



# Let's Play! 2021

The European esports market

The Sports Business Group at Deloitte is the go-to-partner for stakeholders of the esports industry and organisations seeking to join the ecosystem at every stage of their esports ventures – from building market knowledge to advising on complex matters with a particular focus on commercial and financial topics.

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## Building sustained economic success and resilience in the esports ecosystem

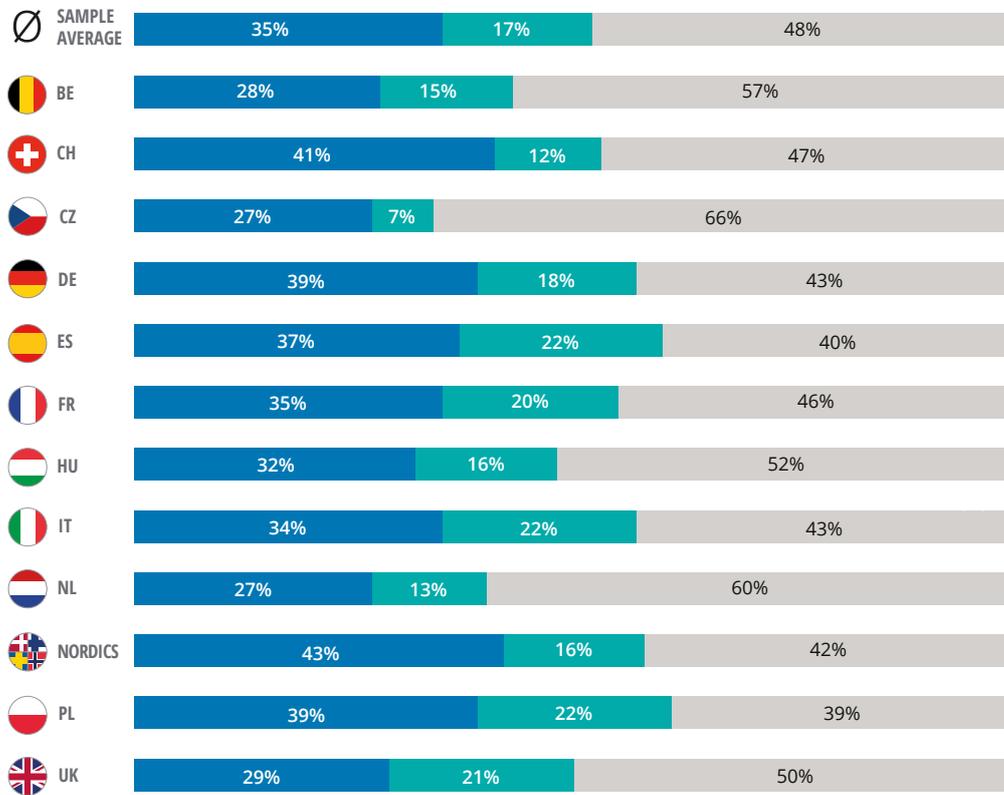
IN RECENT YEARS, esports stakeholders have organised around individual esports leagues and titles, **together forming a globally connected esports ecosystem** (here also referred to as ‘the esports sector’). Esports are part of the gaming industry and are fuelling a growing fascination among audiences. Sector observers are watching developments to see where esports are heading, although the predominant view is that they will continue on the growth path from recent years.

Most people have heard of ‘esports’ by now, with spectators and business partners in Europe increasingly flocking to the phenomenon over the past decade. The period of COVID-19 lockdowns has further increased esports’ popularity growth, but although the term is well known, not everyone knows what hides behind it (see figure 1).

FIGURE 1

## Esports awareness across European countries

- Consumers who are familiar with the term 'esports' and able to define it correctly
- Consumers who are familiar with the term 'esports' but are unable to define it correctly
- Consumers who do not claim to know what 'esports' means



Source: Deloitte analysis.

Organisations attracted by the promising audience and revenue perspectives of this highly dynamic sector are increasingly seeking to contribute to esports with their capital, know-how and services.<sup>1</sup> However, the COVID-19 pandemic has also shown how sudden disruptions can adversely affect any industry.

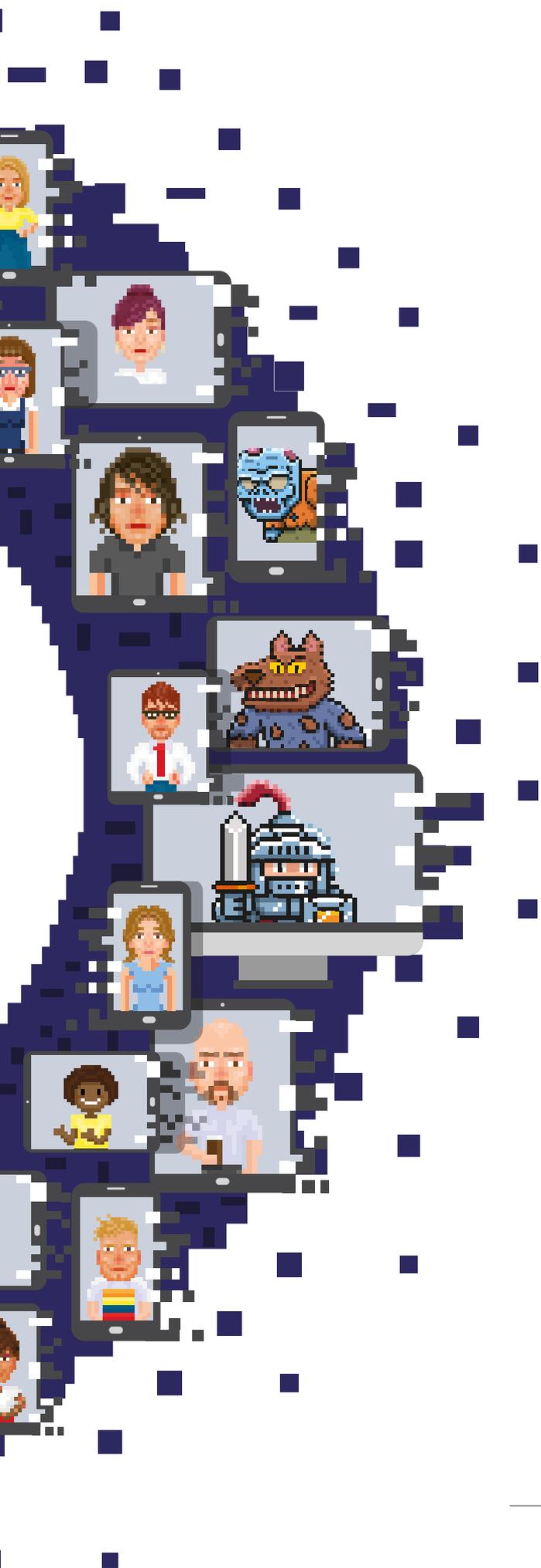
From this crisis, stakeholders in the comparatively young esports sector have learned that it is critical to solidify structural and economic growth and strengthen resilience to potential endogenous and exogenous shocks.

## The esports ecosystem – why it thrives

For a business ecosystem to create value beyond the sum of its parts, it must incentivise organisations to enter the system, engage and create value in it and, ideally, remain part of the ecosystem in the long term.

### THE FUNDAMENTALS OF ESPORTS

Follow this [link](#) to learn more about the fundamentals of the esports sector. You will find further information on what defines esports, the structure of the ecosystem and what its main stakeholders and revenue drivers are.



Therefore, committing to an ecosystem must be attractive – both inherently and relative to alternative ecosystems.

This also applies to esports and its **sub-ecosystems**. An esports sub-ecosystem can revolve around core market participants such as league organisers and event hosts, publishers, individual game titles or content creators, depending on who orchestrates the ultimate value towards the consumer.<sup>2</sup>

### ABOUT THIS REPORT

To capture a precise picture of the European esports sector, Deloitte conducted online interviews with company representatives from the European esports ecosystem (henceforth, 'experts'), as well as an extensive consumer survey among some 20,000 people age 16 to 65 (henceforth, 'consumers') from 12 European countries/regions. For more information on the methodology, see the Basis of Preparation chapter on p. 30.

# Six overarching factors driving success across the esports ecosystem

Newcomers wanting to understand the sector need to appreciate that no two esports are the same, and keep in mind that the individual esports with their competitive structures are very unique and therefore hardly comparable. Despite esports' fragmentation, six overarching factors drive success across the ecosystem and its sub-ecosystems. If appropriately addressed, they will contribute decisively to esports' sustained economic growth and resilience.

## Factor 1 | Winning over audiences and knowing their preferences

Like the sports and entertainment industry, the esports sector thrives on the engagement of fans and the enthusiasm they bring to competitions. The immediate feedback culture of digital channels places utmost importance on addressing the fans' preferences adequately and authentically.

The esports audience and fan bases denote end-user demand in any esports sub-ecosystem. Their size and willingness to pay hence provide value-creating ecosystem stakeholders with their business case.

The esports fan base is young and highly diverse, value-conscious and vocal, digitally native and increasingly rare on traditional channels.<sup>3</sup> Anyone with access to this influential target group will do well by ensuring their needs and preferences regarding content, design and communication channels are met.

## WHAT DOES ONE NEED TO KNOW ABOUT THE EUROPEAN ESPORTS AUDIENCE?

*Poland, Spain and Italy are Europe's esports strongholds in terms of penetration*

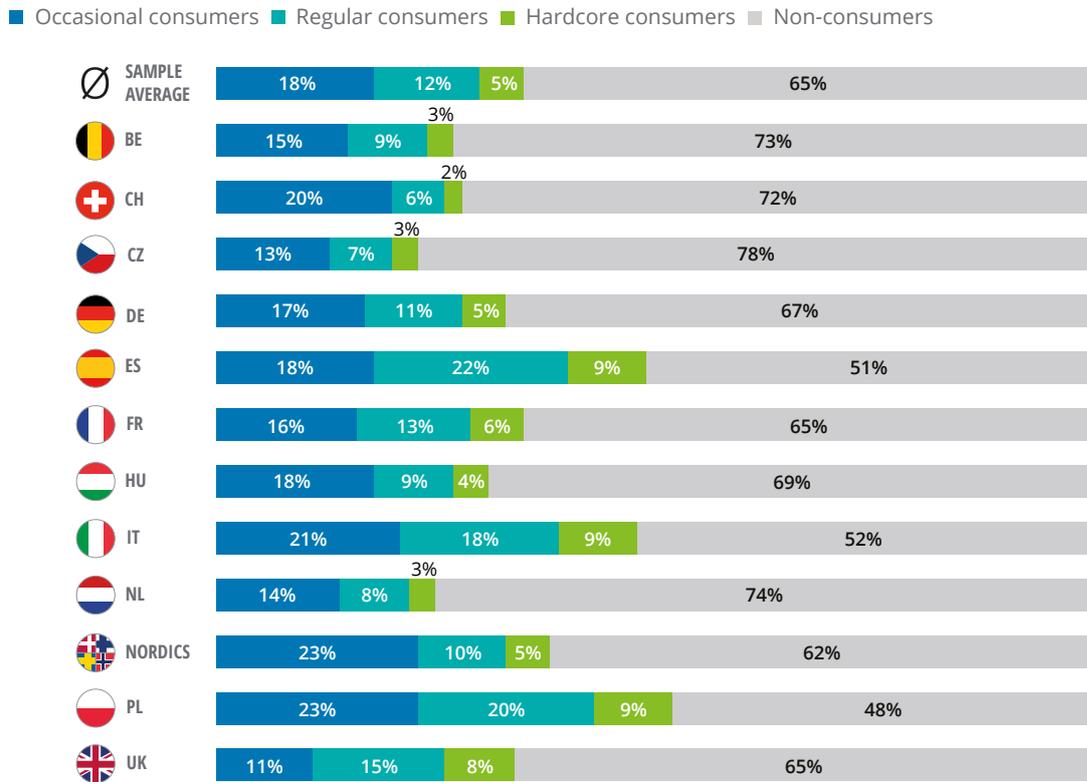
The esports penetration rate across European countries is highest in Poland (52 per cent), Spain (49 per cent) and Italy (48 per cent), with about half of all consumers having watched esports at least once in the past and approximately every third consumer watching regularly (see figure 2). Furthermore, esports exposure is high in the Nordics (38 per cent), France (35 per cent), the UK (35 per cent) and Germany (33 per cent).

*Esports consumers are young, but not the youngest*

The most frequent consumers of esports are the much sought-after Millennials and Generation Z. Yet, contrary to many assumptions, it is not the youngest generation most represented but consumers age 26 to 40, who hold an above-average education and an above-average income (see figure 3).

FIGURE 2

### Esports penetration across European countries



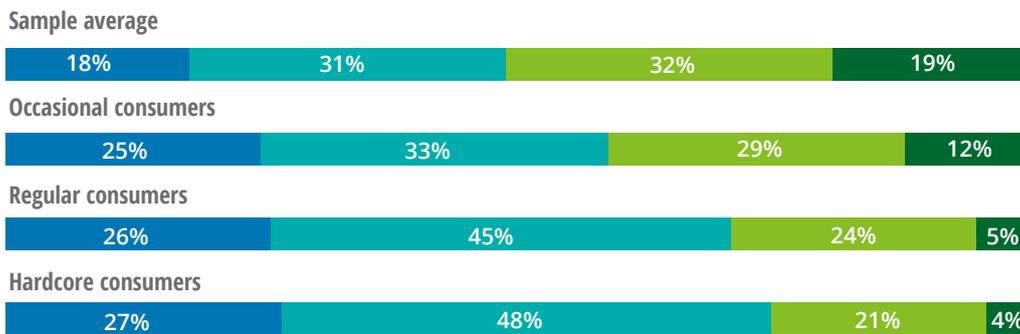
Note: For a definition of each consumer type, please see the glossary on page 31.

Source: Deloitte analysis.

FIGURE 3

### Age distribution across consumer groups

■ Generation Z (age 16-25) ■ Millennials (age 26-40) ■ Generation X (age 41-55) ■ Baby Boomers (age 56-65)



Note: For a definition of each consumer type, please see the glossary on page 31.

Source: Deloitte analysis.

*If you want to engage them,  
connect on the internet*

Esports consumers are exploring the range of offerings – from live streams over video-on-demand to free and pay TV, as well as attending live events. While each of these channels has its legitimacy, online consumption is and will be the mainstay for esports broadcasts, with Big Tech streaming services acting as gatekeepers for esports content (see figure 4). The attendance rate at live events is understandably lower compared to TV and streaming services, relating to a limited number of such events, as they mainly take place on the highest competitive levels, as well as limited venue capacities.

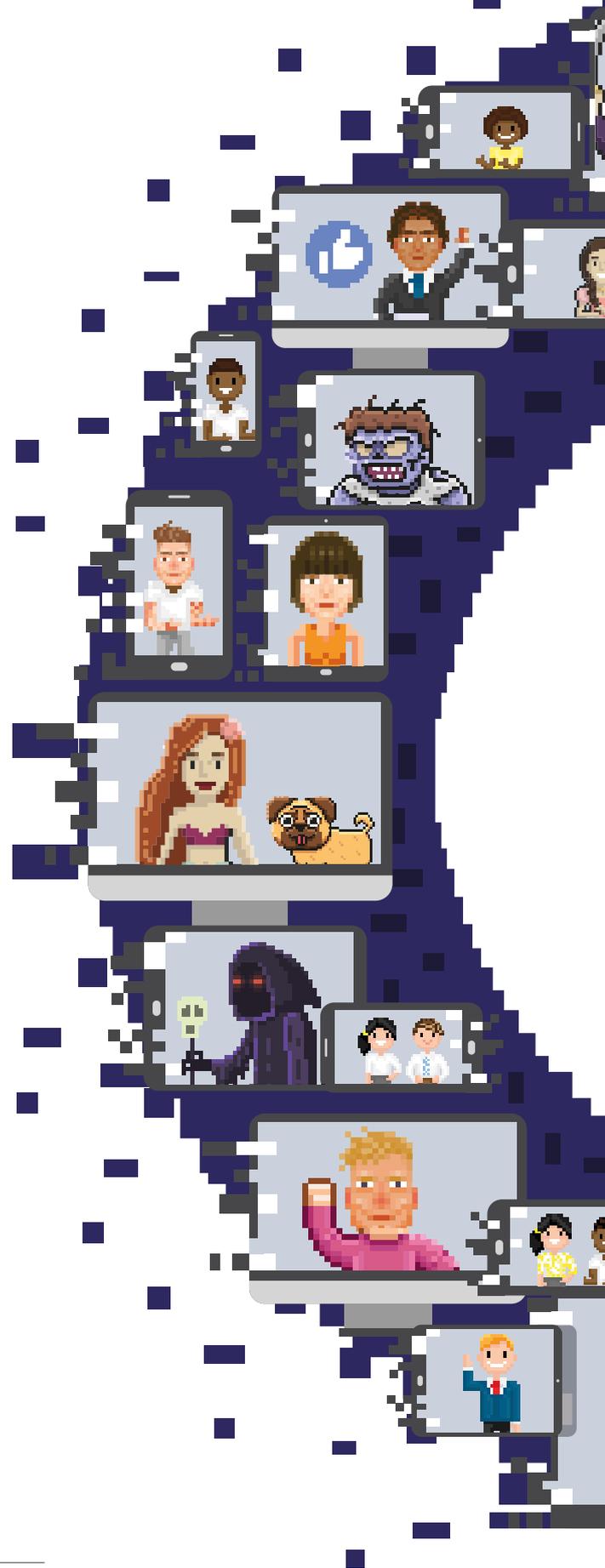
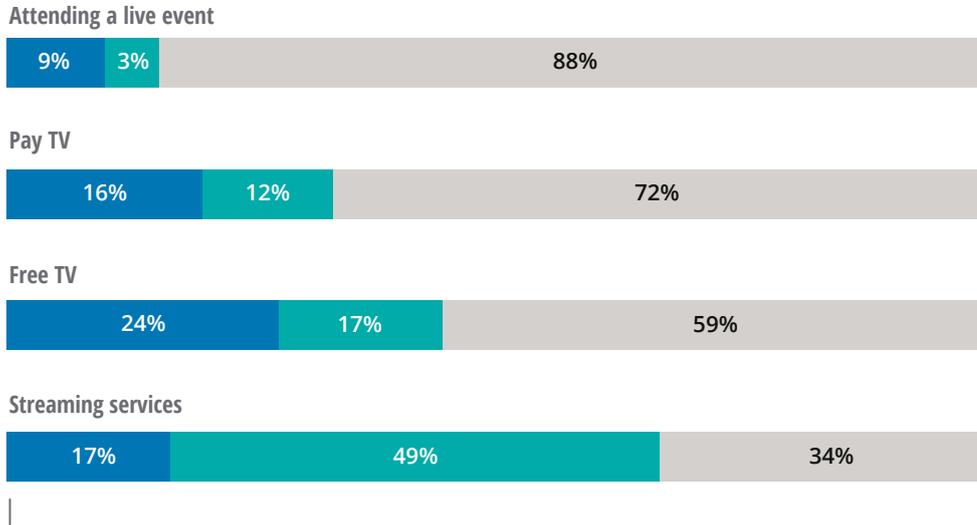


FIGURE 4

## Channels used for esports consumption

- Consumers who have used this channel
- Consumers who have used this channel and named it as their favourite channel
- Consumers who have not used this channel



## Top rated streaming services



Consumer penetration<sup>1</sup>

Share of esports audience who used the channel for esports consumption before (multiple answers possible)



Usage intensity<sup>1</sup>

Average share of total esports consumption spent on the channel (Distribution of overall esports consumption (=100%) among channels)



Organisations' communication channel of choice<sup>2</sup>

Channels' importance for organisations for reaching their consumers (100 = channel is of highest importance; 0 = channel is not important at all)

Note: 1) Consumers were asked to evaluate their consumption behaviour regarding 11 streaming platforms and TV channels on which esports can be watched and were given the possibility to name further channels they deemed relevant; 2) Experts were asked to evaluate 24 channels from the areas of streaming, TV, social media, live events, their own company's channels and other third-party channels regarding how important they are for their organisation in terms of delivering value to their customers.

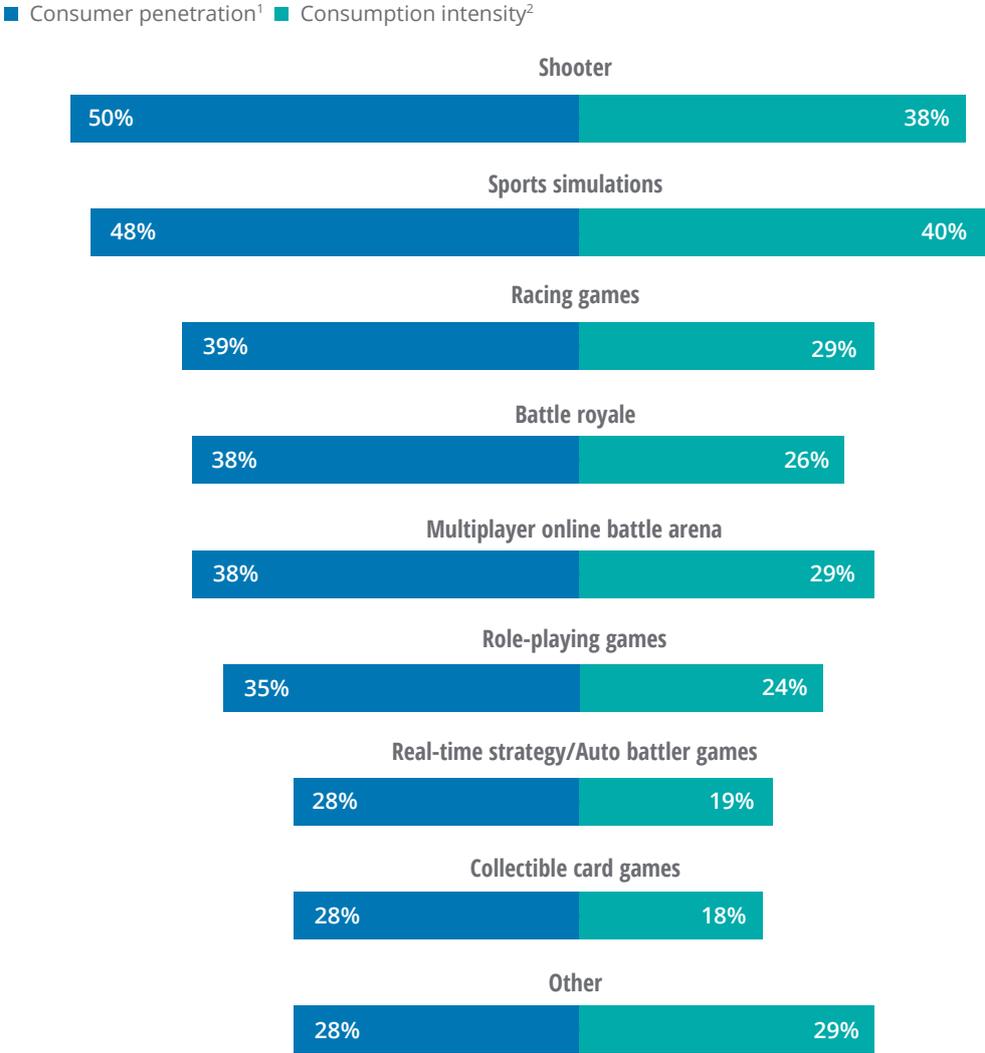
Source: Deloitte analysis.

*The potential of esports is greater than just sports and racing simulations*

The online platforms offer an extensive range and depth of content from which consumers can choose. Hence, focusing esports activities on the supposedly more accessible and widely known sports and racing simulations ignores much of the target group potential (see figure 5).

Although a large share of consumers have watched sports and racing simulations, they are most in vogue among occasional consumers, whereas intensive consumption can also be observed in other genres such as shooter and multiplayer online battle arena. Anyone who would like to reach the entire target group must diversify their esports activities across genres and for each genre in which one becomes active, one needs to know the preferences and needs of this particular consumer group.

FIGURE 5  
**Game genres watched by esports consumers**



Note: 1) Share of esports audience who watched content in this genre before. 2) Share of total esports consumption spent on this genre among consumers who watched content in this genre before.  
Source: Deloitte analysis.

*There is no 'one' esports consumer*

The motivation among consumers to watch esports across sub-ecosystems is as heterogeneous as the esports landscape itself, as it unites a multitude of competitions with numerous titles under its roof. Consumers' reasons for tuning into esports, as well as their preferences, are highly diverse, with no clear number-one motive for consumption emerging (see figure 6).

While some enjoy the relaxed consumption, atmosphere and entertainment factor of watching, others actively want to engage in the community. Further motives for watching esports are the charisma and skills of the participants. Only those who take diversity into account are in a position to build a relationship with the audience.

## Factor 2 | Creating appealing esports competitions

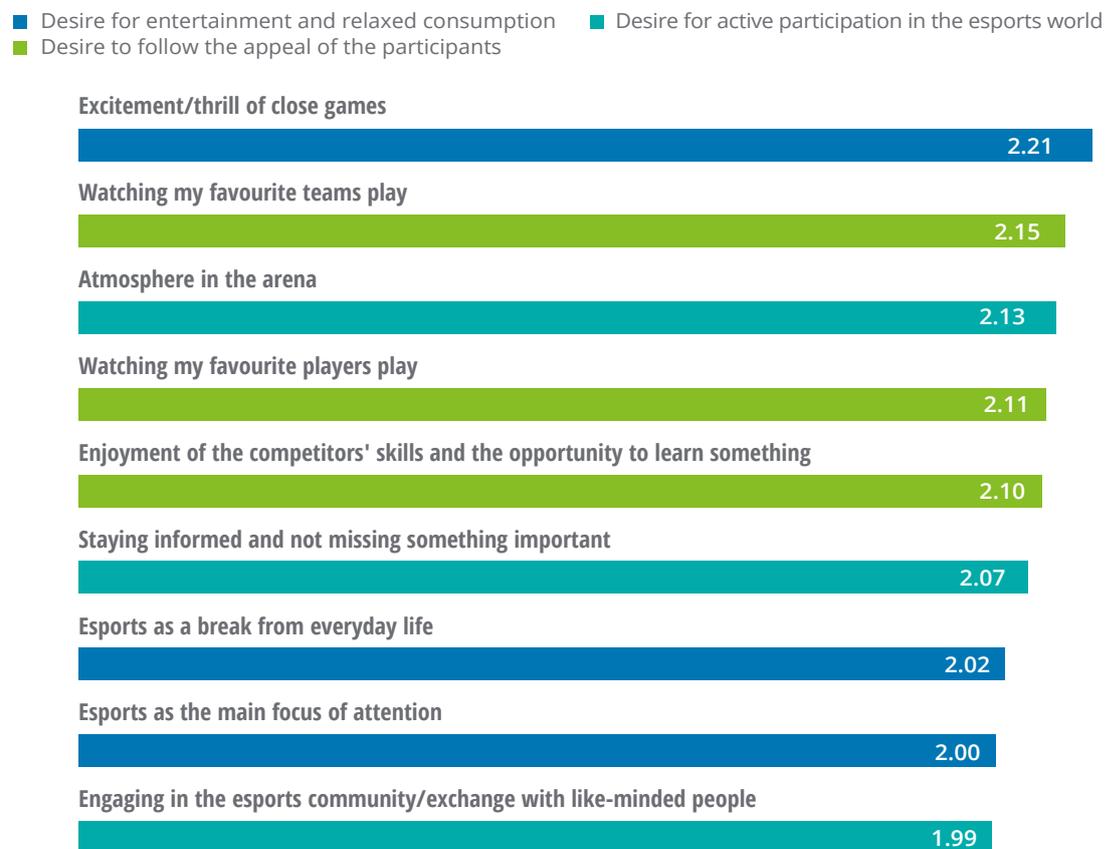
Creating a highly appealing product that is attractive to regular and first-time consumers alike is the cornerstone for commercial success and the engagement of investors and sponsors. The essential enabler of growth in the esports ecosystem is a sufficient offering of high-quality content, products and services, which leads to a great consumer experience and hence a strong unique selling proposition (USP).<sup>4</sup>

Its appeal determines the ecosystem's supply-side scaling potential and resilience in times of crisis when demand initially decreases for less valuable offerings. Therefore, ensuring a consistently high overall product quality is a top priority, to which all stakeholders must contribute to benefit equally.

FIGURE 6

### Selected reasons for esports consumption among regular and hardcore consumers

(5 = highest possible incentive to watch; 0 = no incentive at all to watch)



Note: Consumers were asked to rate 20 aspects of esports consumption in terms of how strongly they encourage them to watch esports content.

Source: Deloitte analysis.

Esports are an entertainment product competing with products such as music or sports and hence must be foremost **entertaining**. To drive developments, event hosts, league organisers, publishers and broadcasters are constantly investing in production capacities, competitive structures and personnel.<sup>5</sup> They are supported by strategic partners – that is, companies that act either as sponsors or investors of esports stakeholders – who contribute their resources to further develop the esports sector.

#### DOES THIS CREATE THE DESIRED EFFECT?

*The big-name games are closest to being mainstream, many niche titles follow*

In terms of reach, the powerhouse game titles reach an awareness exceeding 50 per cent among esports consumers (see figure 7). Classics, such as “League of Legends”, “Counter-Strike: Global Offensive” or “Call of Duty: Modern Warfare”, have created a global fan base over the past decade and are well established as both gaming and esports titles.<sup>6</sup>

This penetration is matched only by “FIFA” and “Fortnite”. However, being more established as gaming rather than esports titles, the competitive structures of “FIFA” and “Fortnite” are developing, but still have upside potential and do not generate the same esports audiences and revenue streams as the previously mentioned titles.

In our survey, the experts stated that these titles are the ones with the highest potential to become mainstream viewership products in the long term (see figure 7)

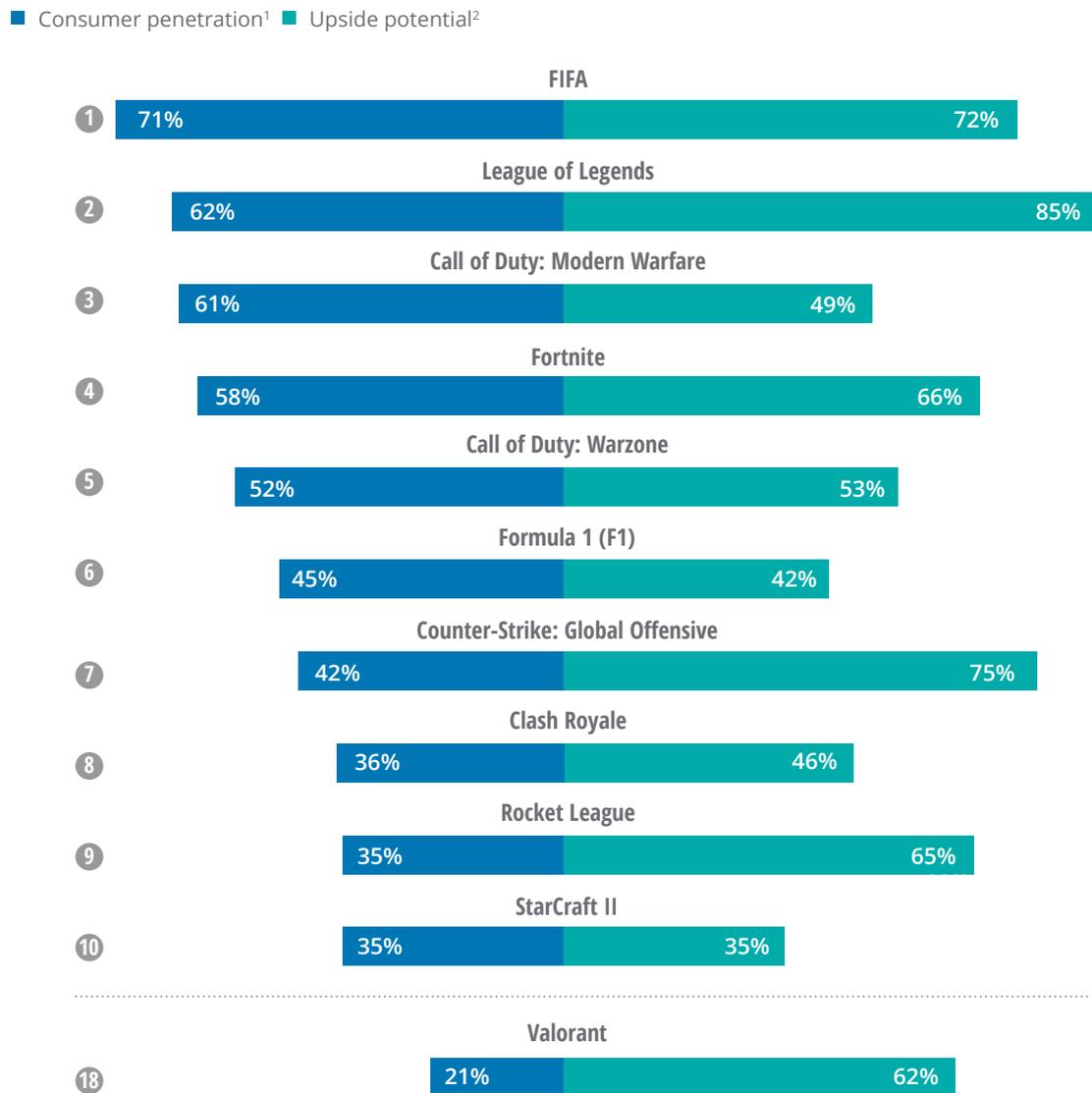
Further distinct growth potential is attributed to the accessibly designed “Rocket League” and “Valorant”. While the existing competitive structures in “Rocket League” are constantly being expanded, comprehensive competitive structures have yet to be established around “Valorant”, as it was only released in 2020.



FIGURE 7

## Reach of esports titles

Top 10 titles by reach



Note: Consumers were asked to evaluate 24 game titles regarding whether they know them as an esports title, whereas experts were asked to evaluate these titles regarding their potential to become a future mainstream viewership product in Europe. 1) Share of esports audience who know this game as an esports title. 2) Experts' opinion on whether the title will become a mainstream viewership product (100% = is already a mainstream product; 0% = no potential at all).

Source: Deloitte analysis

### *Beauty is in the eye of the beholder*

While generally appealing to different target groups with varying consumption preferences and intensities, esports titles with the highest upside potential create an engaging consumer experience in terms of product likeability, quality and availability of relevant content, and entertainment factor of the competitions.

An additional factor is the accessibility of the title, referring to how understandable or complex the individual esports is to a first-time viewer.

### *Why aren't more people watching?*

Non-consumers who do not rule out watching esports most frequently named priority-oriented factors that are presumably challenging to resolve

as main reasons to refrain from consumption, such as lack of time (30 per cent) or other interests (27 per cent). Yet, many non-consumers cited reasons that indicate a lack of necessary esports awareness, such as not knowing where esports can be watched (20 per cent) or not understanding the tournament systems (16 per cent) and games (12 per cent), suggesting a more extensive audience may be reached if esports were made more accessible for newcomers.

### Factor 3 | Enabling ecosystem monetisation and building it on multiple revenue sources

Effective and sustainable monetisation is one of the unsolved questions within the esports ecosystem. Converting end users into paying customers and diversifying revenue splits are among the critical challenges for all ecosystem incumbents.

Despite the growth rates the esports sector has shown in recent years, its market volume lags the overall gaming market or other entertainment industries.<sup>7</sup> Additionally, income diversification offers room for improvement, as revenues are

mainly derived from sponsorships, supplemented by competition-related revenues, publisher payments and ticket sales (see figure 8).

### THE 'HOLY GRAIL' OF AUDIENCE MONETISATION

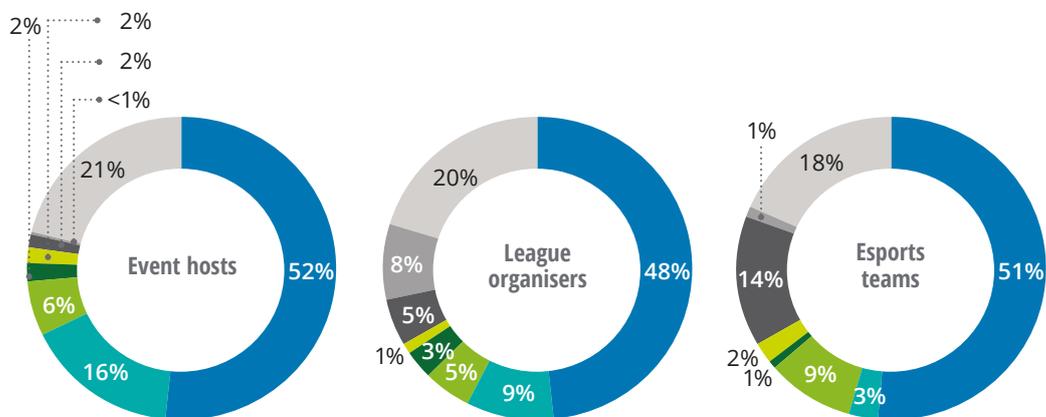
This imbalance in the revenue mix is mainly due to the under-monetisation of the audience. An abundant supply of relevant free content makes converting media content into cash difficult. Currently, the direct revenue potential from end customers is primarily limited to merchandise and event tickets, whereas access to premium content, memberships, and so on are still minor revenue sources.

Nearly one in five consumers has stated that they made esports-related purchases in the past (19 per cent), either for themselves or for other people. Across countries, the proportion of paying consumers increases with esports penetration, indicating that establishing esports in society may also drive consumer monetisation. As such, Poland and Spain, which have the highest esports penetrations (see figure 2), are also the countries with the highest share of paying consumers (26 per cent each).

FIGURE 8

### Revenue split of esports market stakeholders in 2019 (pre-COVID-19)

- Sponsoring/advertising ■ Ticket sales ■ Publisher payments ■ Media rights ■ Merchandising
- Esports competitions (prize money; starting fees) ■ Esports-related investments
- Other income related or unrelated to esports



Note: Boundaries between ecosystem segments are porous. Accordingly, a number of stakeholders are active in multiple segments.

Source: Deloitte analysis

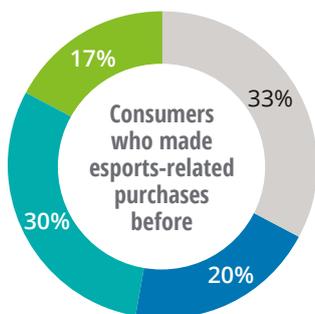
Switzerland and the Czech Republic are at the end of this spectrum, with a share of 10 per cent and 12 per cent respectively, which is in line with the relatively low penetration in these countries.

But neither in esports hotspots nor in less developed esports countries has a scaled mode been reached regarding consumer monetisation. To date, the consumer group that does not watch esports themselves accounts for the largest share of paying consumers (see figure 9).

FIGURE 9

### Paying consumers by consumer type

■ Non-consumers ■ Occasional consumers  
■ Regular consumers ■ Hardcore consumers



Note: For a definition of each consumer type, please see the glossary on page 31.

Source: Deloitte analysis

It is challenging to extend the monetisation of people who do not watch esports themselves beyond a one-off buy, especially as the reasons most frequently given for their purchases are buying the products as gifts or trying out something new.

Reasons for purchase stemming from the product itself (i.e. quality and usability), or the buyer's self-identification as an esports fan, such as feeling more connected to an esports team or player, are of secondary importance in the overall group of paying consumers. These factors play a more decisive role in purchasing decisions of regular and hardcore consumers. Continuously addressing these motives is a premise for solving consumer monetisation and hence is a critical component in establishing economic sustainability.

## Factor 4 | Capitalising on the attention of non-endemic partners

Strategic partners add capital, revenue, know-how and networks to the esports ecosystem. Recently, esports awareness among companies whose core competencies do not lie in esports and gaming (so-called 'non-endemic companies') has increased enormously.

Surging audience numbers may have sustainably emphasised the sector's appeal for non-endemic companies to engage as sponsors or equity investors of esports organisations, especially after the COVID-19 pandemic focused the attention on esports.

### AUTHENTIC COMMITMENT IS THE KEY TO SUCCESS FOR STRATEGIC PARTNERSHIPS

Non-endemic partners are increasingly entering the ecosystem and seeking ways to connect with the esports audience and to contribute to sector development and the realisation of growth potential at the same time.<sup>8</sup>

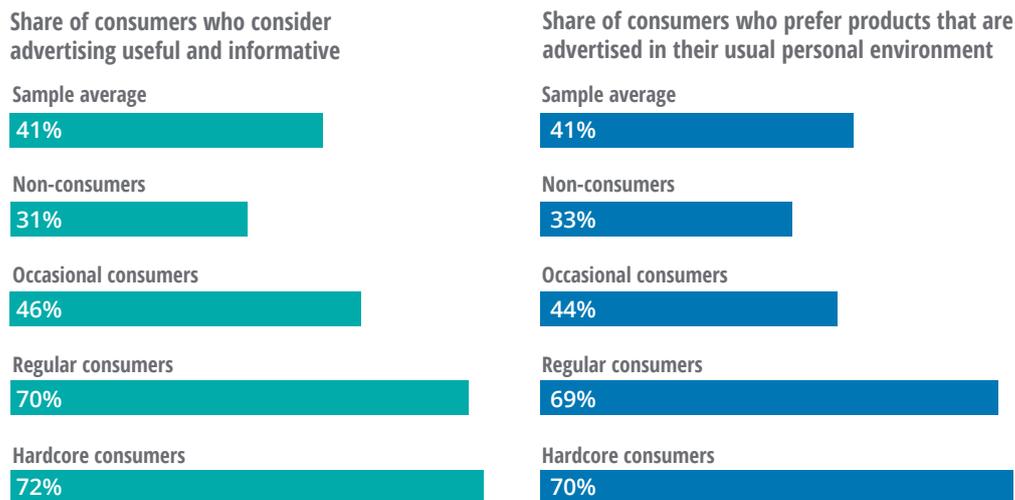
They encounter a consumer group that expects from them an authentic and sincere commitment to esports as well as a good fit with their set of values on the one hand, and is comparatively open to advertising on the other (see figure 10).<sup>9</sup>

By meeting these requirements and demonstrating creativity in terms of fan engagement, the partners can gain the appreciation of the audience and build a relationship with them.

This opportunity for relationship-building with an open-minded audience makes esports a premier channel to activate sponsorships and advertisement. Thus, the role of esports as a platform with growth potential in this regard elevates the whole sector into the mainstream of B2B business. Esports stakeholders can use their attraction to bring substantial capital and know-how into their organisations through strong strategic partnerships, opening up entirely new monetary and non-monetary development potential.

FIGURE 10

## Openness to advertising by consumer group



Source: Deloitte analysis.

## Factor 5 | Leveraging the brand power of esports events

Professional esports competitions often culminate in live events at which the final matches are played in front of dedicated audiences. Such events are among the highlights of the season and create momentum for the individual sub-ecosystems beyond the sector's borders.

Live events with their special appeal and atmosphere are a big part of esports' identity. Large events take place in front of several thousand spectators and are therefore real flagships among their organisers' activities in the esports sector.

These events account for a substantial part of the hosts' revenue as well as further related-event partners' revenue, as tickets and merchandise are sold in this context, and extensive sponsorship packages are agreed upon.

### THE IMPORTANCE OF LIVE EVENTS GOES WELL BEYOND THE NUMBER OF ATTENDEES

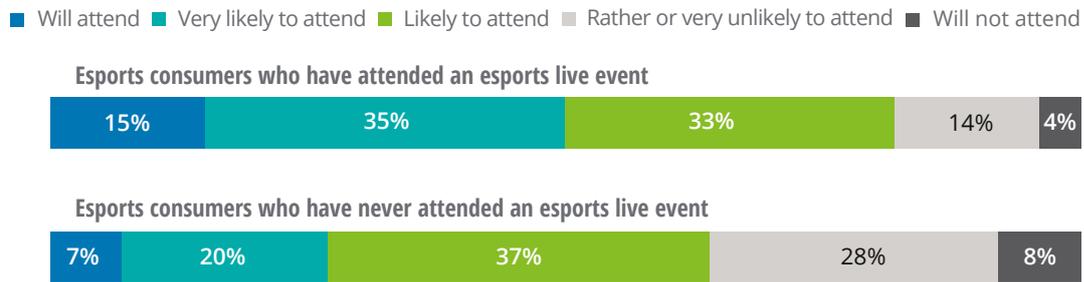
Only part of the audience can be reached directly through live events owing to the limited number of seats at venues and the limited number of events per year. Yet the on-site attendance mainly comprises willing-to-pay spectators whose enthusiasm is also transmitted to the spectators watching remotely on screens, indirectly enhancing their consumer experience.

Furthermore, participating in live events appears to reinforce the desire among consumers to attend an esports event in the future. Around half of consumers who have already attended as spectators are very likely or certain that they will attend a live event again (see figure 11).

In other words, the 'true spirit' of esports becomes manifest in live events and therefore enhances the entire ecosystem (including its sub-ecosystems).

FIGURE 11

### Probability to attend an esports event in the future



Source: Deloitte analysis.

## Factor 6 | Staying ahead of trends and meeting the underlying demands of stakeholders

Young, dynamic, consumer-oriented: The esports sector is looking to define its structural and regulatory framework and also needs to keep up with technological and societal trends, as missing decisive developments implies a risk of being “left behind”.

In dynamic environments, it is crucial to identify overarching trends and respond appropriately. Wherever people work and interact, it is also vital that the social and regulatory framework supports the development of individual stakeholders.

For the esports sector, the development of new technologies (e.g. 5G), the interaction with other sectors (i.e. music or traditional sports) and the conceptualisation of franchise systems are particularly relevant trends. Mobile esports are another trend on the rise and are expected to become an important part of the esports ecosystem in the near future.

By keeping up with the times and creating a favourable environment, an ecosystem becomes relevant in the long term. The extent of stakeholders’ commitment to an ecosystem becomes clear in crises, as unexpected setbacks, which can occur at any time, require them to contribute under adverse conditions.

A detailed overview of the trends and drivers that are expected to impact the development of the esports sector and the growth of the ecosystem is presented in figure 16 of this report.

# COVID-19 puts the esports sector to the test

The pandemic widely affected the global economy, adversely influencing a majority of industries. Beyond health concerns and associated organisational challenges, the spread of COVID-19 across Europe profoundly affected the esports sector as to how business is conducted and how success-driven factors could be tackled in its sub-ecosystems. These effects from the pandemic make COVID-19 a prime example of an exogenous shock that can occur to a business sector.

## The news is ambiguous concerning ecosystem stakeholders during the pandemic

Esports' advantage was that competitions could be sustained by moving the leagues and tournaments online, whereas traditional sports and entertainment segments paused.<sup>10</sup> In addition, people spent significantly more time at home, limiting leisure activities to home-based entertainment.

Consequently, esports became a focus of consumers, attracting record audiences and boosting popularity beyond the sector's previous borders. Leading broadcasters have promoted esports and significant funding was generated for some organisations, suggesting that esports sector may achieve accelerated growth during the crisis.<sup>11</sup>

Yet, as in-person events and competition became impossible, numerous esports companies could not sustain operations and faced severe revenue losses and liquidity shortages and had to put into effect forced strategic decisions or layoffs.<sup>12</sup>

Furthermore, sponsors and spectators had to keep their own financials intact. So, for all the growing interest in the sector, budget reprioritisations were made – partly to the disadvantage of esports, whose revenues comprise a high share of sponsor income.

Contradictory developments across the key success drivers indicate the ambiguous state of the sector. In consequence, revenue growth is expected to halt without substantial losses to the bottom line of the overall esports sector.<sup>13</sup>

### CASE STUDY ESL

For more information on how ESL, a leading esports organisation, deals with the COVID-19-related challenges, refer to page 24.

## Esports drew and locked in new audiences during the pandemic

The surge in spectators' interest in esports during the pandemic is underlined by a high proportion of newcomers in the total audience and increased consumption compared to pre-COVID levels.

Across European countries, 38 per cent to 67 per cent of esports consumers stated that they watched esports for the first time after COVID-19-related restrictions were imposed (see figure 12).

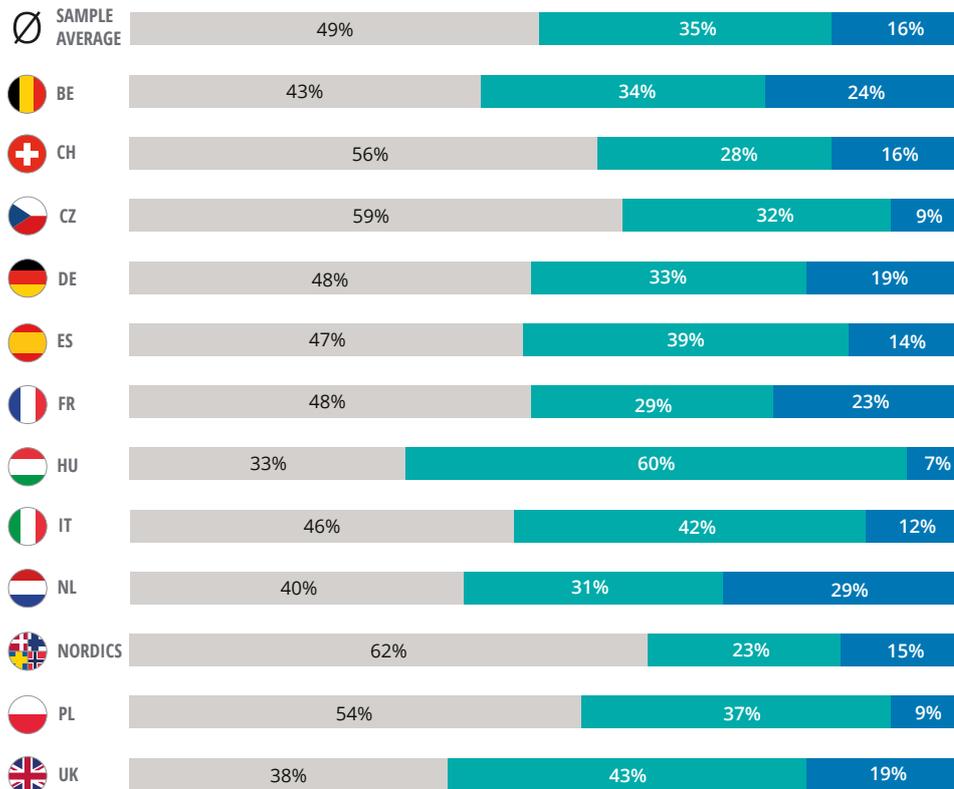
Among those who had watched esports before COVID-19, 42 per cent stated that they had consumed more in 2020 than before. In 2021, 36 per cent of them increased their consumption even further. Of the newcomers from 2020, the majority increased their consumption more so in 2021 (61 per cent).

While it remains to be seen whether consumers will maintain their increased consumption level, it seems conceivable that, even in the case of a slight decrease in consumption intensity, demand will settle at a higher level than before the COVID-19 pandemic.

FIGURE 12

### Entry point for first-time consumers of esports

- Anytime before the implementation of COVID-19-related restrictions
- In 2020, after implementation of COVID-19-related restrictions
- In 2021



Note: Esports consumers were asked at which point in time they watched esports content for the first time.

Source: Deloitte analysis

## Concepts that reduced the entry barrier increased esports' appeal for newcomers

In the absence of regular event and programme content, broadcasters and non-endemic organisations sought proximity to esports stakeholders. Together, they have worked on digital concepts and delivery channels, thereby increasing the immersion of esports with other entertainment sectors. For example, events featuring celebrities from professional sports or music enjoyed great popularity.<sup>14</sup>

As a consequence of trying new approaches and developing new products and services, the esports world has opened up to new consumer groups. Since the implementation of COVID-19 restrictions, the penetration rates across persona groups have more than doubled in some areas (see figure 13).

Women remain under-represented in the esports audience, but the penetration rate is 2.36 times higher than before COVID-19 restrictions were introduced. Also, esports provided a welcome escape from everyday life for consumers who suffered heavily under COVID-19, with a penetration rate of 2.40 times for this group.

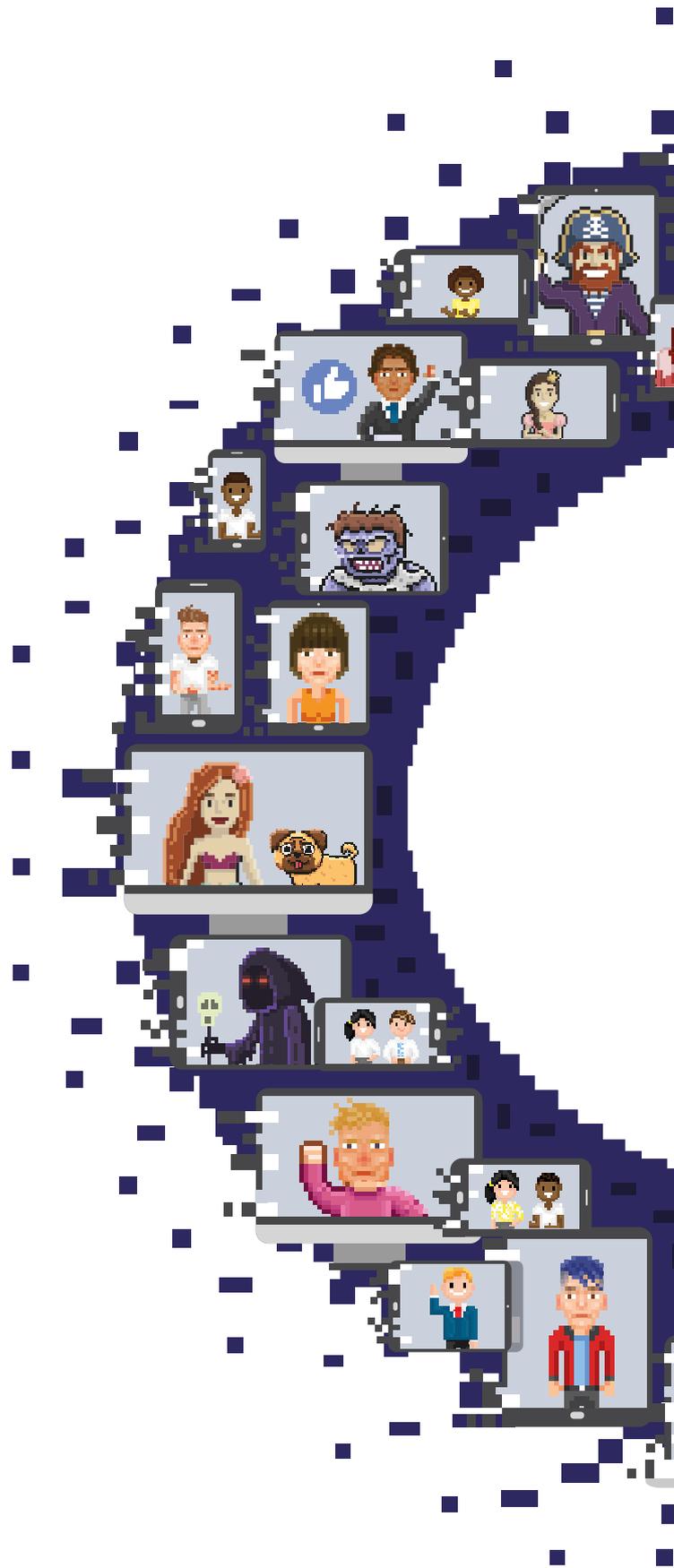
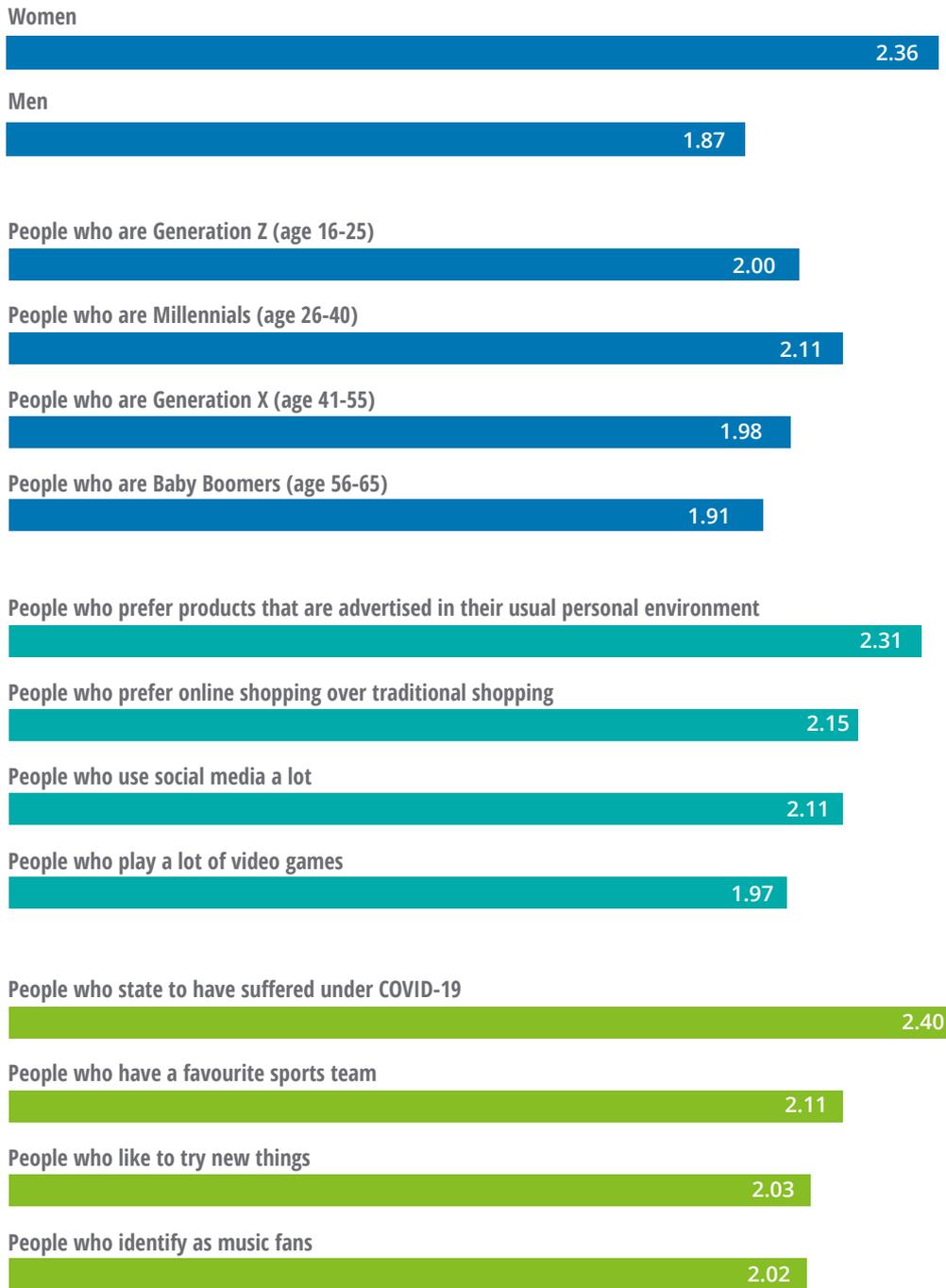


FIGURE 13

### Multiples on esports penetration rates among selected personal groups during COVID-19

■ Demographic-related personas ■ Consumption-related personas ■ Identity-related personas



Note: Figures indicate the factor by which the esports penetration rate multiplied during COVID-19 among consumers belonging to the listed persona groups.

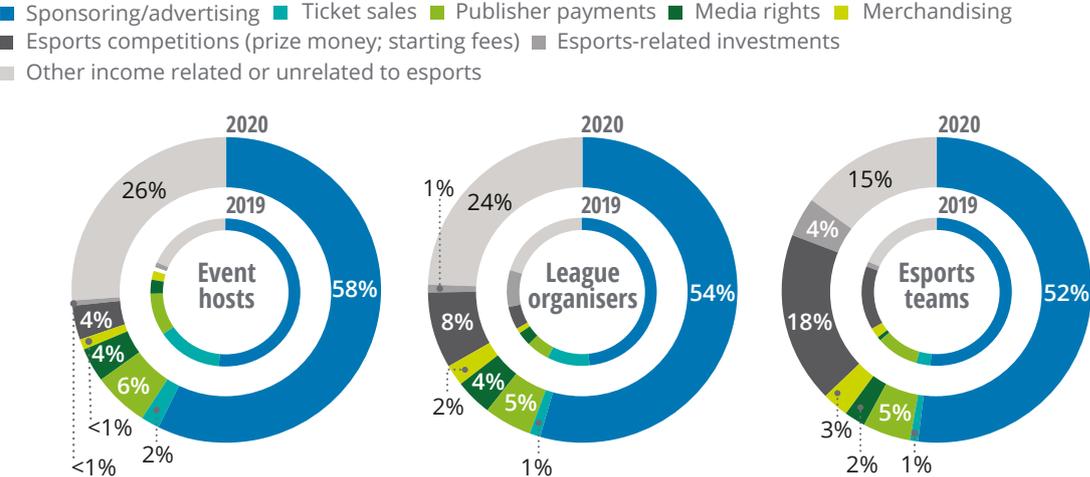
Source: Deloitte analysis

### There remains no direct correlation between audience and revenues

However, this has not resulted in a short-term economic surplus for the sector. As a consequence of cancelled events, ticket sales were lost and merchandise sales and publisher payments were adversely affected. In combination with the low B2C monetisation, this development has led to an even higher sponsor dependency (see figure 14).

There are indications that the acceptance of paid content may increase with recently attracted consumer groups, as 45 per cent of those who watched esports for the first time in 2021 have already made esports-related purchases. Furthermore, 42 per cent of the newcomers from 2021 state that they are very likely or certain to pay for esports products or content in the future, compared to 28 per cent among people who watched esports for the first time in 2020 and 20 per cent among consumers who watched for the first time prior to the outbreak of the pandemic.

FIGURE 14  
**Revenue split of esports market stakeholders in 2020**



Source: Deloitte analysis.

## What role will live events play in a post-COVID esports world?

It is difficult to predict the role of live events in the post-COVID world. Based on the potential return to on-site events in the foreseeable future, in combination with the recovery of existing (and realisation of new) non-event-related revenue segments, organisations that count event-related business to their activity portfolio expect economic prospects to improve towards the end of 2021 – after months of being unable to conduct core business activities due to COVID-19-related restrictions (see figure 15).

Nevertheless, after successfully establishing remote events and diversifying product portfolios, it is essential to reflect on the future role of live events in the ecosystem, taking into account consumer demand, event scale and an appropriate balance of online and offline events.

## High hopes for strategic partnerships

Engaged sponsors will still want live events, as events represent a unique exposure opportunity for their brands. Esports stakeholders will undoubtedly address this demand, as they have high hopes for the impact of strategic partners on the esports ecosystem.

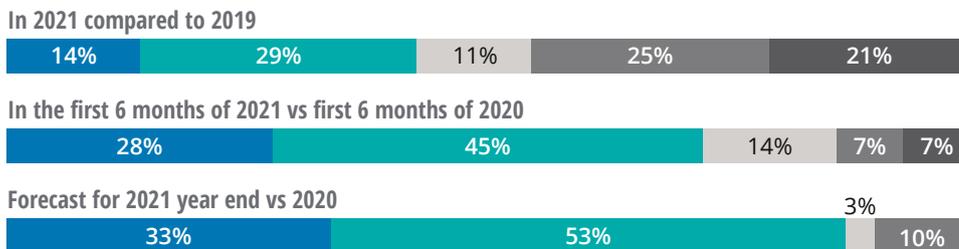
In 2020, esports hit record numbers in fundraising. A total of \$2 billion was raised in the calendar year, an increase of 116 per cent compared to 2019.<sup>15</sup> Also, numerous deals have been announced in esports sponsorships during this period.<sup>16</sup>

Hence, according to sector experts, non-endemic investments and sponsorships join the growing audience and popularity as the most impactful trends in the ecosystem (see figure 16).

FIGURE 15

### Revenue development of organisations that count event-related business to their activity portfolio

■ >20% increase ■ 1-20% increase ■ No change ■ 1-20% decrease ■ >20% decrease



Note: Overall revenue development, including non-event-related revenue segments.

Source: Deloitte analysis.

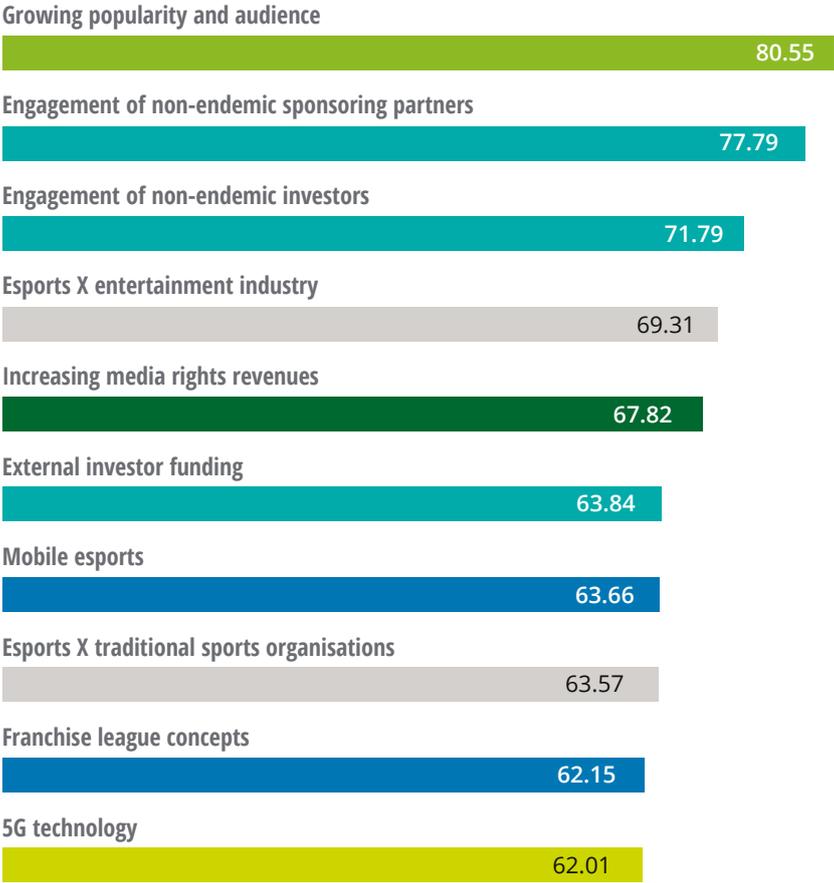
FIGURE 16

### Top 10 trends and drivers that impact the development of the esports industry

(100 = highest possible impact on esports' development; 0 = no impact at all)

Trends regarding ...

- social and regulatory framework of the esports industry
- audience and consumers
- media, broadcast and streaming
- ownership and partnership engagements
- technology
- interaction of esports with other industries



Note: Experts were asked to evaluate 26 overarching trends and drivers regarding the perceived impact they will have on the esports industry in the coming years.

Source: Deloitte analysis

# Special focus: How ESL navigated through the pandemic

As one of the most prominent organisers of esports competitions globally, ESL made substantial changes to its service portfolio under COVID-19. This enabled the company to limit the adverse impact on its business to a manageable level.

## ESL adapted and innovated to entertain fans when live events were disrupted due to COVID-19

When COVID-19-related restrictions were implemented in Europe, ESL rearranged its event schedule, kicking off a series of decentralised digital-only productions, which allowed the company to deliver content and reach audiences during the height of the pandemic.

Considering that ESL ran multiple global stadium-sized competitions and plenty of national tournaments annually in pre-COVID times, the company had to adapt its monetisation strategy rapidly and develop additional USPs.

## Strategy shift upholds fan base and enhances product appeal

This change in strategy enabled ESL to sustain the entertainment factor. As a result, its competitions achieved record viewership numbers – for some, viewership doubled or tripled compared to the pre-COVID benchmark (figure 17).

Furthermore, the company set a strategic course for the future, making extensive investments and fostering developments in five areas of the business:

### 1. Long-term extension of key partnerships

ESL has renewed contracts with Intel and DHL, two of its largest brand partners. Further renewal negotiations are ongoing with several brand partners.

### 2. Production innovation investments

ESL broke new ground in technology and capacity to sustain the unique character of its events and enhance its productions in the absence of physical events.

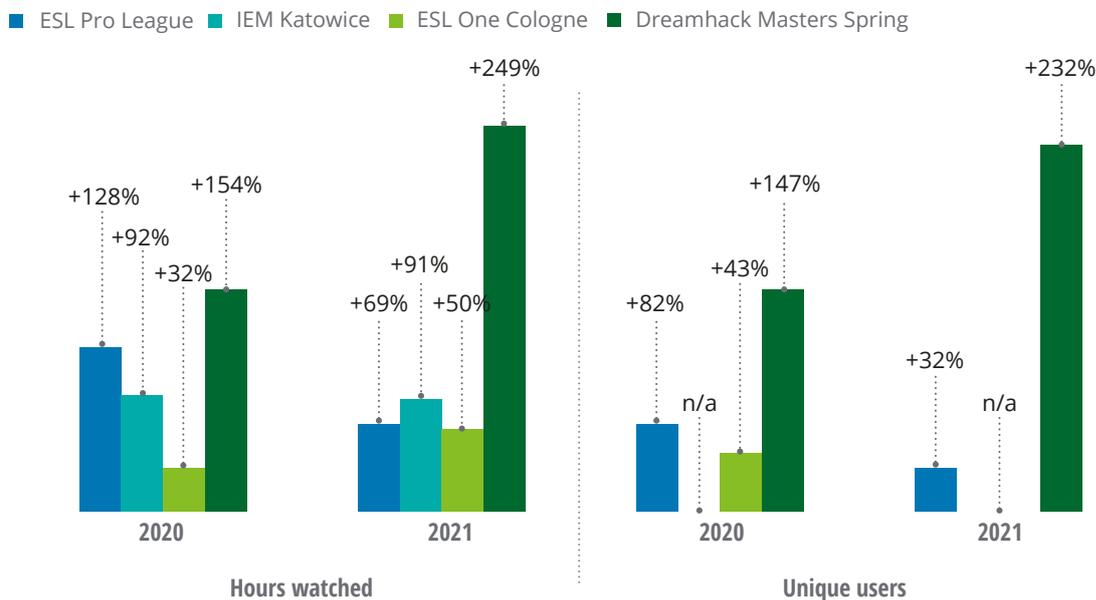
#### EXAMPLES:

- Implementation of a remote production control room from which all major “Counter-Strike: Global Offensive” (CS:GO) competitions were produced.
- Setup of an esports-focused TV studio with multiple production and control rooms.
- Utilisation of complete virtual studios and augmented reality features in productions.
- Implementation of decentralised broadcasts by all participating teams, which were integrated into the live shows to enable viewers to see the players in the stream.
- Introduction of ‘fan cams’ through which fans could connect with other fans and participate in live shows.

FIGURE 17

### Comparison of selected ESL events' viewership numbers to the pre-COVID benchmark

Selected events in 2020 and 2021 compared to the same events in 2019



Note: 1) For IEM Katowice, 2018 figures were taken as the pre-COVID benchmark, as the 2019 IEM Katowice was staged as a Masters tournament and was therefore not comparable to other editions of this tournament series. All other pre-COVID benchmarks from the remaining competitions depicted in the graph relate to 2019 figures; 2) All metrics are excluding China.

Sources: ESL, Deloitte analysis.

### 3. (Digital) merchandise

With the unavailability of event merchandise stores, ESL focused on expanding its online store with renewed marketing efforts and developed new digital merchandising products.

#### EXAMPLES:

- CS:GO trading cards, which were made available in late 2020 as physical cards that also included a digital non-fungible token (NFT) equivalent.
- Digital-only NFT collectibles of which two releases were 'dropped' in 2021.

### 4. Further monetisation initiatives

In addition to aligning the production process and developing digital merchandising products, ESL implemented measures to support the customer experience (and, therefore, monetisation).

#### EXAMPLES:

- Release and further development of the CS:GO Hub in 2020, an all-in-one offering for "Counter-Strike" fans.
- Promoting and scaling the "Badlion" product for "Minecraft", which achieved strong growth in user and revenue figures during the first lockdown period.
- Introduction of a value-add subscription tier to its Twitch channels, adding unique emojis and user badges for loyal fans.
- Development of indirect user monetisation through hosting tournaments for Sony PlayStation, whereby ESL's remuneration depends on the number of participants in these tournaments.
- Development of an ESL mobile product with large-scale phone application and prototyped optional systems, favouring revenues from publishers and developers.

### 5. Success of the ESL Pro League

The Pro League – ESL's flagship tournament series and core of ESL's Pro Tour ecosystems – has been established as one of the most important worldwide CS:GO competitions in recent years. ESL managed to uphold the Pro League operations under COVID-19 implications and to exceed the related expectations.

#### KEY DEVELOPMENTS IN 2020 AND 2021:

- Through its underlying partnership model with 12 teams ('Louvre Agreement'), which launched in 2020, the Pro League aims to shape the future of CS:GO esports by creating a sustainable business model for partner teams and stakeholders.
- Despite launching this model during COVID-19, the revenue share program exceeded expectations by around 20 per cent, based on the initial share projections for this period.
- In 2021, ESL and the partnered teams decided to search for a new Pro League partner team to add to the Louvre Agreement, reflecting the growth and development of this new partnership model. The members aim to find a new partner by the end of 2021.

### Existing partners stay, but forgone revenues slow growth

The remote-oriented business provided favourable circumstances for further development of media rights revenues and B2C platforms, which recorded more visitors during the lockdowns. At the same time, the shift of events to an online format led to a loss of ticket sales and forgone revenues from merchandise sales, publisher payments and the white-label business for third-party clients.

The company expects classic media and sponsorship agreements to pick up again in the remainder of 2021, and for 2022, for which it prepared the ground through its aforementioned investments in digital channels and production capacities.

### ESL demonstrates resilience by achieving a medium scenario for its business

Due to the development of new potentials, the agile adjustment of its structures and investments that support medium- and long-term developments, ESL withstood the adverse impact of the COVID-19 pandemic and build a foundation for the future.

As the increase in revenues in some areas offset the decrease in others, the pandemic phase can be classified as neither particularly positive nor negative from a purely financial perspective. However, given the massive disruption to the business model, achieving a medium economic scenario in the past one-and-a-half years can be considered a success.

#### INSIGHTS WITH A VIEW ON THE FUTURE

- Live events are and will remain ESL's USP, but the remote phase has created viable alternatives to on-site events. Therefore, the future event calendar needs to hold a proper balance between offline and online events.
- As fan engagement is a critical success driver, it will remain essential to connect authentically with the audience, with grassroots tournaments providing an adequate framework.
- The business depends on the continuous delivery of high-quality content. Therefore, top teams and players need to be incentivised to commit to the ESL ecosystem for years to come.
- Leveraging new technologies and alternative production methods unlocked doors to new partnerships and enhanced monetisation potential for the future.

# Prospects for the European esports landscape

While the esports sector is international, distinct developments and characteristics can be observed in individual European countries. If strategic issues are addressed, the respective markets and ecosystems have positive prospects for growth and stability.

THE CONSUMER BASE is developing favourably for the sector, and increasing its willingness to pay seems possible if consumers are properly addressed. Furthermore, esports are an appealing, high-quality product gaining support from non-endemic partners who could leave a strong mark through their commitment.

This also requires incumbents to continuously perform at the highest level to maintain product quality and partner interest. Moreover, it is relevant to attract partners to the sector and set out to all

stakeholders what can be expected from such a partnership. Developing structures, building reach and establishing long-term partnerships with esports fans are key steps for the medium term, rather than generating a return on investment.

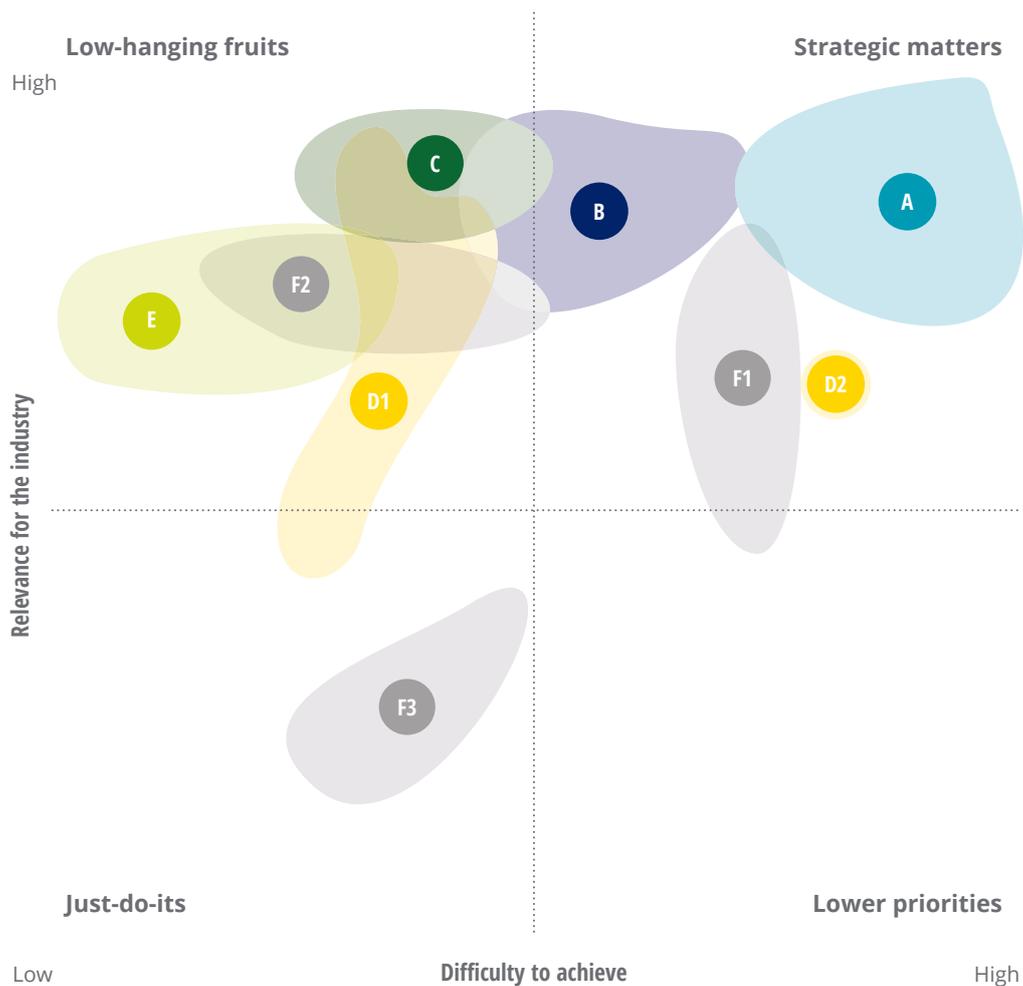
Eventually, some questions remain regarding the limited monetisation of the product and the future role of live events in a post-COVID era. Also, emerging technologies and ongoing structural and societal developments are constantly challenging esports stakeholders.



FIGURE 18

### Prioritisation of selected topics to be addressed for esports' development

- A Monetisation and concentration/diversification of revenue streams
- B Strategic partners (sponsors and investors)
- C Overall and commercial appeal of esports
- D Consumer/audience attitudes and preferences
- E Live events
- F General aspects



Source: Deloitte analysis.

## What concrete steps need to be taken?

As the sector widely depends on single revenue streams or even individual clients and events, it is not surprising that improving the revenue structure and profitability as well as converting non-paying users into paying customers are among the **most pressing issues**, according to sector experts (see figure 18; **cluster A**). These are not only the **most relevant** factors for the ecosystem, but also the **most difficult** ones to achieve.

Beyond these monetisation-related topics, forming and developing strategic partnerships (**B**) constitutes the second block of matters with a strategic priority. This encompasses issues such as convincing more non-endemic companies to engage as partners in esports on a long-term basis, fulfilling partners' expectations and implementing better metrics to measure the success of partnerships.

In addition to that, addressing several 'low-hanging fruits' regarding esports' overall and commercial appeal (**C**) may give the sector a further boost. This includes ensuring high media and broadcast quality, wide accessibility and availability of esports content, and a high competitive intensity, as well as creating "superstar" players, teams and brands. Furthermore, addressing consumer and audience attitudes and preferences by engaging the existing fan base, raising awareness of sponsors and their placements among fans (**D1**) and increasing the attractiveness for a wider audience (**D2**) are among potentially impactful factors that need to be addressed, although with varying degrees of difficulty in putting them into practice.

With respect to live events (**E**), convincing people to come back to arenas after COVID-19 while ensuring a high-quality match-day experience and finding the right mix of online and offline events are major topics to be addressed in the near future.

The most relevant general aspects (**F**) can be clustered into three segments:

- i) strategic matters (**F1**), such as gaining further support from politics, promoting women in esports and implementing financially and socially responsible management and long-term thinking among stakeholders,
- ii) low-hanging fruits (**F2**), such as successfully incorporating trends in technology, gaming and esports, or preventing match fixing and fraud, and
- iii) the just-do-its (**F3**), relating to the mitigation of COVID-19-related economic consequences and environmental and ecological sustainability aspects.

After all, addressing these general aspects will enable the esports sector develop and grow as a whole, instead of improving specific areas within the ecosystem.

All esports stakeholders must contribute to the attractiveness and the big picture to push the ecosystem (and the sub-ecosystems) towards sustained economic success. By embracing this principle and putting short-term self-interests aside for the sake of long-term development, the chances are favourable that esports can get a hand on the main prize.

### READ MORE ON THE INDIVIDUAL ESPORTS MARKETS IN SELECTED EUROPEAN COUNTRIES

Follow this [link](#) to learn more on the individual European esports markets – with dedicated country profiles on 13 European markets, including consumer data, an overview of the relevant esports stakeholders, market developments and Deloitte contacts in the respective countries.

# Basis of preparation

Deloitte conducted an extensive survey in early summer 2021 to obtain reliable consumer data. The survey involved some 20,000 consumers. We also asked representatives of various stakeholder organisations from the European esports ecosystem to provide their thoughts on current topics, sector developments and the effects of COVID-19 on the ecosystem.

THE CONSUMER SURVEY was supported by local Deloitte member firms in Belgium, France, Germany, Hungary, Italy, Poland, Spain, Switzerland, the Czech Republic, the Netherlands, the Nordics (comprising Denmark, Finland, Norway and Sweden) and the United Kingdom. In each country or region, people were interviewed with profiles ranging across demographics and age (16-65), education, gender and income.

The survey is representative of individual countries but is not suitable for forming a Europe-wide average, as the results are not weighted, and some markets were not considered. Accordingly, all total and average reported values are to be understood exclusively as figures for the investigated overall sample, but not for the European population.

For the expert survey, Deloitte reached out to numerous European sector representatives in cooperation with the Interactive Software Federation of Europe (ISFE).

In the first part of the survey, experts provided information about their organisation's business activities and development before and since the outbreak of COVID-19. In the second part, they had the opportunity to discuss overall trends and matters that impact the development of the esports sector in Europe.

A total of 69 experts from organisations in 14 countries (Belgium, Denmark, France, Germany, Hungary, Italy, Luxembourg, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom) accepted our invitation.

The political, economic and geographical understanding of Europe applied in this study is based on the inclusion of all member states of the European Union as of 30 June 2021, and the non-EU countries of Norway, Switzerland and the United Kingdom.

Please note that figures in this report are typically rounded. Therefore, it may not be possible to re-create sums, shares and growth rates based on other stated figures, as the underlying calculation is based on precise (non-rounded) values.

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# Glossary

## **Esports**

In this study, esports are defined as playing computer, mobile and console video games on a professional competitive level, with teams or individuals playing each other within leagues or tournaments. Aside from the competitions themselves, esports are primarily a spectator product and watched by audiences on the internet, on TV and on-site at live events.

Esports are a subcategory of the overall gaming industry, which includes the active and leisure playing of video games.

## **Esports consumer/esports audience**

Respondents who have watched professional esports at least once on the internet, on TV or at a live event.

## **Non-consumers**

Participants of the consumer survey performed by Deloitte who have never been exposed to esports content before.

## **Occasional consumers**

Esports consumers who watched esports content less than once per week in 2020 or 2021 and who have not stopped watching during this time.

## **Regular consumers**

Esports consumers who watched esports content at least once per week in 2020 or 2021, but less than once per day.

## **Hardcore consumers**

Esports consumers who watched esports content each day or nearly once per day in 2020 or 2021.

## **Esports market**

An esports market refers to the individual country or region's specific esports sector.

## **The esports ecosystem (also referred to as 'the esports sector')**

The esports ecosystem revolves around key value drivers and orchestrators of esports competitions, products, services and content. Besides the core value-creating stakeholders (league organisers, event hosts and esports teams and players), it includes stakeholders from the publisher segment, traditional media and online platforms, as well as strategic partners. Also, the esports audience is a key stakeholder in the esports ecosystem.

## **Esports sub-ecosystem**

An esports sub-ecosystem consists of the relevant stakeholders formed around one specific esports title, tournament or other competition. The borders between individual sub-ecosystems might be blurred, while the sum of the esports sub-ecosystems account for the esports sector in general.

## **Esports genre**

Category of games classified by structure, design and goals of the specific games.

## **Esports titles**

Individual game titles in which the competitions are held. Therefore, in the esports context, they are comparable to 'disciplines' in traditional sports.



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The video games sector represents one of Europe's most compelling economic success stories, relying on a strong IP framework, and is a rapidly growing segment of the creative industries.

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