



FREE

2016 GLOBAL ESPORTS MARKET REPORT

AN OVERVIEW OF THE ESPORTS MARKET &
ITS VALUABLE AUDIENCE

newzoo
ESPORTS

MARCH 2016



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2016 GLOBAL ESPORTS MARKET REPORT
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INTRODUCTION

FOREWORD

2016, A PIVOTAL YEAR FOR GLOBAL ESPORTS

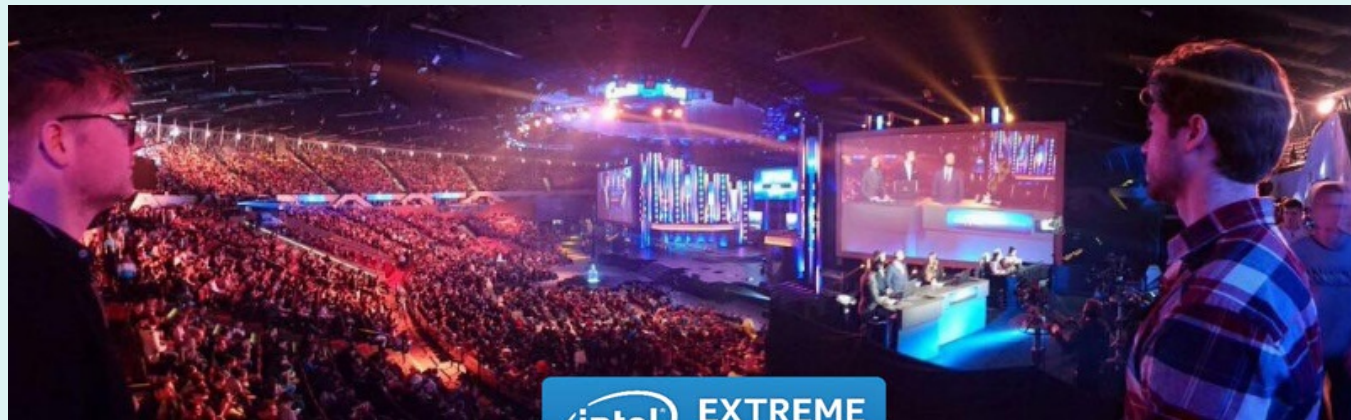
This year will be pivotal for the future of esports. With so many new investors, media companies, game publishers and brands increasing their involvement, 2016 will define the pace and direction of growth for the global esports economy. Having started to research, model and report on the esports economy in 2013, we are proud that the majority of players in this space subscribe to our recently launched *2016 Global Esports Market Report* and its quarterly updates.

This free version contains key takeaways along with additional insights on the valuable esports audience. With this report we aim to show the opportunity that esports presents for everyone, both inside and outside the games industry. There has never been a better time to enter this young and lucrative space and our dedicated *Newzoo Esports* team of analysts are here to help you do it.

- Peter Warman, CEO Newzoo



Brands will spend
\$325M
on direct esports
advertising and
sponsoring this year,
49% more than in 2015.



NEWZOO ESPORTS @ IEM KATOWICE

As part of our effort to track, research, model and understand the esports space, Newzoo Esports analysts visit the biggest esports events across the globe. In early March 2016, Newzoo took part in the biggest in terms of attendance: IEM Katowice, organized by ESL.

METHODOLOGY

NEWZOO'S GLOBAL ESPORTS AUDIENCE & REVENUE MODEL

The methodology for Newzoo's esports data consists of three levels: 1) *Data Input*, 2) *Predictive Modeling* and 3) *Result Validation*. For *Data Input*, extensive primary consumer research in 26 countries across the globe sizes and profiles esports awareness and engagement across 100+ variables. Newzoo also continuously tracks and analyzes company revenues, live event audience figures, prize money, and video content viewer data. *Predictive Modeling* uses parts of

Newzoo's Global Games Market predictive model, which consists of several complex databases combining numerous data streams, financial analysis, primary research, as well as population and economic census data. *Result Validation* is done in two ways: through additional research and by validating numbers with key players in the esports space including game publishers, event organizers, esports teams, global streaming companies and local media companies.



ESPORTS

Competitive gaming in an organized format; an event or league, organized by a third party, with a specific goal (i.e. winning a tournament or prize money), with a clear distinction between players and teams who are competing against each other for a chance to reach that goal.

ESPORTS ECONOMY

A model that incorporates five key components that are not mutually exclusive: Channels, Publishers, Leagues, Events and Teams. Revenues from Brands and Consumers feed this ecosystem.

ESPORTS AUDIENCE

Consumers who watch and/or participate in esports.

ESPORTS ENTHUSIASTS

Consumers who watch esports more than once a month and/or participate in (amateur) esports leagues.

OCCASIONAL VIEWERS

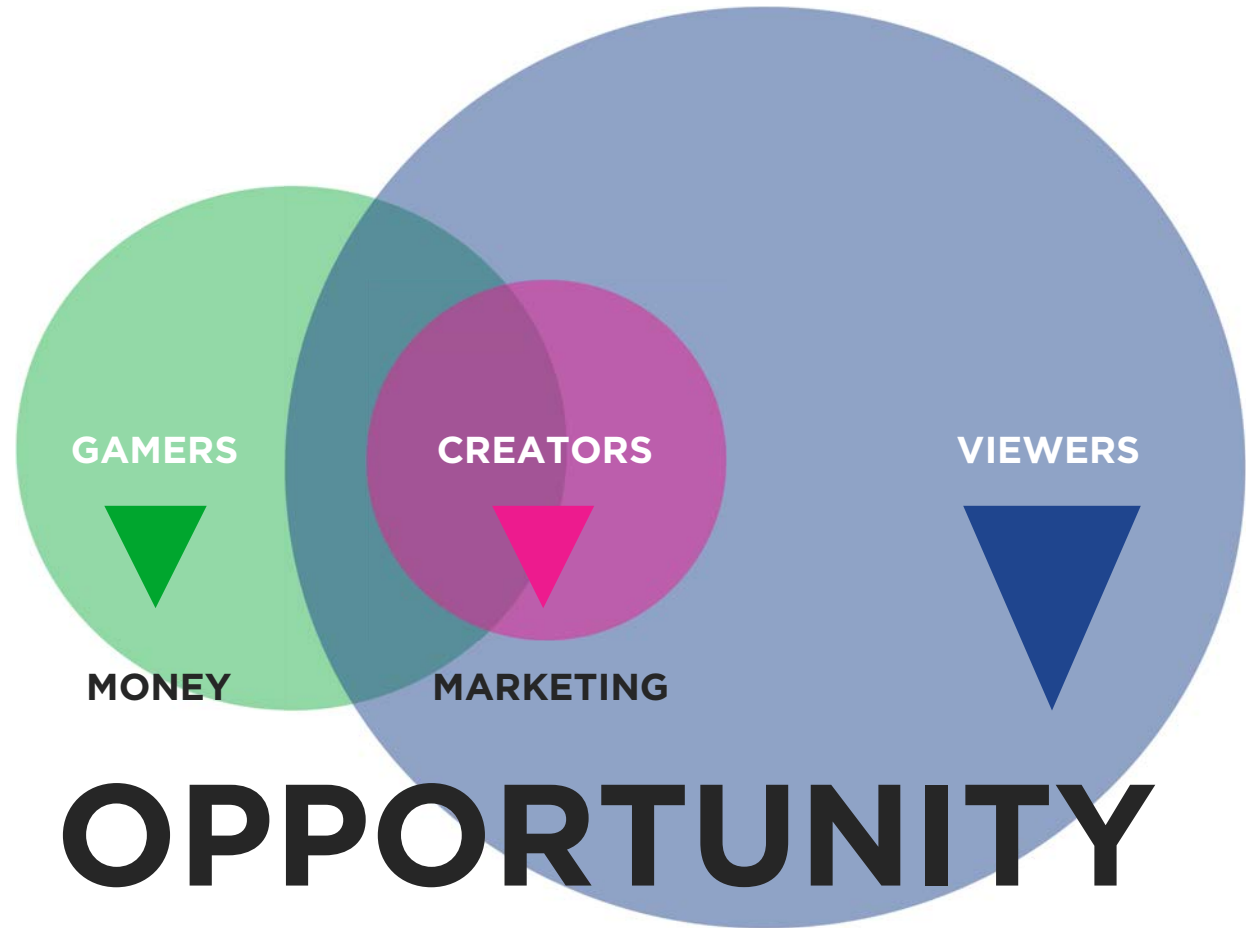
Consumers who watch esports less than once a month.

WHY ESPORTS MATTERS

TO EVERYONE, INCLUDING YOU

“Esports is the biggest disruption to hit our industry since the iPhone in 2007”

The traditional focus of game publishers has been on the gamers themselves, who spend money directly in or on their titles. More recently, publishers have put another group at the center of their marketing effort: the content creators who create and share game video content on channels such as YouTube, Hitbox, Dingt and Twitch. This group has proved to be a valuable and cost-effective marketing tool for publishers, bringing increased attention and players to their games. Esports is a prime example of this. Esports competitions and the content around them help publishers to grow engaged and active communities around their titles, prolonging the lifespan of their gamers and transforming their titles into true entertainment brands. The number of viewers can easily outnumber the number of gamers and could provide as much monetization opportunities as the players themselves.





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OVERVIEW OF THE MARKET

GLOBAL AUDIENCE & REVENUE NUMBERS

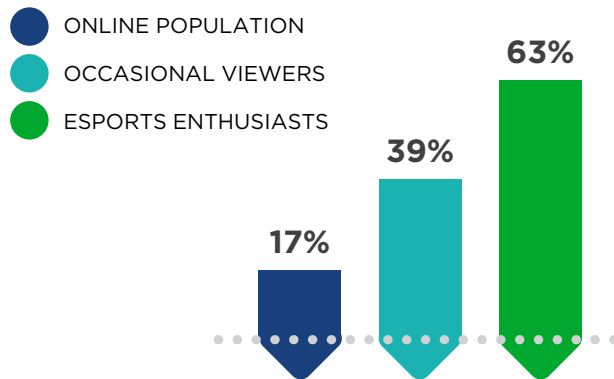
GLOBAL ESPORTS TRENDS

ESPORTS TRENDS ARE REDIFINING THE DNA OF GAMES

The combination of increasingly sophisticated and immersive gaming experiences, streaming technologies and social media platforms is transforming the video games industry. The personal gaming experience is being supplemented or even replaced by a community experience. Games are moving from personal entertainment to a spectator sport. This shift in consumer behavior is creating new and exciting

opportunities all along the gaming value chain, from the way games are developed and commercialized to enabling gamers themselves to monetize content. These underlying trends that are driving the growth of esports are redefining the DNA of games and digital media as a whole and accelerating the disruption of traditional media.

WATCHING GAME VIDEO STREAMS WATCHES ON TWITCH ≥ ONCE/MONTH

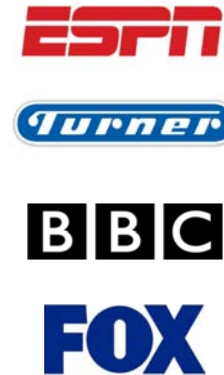


Source: Newzoo 2015 Esports Consumer Insights

STREAMING PLATFORMS



TRADITIONAL MEDIA



SIX TRENDS BEHIND ESPORTS GROWTH

BUSINESS

1. Games as a service
2. Cross-screen entertainment

TECHNOLOGY

3. Creator & live streaming tools
4. Video platforms & communities

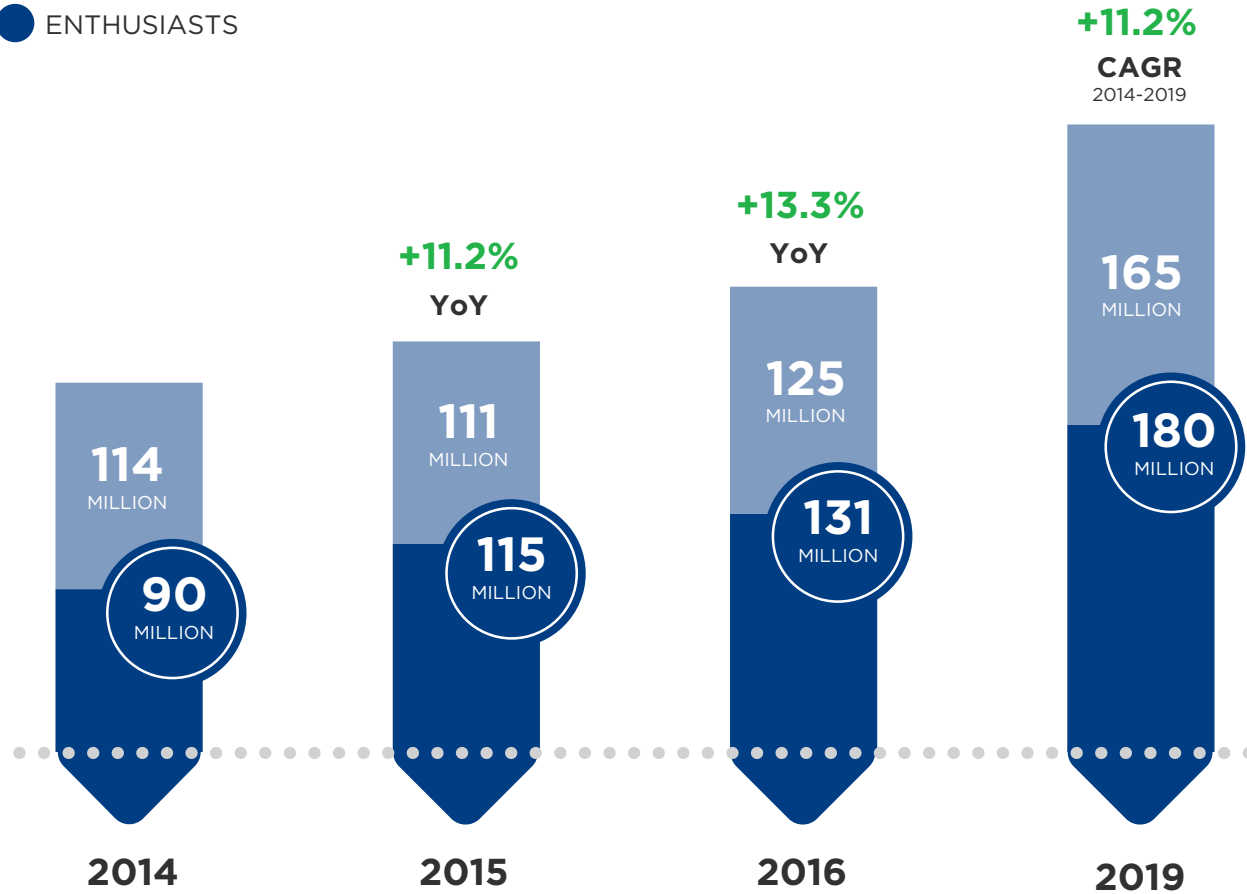
CONSUMER

5. Creation & Involvement
6. Consumers entertain consumers

ESPORTS AUDIENCE GROWTH

2014, 2015, 2015 & 2019 | GLOBAL

- OCCASIONAL VIEWERS
- ENTHUSIASTS

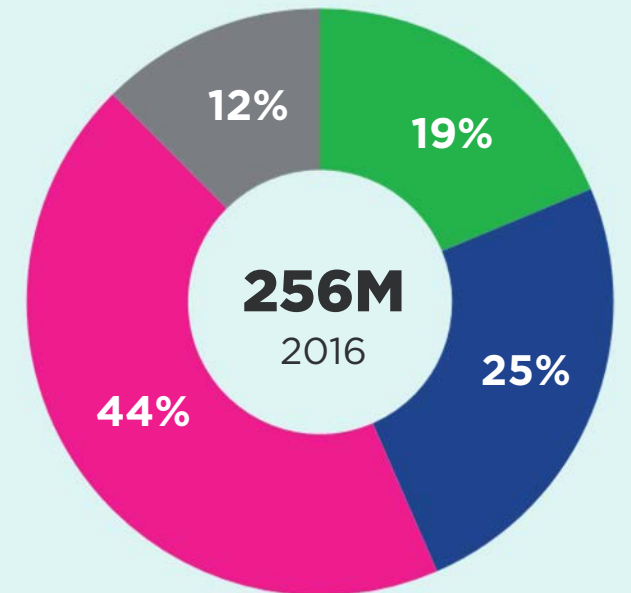


Source: Newzoo 2016 Global Esports Market Report

Asia-Pacific will account for

44%

of the Esports Audience in 2016

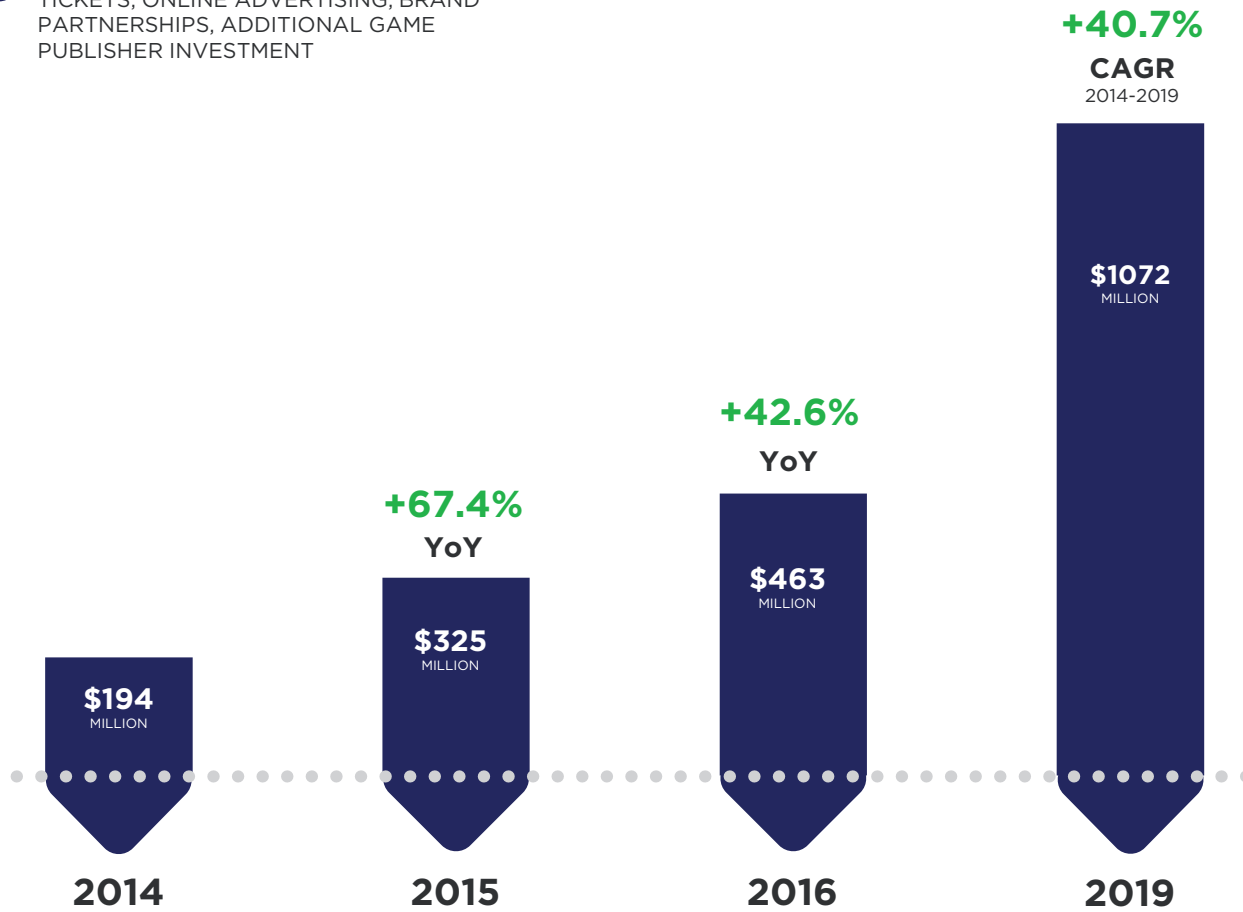


- NAM
- EU
- APAC
- REST OF WORLD

ESPORTS REVENUE GROWTH

2014, 2015, 2016 & 2019 | GLOBAL

- MEDIA RIGHTS, MERCHANDISE & TICKETS, ONLINE ADVERTISING, BRAND PARTNERSHIPS, ADDITIONAL GAME PUBLISHER INVESTMENT

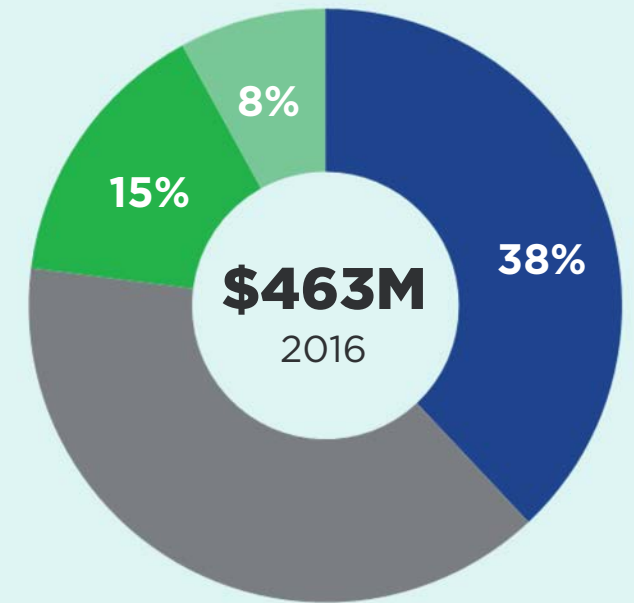


Source: Newzoo 2016 Global Esports Market Report

China & South Korea will generate

\$106M

in 2016, or 23% of global esports revenues



● CHINA ● S.KOREA ● NAM ● REST OF WORLD

AVERAGE REVENUE PER ESPORTS FAN GROWS

ESPORTS REVENUE PER ENTHUSIAST | 2012-2020 | GLOBAL

\$15



The average annual revenue per fan of basketball

\$20

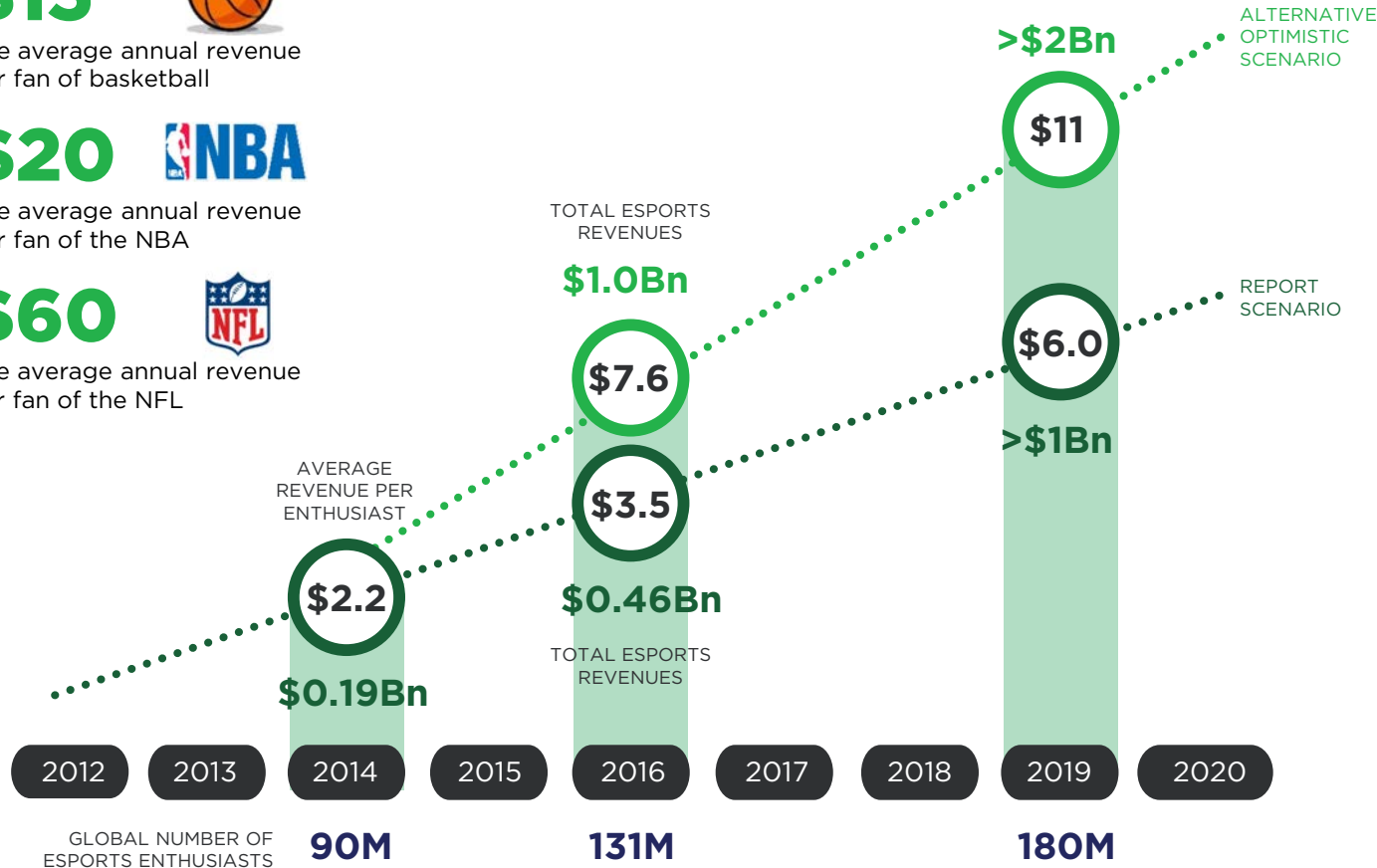


The average annual revenue per fan of the NBA

\$60



The average annual revenue per fan of the NFL



Comparing esports and traditional sports makes sense to a certain extent. As the Esports Economy matures, draws more advertisers and increases its merchandise and ticketing revenues directly from consumers, the average annual revenue per fan will continue to rise toward that of traditional sports.

This coming year, we anticipate \$3.5 per esports fan, still almost five times lower than that of basketball (\$15 per year) but up from \$2.2 in 2014. Using a conservative scenario, we estimate the annual average revenue per esports fan will reach around \$6.0 by 2019.

Source: Newzoo 2016 Global Esports Market Report



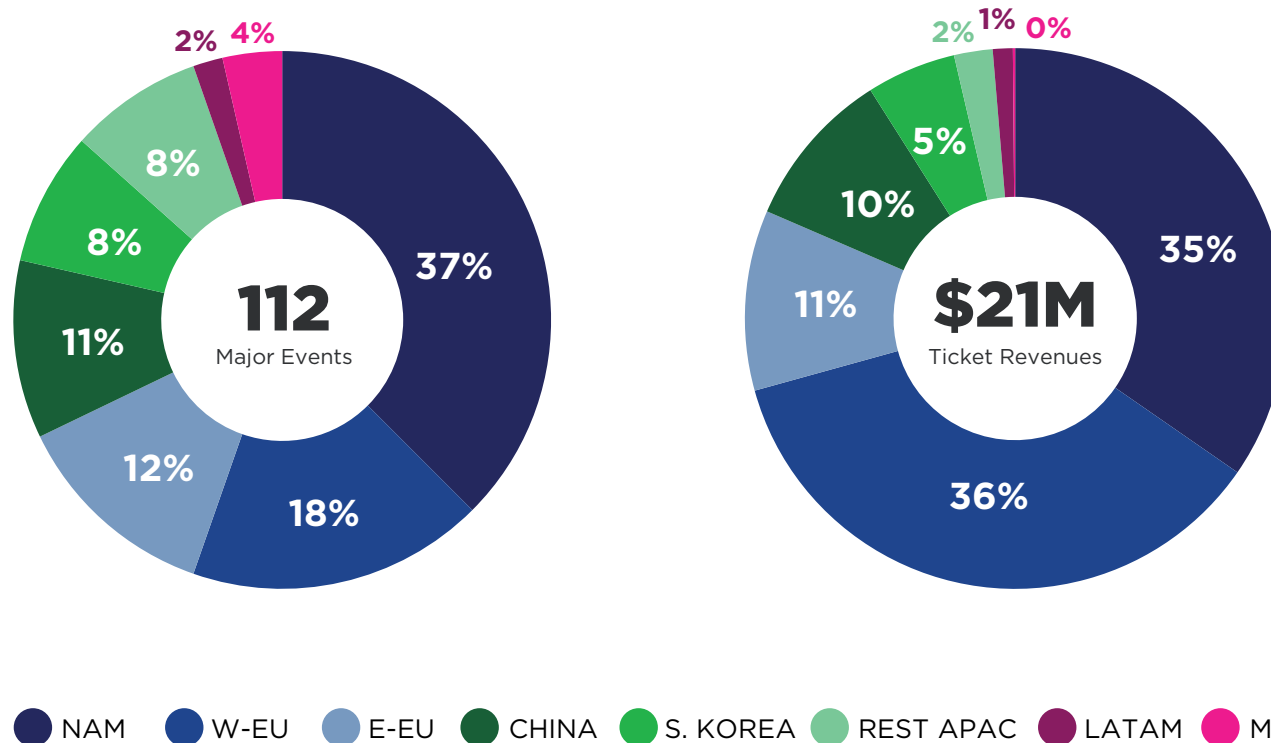
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LIVE ESPORTS EVENTS IN 2015

AT THE HEART OF ESPORTS

EVENT NUMBERS & REVENUES RISE

MAJOR ESPORTS EVENTS AND TICKET REVENUES | 2015 | GLOBAL



Source: Newzoo 2016 Global Esports Market Report

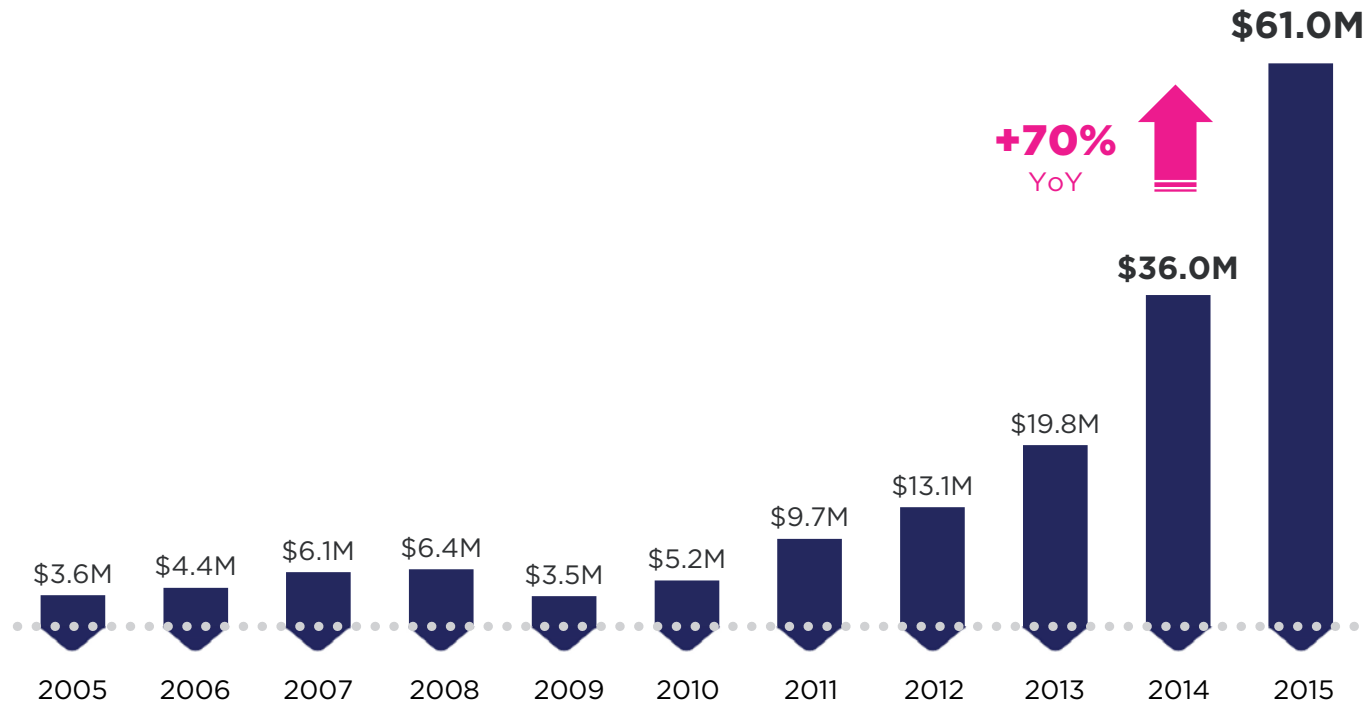
North America held the largest number of events with

42

major events hosted in 2015.

PRIZEPOOL CONTINUES TO GROW

2005-2015 | GLOBAL



Source: Newzoo 2016 Global Esports Market Report

Once again, the biggest prize pool in 2015 belonged to The International, which topped

\$18M

in prize money, with only \$1.6 million coming from publisher Valve.



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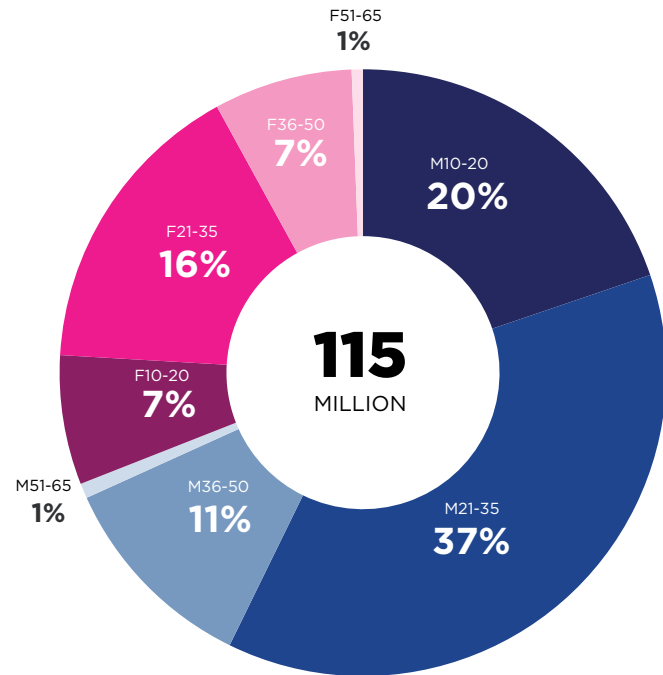
VALUE OF THE AUDIENCE

WHAT ESPORTS FANS CAN OFFER YOU

A DESIRABLE DEMOGRAPHIC

AGE/GENDER OF ESPORTS ENTHUSIASTS | 2015 | GLOBAL

● M10-20
 ● M21-35
 ● M36-50
 ● M51-65
 ● F10-20
 ● F21-35
 ● F36-50
 ● F51-65



Esports entertains a young and desirable demographic with Enthusiasts aged 21-35 representing 54% of the Esports Audience. This age group is increasingly difficult to reach through traditional advertising as they spend less time watching TV, listening to the radio and reading printed media.

Several brand have entered the esports industry as sponsors. Initially, these were mostly endemic brands, but last year saw a big increase in non-endemic brands entering the space. We expect even more non-endemic brands to make their move into the esports industry in 2016. You can see why on the following pages.

ENDEMIC BRANDS



NON-ENDEMIC BRANDS

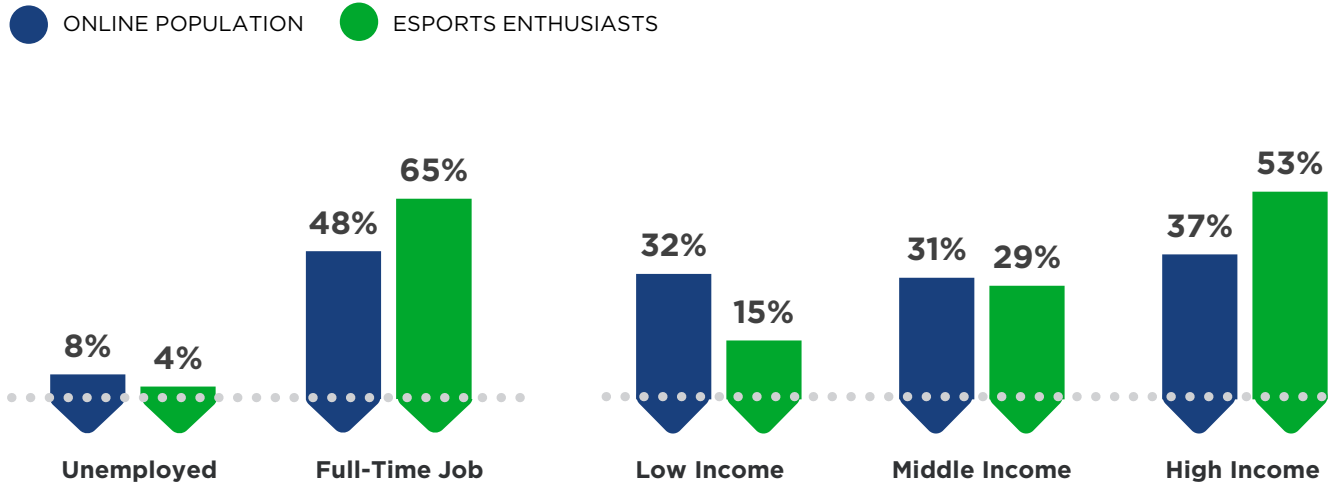


ENTHUSIASTS ARE HIGH EARNERS

EMPLOYMENT STATUS AND INCOME BRACKET | 2015 | GLOBAL

Aside from their desirable demographics, Esports Enthusiasts are also more likely to have a high income and a full-time job than the general online population. They are big spenders on digital media and game-related products. They also spend more on digital media subscriptions such as Netflix, HBO and Spotify than the online population.

This goes against some perceptions that the Esports Audience consists of people who don't work and have nothing to spend.



Source: Newzoo 2016 Global Esports Market Report



In Brazil, Esports Enthusiasts are more than

3X

more likely to have a Spotify subscription and almost twice as likely to be subscribed to Netflix

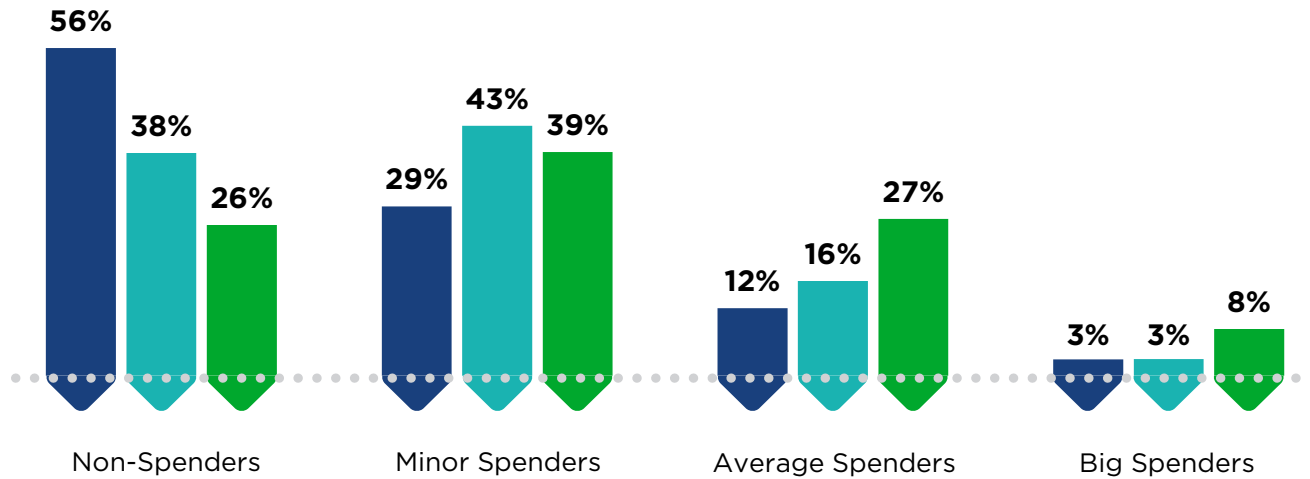


ALSO BIG SPENDERS ON MOBILE

SPENDING BRACKETS FOR MOBILE GAMES | 2015 | GLOBAL

Contrary to some beliefs, Esports Enthusiasts are not exclusively PC/Console gamers and are very willing to spend their time and money on mobile titles. In fact, 8% of Esports Enthusiasts that play mobile titles are big spenders, compared to just 3% of all mobile gamers. This shows that esports fans are very much cross-platform spenders and therefore, a very interesting group for mobile developers also.

● ALL (PC/MOBILE) GAMERS ● OCCASIONAL VIEWERS ● ESPORTS ENTHUSIASTS



Source: Newzoo 2016 Global Esports Market Report

Esports Enthusiasts download mobile games more frequently than the average gamer;

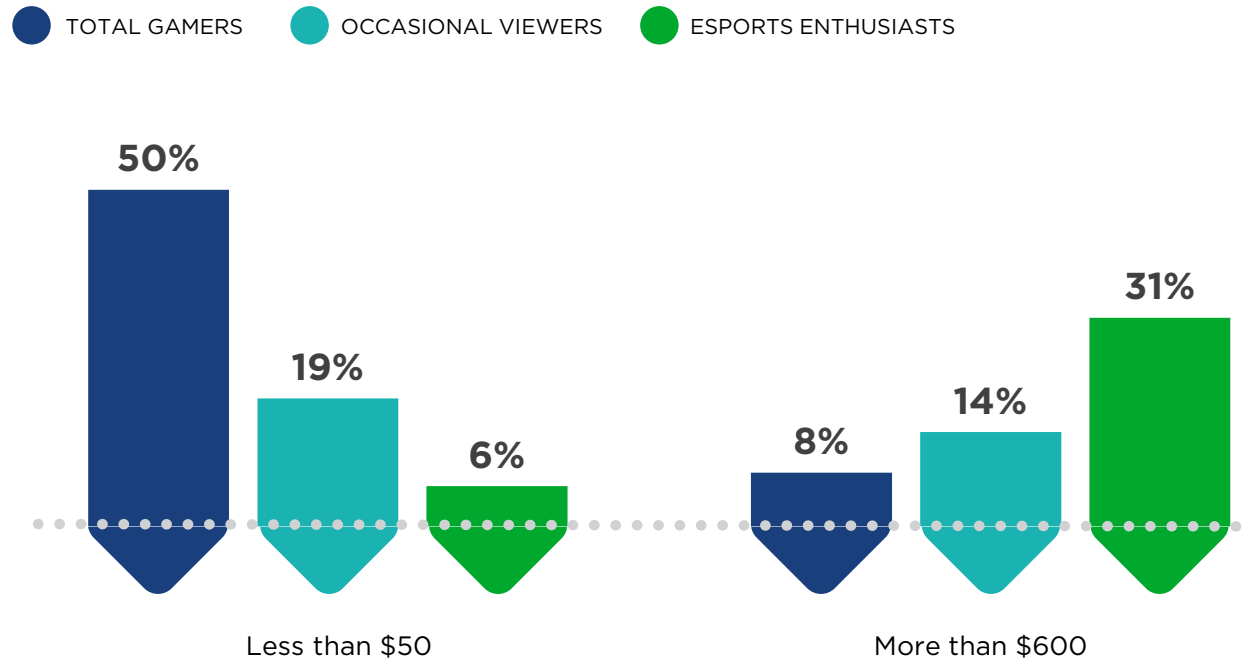
42%

of Enthusiasts downloaded a mobile gaming app at least once/week in 2015.

WILLING TO SPEND ON HARDWARE

YEARLY HARDWARE BUDGET | 2015 | US

It is not hard to understand why most hardware brands are sponsors of esports teams and events. Of all Esports Enthusiasts in the United States, 31% has a hardware budget of more than \$600 per year. This is almost four times the percentage of the total gamer population. Esports fans are therefore a very interesting market for hardware producers to target with their marketing efforts.



Source: Newzoo 2015 Esports Consumer Insights



In 2015, American Esports Enthusiasts spent more than

\$3Bn

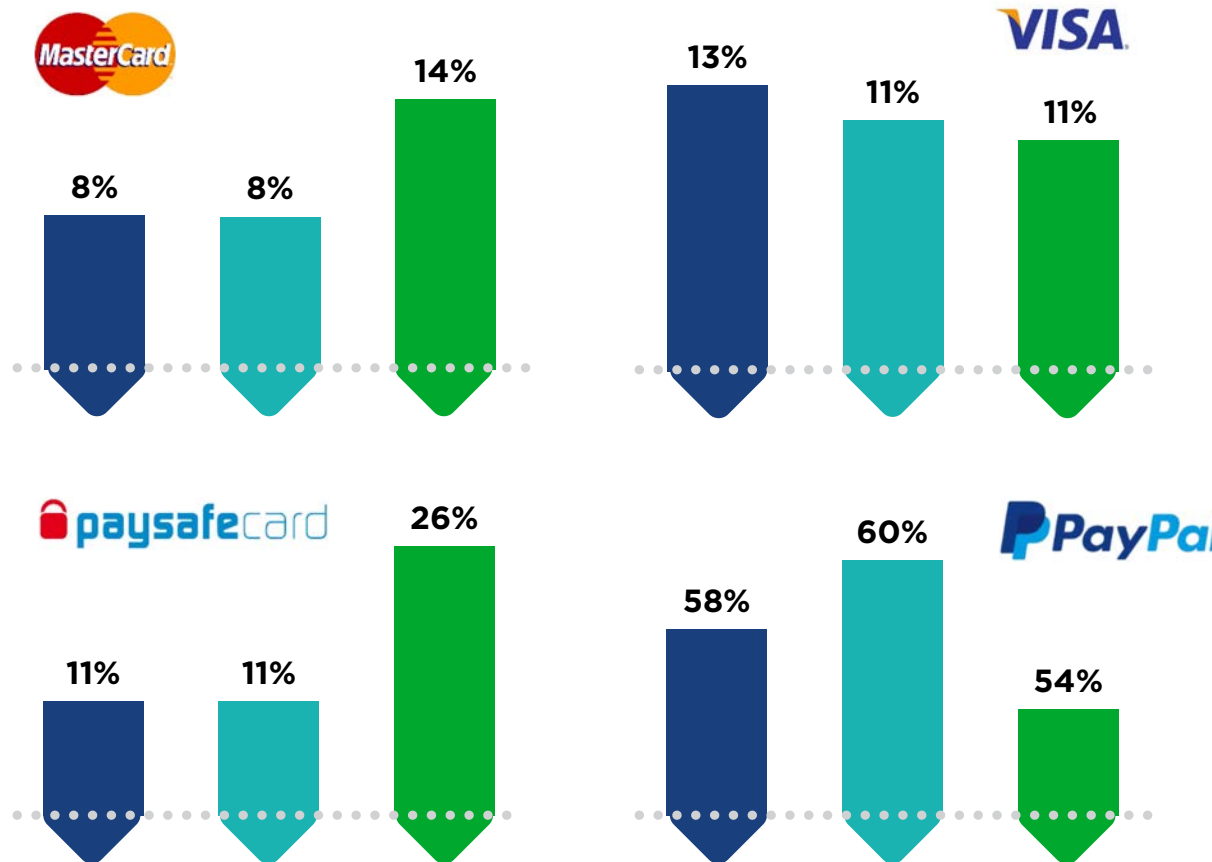
on gaming hardware.

PREFERENCE FOR PAYMENT PROVIDER

PREFERENCE AMONG PAYING PC GAMERS FOR PAYMENT PROVIDERS | 2015 | GERMANY



● ALL PC GAMERS
 ● OCCASIONAL VIEWERS
 ● ESPORTS ENTHUSIASTS



Payment providers have realized that esports fans spend big on games and other online media, with several brands making their entry into esports in 2015. For example, Champions League sponsor Mastercard made some first moves into the space while Paysafecard went all-in during ESL One Cologne last August. Looking at the most recent research results, it seems to have paid off for both. In Germany, Paysafecard is now one of the premier preferred online payment methods among Esports Enthusiasts.

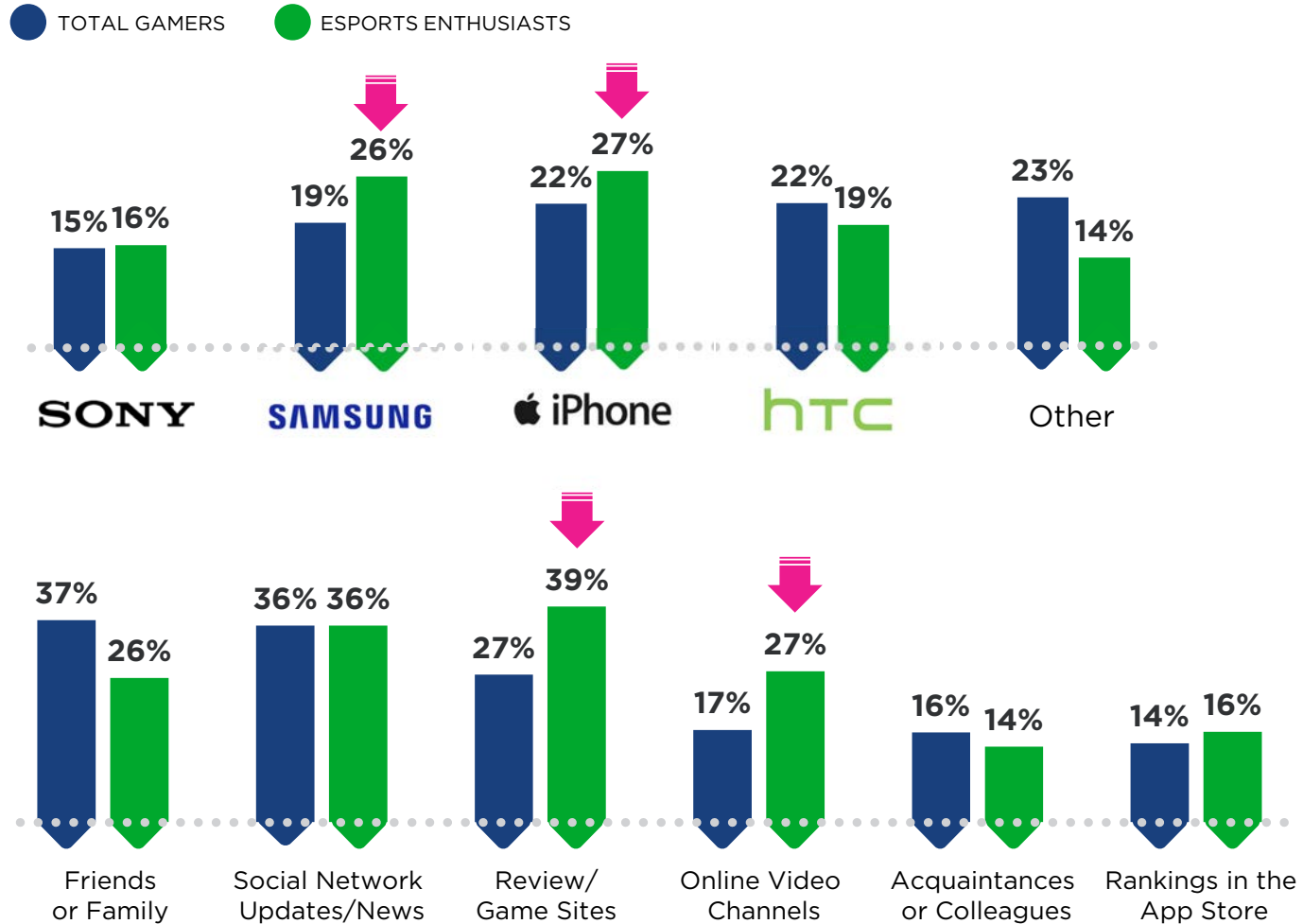


Paysafecard made a significant move into esports in the course of 2015. The highlight was its sponsorship of the ESL One event in Cologne, during which the CS:GO final alone drew 27 million unique viewers.

Source: Newzoo 2015 Esports Consumer Insights

ENTHUSIASTS AND GAMERS DIFFER

MOBILE BRAND OWNERSHIP AND SOURCE TO DISCOVER NEW GAMES | 2015 | TAIWAN



Targeting the valuable Enthusiast audience requires a different approach than with all gamers. If we look at Taiwan, for example, where Garena is a big esports organizer, Esports Enthusiasts are more likely to own an iPhone or Samsung phone than the total gamer population. The latter owns more HTC phones or phones from other brands.

When it comes to discovering new games, all gamers more frequently consult friends, family, acquaintances or colleagues, while Enthusiasts make more use of review/game sites and online videos. This shows they value the opinion of people they consider experts, like reviewers and Twitch streamers, and are more likely to be influenced by content creators.

Having in-depth knowledge of their preferences will help to target Enthusiasts more effectively.

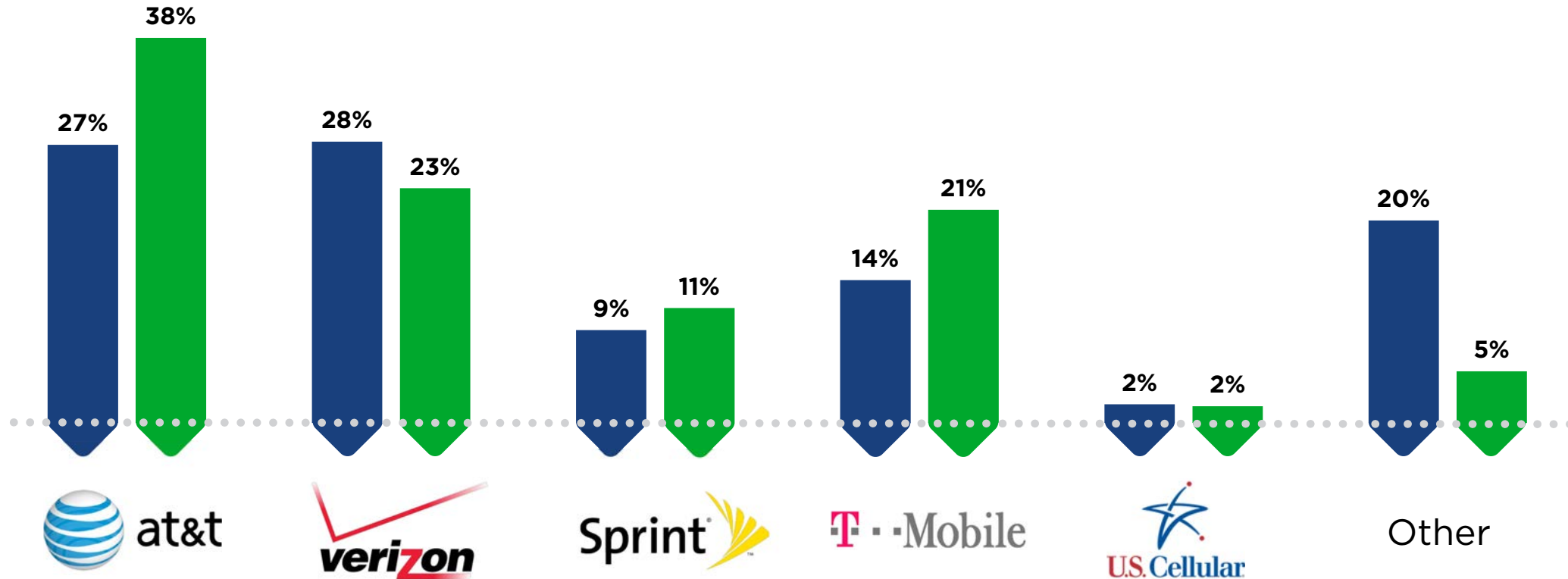
Source: Newzoo 2015 Esports Consumer Insights

ESPORTS FANS & MOBILE PROVIDERS

ONLINE POPULATION VS ESPORTS ENTHUSIASTS | US | 2015



● ONLINE POPULATION ● ESPORTS ENTHUSIASTS

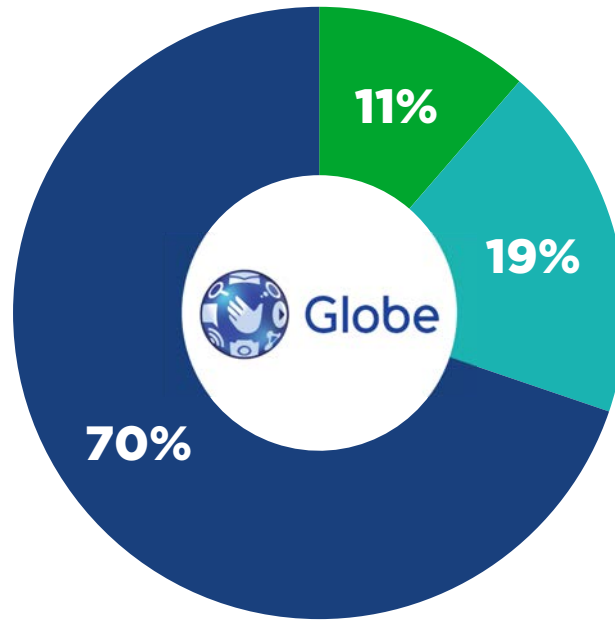
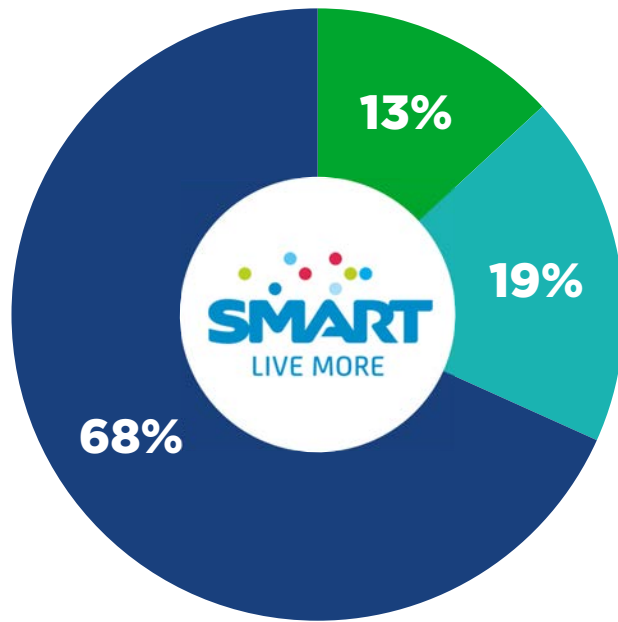


Source: Newzoo 2015 Esports Consumer Insights

ESPORTS FANS PER PROVIDER

NON-ESPORTS VS ESPORTS AUDIENCE | PHILIPPINES | 2015

● NON-ESPORTS AUDIENCE ● OCCASIONAL VIEWERS ● ESPORTS ENTHUSIASTS

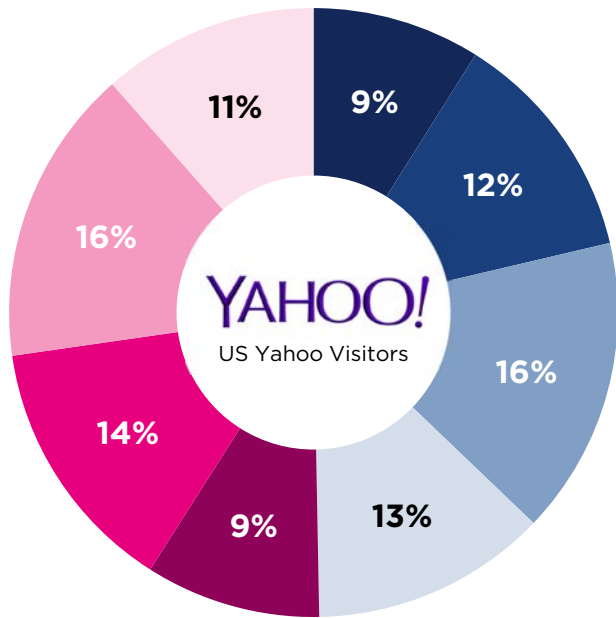


In early 2015, the first Clash of Clans esports event was organized in the Philippines, one of the most esports-crazy countries in the world.



CASE STUDY: YAHOO TARGETS MILLENNIALS

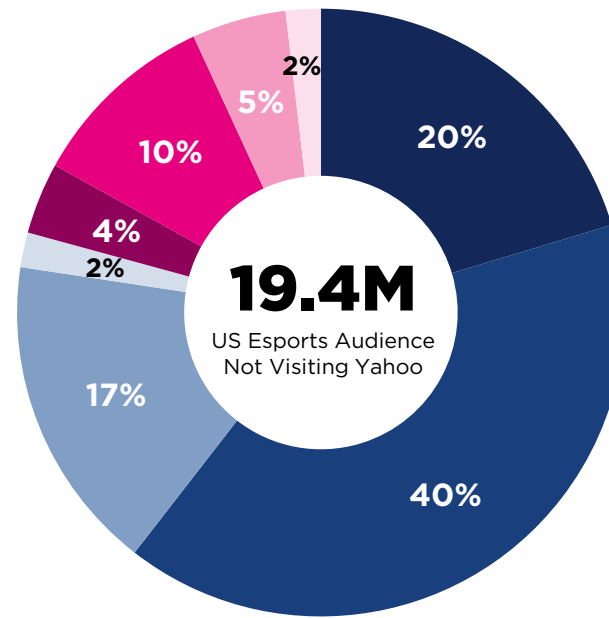
YAHOO CAN REACH 19.4M NEW ESPORTS FANS & STRENGTHEN GRIP ON 14.0M | US | 2015



26%
Aged 21-35

50%
Aged 21-35

- M10-20
- M21-35
- M36-50
- M51-65
- F10-20
- F21-35
- F36-50
- F51-65



Source: Newzoo 2015 Esports Consumer Insights



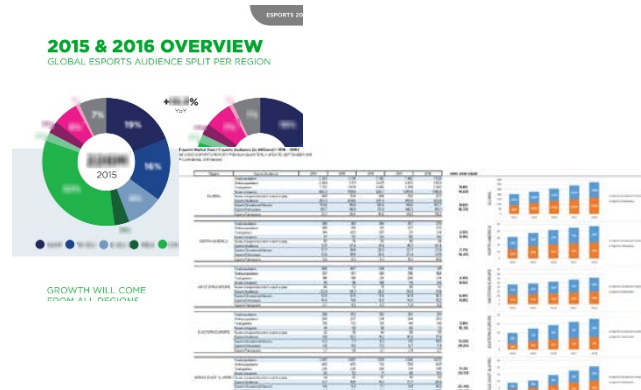
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THE NEXT STEP

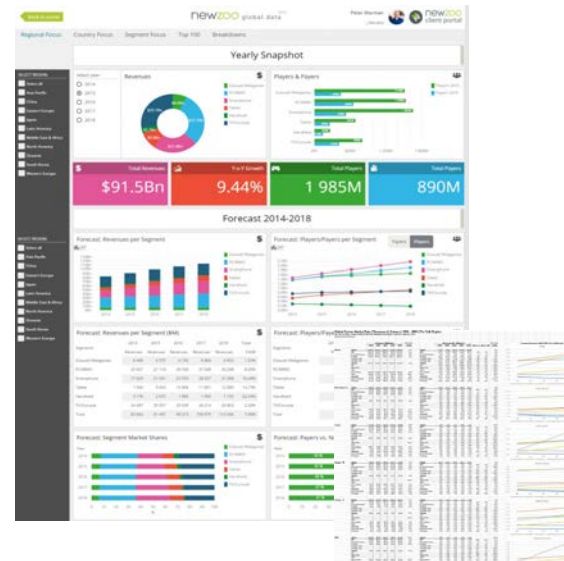
IMPROVE YOUR KNOWLEDGE
& DECISION MAKING

GLOBAL ESPORTS MARKET REPORT

ANNUAL REPORT & QUARTERLY UPDATES



ONLINE DASHBOARD & DATASETS (COMING SOON)



KEY TOPICS & DATA POINTS

- › Global esports trends
- › Size of the esports economy
- › Esports events
- › Global audience 2015 -2019
- › Global Revenues 2015 -2019
- › Esports economy
- › Key players
- › Value of the audience
- › ROI



PIETER VAN DEN HEUVEL
Market Analyst
pieter@newzoo.com



JURRE PANNEKEET
Market Analyst
jurre@newzoo.com

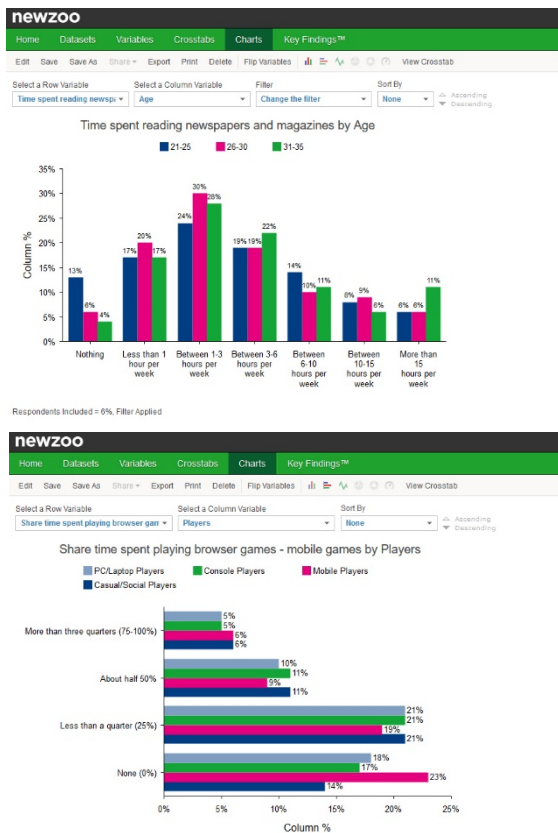


RICHARD HORDIJK
Client Director
richard@newzoo.com

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PIETER VAN DEN HEUVEL
Market Analyst
pieter@newzoo.com



KAYLEE VAN GEENE
Data Analyst
kaylee@newzoo.com



RICHARD HORDIJK
Client Director
richard@newzoo.com

KEY TOPICS & DATA POINTS

- Demographics esports audience
- Awareness
- Occasional viewers
- Esports Enthusiasts
- Benchmarked against all gamers
- Brands: stores, devices, service providers
- Gaming related behavior
- Game & genre preference
- Media usage

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ABOUT NEWZOO

Newzoo is a global leader in games, esports and mobile intelligence. We provide our clients with a mix of market trends, financial analysis, revenue projections, consumer insights, data modelling solutions and predictive analytics services across all continents, screens and business models. We are proud to work for the majority of top game and esports companies along with many independent game developers and leading global technology, internet and media companies.

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