ESPORTS

Gamers' New MVP?

Whitepaper
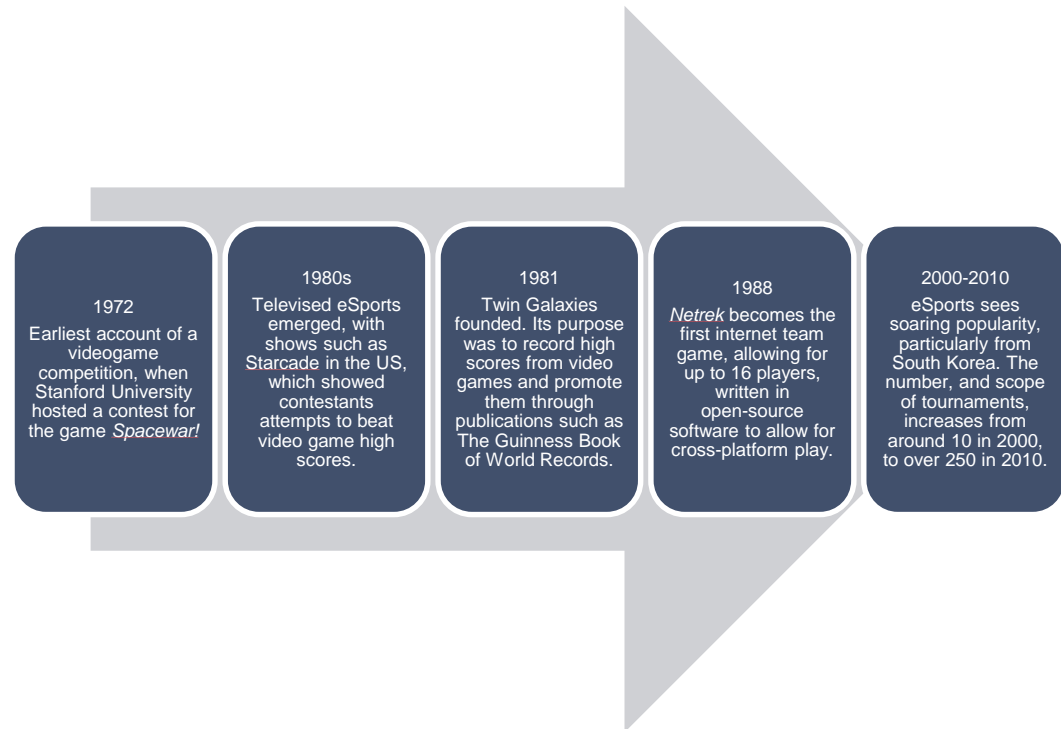
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Figure 1: A Brief History of eSports (1972-Present)

1.1 Introduction

1.1.1 Overview & History

Whilst only being recognised as mainstream over the last decade, eSports has grown and developed from the initial concept of multiplayer videogame competitions, the first of which took place over 40 years ago.

In today's multiplayer competitions, either online or over LAN (Local Area Networks), competitors seek to win cash prizes, which have grown to reach millions of dollars, rather than purely reputation, as well as hoping to be sponsored by companies to fund their profession.

1972
Earliest account of a videogame competition, when Stanford University hosted a contest for the game *Spacewar!*

1980s
Televised eSports emerged, with shows such as Starcade in the US, which showed contestants attempts to beat video game high scores.

1981
Twin Galaxies founded. Its purpose was to record high scores from video games and promote them through publications such as The Guinness Book of World Records.

1988
Netrek becomes the first internet team game, allowing for up to 16 players, written in open-source software to allow for cross-platform play.

2000-2010
eSports sees soaring popularity, particularly from South Korea. The number, and scope of tournaments, increases from around 10 in 2000, to over 250 in 2010.

Source: Juniper Research

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1.1.2 Game Categories & Definitions

Games in general, and thus eSports games, can be split into 4 categories, with certain games being particularly prevalent on, or suited to, certain platforms.

i. Action & Arcade

These are games which follow the more traditional arcade model for example side-scrollers and fighting games. This category also includes shooters. In terms of eSports many of these games see success on consoles, with titles such as *Call of Duty*, *Dead or Alive* and *Street Fighter* proving popular.

ii. Casual & Social

More often associated with mobile devices, these games are designed to be short form; easy to play on public transport or during a break. They may include social games played against friends and other users, or puzzle and word games. They have not been as successful as other genres in terms of eSports games and they tend to be played by a different demographic to those who play other game types.

iii. Racing & Sports

This category covers car racing or other motor racing games, as well as sports games such as *FIFA*. Similar to Action & Arcade games, Racing & Sports are better suited to consoles, compared to a standard PC (without a controller or racing wheel), as the controls on a console lend themselves better to these types of games.

iv. RPG & Strategy

These are RPGs (Role Playing Games) and strategy games which require a degree of strategic planning to advance and progress. In the eSports world these games are often classed as MOBAs (Multiplayer Online Battle Arena) and MMORPGs (Massively Multiplayer Online Role Playing Games), with a large number of players engaged in long-form strategy, or large scale multiplayer battles.

1.1.3 Methods of eSports Game Play

Whilst the most traditional form of eSports game play can be traced back to the arcade games of the 1970s and 1980s, it is on the PC that this form of competition has really flourished.

i. eSports on PC

PC is the preferred platform for many eSports competitors for a number of reasons:

- Game Styles - Many of the most popular eSports titles are RPG or MOBA games. These games tend to see a large number of game characters simultaneously battling or playing together.

- Controls & Ease of Play - PC lends itself well to competitive games as each player is sat directly in front of their own monitor with a mouse and keyboard, rather than split screen games seen on a console connected to a TV.

- Processing Power - Along with the benefits of PC controls in terms of the complexity of eSports games, the processing power of PCs is also an attraction for consumers and games developers alike.

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- Flexibility & Modifications - One of the standout features of PCs has been the ability for users to modify and change components of games.

ii. eSports on Consoles

Consoles have not seen the same levels of success in terms of eSports that PC games have seen. This is largely down to the inflexibility of the games console system, with users unable to modify and change titles, as well as having to rely on dedicated networks such as PSN (PlayStation Network) and Xbox Live

iii. Other Devices & Future Technology

Whilst eSports is currently focused on the PC and console platforms, there is scope for this to change.

a) eSports to Go Mobile?

In the games market, smartphones and tablets present the greatest potential user base for eSports. Juniper has found that a combined 3.1 billion smartphones and tablets will be operational by the end of 2015; mobile games are forecast to be an ever growing proportion of the total games market in terms of revenue. Most mobile games revenue comes from casual and arcade game play; games which are easy for users to jump in and out of, rather than the longer format seen in eSports competitions.

b) A Future with VR?
Juniper believes that, while still a few years away, there is potential for eSports to take place on future technology devices, most notably VR (Virtual Reality).

1.1.4 Market Trends

i. From Playing for Pride to Playing for Prize Money

What is interesting is that multiplayer video game play has almost gone full-circle, from LAN tournaments in the 1970s to Internet play in the 1990s, where users were more comfortable at home without an audience, to eSports championships hosted in huge arenas, seating thousands.

There has also been a move from users simply playing for enjoyment or to beat their friends, to trying to earn a living from playing video games.

Figure 2: Player Earnings & the Number of Players in eSports 2006-2014

Source: Juniper Research, esportsearnings.com

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Potential prize money from eSports has grown substantially over the past 10 years, with total prize money in 2014 reaching over $36 million. To date the largest prize offered in an eSports championship was $18.4 million.

ii. Dedicated TV Channels

Before the surge in online streaming, eSports found itself proving popular through the more traditional broadcast TV medium. A number of channels dedicated to eSports and videogames emerged as of the 2000s. These included GIGA Television in Germany, and XLEAGUE.TV in the UK. However with the emergence of streaming services, where users can follow particular players and tournaments live on demand, numerous games broadcast channels have closed.

iii. Streaming

a) Twitch Vs YouTube Gaming

Following the success of broadcast eSports events, the streaming of these contests, as well as associated play-throughs and guides by users of these games, has seen a surge in popularity largely due to the wealth of content on offer.

Streaming sites such as Twitch also offer dedicated channels for particular users or 'gaming personalities', who develop a following of loyal viewers who will often donate money for the streams to continue.

Twitch is by far the biggest dedicated game streaming site, having over 100 million viewers and an estimated 1.5 million broadcasters at the end of 2014. Twitch offers registered users the opportunity to be sponsored,

gain a cut of advertising revenues, as well as the potential to be noticed by other brands and companies, themselves offering sponsorships.

Twitch has been, until recently, a site dedicated to live streaming of games, with viewers able to comment live via a chat feature displayed next to the video, adding an extra level of fun and social interaction. In fact it has created its own user ecosystem which draws in a dedicated following.

In contrast YouTube has built its own service around video uploads and play-throughs, with its YouTube gaming app now moving into Twitch's live streaming territory. The app allows live streaming of games content, so its challenge is clear. Twitch is well placed with a significant following, its availability on consoles and PCs alike gives it a clear advantage, users can upload content direct from their device.

It is unlikely that YouTube gaming will replace Twitch, and vice-versa. Instead we will see some cross-over, with YouTube excelling at what it does, video uploads, and Twitch continuing its popularity from live streams of game content, direct from the device in use.

1.1.5 Issues in eSports

i. Cheating

As with any competitive sport, one of the key issues is cheating, especially when tournaments are played online across the Internet, where users cannot be monitored.

a) Modifications

Online play poses the risk of modifications, particularly on PCs, where users may modify their games to give them an unfair advantage. The user's computer system itself may offer advantage; graphically superior machines will outperform more standard PCs, offering users faster response times and greater accuracy.

b) Ghosting

The recent popularity in eSports spectating, has been reflected in the games themselves where many titles now come with a spectator mode; eg *Call of Duty*, *Tom Clancy's Rainbow Six*, and *League of Legends*. There is both an established demand for this, as well as it being pushed by games publishers to promote video games as a spectator sport; hence increasing eSports interest and thus viewership.

However spectator modes are now often delivered on a time delay, as some players were using them as a means to gain an advantage in competitive play. Termed Ghosting, in multiplayer games, some players would use a second screen to see where opposition players were located, thus giving them an unfair advantage.

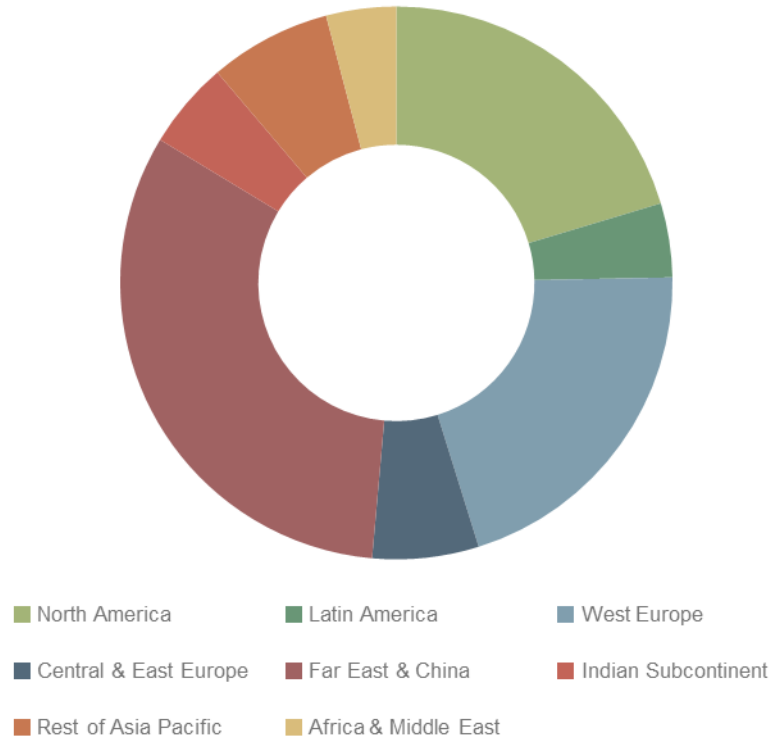### c) Drug Use & Stimulants

More controversially, and a current area of some discrepancy, is the use of drugs and stimulants in eSports tournaments. Whilst most eSports organisations, such as MLG and ESL, forbid the use of drugs and alcohol, they appear to have no definitive set of rules to determine the levels of punishment, depending on the scale of the offence committed. Whilst there have been rumours of widespread drug use in eSports, the larger eSports organisations have always denied this.

1.2 eSports Forecast Summary

eSports will see viewership levels of 313 million by 2020, up from 133 million this year. By comparison, 2020 will see eSports surpass the viewership levels of the NFL tournament, which had 220 million unique viewers in 2014, to move closer to the viewership figures of Formula 1 racing, which has over 400 million global viewers.

- eSports has slipped under the radar somewhat, with a huge underlying following engaging in the pastime via services such as Twitch, which sees 100 million unique visits a month. YouTube's newly launched YouTube Gaming site, and the BBC's decision to broadcast highlights from the recent *League of Legends* Quarter Finals at Wembley arena, shows the recognition eSports is now gaining from major corporations, as well as the media.

- Subscription revenues will reach almost $1 billion by 2020, with users showing a greater acceptance of sponsoring their favoured broadcasters.

- Advertising will contribute significantly to online eSports services, with revenues increasing by almost 250% from 2015 to 2020.

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Figure 3: Total Unique Viewers of eSports 2020: 313 Million

- North America
- Latin America
- West Europe
- Central & East Europe
- Far East & China
- Indian Subcontinent
- Rest of Asia Pacific
- Africa & Middle East

Source: Juniper Research

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Digital Games: eSports 2015-2020

Juniper Research is a market leader in the digital content research area, having built an unrivalled source of market intelligence and forecast data over the past 12 years. Juniper's groundbreaking research into the eSports market represents the benchmark for analysis of this burgeoning segment.

This research suite provides the reader with influential insights into the key drivers of the eSports market, as well as challenges faced by the industry. In addition, Juniper looks at the current and emerging business models, which will shape the way eSports content is distributed and monetised.

Key Features

- Provides analysis for the online eSports streaming market covering:

- Total unique users of eSports, derived from the PC, console, smartphone, tablet and microconsole delivery platforms.

- Subscribers to eSports streaming services and subscription revenues.

- Proportion of users who view advertising whilst watching eSports streams.

- Total advert impressions, CPM and advertising revenues.

- Value chain analysis and business models.

- Benchmark industry forecasts for size and growth of the eSports streaming market, as well as insights from eSports developer and sponsor, NVIDIA.

What's in this Research?

- **Market Appraisal** - Strategic analysis of market dynamics, drivers and trends (PDF).

- **Interactive Forecast Excel** – highly granular dataset comprising of more than 1,000 data points, allied to regional and sector analysis tools (Interactive XL).

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