue to grow, driving revenue for key stakeholders and investors. Esports revenue is predicted to grow to \$1.8 billion by 2022. Media platforms also will look to monetize this growth through additional sponsorships and advertising revenue, and it is likely that individual gamers and teams

will follow, creating their own revenue streams through direct engagement with fans.

Additionally, the development of new tournaments and leagues such as the team-owned league Flashpoint, presents new commercial and sponsorship opportunities. For publishers, licensing fees that allow tournament entries alongside sponsorship agreements generate significant revenue while the development of media rights within the esports industry is predicted to be the next significant area of growth. Much like in mainstream sports, buying exclusive media rights to specific tournaments will bring a large audience to various platforms.



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Endnotes

- | | | | | | |
|---|---------------------------------|----|--|----|--|
| 1 | Newzoo | 8 | Activision Blizzard 2018 Annual Report | 15 | State of the Stream 2019 |
| 2 | PWC | 9 | Streamlabs | 16 | ESL Gaming |
| 3 | Newzoo | 10 | GlobalData proprietary research | 17 | GlobalData proprietary research |
| 4 | GlobalData proprietary research | 11 | The Esports Observer | 18 | GlobalData proprietary research |
| 5 | Newzoo | 12 | Goldman Sachs | 19 | GlobalData proprietary research |
| 6 | GlobalData proprietary research | 13 | Reuters | | |
| 7 | Newzoo | 14 | Newzoo | | |