

VIDEO ADVERTISING BUREAU - REPORT 2019

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The Esports Report

The 'Area of Effect' For Marketers

Definitions

In esports...

Area Of Effect (AoE)

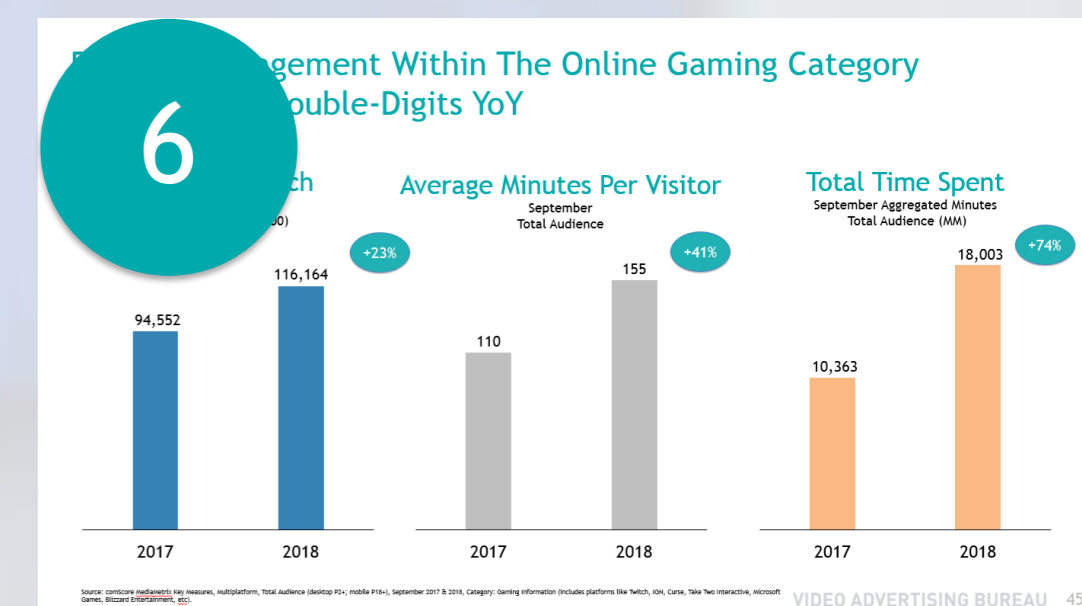
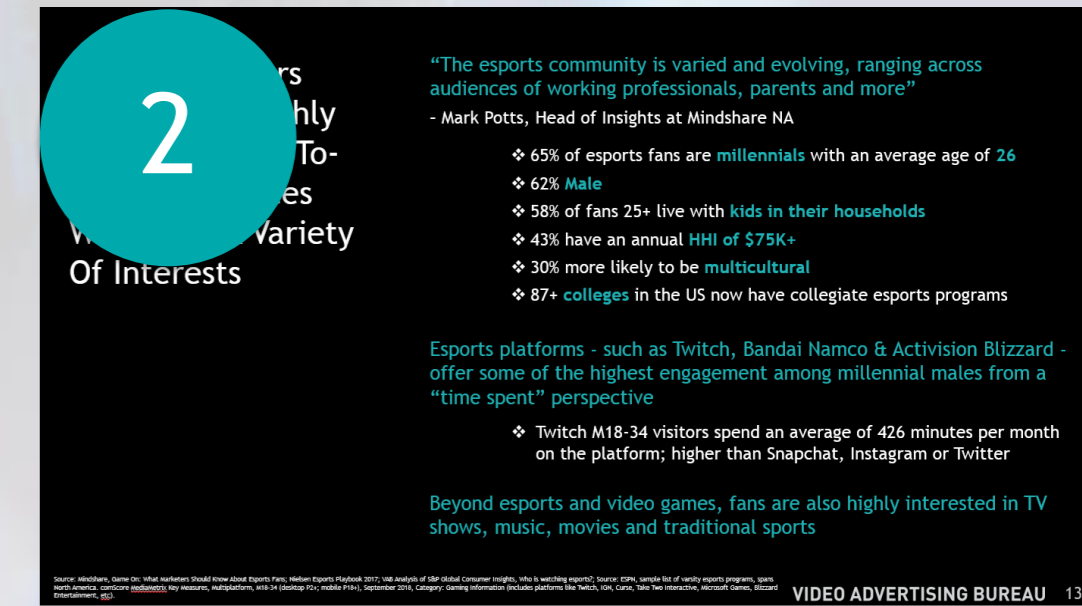
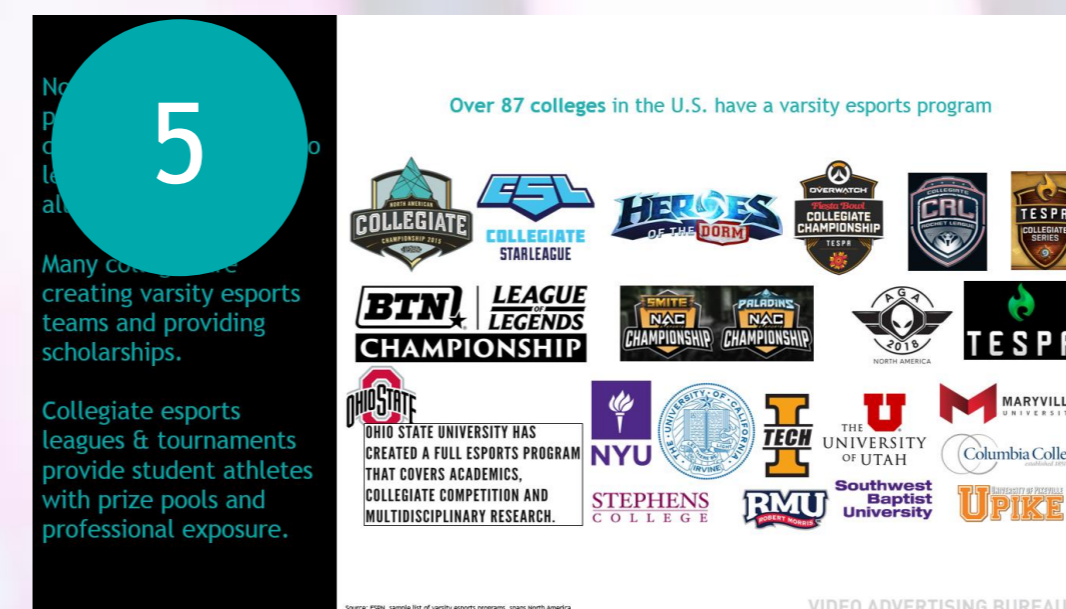
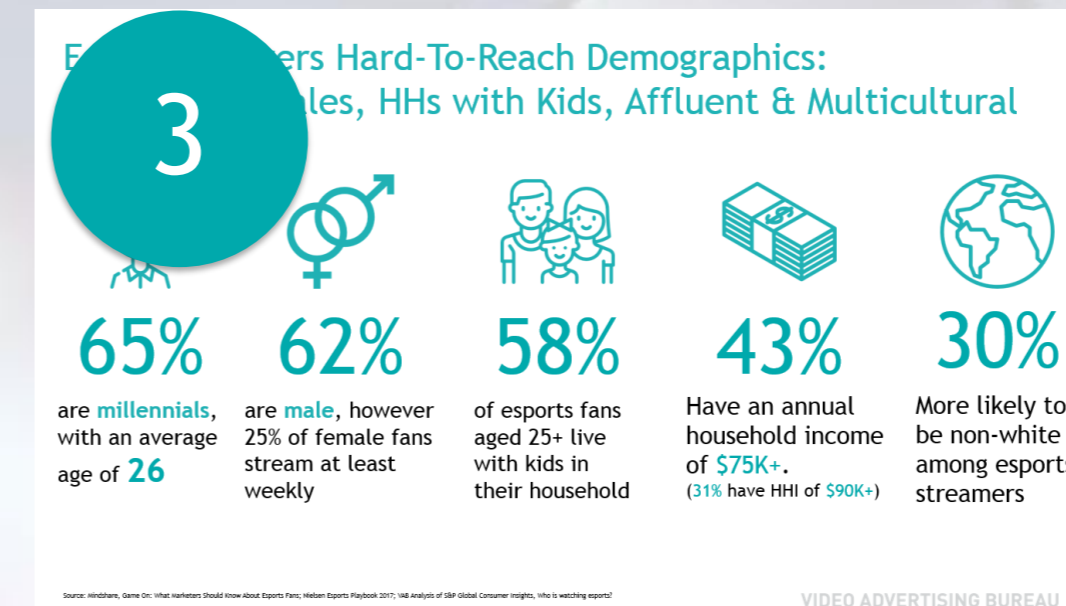
“A video game spell or attack that affects everything within a specified area”

For marketers...

Esports' **area of effect** delivers a passionate, desirable, elusive but receptive audience that complements a marketer's communications plan

Contents

- 1 Esports Overview
- 2 Why Should Marketers Invest In Esports?
- 3 Who Is The Esports Fan?
- 4 Esports Ecosystem
- 5 The 'Mainstreaming' Of Esports
- 6 Growth In Multiscreen Engagement
- 7 Esports Advertising & Opportunities



Esports Highlights

Esports is one of the fastest-growing, content-driven video platforms in the U.S. today and is experiencing double-digital annual growth in audience and revenues globally

- ❖ **23%** of esports fans in the U.S. have started following the sport between 2017 & 2018
- ❖ In 2019, esports global revenues are projected to increase **27%** over the prior year

This dynamic sport, which features all the organizational structure and competitive hallmarks of more traditional sports leagues, has quickly gained mainstream interest and cultural relevancy among audiences and advertisers

With a millennial male skew, esports delivers a passionate, desirable, elusive audience that is brand loyal and receptive to integrated advertising

Viewers are highly engaged with content across screens including Television where the hours of programming have grown significantly over the past year alone

- ❖ **Over 18 Billion minutes** are spent online monthly with gaming platforms, an increase of **74%** vs. a year ago
- ❖ **Over 300 hours** of esports TV programming aired during the '17-'18 broadcast season, up almost **50%** vs. the prior season

Esports Is A Fresh,
Exciting Platform
And Is The Newest
Organized Sport
With Competitive
Leagues Around
The World

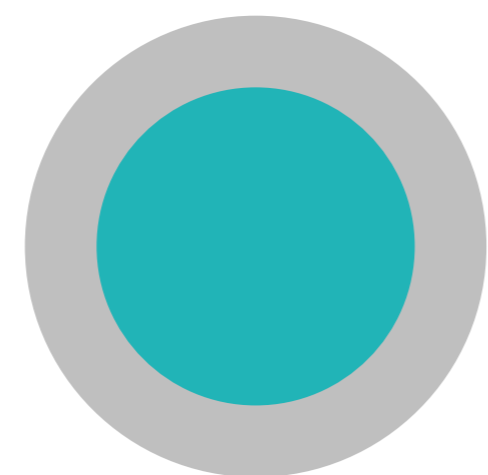


Based on founding dates

What Are Esports?

Esports are not that different from traditional sports and have all the conventional defining elements of competitive sports.

Esports is an abbreviation of 'electronic sports', where players & teams battle against each other in competitive video games.



All Esports are video games



Player vs Player or Team vs Team



Clear Win Condition



Active Professional Scene & Tournaments

What Games Are Esports?

There are several popular genres of video games with competitive scenes.

It is important to understand that while all esports are video games, not all video games are esports.

Games are not esports if they don't have organized competitions (player vs. player; team vs. team), a clear win condition or an active professional scene.

Popular Esports Genres & Titles

MOBA (Multiplayer Online Battle Arena)			
RTS (Real Time Strategy)			
Card Games			
Shooters & Battle Royale			
Sports			
Fighting			

Games That Are Not Esports



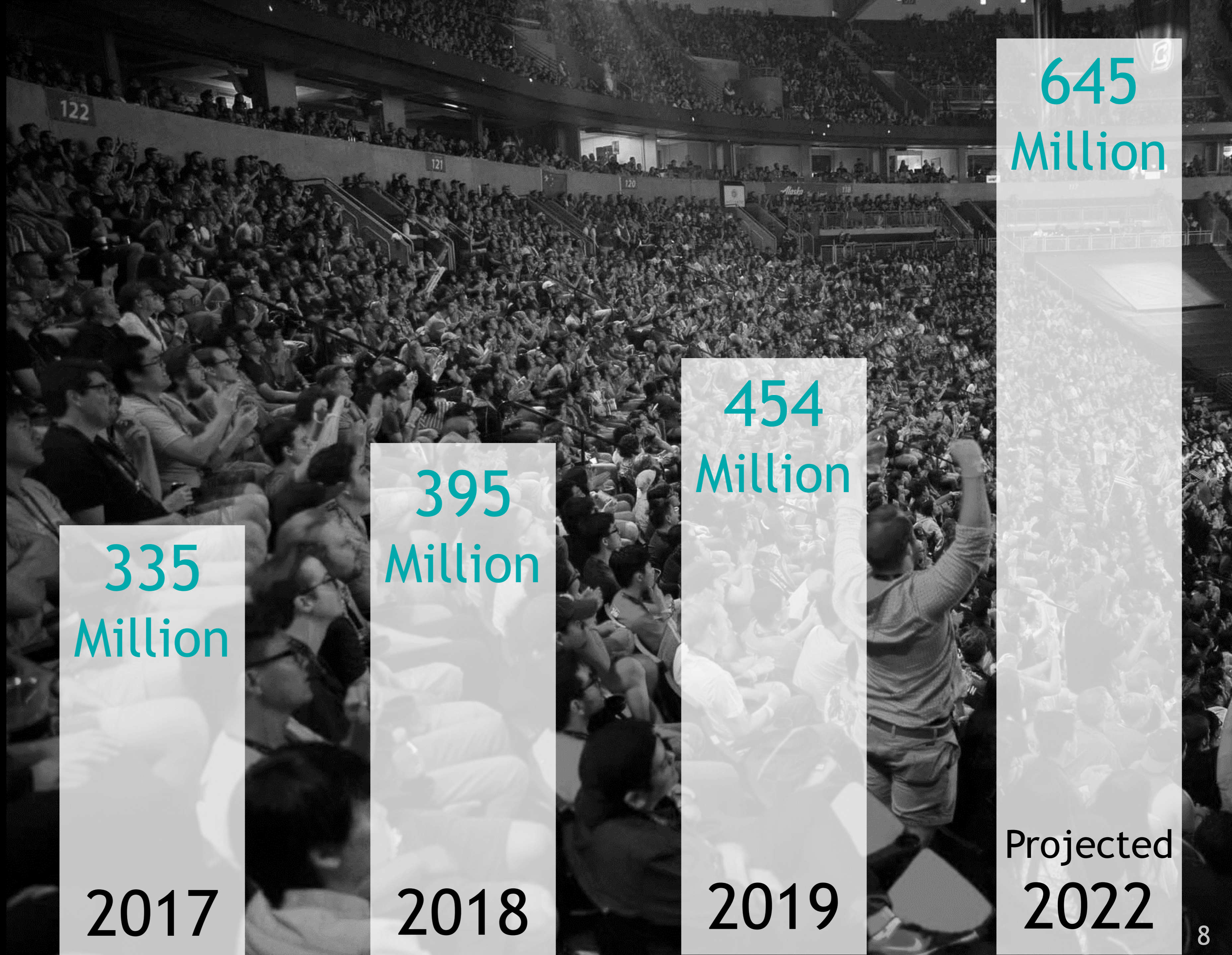
The Global Esports Audience Is Soon Expected To Grow To Over Half A Billion People

In the US, **23%** of esports fans started following the sport between 2017 and 2018

As a scale comparison, there are 139MM global **Netflix** subscribers and 447MM global subscriptions to any online video service

Source: Nielsen, The Esports Playbook 2017; NewZoo 2019 Global Esports Market Report; Netflix 4Q 2018 Financial Statements; MPAA 2017 Theatrical & Home Entertainment Market Environment (THEME) report.

VIDEO ADVERTISING BUREAU



**335
Million**

2017

**395
Million**

2018

**454
Million**

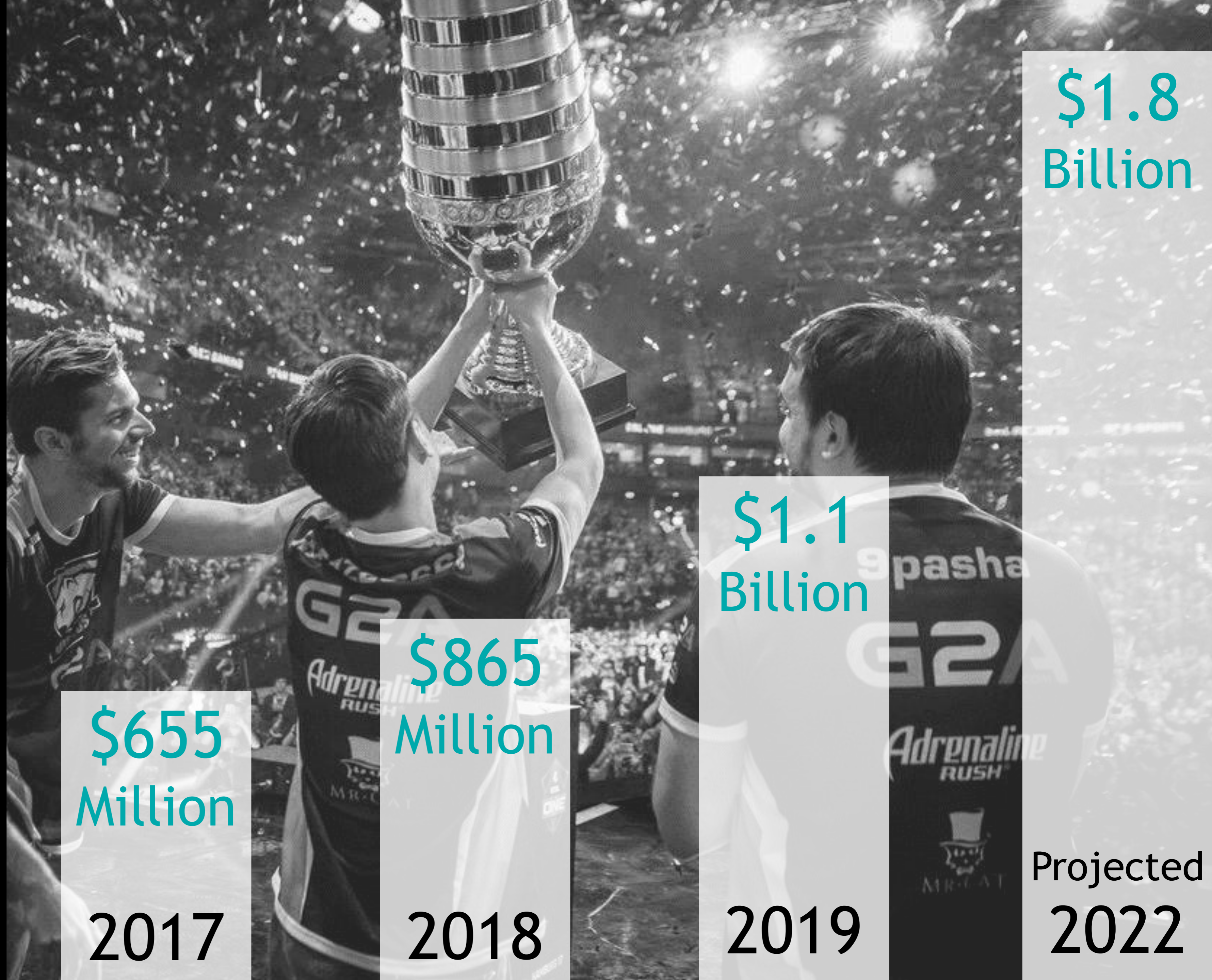
2019

**645
Million**

**Projected
2022**

Increasing Esports Audiences Has Led To Double-Digit Annual Growth In Global Revenues

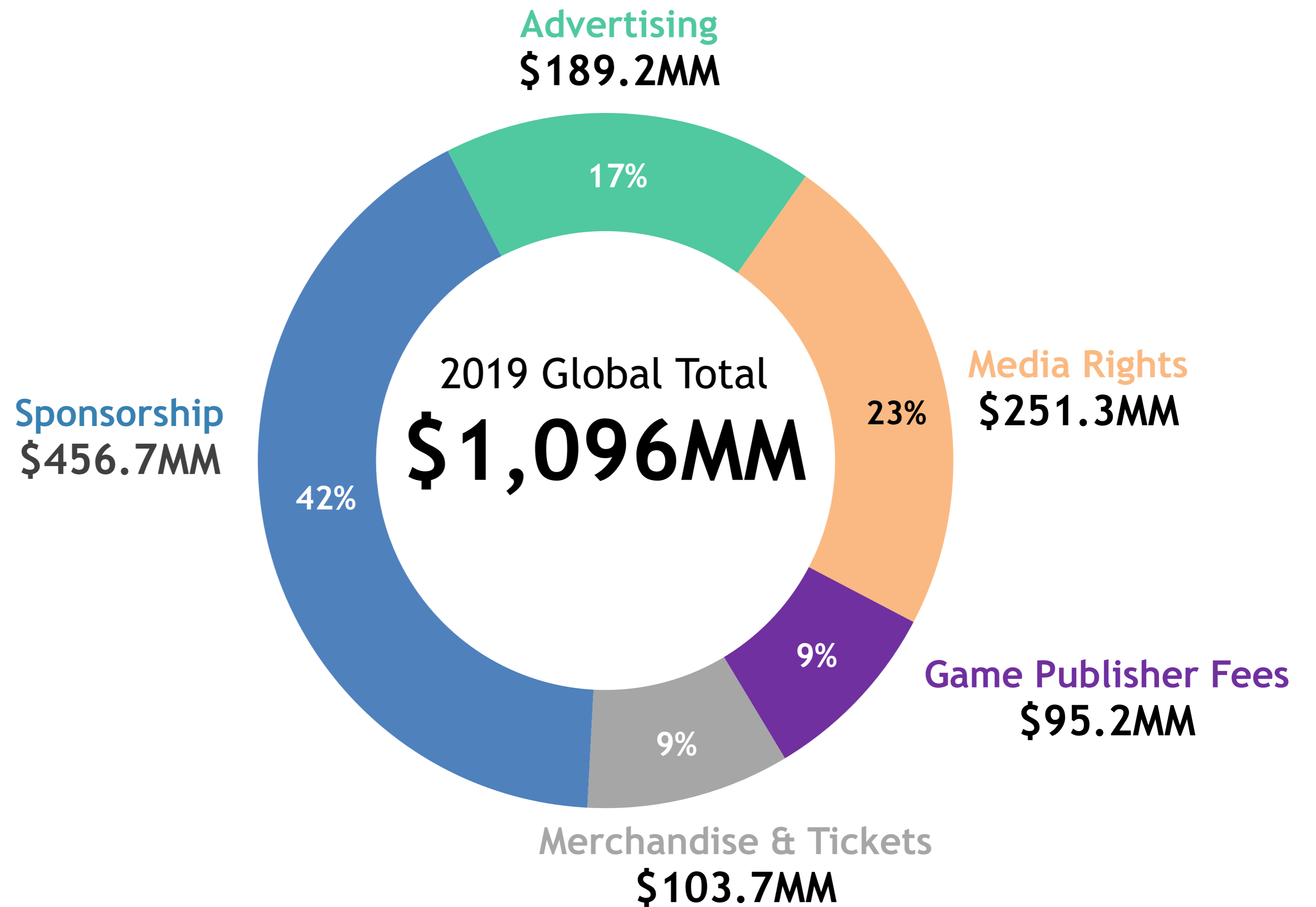
As a recent comparison, 2017 esports revenues were a close equivalent to the UFC globally in 2017



Source NewZoo 2019 Global Esports Market Report; UFC 2017 global revenue estimate (\$700MM+) based on Moody's Investors Service projection, May 2018.

Esports Global Revenue Is Driven by Sponsorship & Advertising

Sponsorship, Advertising and Media Rights Revenues Are Projected To Reach **\$1.5 Billion** By 2022, a **67% increase** vs. 2019



North America alone will generate \$409MM of total global revenues in 2019



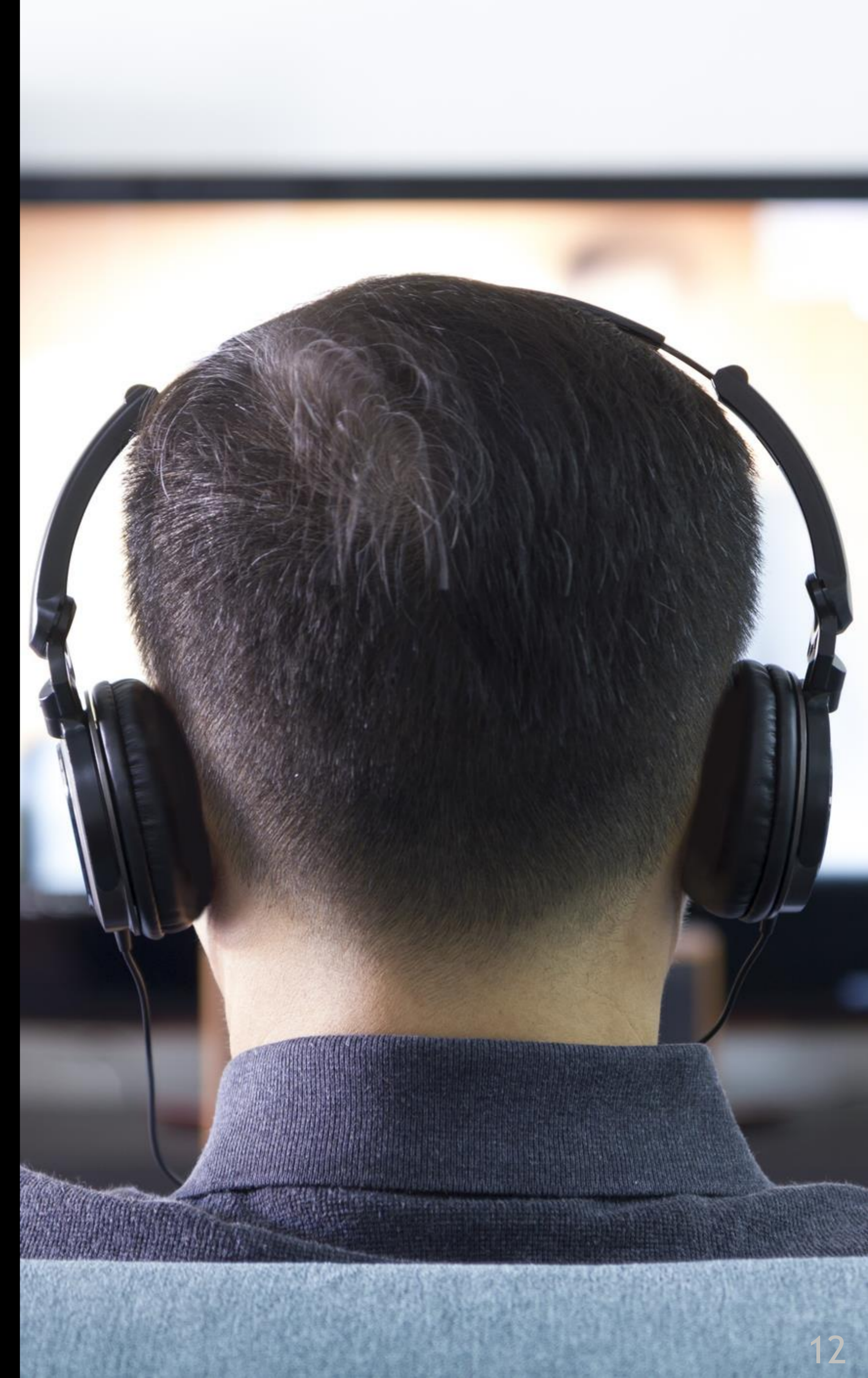
Why Should Marketers Invest in Esports?

America's 'Most Elusive Demographic' Is Found In Esports

Millennial Males

Esports deliver a millennial male-skewing fan base with a deep 'scale of attention.' This hard-to-reach audience is passionate and highly-engaged with their favorite teams, players, games and leagues across digital & TV platforms.

Most fans are multi-dimensional with a variety of interests well beyond esports and video games. Most importantly, they have a positive attitude towards advertising and are very willing to sample products from sponsors.



Esports Delivers Passionate, Highly Engaged, Hard-To- Reach Audiences Who Have A Variety Of Interests

“The esports community is varied and evolving, ranging across audiences of working professionals, parents and more”

- Mark Potts, Head of Insights at Mindshare NA

- ❖ 65% of esports fans are **millennials** with an average age of **26**
- ❖ 62% **Male**
- ❖ 58% of fans 25+ live with **kids in their households**
- ❖ 43% have an annual **HHI of \$75K+**
- ❖ 30% more likely to be **multicultural**
- ❖ **87+** **colleges** in the US now have collegiate esports programs

Esports platforms - such as Twitch, Bandai Namco & Activision Blizzard - offer some of the highest engagement among millennial males from a “time spent” perspective

- ❖ Twitch M18-34 visitors spend an average of 426 minutes per month on the platform; higher than Snapchat, Instagram or Twitter

Beyond esports and video games, fans are also highly interested in TV shows, music, movies and traditional sports

Esports Is Mainstream With Cross-Platform Video Programming & Distribution, Including TV...

...And It Has Recently Begun Attracting A Wave of New Advertisers Well Beyond Endemic Categories

Esports has evolved from a digital-only platform and now offers cross-screen programming and advertising opportunities especially on TV where it has experienced major growth recently

- ❖ **11+ TV networks** now air esports Leagues and Tournaments
- ❖ **230+ telecasts** of esports programming on linear TV aired in '17-'18
- ❖ **300+ hours** of esports programming aired on linear TV in '17-'18, up **46%** vs prior season
- ❖ Median age of the esports TV viewer is **32** with a **63% male** skew

The explosion of growth in viewership and additional access points for content has led to many non-endemic categories and brands “getting in the esports game” and engaging with the elusive, millennial male audience

- ❖ Over 90 major categories are now esports advertisers within industries as varied as **Financial, Insurance, Automotive, Restaurants, Telecommunications**
- ❖ This includes hundreds of non-endemic advertisers such as: **Casper, Chase, Geico, Kraken Rum, Match.com, P&G, Red Robin, Samsung, Toyota, Verizon & Universal Pictures**

Esports Fans Not Only Have A Positive Attitude Towards Advertising But, Most Importantly, They Take Action

41%

Believe that **sponsors are critical** to the success of esports

63%

Definitely try products shown during esports games

Advertising in esports drives consumer action across every level of the purchase funnel



*Index vs. Traditional Sports Fan

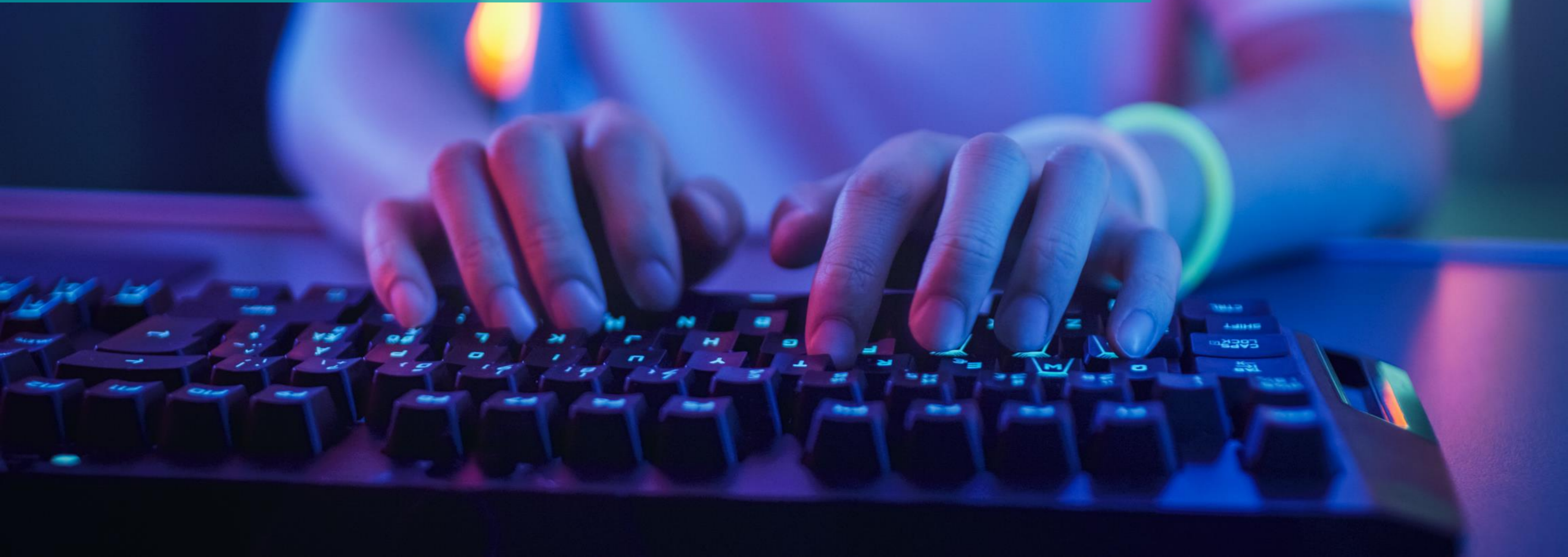


Who Is The Esports Fan?

“The esports community is varied and evolving, ranging across audiences of working professionals, parents, and more”

Mark Potts

Head of Insights, Mindshare NA



Three Levels of Esports Fandom



Engaged Viewer

The engaged viewer is the largest segment comprising **56%** of esports fans. These multi-dimensional viewers are passionate about esports, but have a variety of outside interests as well. They were exposed to esports through TV or online streams and they follow their favorite teams/players.



Gaming Enthusiast

Gaming and watching esports are a hobby of the enthusiast and they directly engage with professional content more than once a month. They are up to date with the latest happenings in the industry and support their favorite teams/players.



Esports Fanatic

Esports and gaming are their biggest hobbies and passion pillars. They watch and support their favorite teams when they play in leagues or tournaments, online or in person.

Esports Delivers Hard-To-Reach Demographics: Millennials, Males, HHs with Kids, Affluent & Multicultural



65%

are **millennials**,
with an average
age of **26**



62%

are **male**, however
25% of female fans
stream at least
weekly



58%

of esports fans
aged 25+ live
with kids in
their household



43%

Have an annual
household income
of **\$75K+**.
(31% have HHI of **\$90K+**)



30%

More likely to
be non-white
among esports
streamers

Esports Fans Are...

Community Oriented



67% of esports fans have made new friends or acquaintances through games and esports

Competitive



71% of esports fans say that “watching professionals play makes me a better player”

Invested in Fandom



60% of esports fans are willing to travel to see their favorite games, tournaments and players

Gamers At Heart



8.2 Hours spent playing video games weekly

Fans Engage With Esports To Improve Their Own Gaming Skillsets Among Other Reasons

Reasons Fans Engage With Esports



53%

To become a better gamer



51%

Learn tips and tricks from the pros



51%

Experience the entertainment aspects



48%

Experience gamers/gaming in a new way



45%

To see the best gamers

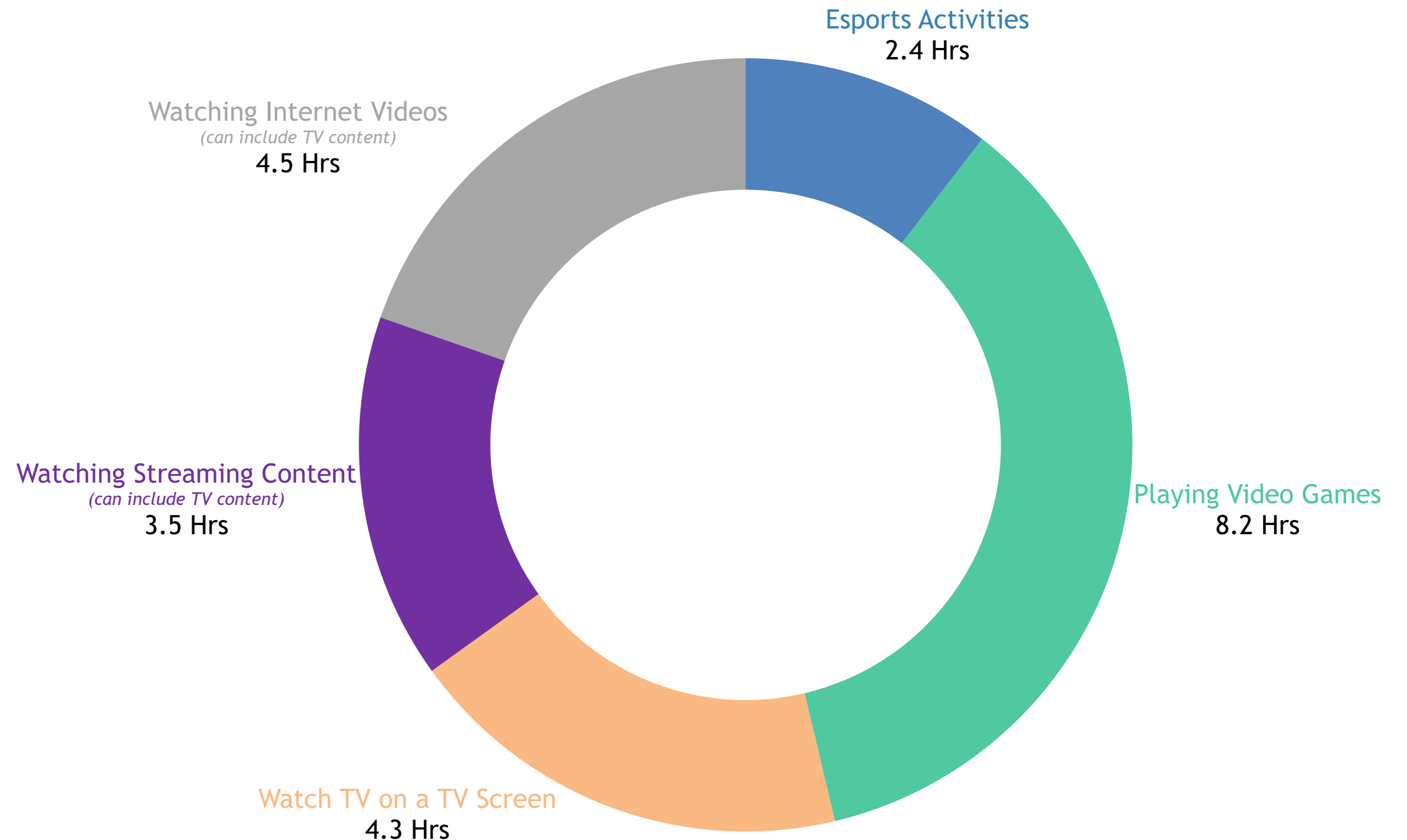


30%

Experience the competition aspects

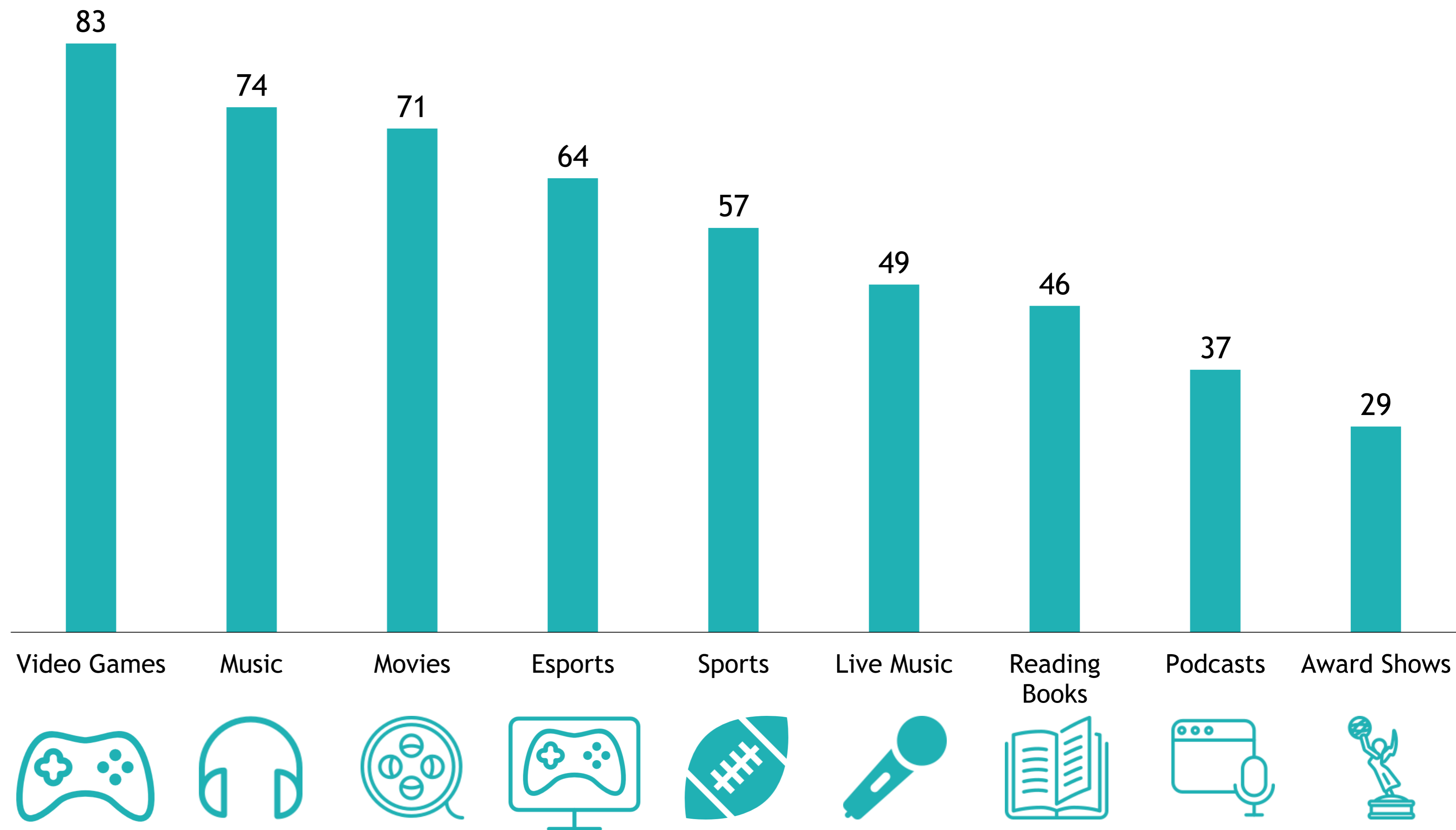
Esports Fans
Engage With A
Lot More Video
Content Beyond
Esports

Hours Spent Per Week Among Esports Fans



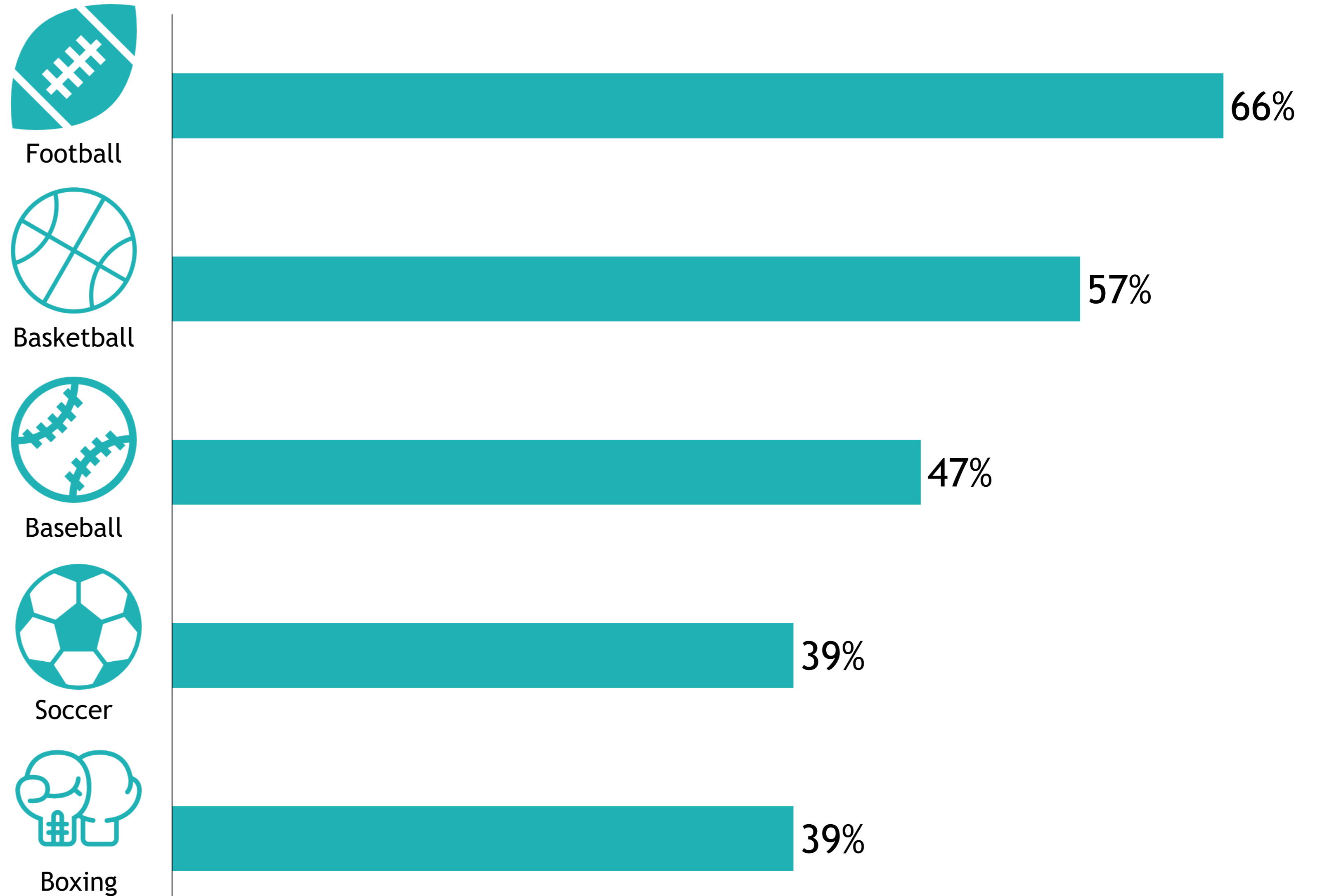
Fans Also Have
A Variety Of
Interests
Beyond Esports

Interest In Leisure Activities & Content Types (0-100 Rating Scale)

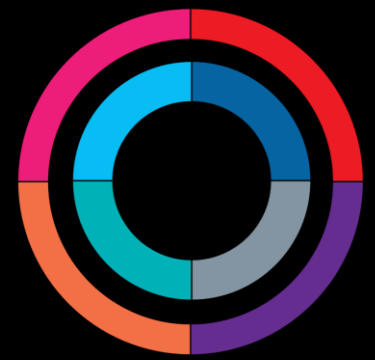


Esports Fans Are Also Fans of Traditional Sports

Interest In Traditional Sports Among Esports Fans



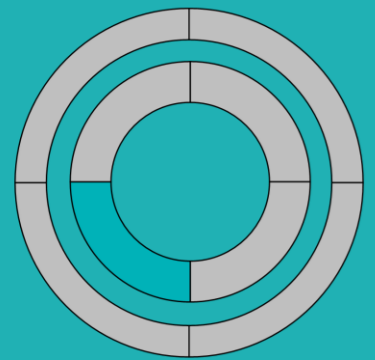




Simplified Esports Ecosystem

Examples





Teams

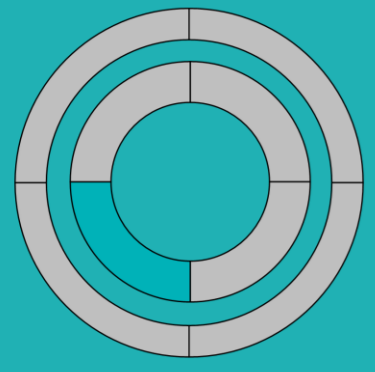
Teams compete in Esports leagues and tournaments.

Some global organizations, like *Team Liquid & Evil Geniuses*, field teams across multiple game titles.

Some teams are organized by geography (North America, Europe, Asia, etc.), while the emergence of the Overwatch League has popularized city-based teams which align with traditional sports locations (*New York Excelsior, Boston Uprising, London Spitfire*).



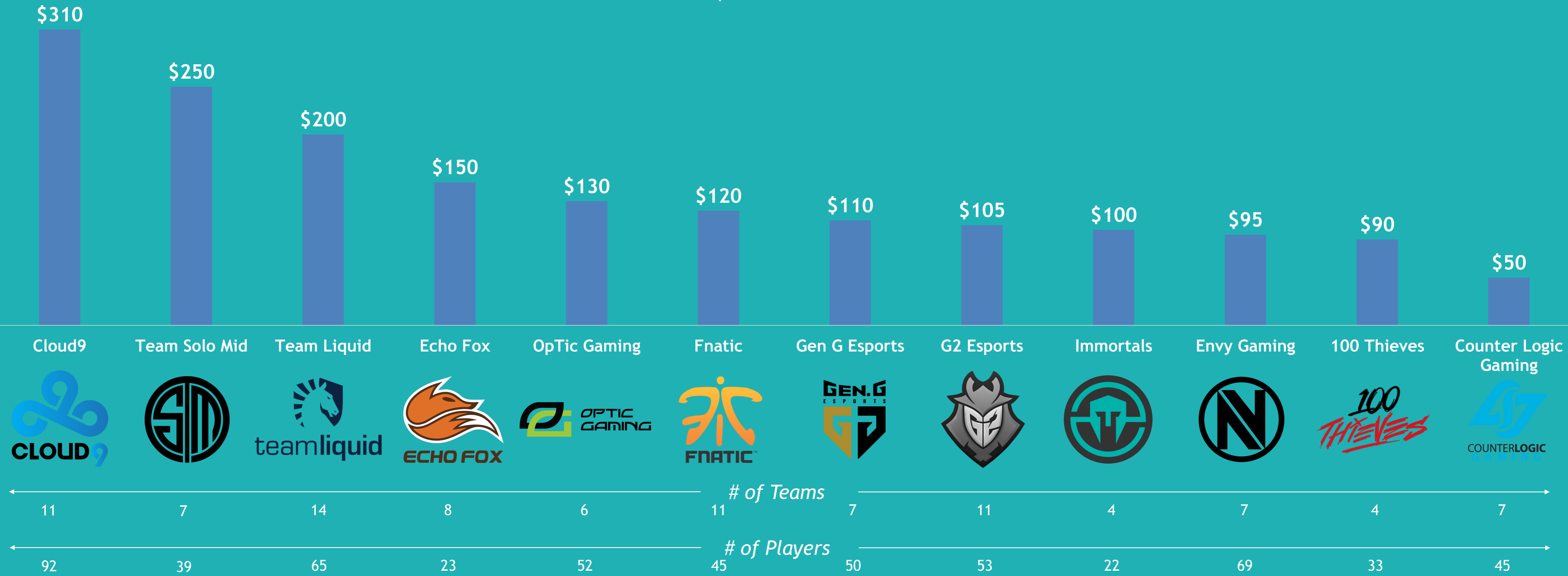
Note: Above reflects only a sampling of teams

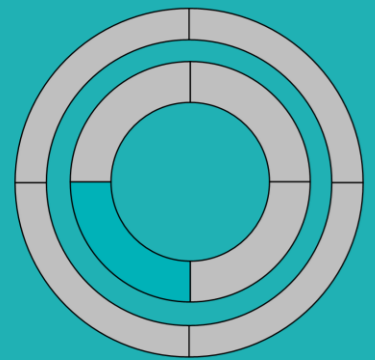


Esports Teams Are Big Business

Twelve of the top Esports teams are collectively valued at over \$1.7 Billion

Value
\$ in Millions





Players

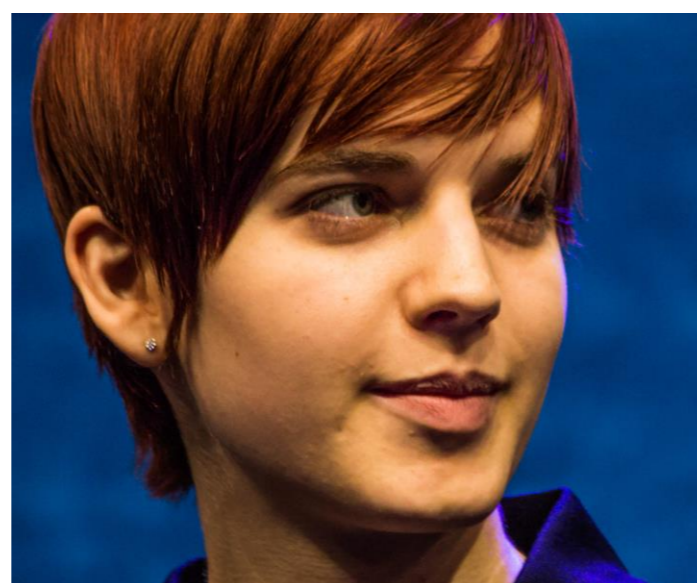
Just like traditional sports, some esports players stand out more than others and achieve a level of notoriety due to their talents.

Viewers can watch players in leagues and tournaments as well as through the players' live-streams.

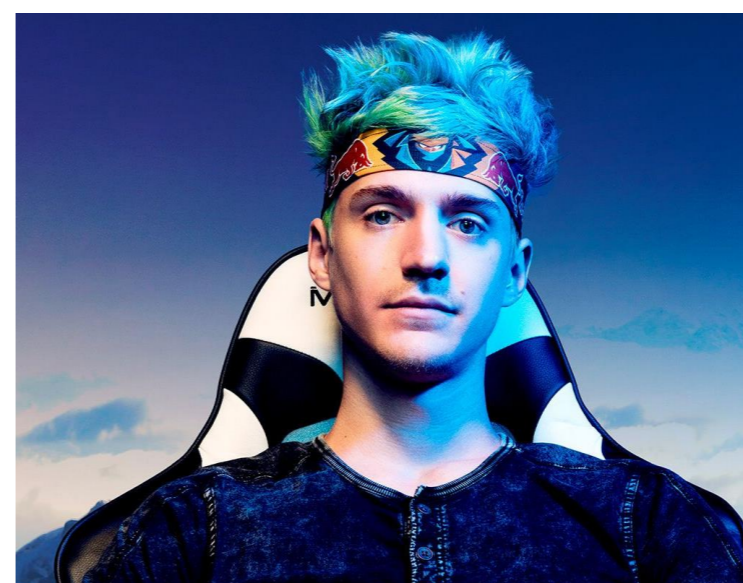
Popular players can be from single-player games (*Scarlett*, *Ninja*) or standouts from multiplayer teams (*UNiVeRse*, *Faker*, *Vilga*).

The top esports players earn millions of dollars annually.

Scarlett



Ninja



UNiVeRse



Faker



Vilga



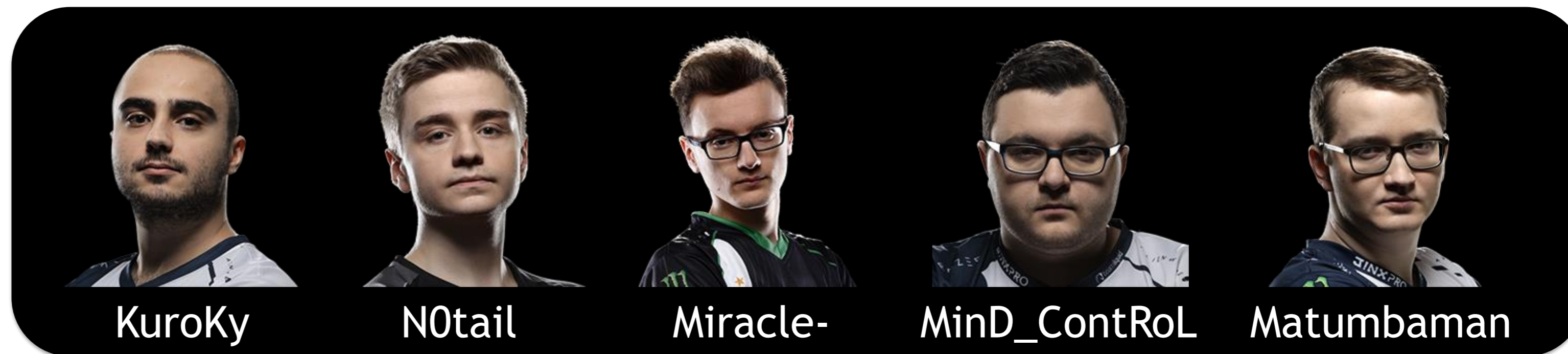
Kaydop



coldzera



\$18.4 Million Earned Among Top 5 Esports Players



KuroKy

N0tail

Miracle-

MinD_ContRoL

Matumbaman

Publishers

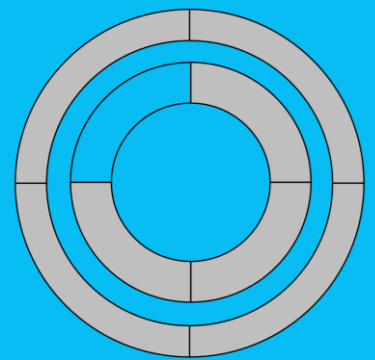
Publishers have been developing games since the onset of computers and arcades several decades ago.

Many publishers have created multiple esports games and are tailoring the development of new games to the potential of creating a popular esports title.

Publishers are investing heavily into the community to grow esports, for instance, in 2018 *Epic Games* announced a \$100 Million prize pool for the first competitive year of Fortnite.



Note: Above reflects only a sampling of publishers



Games

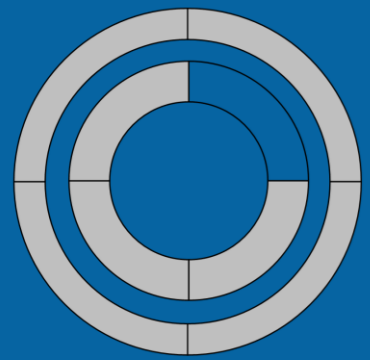
There is a huge variety of titles that have competitive esports scenes.

Most major genres of games have multiple esports titles for players to compete in. Many of these titles appeal to casual fans but involve a deep skillset for professional players to hone their craft in competitions.

Some of the most popular game genres are *MOBA* (Multiplayer Online Battle Arena), *Shooters & Battle Royale* and *Sports*.



Note: Above reflects only a sampling of games



Leagues

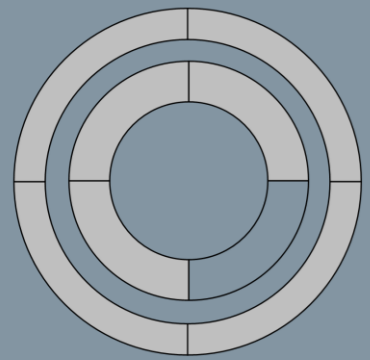
Leagues feature players and teams competing in different season-long formats (similar to traditional sports like MLB, NFL, etc.) to determine a winner.

These leagues hold match-ups throughout the season with many featuring a marquee tournament to crown a champion at seasons' end.

Some leagues are single-game focused, others align with professional sports leagues while others are collegiate-based.



Note: Only a sampling of leagues



Events

As a major fan engagement opportunity, events feature the best players or teams competing against each other in tournaments to crown a champion.

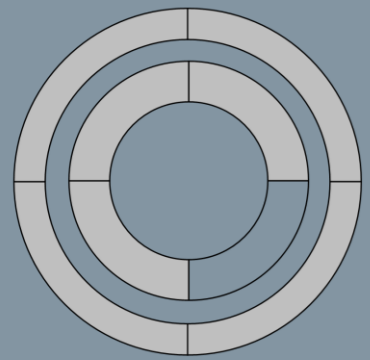
Events are made for both in-venue spectators and viewers, with most offering video and streaming distribution through various media platforms.

Engagement is high with **60%** of esports fans saying they are willing to travel to see their favorite games, tournaments and players.



FINALS





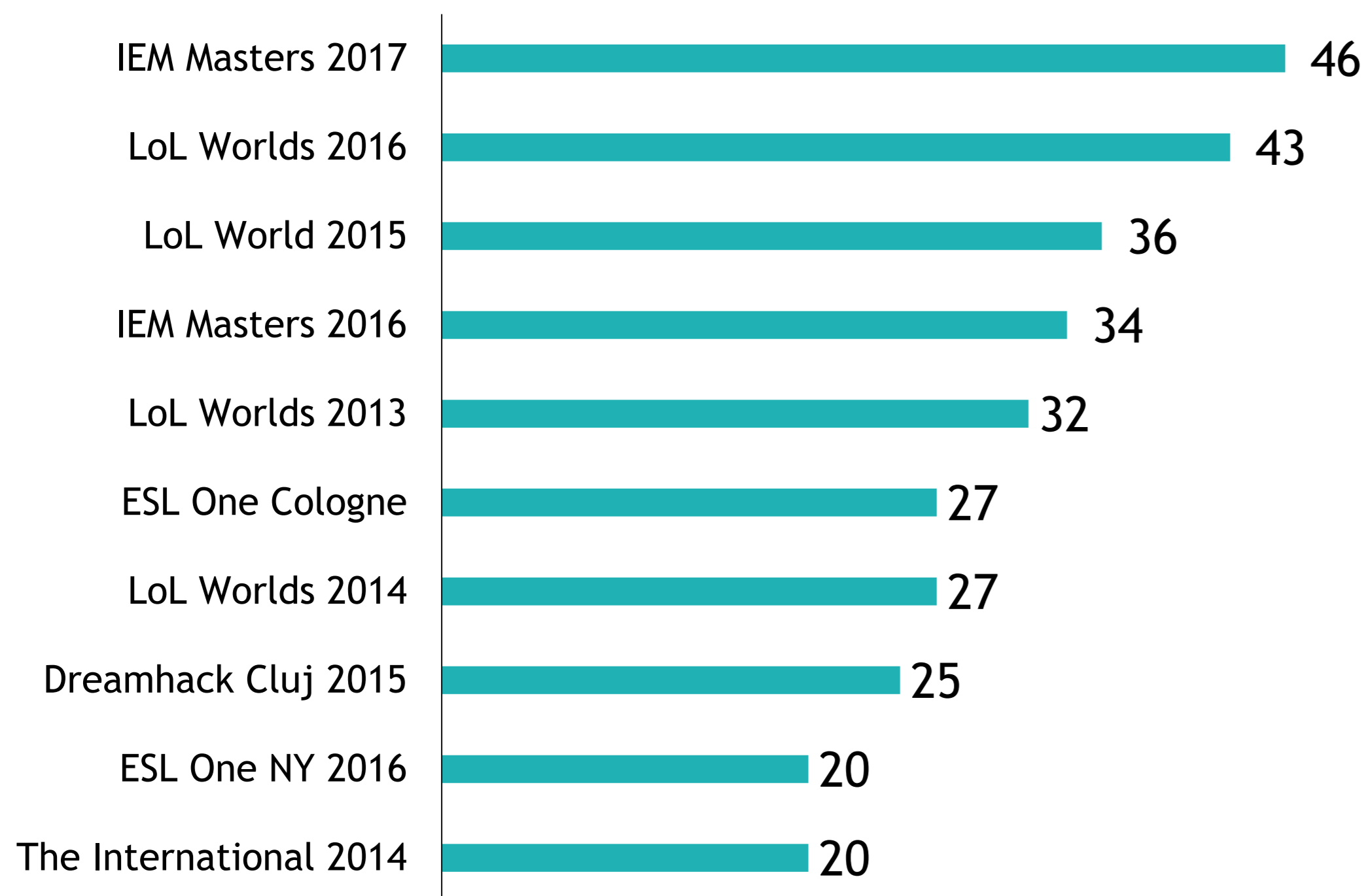
Major Events Garner Millions Of Viewers

Esports event viewership has seen double-digit growth and the 2017 IEM Masters drew an unprecedented **46 million viewers** across the event.

Increased viewership has also strengthened the Prize Pools available for tournaments. The International 2018 pool was over **\$25 Million** with the top team (OG) sharing \$11 Million between the five players. The majority of TI8's prize pool was crowd-funded through in-game purchases.

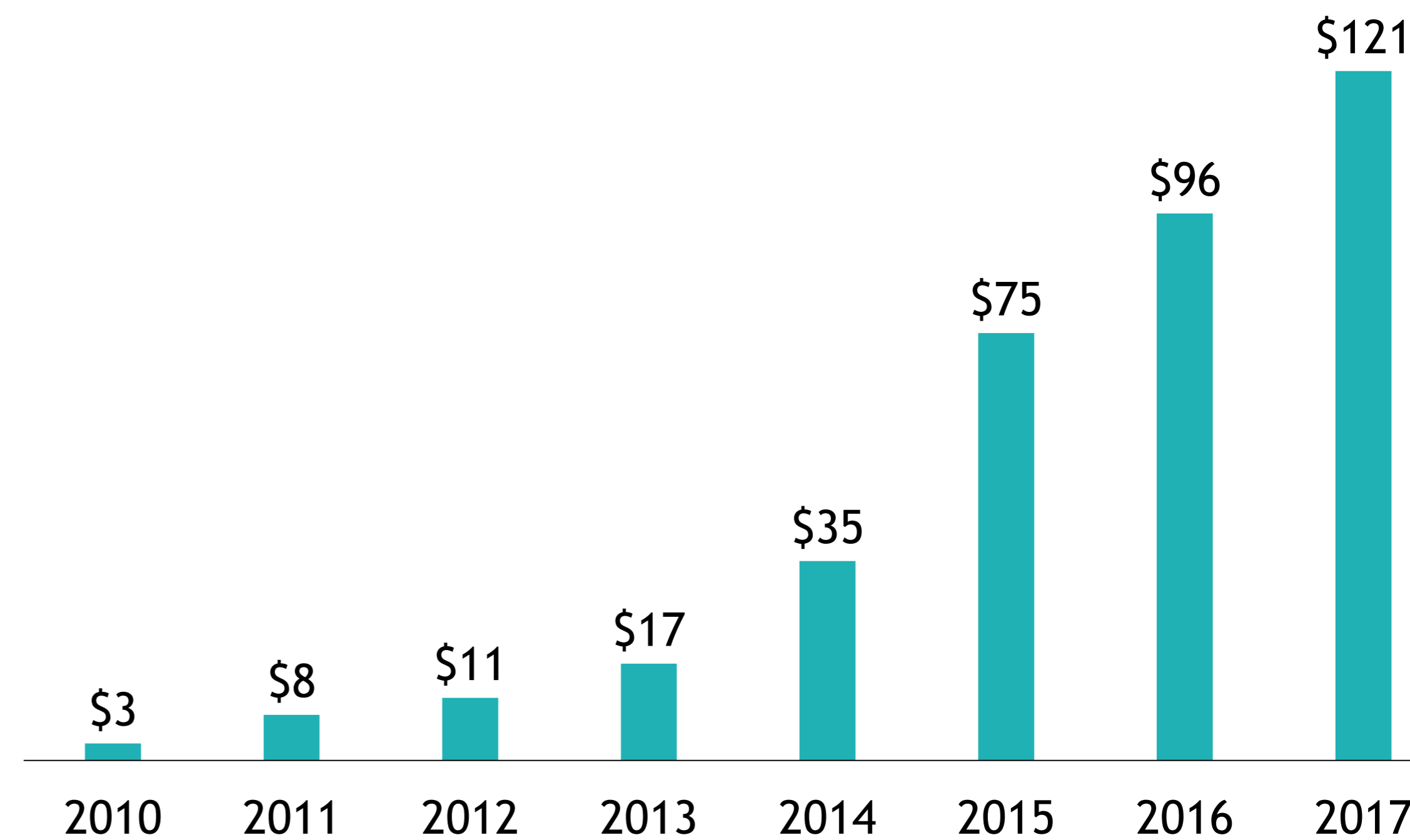
Global Event Viewership

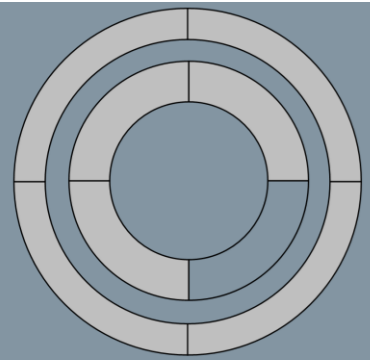
Millions



Esports Winnings

\$ Millions





Venues

Adapted venues range from traditional sports venues like Madison Square Garden to convention centers around the world. These venues allow events to be held in any major city without long term infrastructure investment into esports.

Esports specific venues provide fans with a more intimate and engaging experience. The development of these venues have accelerated with numerous announcements in 2018 of multi-million dollar venues being built specifically for esports competitions.

Adapted Venues



Sellout crowd packs Rogers Arena for Dota 2 final

45,000 expected to attend League of Legends 2014 World Championship final

Overwatch League Finals Sell Out

Overwatch League grand finals tickets are "hotter" than Elton John and Drake tickets, according to reseller

How Video Gamers Sold Out Madison Square Garden

Esports Specific Venues

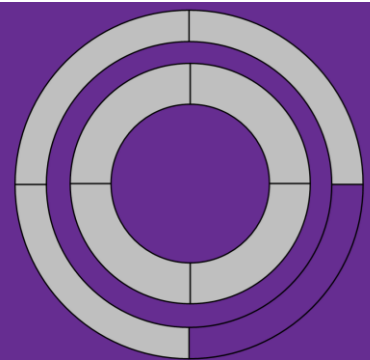


Largest eSports Stadium in US Opening in Arlington

An Exclusive Esports Space: The World's First Purpose-Built Esports Stadium Is Built In China



First esports Stadium in Canada Coming to Vancouver



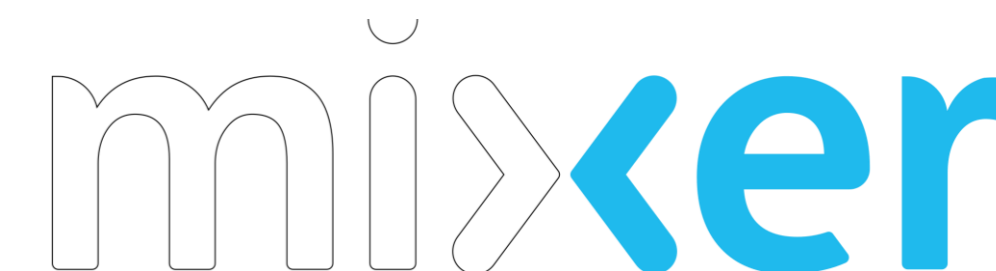
Media Distributors

Media Distributors produce and distribute the video streams of esports leagues and events to the public. There are a few ways to watch esports content: [Online Platforms](#), [Multiscreen TV](#) and direct in-game spectating.

Traditionally, online platforms have been the main distributors of esports content but, over the last five years, television programmers have been distributing esports over multiscreen TV channels as well.

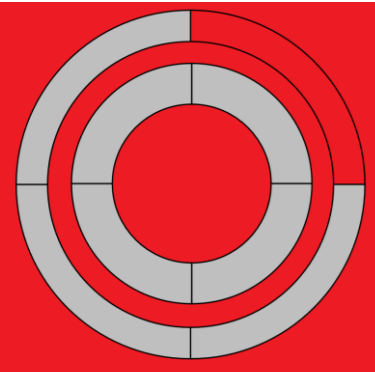
Some games also have direct in-game spectating options for leagues and tournaments.

Online Platforms



Multiscreen TV





Devices

There are three main categories of devices for playing & watching esports: **TV & Connected Devices**, **Computers**, and **Mobile Devices**.

Esports fans can watch from virtually anywhere and in any setting, from the TV in their living room to streaming through their smartphone.

TVs & Connected Devices

- Streaming Devices (Fire TV Stick, Chromecast, Apple TV)
- Game Consoles
- Smart TVs
- Set Top Boxes



Computers

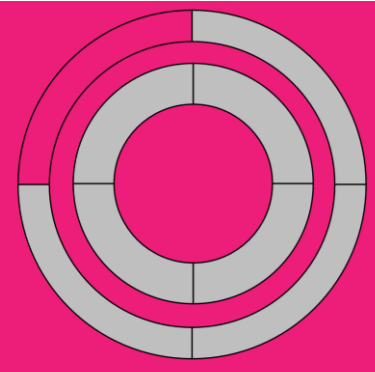
- Laptops
- Desktops
- Virtual Reality Headsets



Mobile Devices

- Smartphones
- Tablets





Online Communities

Online communities help to read the pulse of the esports community and allow discussion around individual games and the professional scene - including players, teams and influencers.

Reddit is the largest aggregator of gaming and esports communities, organized into game specific subreddits (/r/Overwatch, /r/Dota2, etc.).

Twitter hosts discussions based around players and personalities in each community.

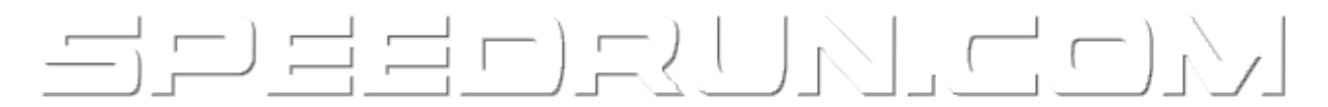
Online Communities



DISCORD



HLTV



reddit

1,977,060
Subscribers

1,546,508
Subscribers



/r/LeagueOfLegends



/r/Overwatch



827k
Followers

838k
Followers

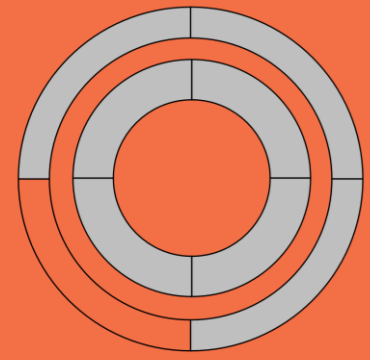


@shroud



@FallenCS

Source: Reddit.com & Twitter.com as of 11/2/18



Influencers

Influencers are making a big splash in esports. Whether they are a professional gamer, esports caster or Twitch streamer, influencers are found in many aspects of esports communities and marketing.

Forbes

Esports Is The Next Biggest Frontier In Influencer Marketing



Forget Instagram, teen influencers are making thousands from online gaming



Why Brands & Influencers are Taking Center Stage in Esports

The biggest esports influencer today is Ninja, a professional gamer who emerged as a household name after streaming with celebrities, making viral highlight videos and hosting game-specific events.

Ninja was the first esports athlete/influencer to be on the cover of ESPN the Magazine. Not only is he a household name, but he also outpaced Cristiano Ronaldo in social interactions.

One infamous stream featured rappers *Drake* and *Travis Scott*, along with Steelers WR *JuJu Smith-Schuster*, which broke Twitch viewership records for a non-tournament stream with 630,000 average concurrent viewers for the duration.



Ninja, Drake, Travis Scott and JuJu Smith-Schuster shatter Twitch viewership record





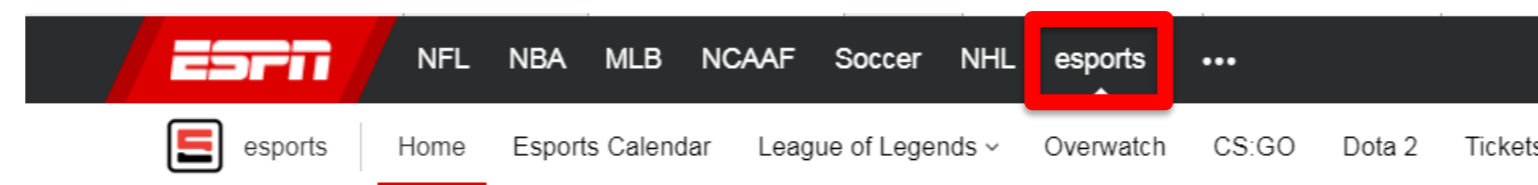
The 'Mainstreaming' Of Esports

Esports News Is Covered On Established Platforms And Within Emerging Publications That Specifically Target Esports Fans

Established Platforms

Esports are being covered by mainstream publications and established sports media, bringing esports to general audiences.

ESPN has a dedicated section just for esports



Emerging Publications

Esports has also led to the creation of a whole new segment with esports-specialized media platforms.



Not only is esports permeating media and culture, colleges are also leaning into the draw & allure of the sport.

Many colleges are creating varsity esports teams and providing scholarships.

Collegiate esports leagues & tournaments provide student athletes with prize pools and professional exposure.

Over 87 colleges in the U.S. have a varsity esports program



Traditional Sports Organizations And Owners Along With Celebrities And Corporate Entities Are Investing Heavily In Esports



Sports Organizations



Celebrities



Sports Team Owners



Corporate



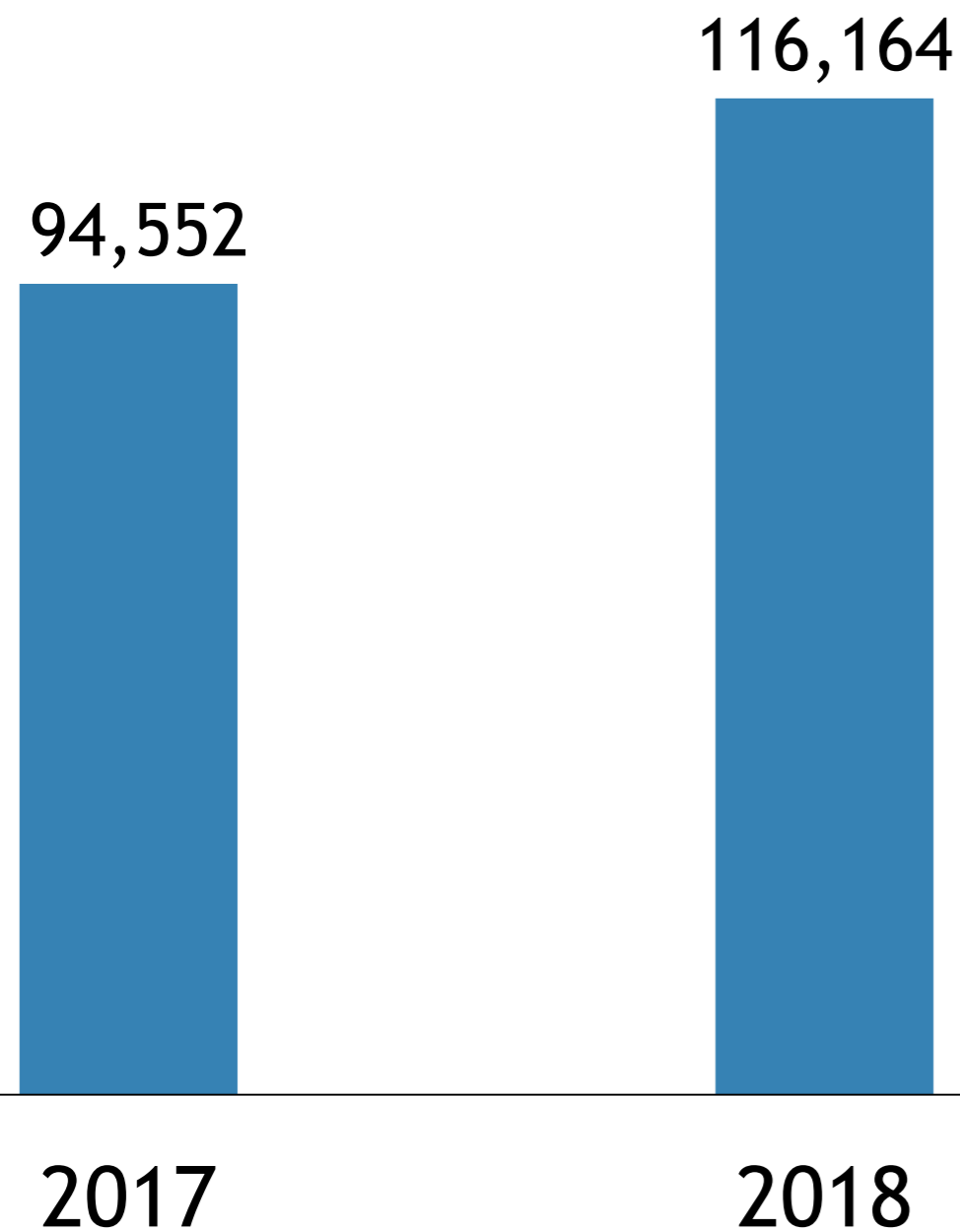


Growth In Multiscreen Engagement

Reach & Engagement Within The Online Gaming Category Increased By Double-Digits YoY, Driven By Millennial Males

Monthly Reach

Total Audience
(000) - September

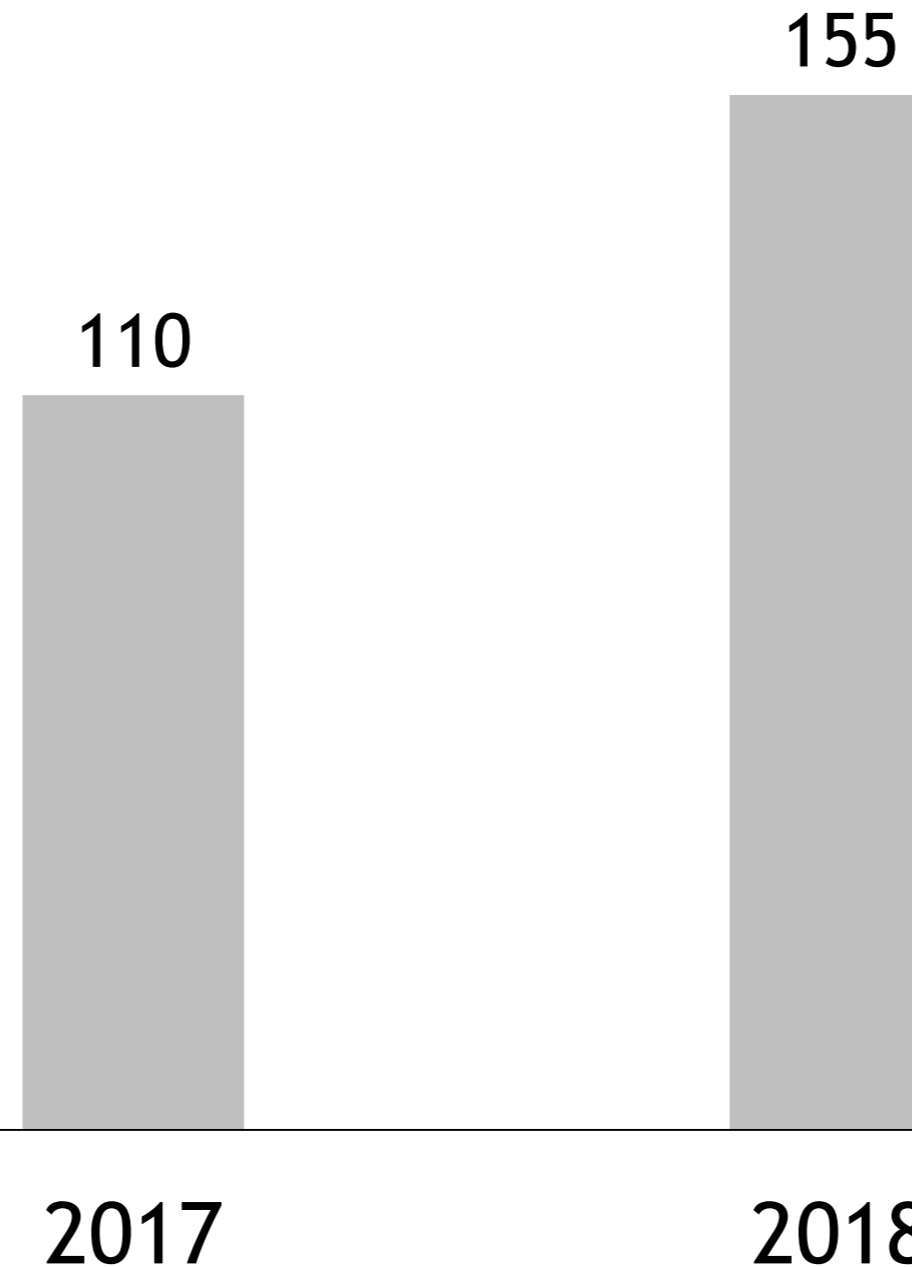


Sept 2018 Stats:

Male Comp %: 59%
M18-34 Index: 204

Average Minutes Per Visitor

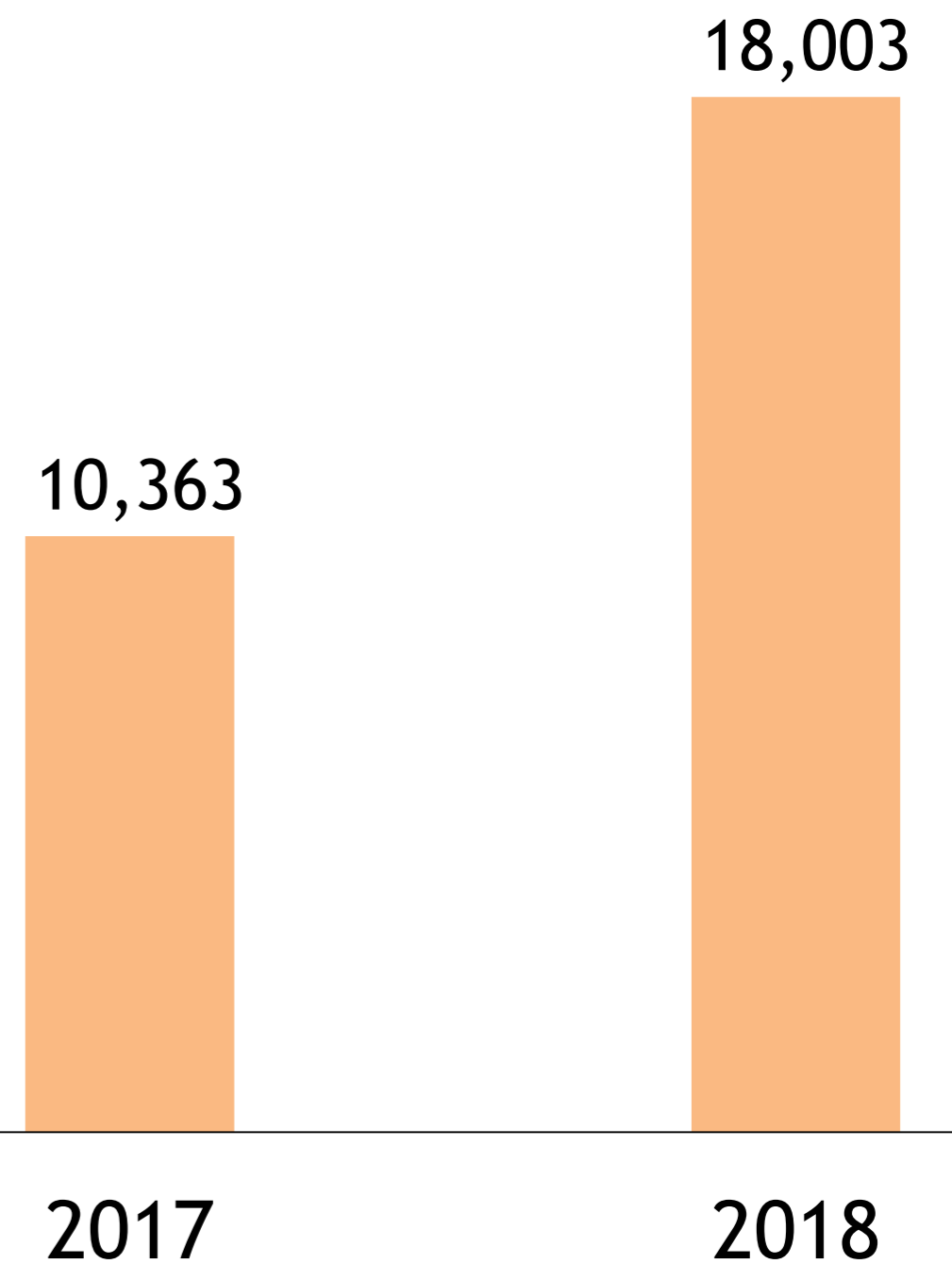
Total Audience
September



Average Minutes / Male Visitor: 187
Average Minutes / M18-34 Visitor: 235

Total Time Spent

Total Audience
Aggregated Minutes (MM) - September



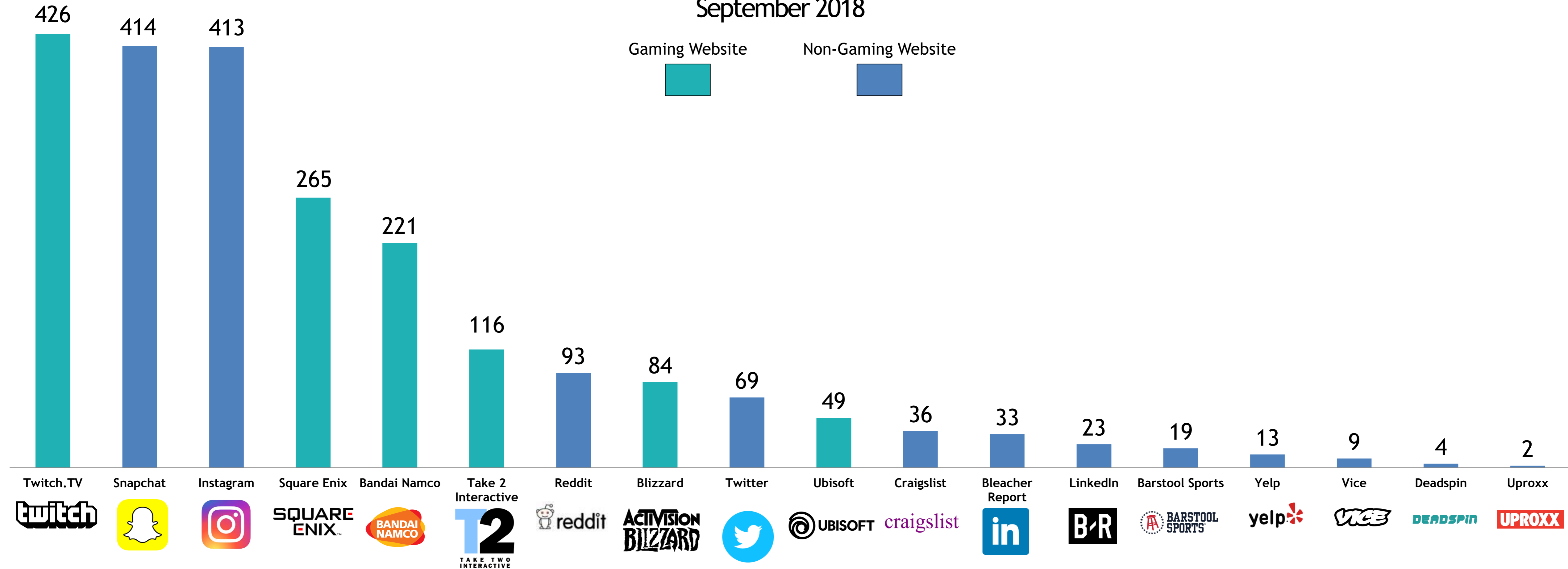
Male % of Total Time Spent: 71%
M18-34 Index: 248

M18-34 Index examples: Monthly Reach - M18-34 reach composition for the online gaming category is 104% higher than the online population; Total Time Spent - the % of total time spent with the online gaming category by M18-34 is 148% higher than the % of time spent vs. total internet

Source: comScore MediaMetrix Key Measures, Multiplatform, Total Audience (desktop P2+; mobile P18+), September 2017 & 2018, U.S. only. Category: Gaming Information (includes platforms like Twitch, IGN, Curse, Take Two Interactive, Microsoft Games, Blizzard Entertainment, etc).

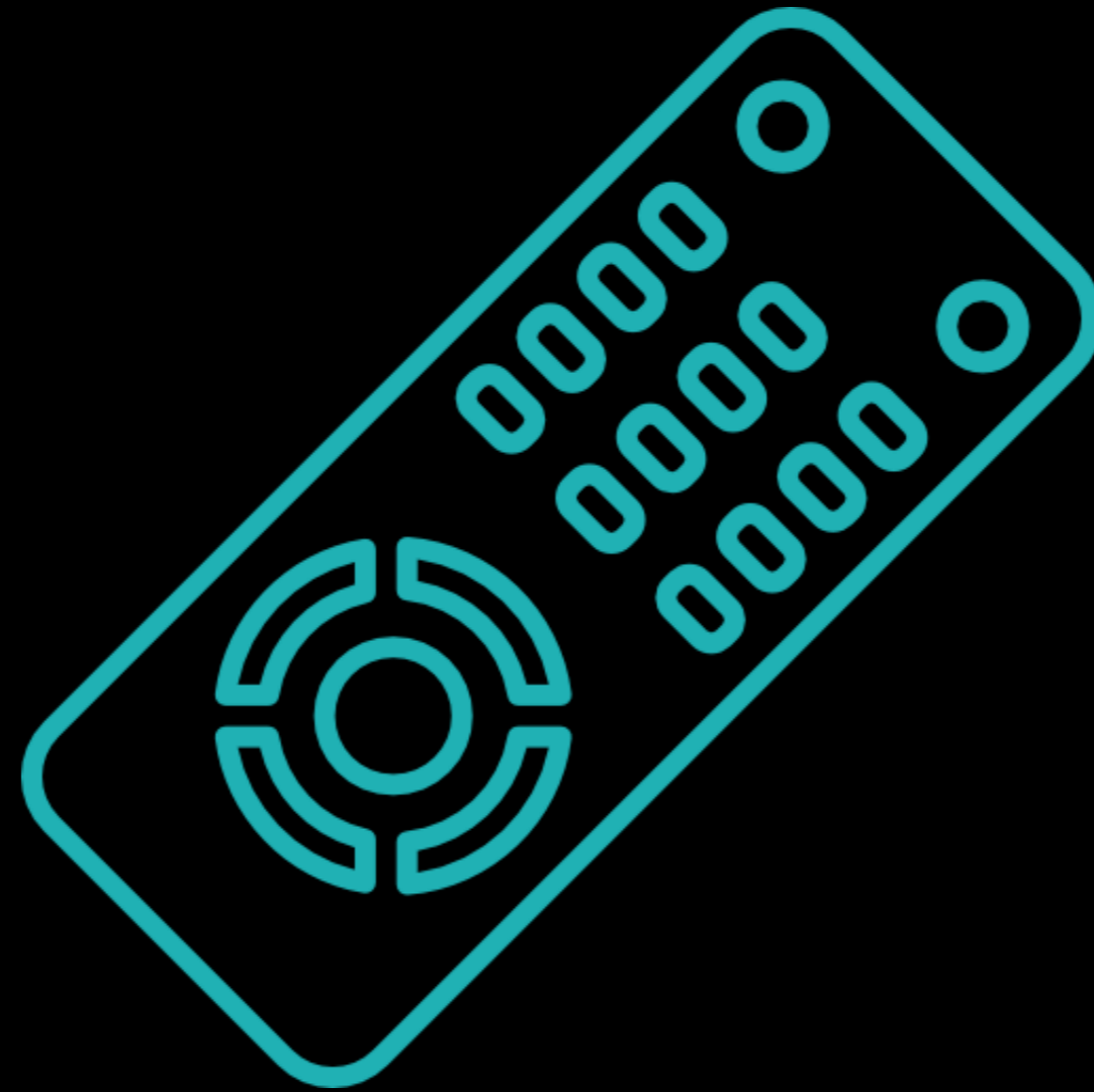
Among Millennial Males, Gaming Has Some Of The Highest Engagement Across Targeted Digital Platforms

M18-34 Average Minutes Per Visitor
September 2018



Source: VAB analysis of comScore MediaMetrix Key Measures multiplatform (desktop + mobile) data, September 2018, U.S. only. Males 18-34, Average Minutes Per Visitor. comScore MediaMetrix data includes all visitor activity except for mobile video. Excludes streaming music websites.

Esports Fans Consume More Linear TV Overall Than Multi-Screen Esports Content



4.3 Hours

spent watching **TV**
weekly among the
average esports fan



2.4 Hours

spent with **esports**
weekly among the
average esports fan

Because Of Fans' Video Consumption Habits, Esports Leagues And Tournaments Now Air On A Diverse Set Of TV Networks

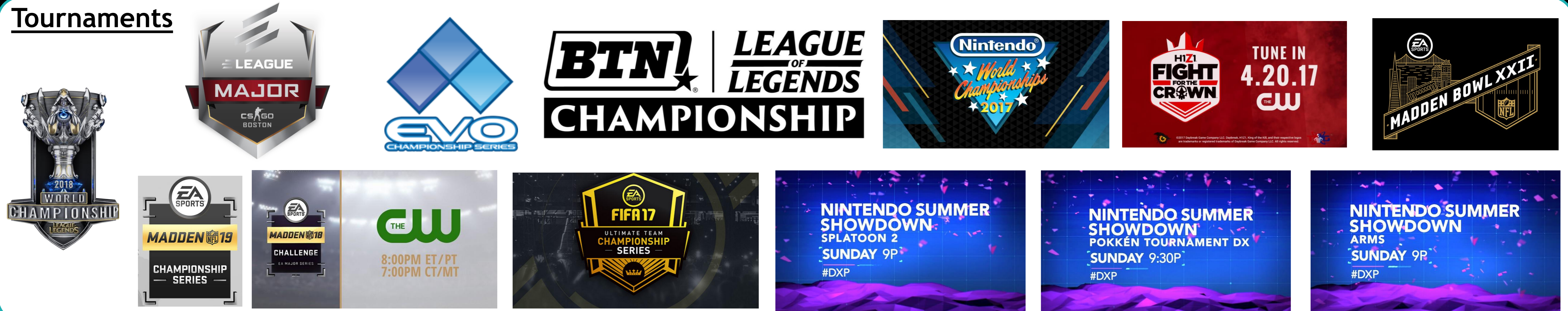
Networks



Leagues



Tournaments



The # of Esports TV Programming Hours Grew By Almost 50% YoY In 2018



308
Hours of esports programming
aired on linear TV in '17-'18 season

+46%
vs. prior season



231
Telecasts of esports
programming on linear TV in
'17-'18 season

23.8 Million
cumulative hours viewed of
esports TV programming
in '17-'18 season

Median Age of
the Esports TV
Viewer Is 32...

...With A 63%
Male Skew

Source: Nielsen Ratings Analysis Program Report, Live+7, Broadcast Year '16-'17 & '17-'18.
Median Age = average median age of esports TV programming. Composition based on
average viewership of esports TV programming. Reflects U.S. data.

VIDEO ADVERTISING BUREAU

A photograph showing a person's hand holding a black remote control, pointing it towards a television. The television screen displays the number '32' in large, teal, 3D-style font. The background shows a wooden TV stand and a person's legs in blue jeans.

32

Esports TV Programming Has Seen A Double-Digit Increase In Reach Against **Young Millennials** Over The Last Year



+33%

YoY Lift in Reach With
P18-24
(+30% for M18-24)

1.7 Million Hours

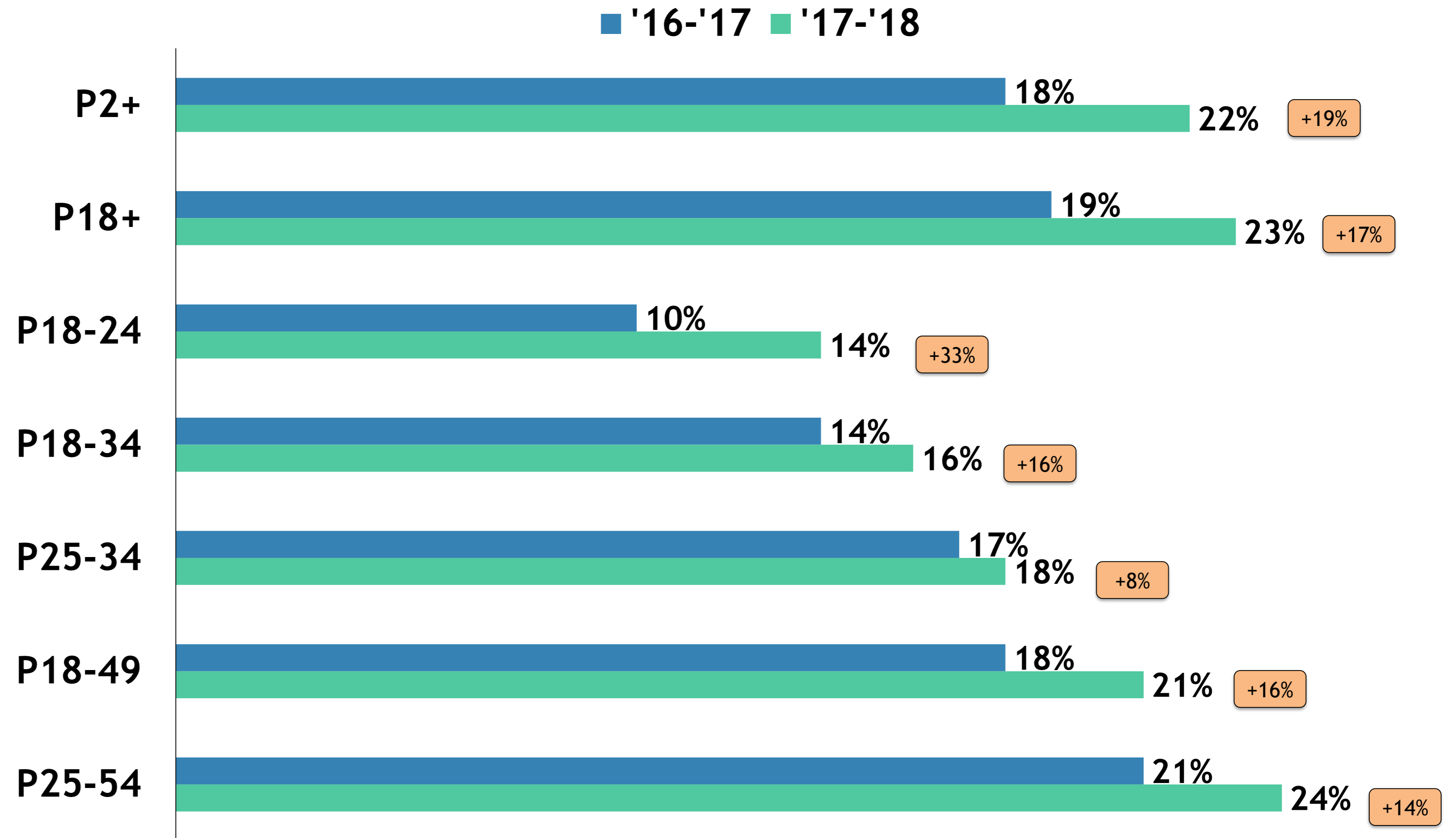
Cume viewership of esports
TV programming by P18-24

+20%

Increase YoY
(+26% for M18-24)

In Fact, Nearly All Key Demos Have Seen A Double-Digit Increase In Reach Through Esports TV Programming

Demographic Reach On Esports TV Programming



Source: Nielsen NPower Reach & Frequency Report, Live+7, Broadcast Year '16-'17 vs. '17-'18; Nielsen NPower PowerPlay Report, Broadcast Year '16-'17 vs. '17-'18. Reflects U.S. data.



Esports Advertising & Opportunities

A Majority Of Esports Fans Have A Positive Attitude Towards Advertising And Product Sampling



58%

of esports fans have positive attitudes towards brand involvement in esports

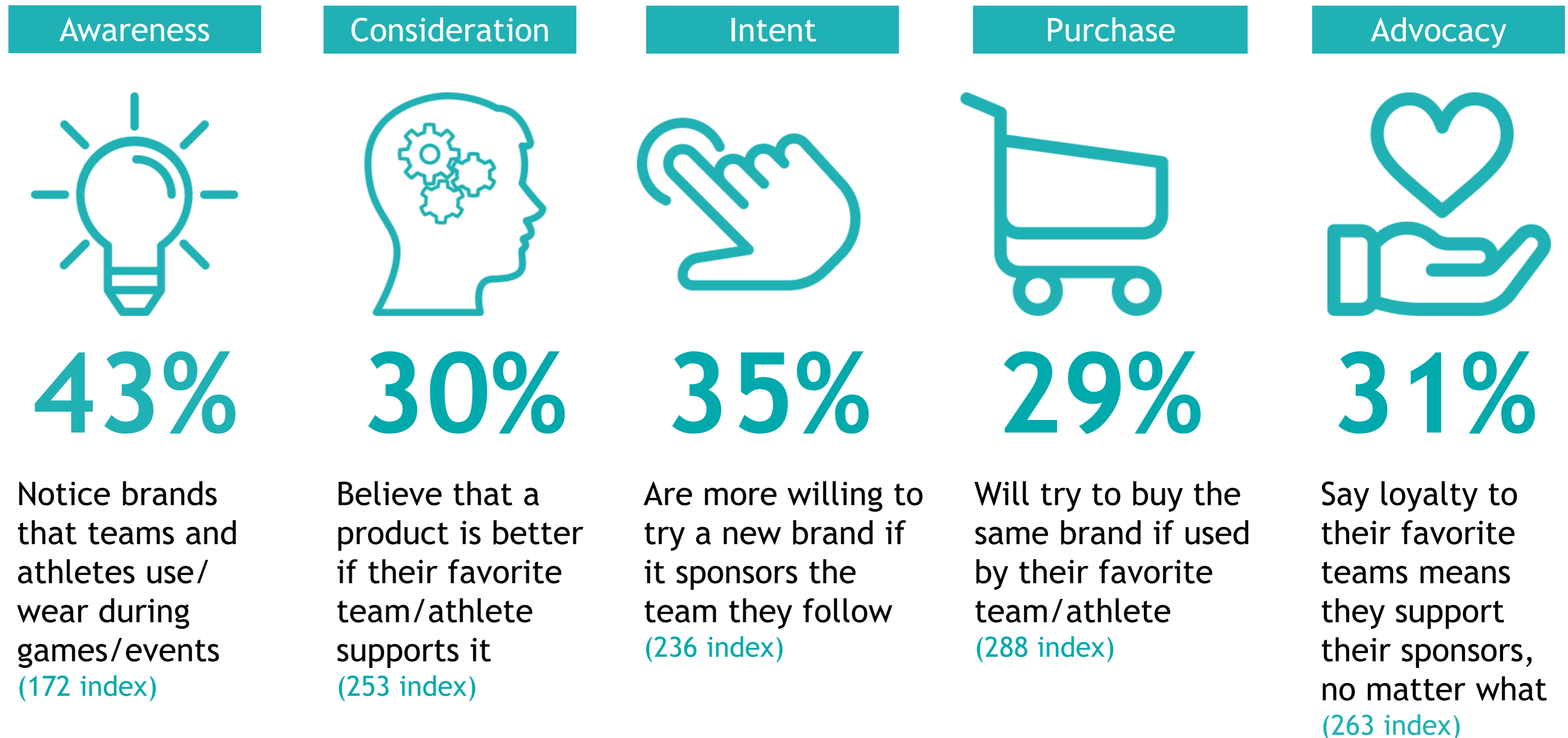


63%

of esports fans definitely try products shown during esports games

41% Think that sponsors are critical to the success of esports

(134 index vs. traditional sports fan)



Furthermore, Team & Player Sponsorships Touch Esports Fans Throughout The Marketing Funnel, From Awareness To Advocacy

What Do Esports Fans Want From Advertisers & Sponsors?

42% said they'd like them to give away free stuff
(ex: tournament tickets, computer hardware, t-shirts and hats)

41% said that they'd like them to demo new games and maps

34% said that they'd like them to provide customized in-game experiences/items

32% said that they'd like them to provide access to exclusive tips and tricks on gameplay from esports athletes

30% said that they'd like them to help meet their favorite teams and athletes

From an advertising and sponsorship perspective, esports was originally built on endemic gamer brands, mainly in the computer hardware & software categories.

Most of the brands continue to have heavy exposure throughout the ecosystem.



With Its Multiscreen TV Presence, Esports Advertising Has Now Grown Well Beyond Endemic Brands And Into Numerous Non-Endemic Categories

The # of TV advertisers within esports programming increased by 13% from 2017 vs. 2018



Source: Nielsen AdIntel, 2017-18, esports programming selection. # of TV advertiser % based on 1Q-3Q '17 vs. 1Q-3A '18

There Are Several Main Types Of Sponsorships, Many Of Which Are Structured Like Traditional Sports Sponsorships With Media As A Part Of An Overall Package

Teams & Players



Leagues & Events



Genres & Titles



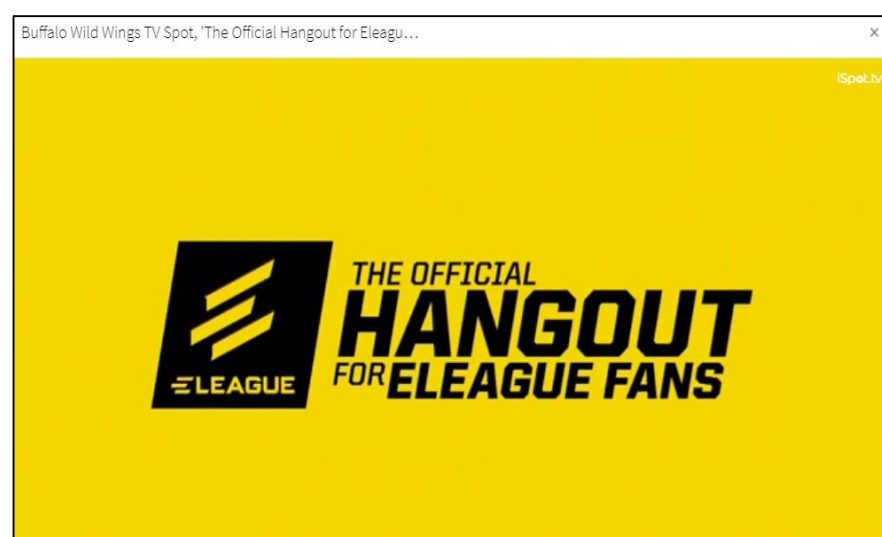
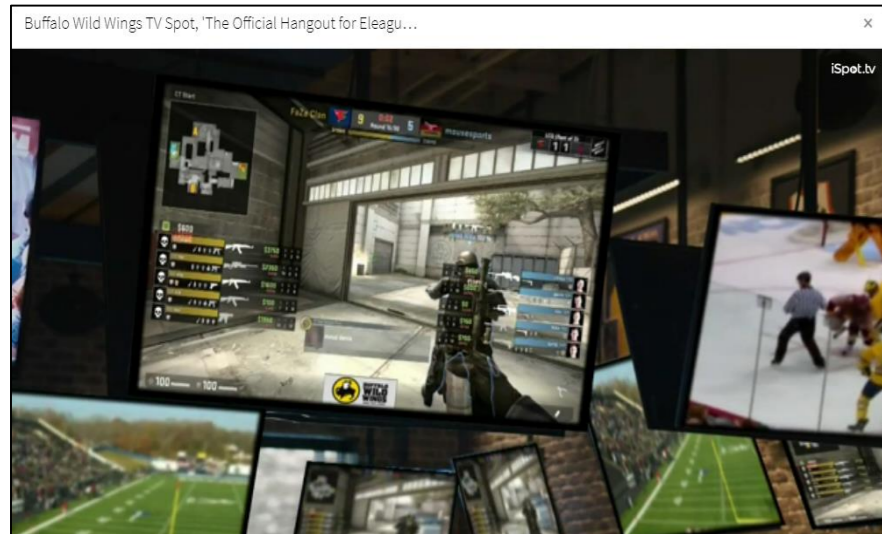
Influencers



Advertising / Sponsorship Assets & Activation Ecosystem

Television

(:06, :15, :30, :60 Creatives, Custom Commercial Creatives, Customized Sponsored Content)



Digital

(Playable Video Ads, Clickable banners beneath video, brands participation in chats, etc)



Physical

(Jerseys, Analyst Desk, Scrimmage Rooms, and more)



Content

(Event Sponsorship, Interstitial Content, Highlights)



Social

(Banners, Social Brand Posts, Sponsored Social Content)



America's 'Most Elusive Demographic' Is Found In Esports

Reach an **passionate, desirable, elusive** but **receptive** audience

Interact with **engaged** fans to **lift your brand**

Align with a **fast-growing, dynamic** new sport
across **platforms** and **programming**

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