

Media & Entertainment Practice

The keys to esports marketing: Don't get 'ganked'

Esports is fast becoming one of the most popular spectator sports for young US men. But brands looking to capitalize should first learn the complex rules of this new, global game.

by Dan Singer and Jayson Chi



Esports, or competitive video gaming, has been around for more than 20 years, and sponsors such as Intel and Red Bull began hosting events over a decade ago. But the last year has been an inflection point; non-endemic brands such as Arby's, Coca-Cola, and Mercedes moved esports from the experimental marketing budget to the core sponsorship lineup, helping to fuel an estimated 34 percent growth industry-wide in 2019.¹

The last year has also been a watershed for esports investing. Inspired by multibillion-dollar valuations for traditional sports clubs, investors looking to get in on the ground floor have valued at least three esports organizations² at over \$100 million.

The fundamental driver of interest in esports is its reach and engagement with young men:

- There are 21 million esports fans in the United States, of whom 83 percent are male and 84 percent under the age of 35.³ Esports is now the third-most-popular spectator sport for young men; 38 percent of US men under 25 years old are esports fans. They watch almost an hour a day of streaming esports.⁴ In our proprietary research, we found that 10 percent of esports fans report watching over 20 hours per week.⁵
- Contrary to popular belief, millennials are still fans of traditional sports (38 percent for millennials versus 45 percent for Generation X) and have access to pay TV (78 percent for millennials versus 84 percent for Gen X). However, millennials watch much less TV, viewing 28 percent fewer hours per week of TV in 2016 than in 2010.⁶ Nielsen finds that esports fans are even harder to reach on TV, with fewer than 40 percent claiming to tune in on a weekly basis.⁷

- Esports has the potential to be an even more powerful branding medium than traditional sports because of the interactivity of streaming. Ad frequency during esports on Twitch, one of the leading streaming platforms, is currently very low, typically with just a couple of ad interruptions per hour. Streamers are willing to wear, consume, and endorse sponsors' products while broadcasting. And with live chat, contests, and subscriber-only content, esports fans can reach a level of intimacy with their favorite players and teams that traditional sports can't realistically match.

Winning with esports sponsorship

Still, sports marketers seeking to target young men through esports face a real challenge in achieving efficient reach. Brands tend to underestimate the fragmentation of esports fans among many games, leagues, teams, and players. As a result, they risk spending their money unwisely and ending up, like so many unseasoned gamers, getting "ganked."⁸ Keeping the following considerations top of mind is key to avoiding such a fate.

1. Playing is not watching

With 211 million gamers⁹ in the United States, playing video games is hugely popular. From our research, 83 percent of US males aged 13 to 49 play video games, and 66 percent play at least once per week. However, only 37 percent of those who *play* competitive video games at least once a week also *watch* esports weekly.

2. Too many game titles

There are currently esports leagues and competitions for over 30 different game titles. There is also significant churn: *Fortnite* and *PlayerUnknown's Battlegrounds* are two of the top five esports in

¹ Esports sponsorship is projected to reach \$457 million, according to *Global Esports Market Report*, Newzoo, 2019, newzoo.com.

² For example, based on Cloud9's \$50 million series B raise in 2018, *Forbes* estimates the company is worth \$310 million on \$22 million in revenue. Esports organizations, such as Cloud9, Team Liquid, or TSM, field multiple teams, typically one team per esports title (for example, *DOTA 2*, *League of Legends*, or *Overwatch*). The teams share a common brand across the esports organization. This structure is similar to European clubs, such as FC Barcelona, which is most famous for its football club but also fields teams in basketball, volleyball, team handball, ice hockey, and rugby.

³ *Justifying brand investments in esports*, MRI-Simmons, December 18, 2018, simmonsresearch.com.

⁴ "Nielsen releases unprecedented insights on esports fan attitudes and behaviors leveraging Twitch data," a joint study from Nielsen and Twitch, December 13, 2018, nielsen.com.

⁵ McKinsey US Esports Fan Survey, December 2018.

⁶ Daniel Singer, "We are wrong about millennials; they ARE sports fans," *Sports Business Journal*, September 18, 2017, sportsbusinessdaily.com.

⁷ *Esports playbook for brands*, Nielsen, April 24, 2019, nielsen.com.

⁸ "In a video game, to use underhanded means to defeat or kill a less experienced opponent," *Oxford English Dictionary*, s.v. "Gank," lexico.com.

⁹ "Over half of the 211.2 million video gamers in the U.S. play games across multiple platforms, according to NPD," NPD Group, September 11, 2018, npd.com.

terms of Twitch hours watched in 2018, neither of which even existed until March 2017. In February 2019, Apex Legends acquired 50 million registered players and reached a high of 7.6 million concurrent viewers in its *first four weeks*.¹⁰

Esports organizations field teams for many different titles, but none covers all of them. Players rarely compete in more than one title, and therefore a sponsored athlete reaches only a segment of fans.

3. The most popular streamers are not esports pros

The most popular esports events are still the major team competitions, such as the *League of Legends* World Championship, which had 20 million average viewers for the final match between China's Invictus and Europe's Fnatic in 2018.¹¹

However, pro competitions constitute just 11 percent of esports viewing, according to Newzoo. Based on 2018 Twitch data,¹² all of the top ten channels for the year were dedicated to esports, of which seven were the personal channels of video-game streamers, led by Ninja (Tyler Blevins) with 230 million hours viewed. Of these top esports streamers, only two are currently members of pro teams (Dakotaz of TSM and Tfue of FaZe Clan). The other five (Lirik, Ninja, Shroud, Sodapoppin, and summit1g) are independent streamers (exhibit).

Independent streamers are all accomplished gamers, but they function more as entertainers and coaches than as competitors. Some streamers operate as "content creators" for pro teams, which means that they affiliate with the team on Twitch, YouTube, and other platforms, giving the team more views and the streamer the opportunity to reach the team's fans and benefit from its commercial arrangements. However, it's not yet clear how sustainable the bonds between streamers and teams will remain, particularly for the most popular streamers who have the scale to replicate the benefits of team affiliation on their own.

4. Fan loyalty is split among teams, pro players, and independent streamers

From our survey, 84 percent of US esports fans who can recognize three or more leading teams are also avid watchers (that is, at least an hour a week).

However, only 37 percent of avid US esports fans recognized three or more leading esports teams in our survey. About 45 percent of avid US esports fans say they have a favorite player or streamer, which implies that more avid fans follow favorite players in their favorite games, with less concern for which pro team (if any) they belong to.

5. No esports organization is globally dominant, but most have out-of-market fans

European and North American sponsors will find that at least 30 percent of esports viewers are from outside the team's home country, particularly in China, Japan, and South Korea, which leads to wasted impressions. Several esports leagues, such as Overwatch League and NBA 2K League, have created city-based franchises to tap into fans' hometown passion (and local sponsorship budgets). Nonetheless, these franchises report that so far around 80 percent of viewers are outside the home metro area.

6. Measurement is (still) imprecise

Marketers want metrics that are comparable to traditional sports, and esports has made significant progress toward that goal. For example, Twitch and YouTube now report the unique viewers and average-minute audience size for each esports stream and clip, which gives third-party validation for the size and engagement of fan bases.

However, we still can't segment esports viewers: How many are in the United States? Male? Thirteen to 18 versus 18 to 35 years old? How many watch less than an hour per week versus ten-plus hours? As with other forms of digital advertising, brands also have concerns about ad viewability, viewing by bots and fake accounts, and targetability.

¹⁰ Allegra Frank, "Apex Legends tops 50M players in first month," Polygon, March 4, 2019, polygon.com.

¹¹ Aaron Mickunas, "Riot says this year's League Worlds had the 'largest viewership number' of any esports event in history," Dot Esports, December 11, 2018, dot esports.com.

¹² Esports Observer, January 8, 2018–January 8, 2019, esportsobserver.com.

Exhibit

Independent streamers dominate Twitch.

Top independent esports streamers¹

'Ninja'
(Tyler Blevins)
Main game: *Fortnite*

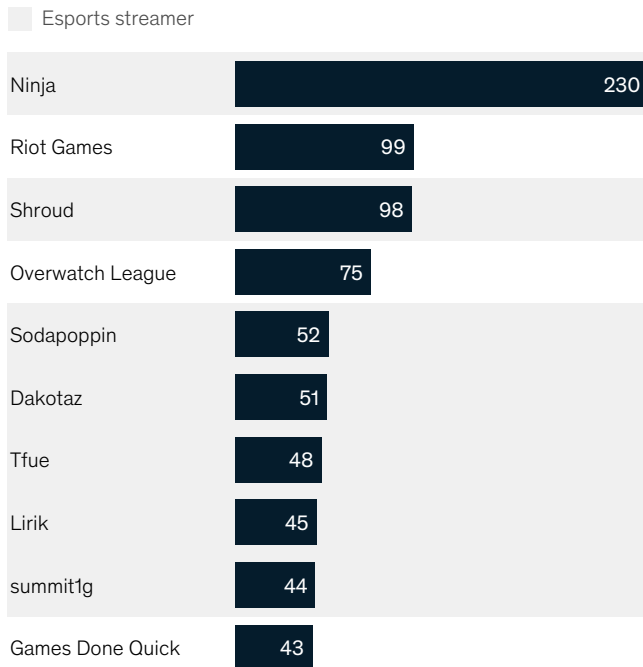
'Shroud'
(Michael Grzesiek)
Main game: *Counter-Strike: Global Offensive (CS:GO)*

'summit1g'
(Jaryd Lazar)
Main games: *CS:GO, Fortnite*

'DrDisRespect'
(Guy Beahm)
Main games: *Fortnite, League of Legends, PlayerUnknown's Battlegrounds*

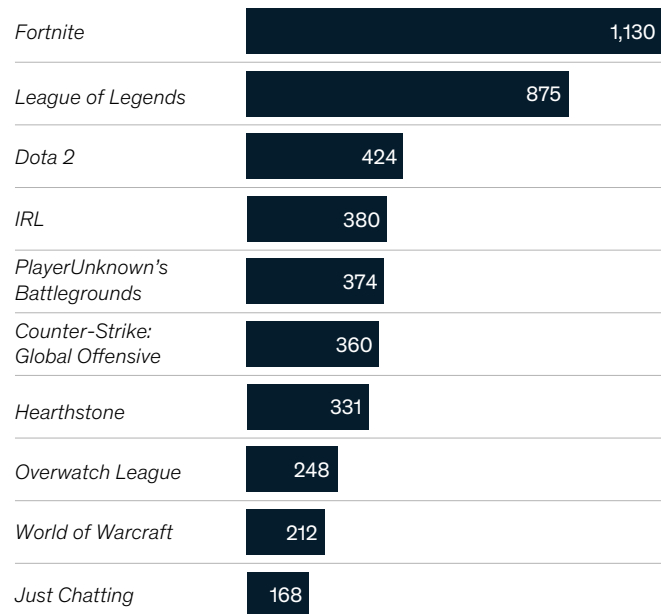
Twitch top channels by hours watched,

Jan 8, 2018–Jan 8, 2019, million



Twitch top content by hours watched,

Jan 8, 2018–Jan 8, 2019, million



¹Independent streamers stream esports games but don't compete on teams in organized competitions; teams associated with each streamer: Ninja: Luminosity, content creator; Shroud: formerly Cloud9; Summit1G: formerly A51, Team Mythic.

Source: Esportsobserver.com; Upfluence.com

7. Most esports fans are also fans of traditional sports

There is a perception among many sports marketers that esports fans are separate and distinct from traditional sports fans. "It's like high school; the jocks are in one cluster and the geeks in another," one team president told us. Going to a major esports event can tend to reinforce that impression; fan behavior can be more like a comic-book convention than a football game.

This perception is largely incorrect. Only 13 percent of US esports fans in our survey said that "esports

is the only sport I watch." Even among those who said that esports is their favorite sport to watch, fewer than one in three said it was their only spectator sport. Research firm MRI-Simmons has estimated that 20 million of the 21 million US esports fans are also fans of traditional sports.

8. Sports video games are secondary esports

US major leagues have embraced esports; for example, Major League Soccer, the National Basketball Association, and the National Football League have created competitions for Fédération Internationale de Football Association (FIFA),

NBA2K, and Madden, respectively. Many team owners (for example, those of the Golden State Warriors, Los Angeles Rams, New England Patriots, and Philadelphia 76ers) have invested in esports organizations, drawn by the potential to activate sponsors and fans across both real-world and virtual teams.

However, esports is dominated by shooting games (first-person shooters, such as *Counter-Strike: Global Offensive*; battle royale, such as *Fortnite*; and multiplayer online battle-arena games, such as *League of Legends*), rather than sports-based games.

- None of the top ten video games in 2018 were sports based, either in terms of players or viewing hours.
- Of the US men ages 13 to 49 we surveyed, 22 percent play shooting games at least once a week versus only 11 percent who play sport-based video games. (Another 16 percent play both.)
- Those who play only sports-based video games are less likely (27 percent versus 35 percent) to watch esports weekly than those who play shooting games. They are also less likely to follow pro esports teams (18 percent versus 33 percent).

For marketers seeking to connect with esports fans, some degree of association with combat-oriented games is unavoidable.

9. Platform advertising offers broad reach—but less engagement

One potential solution for managing the complexity of esports properties and fan bases is simply to advertise on Twitch and YouTube across all genres of video game streaming. Those platforms allow marketers to target esports fans by demographics and location.

While platform advertising could help solve the efficient-reach problem, the quality of engagement with fans can't match player, team, or event sponsorships. As with traditional sports, authentic

endorsement by the fan's favorite player or team commands attention and builds brand affinity. Esports players are even more willing than other athletes to promote sponsors on camera, even while playing, tapping into the fan's emotional connection to the player.

10. China is an attractive but vertically integrated market

China is a particularly compelling market: 50 percent of all esports fans live in Asia, with China by far the largest market, and Chinese fans are more likely to play and watch esports, follow a favorite player, and follow an esports team than their US peers. However, marketers will find that Tencent is in a strong position in the Chinese esports ecosystem, due to its ownership (full or partial) of games (for instance, *Fortnite* and *League of Legends*), leagues (such as Honor of Kings), independent leagues (like VSPN), and distribution channels (for example, Douyy, Huya, QQLive, and WeChat). Tencent is also one of the largest digital agencies in China. In the near term, this degree of vertical integration could help enable better sponsorship and advertising opportunities but at a potentially higher cost structure.

Leveling the playing field

Esports will be thwarted by fragmentation and opacity, unless the industry takes concerted action:

- **Activate consistently.** Publishers, leagues, and popular streamers are generally limited to one or two game titles each and therefore can only reach a segment of fans. Leading esports organizations can solve the efficient-reach problem for sponsors, but only if they create compelling branded content, manage data, and measure consistently across their teams and players, which requires more marketing, IT, and analytics staff than most have today.
- **Lock in the streamers.** Independent streamers can command large audiences, but they are not equipped to sell or service sponsors on their own. To do so, they can either turn to talent agencies or join esports organizations. There is natural synergy between streamers and the leading organizations—they can cross-promote, make

joint appearances, and deliver more consistent execution and efficient reach than any other entity. But teams will need to strengthen their sales and marketing capabilities and prove their value to the top streamers to compete with agencies for their allegiance.

- **Get face to face.** Live esports events have proved to be immensely popular, and sponsors value in-person engagement in front of a passionate arena crowd much more than via PC or mobile.
- **Improve audience measurement.** The major streaming platforms should enable marketers to cap ad frequency and measure unduplicated reach, including sponsorships sold by teams and leagues.

- **Target.** Esports are now at an efficient scale for ad targeting, and the industry should enable sponsors to target microsegments of esports fans.

The power of esports to reach millennials as well as members of Generation Z, particularly males 12- to 35-years old, is now undeniable. Current valuations for esports teams and leagues reflect burgeoning investor confidence that marketing budgets for esports will grow accordingly. If the esports industry can deliver efficient reach—through better sales and marketing capabilities, standard audience metrics, and aggregation of titles and streamers—that confidence should be rewarded.

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