

Passion into profit

The future of esports

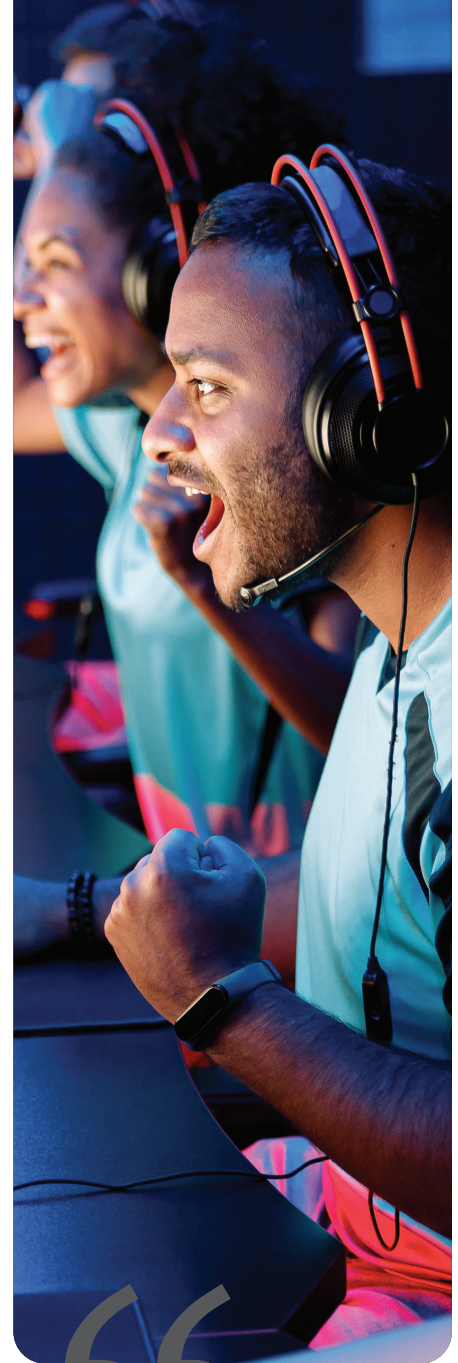
Esports is one of the world's most popular sports, watched by hundreds of millions of people annually. Already some GCC countries have established themselves as hubs for esports' continued growth. But now it is time for esports to take the next step: developing a more coherent, compelling offering that provides esports with a secure and financially sustainable future.

Global revenue from multiplayer video game competitions, also known as esports, is tipped to reach US\$1.86 billion by next year, **growing at a forecast compound rate of 13.4% annually from 2020 to 2025**. Yet the value of many teams has recently fallen, reflecting general economic challenges and problems unique to esports that may threaten its growth trajectory.

Unlike other sports vying for viewer attention such as the United States' National Football League (NFL) or Formula 1, esports are fragmented. Players compete across multiple game titles and leagues, and each video game has different rules, characters, and play strategies. Audience growth has been fueled in part by the use of free-to-access media, which reflects a belief among the video game industry that esports are fundamentally a marketing vehicle for game publishers.

However, multiplayer video game competitions are much more than that. The sector has an opportunity to be monetized more effectively, to become one of the world's most popular and profitable sporting competitions. That's because it can develop from a position of strength: **the global audience for esports as measured by people who watch at least one event per year already exceeds 500 million people**, and esports fans are youthful and technology savvy relative to those of major traditional sports. **The challenge is converting their enthusiasm into revenue.**

Whereas sports properties such as the NFL, England's Premier League, or Germany's Bundesliga generate individual viewer revenue of about \$51, \$32, and \$11, respectively, **the average video game competition watcher in the GCC contributes little more than \$2 annually**. How do more mature sporting leagues generate superior returns? Through a circular process: The growth and monetization of audiences funds key activities such as marketing and innovation, which in turn fuel the expansion of the sport's ecosystem. Esports can develop in the same manner. However, doing so requires bold action to drive results on two fronts: unlocking the value of esports and expanding its audience.



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Unlocking the value of esports requires action from both the bodies overseeing competitions around the world and the companies developing and publishing video games. A more cohesive governing structure would create alignment around the most popular game titles and produce a consistent competitive landscape and approach. It would also present the possibility of growing audiences in key geographies outside of the Asia-Pacific, such as the Middle East, U.S. and Europe, where broadcasters and sponsors are willing to invest more.

Simultaneously, a more coherent global platform for competitions may help video game publishers to pursue the potential of esports as a profit center, rather than just regarding them as marketing vehicles for community building. Game publishers have long been hesitant to outsource esports to third parties, worried about losing control over their intellectual property and potential reputational risks. That approach has resulted in operational complexity and limited economies of scale, while preventing specialized esports leagues and event organizers from fully exploiting their expertise for growth and monetization.

Increased collaboration among game publishers and esports organizations would facilitate better regulation of competitions—such as optimizing games for esports. It would allow for the pursuit of brand integrations, in-game experiences, exclusive content, and other revenue-sharing deals that would promote financial viability.



The fact that esports have built a substantial audience, despite structural and operational hurdles, underscores their potential if more were done to strengthen the engagement of existing fans and acquire new ones. Measures could include increasing the number of fan events and elevating the profile of individual players to promote fan loyalty, and collaborating with traditional sports teams to bring fan bases together. To drive broader interest in esports and capture loyalty from an early age, national federations could cooperate with government entities and other sports federations at national and community levels to provide gaming infrastructure and programming to residents.

One important move to boost esports' credibility, status, and global exposure would be to make them part of the Olympic Games. That could be facilitated by stronger administration and international support for esports. More could also be done commercially to reach new audiences, such as following the example of Formula 1's Netflix series *Drive to Survive*. Producing original content showcasing esports and its personalities will allow viewers to understand better and experience fully the competitive multiplayer video game experience.

Esports have developed fast. With bold action, esports can go from being some of the world's most popular sports to some of its most lucrative.

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