

# 2019 Esports Survey



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## Executive Summary

The growth of esports in recent years — with games like “Fortnite” and platforms like Twitch becoming full-blown cultural phenomena — is remarkable on its own. But considering esports entered the world [during a 1972 competition](#) at Stanford University with the winner getting a magazine subscription, the industry’s ascent into the mainstream has been amazing.

And the future might be even brighter.

As expected esports revenues [climb](#) above \$1 billion this year, and with many estimates projecting market growth around \$2.5 billion by 2025, the **Second Annual Esports Survey** by [Foley & Lardner LLP](#) and [The Esports Observer](#) shows insiders are also bullish about the industry’s prospects. They see investors moving in and doubling down, revenue sources evolving and viewership continuing to grow.

The survey queried more than 200 executives — primarily esports and traditional professional sports teams and leagues, media companies, agencies and industry consultants — to gauge where the industry is going. Respondents clearly see growth and strong potential driven by rapidly evolving technology, with millions already watching ads, buying merchandise, doling out for events, following their favorite players and brands and making in-game purchases. Advertising and sponsorships are expected to drive the most revenue in the next 12 months, beating out in-game

purchases and media rights. That media rights — which many industry observers expect to lead the pack in the years ahead — didn’t yet top the list shows that the industry is still just scratching the surface on revenue.

Investors are also increasingly jumping in. Respondents expect private equity and venture capital firms to increase their esports investments over the next year. That tracks with the launch of investment funds focused on esports, which would have been hard to imagine a decade ago. Traditional sports teams and leagues, athletes and celebrities are also expected to further increase their level of esports investment over the next 12 months.

Of course, this rapid growth comes with more problems — notably of the legal variety. Respondents increasingly are concerned with intellectual property (IP) rights and licensing issues, as well as player rights and fair contracts, compared with the 2018 survey.

But despite these challenges, all signs point in an encouraging direction. That might not have been a universal prediction a few years ago, but it’s not surprising to everyone. “It may seem extraordinary that you can now fill arenas with people who want to watch videogames,” Stewart Brand, a writer and one of the organizers of the original event at Stanford, told [Rolling Stone in 2016](#). “But it’s a perfectly reasonable outcome of what you could already see in 1972.”



## Highlights of the 2019 Esports Survey Include:

- The 2019 survey saw a **rise in esports investments expected from private equity and venture capital firms** over the next year. That 47% anticipate increased investment from those groups, up from 39% in the 2018 survey, signals a sector that's maturing and becoming attractive to more investors looking for big paydays. At the same time, 47% also expect traditional professional sports teams and leagues, athletes and celebrities to increase investments, down from 57% in 2018. Rather than a sign of bearishness, this shows **traditional sports has made a big play in esports and will likely continue to do so**. In fact, among respondents who believe that traditional sports will increase investment in esports, 88% think they will do so to a significant or moderate extent.
- Most respondents feel **the growth of esports has affected traditional sports**, with only 10% disagreeing with this statement. The increased emphasis on digital media and livestream viewing options was the top perceived impact selected by 71% of respondents, followed by 57% who pointed to increased competition for viewership, particularly among millennials.
- **Advertising and sponsorships are expected to be esports' primary revenue driver** for the next 12 months, as they were in 2018. The jump from 41% in 2018 to 51% in 2019 reflects the growing involvement of both endemic and nonendemic brands. **In-game purchases moved past media rights** as the second-largest expected revenue source.
- Respondents expect **increased M&A activity across several categories**, including streaming and broadcasting (62%), events and tournaments (60%) and franchised teams (59%). This shows that esports is still growing and that insiders expect further consolidation as the industry matures.
- **Cheating and match fixing** concern respondents, with 68% indicating that it **poses a significant threat to the legitimacy and growth of esports**. Of those, 47% identified the absence of fraud detection systems as a key contributing factor. The **control that game developers exert over esports, and its potential to constrain the industry's growth**, is also a primary concern of respondents, with only 5% not perceiving it as a problem.
- **Staying current with legal issues and prioritizing compliance with regulations is a top priority** for 70% of respondents. IP rights and licensing issues jumped among perceived risks from 50% in 2018 to 61% in 2019, as did concerns about contracts that do not provide adequate protections for players (from 43% to 54%).
- The United States (60%) and China (56%) are considered to offer the **most promising esports investment opportunities** over the next five years. But respondents are also bullish on the potential in developing areas around the world, including India (32%), Southeast Asia (24%) and Latin America (22%).

*In the charts that follow, some aggregate percentages do not equal 100% due to rounding or because respondents were invited to select more than one answer. Refer to page 15 for more detail on the survey methodology and a breakdown of respondent demographics.*

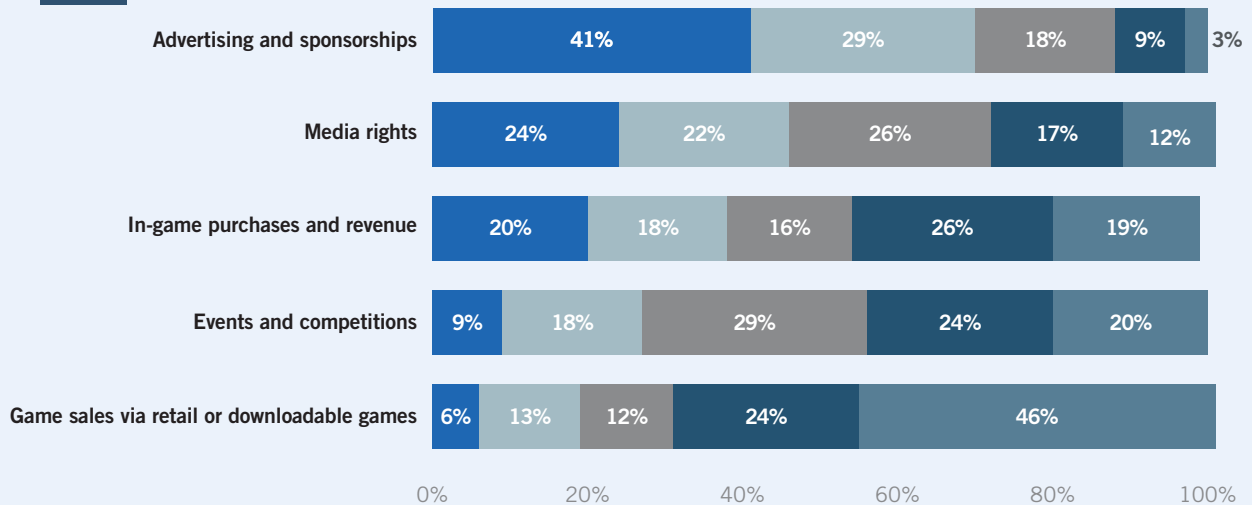
SECTION 1:

# Growth and Investment

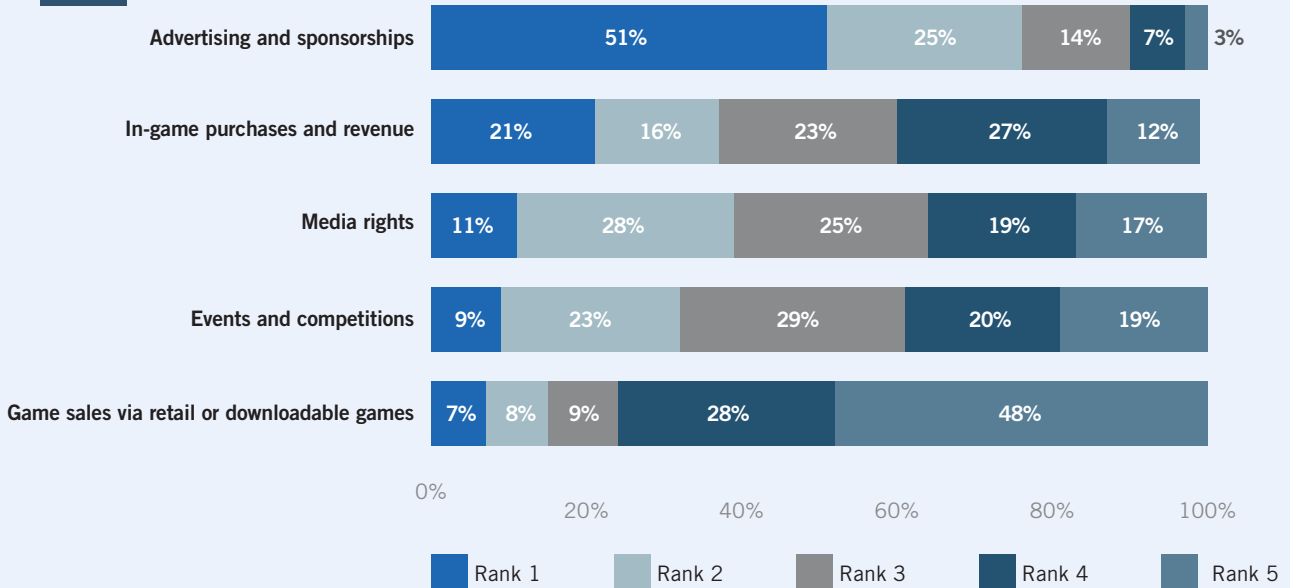
1

RANK THE FOLLOWING FROM 1 BEING THE AREA THAT WILL ACCOUNT FOR THE GREATEST AMOUNT OF GROWTH THE ESPORTS INDUSTRY EXPERIENCES OVER THE NEXT YEAR TO 5 BEING THE AREA THAT WILL ACCOUNT FOR THE LEAST.

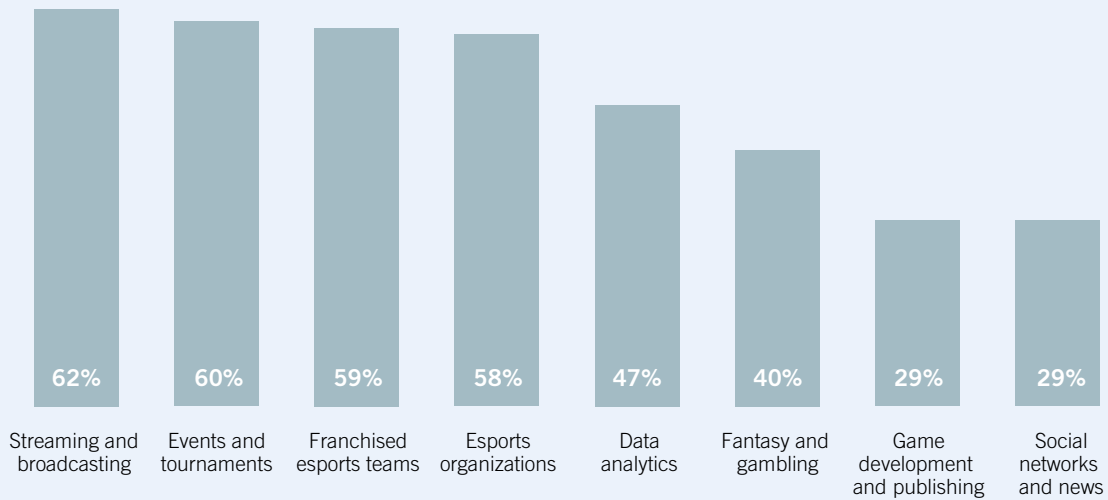
2018



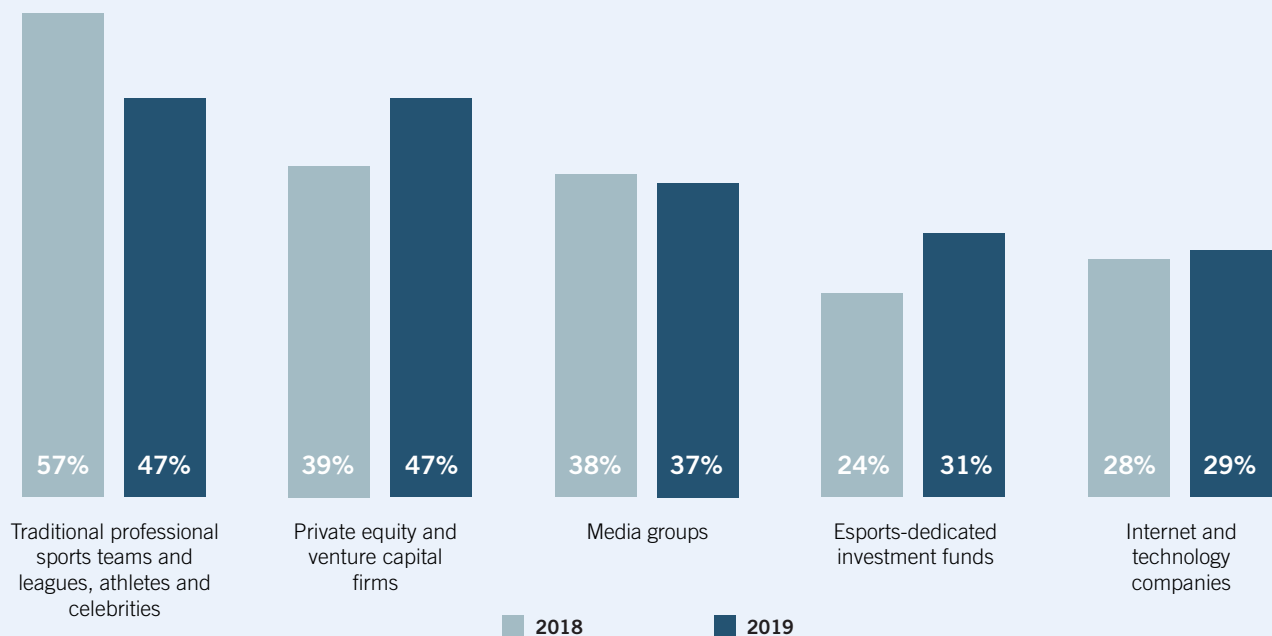
2019



**2** IN WHICH OF THE FOLLOWING CATEGORIES DO YOU EXPECT TO SEE INCREASED M&A ACTIVITY IN THE ESPORTS INDUSTRY OVER THE NEXT YEAR? (CHECK ALL THAT APPLY)

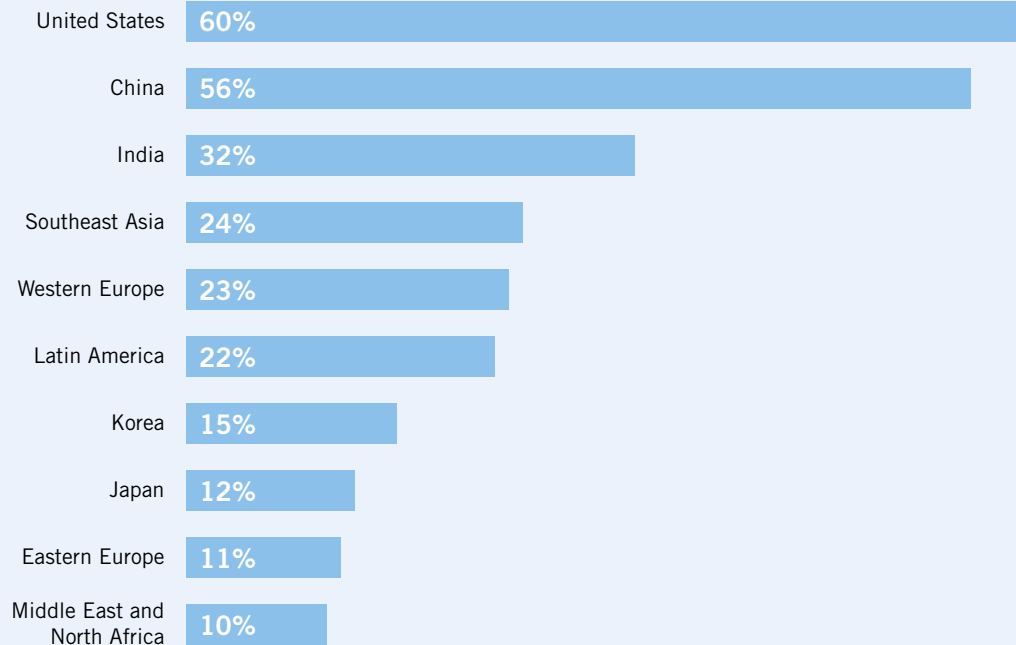


**3** WHICH OF THE FOLLOWING DO YOU THINK ARE LIKELY TO INCREASE THE AMOUNT OF THEIR INVESTMENT IN THE ESPORTS INDUSTRY OVER THE NEXT YEAR? (SELECT UP TO TWO OPTIONS)



## 4

## WHICH REGIONS OFFER THE MOST PROMISING INVESTMENT OPPORTUNITIES FOR ESPORTS OVER THE NEXT FIVE YEARS? (SELECT UP TO THREE OPTIONS)



Advertising and sponsorships again ranked as the area respondents most expect to drive revenue growth in esports over the next year, with 51% selecting it as the most promising area, up from 41% in the 2018 survey. Throughout 2019, several big brands entered esports by engaging in sponsorships. Based on the experience and insights gained by early corporate entrants, it has become easier to justify the move for new brands without having to figure out the esports ecosystem or develop return on sponsorship evaluations from scratch.



*“In esports, many stakeholders such as teams, personalities and tournament brands create their primary value in the currency of attention, brand awareness and reach, rather than in products and services. Consequently, for these types of stakeholders, advertising and sponsorships offer opportunities to generate revenues.”*

— **[Tobias Seck](#)**, business analyst at The Esports Observer

Media rights ranked second among areas expected to drive revenue growth in the 2018 survey, a year in which several exclusive media rights deals by platforms including Twitch, Facebook and Twitter were announced. As the media rights market continues to take shape and with the volume of large-scale media rights deals dipping in 2019, this area ranked third in this year’s survey.



*“While this year’s survey saw a slight drop in the amount of esports revenue growth that respondents think will be driven by media rights in the near-term, this area is likely to be among the best long-term plays. As game publishers work to expand the reach of their games and as traditional television networks and distributors seek to tap lucrative advertising revenue around gaming leagues, interest in media rights deals will only continue to grow.”*

— **[Kevin R. Schulz](#)**, co-chair of the Sports & Entertainment Group at Foley & Lardner LLP

In-game purchases and revenue moved up to the second-ranked spot in this year's survey. Game developers are core to esports, creating the IP around which the whole ecosystem orbits. With many of the most popular esports games and most mobile games being free to play, developers rely on in-game purchases or micro-transactions to generate revenue. A recent example of the economic potential of in-game purchases is Dota 2's The International's \$34.33 million prize pool, of which \$32.73 million was generated from in-game purchases. The result was \$131 million in revenue for the game's developer, Valve.

Following multiple livestreaming platform IPOs and investments over the last 12 months, 62% of respondents expect increased M&A activity in the streaming and broadcasting area of esports. Videogame livestreaming platforms are in fierce competition over market share, and with the biggest players backed by multinational corporations (e.g., Amazon-backed Twitch, Microsoft-backed Mixer and Tencent-backed Huya and Douyu), surviving in this market is difficult without sufficient backing. Respondents also expect increased M&A activity in the sector of events and tournaments (60%) and franchised esports teams (59%).



*“The wide range of areas in which respondents expect a rise in esports M&A activity indicates a fluid, Wild Wild West-type industry. Esports is growing rapidly, led by interest from various types of investors and both endemic and nonendemic brands. As the industry continues to mature and stabilize, we’d expect to see a decrease in M&A volume.”*

— **Michael J. Wall**, of counsel and member of the Sports & Entertainment Group at Foley & Lardner LLP

In the 2018 survey, traditional professional sports teams and leagues, athletes and celebrities topped the list of parties expected to increase their investment in esports over the next year by a wide margin. In this year's survey, private equity and venture capital firms share the top spot. This likely reflects a maturing market primed for traditional investors, as well as large and continuing bets from traditional sports organizations. Media groups (37%), esports-dedicated investment funds (31%) and internet and technology companies (29%) are next on the list. A detailed breakdown of how each of those types of investors gets involved can be found in the report on the [rise of esports investments](#) conducted by Deloitte and The Esports Observer.



*“Increased involvement by private equity and venture capital firms is a clear sign that traditional investors believe in the longevity of the space and have made the financial judgment that esports is now part of the culture. Investors are betting on the opportunity here given the massive scale of the global competitive video gaming audience.”*

— **Bobby Sharma**, special adviser to the Sports & Entertainment Group at Foley & Lardner LLP

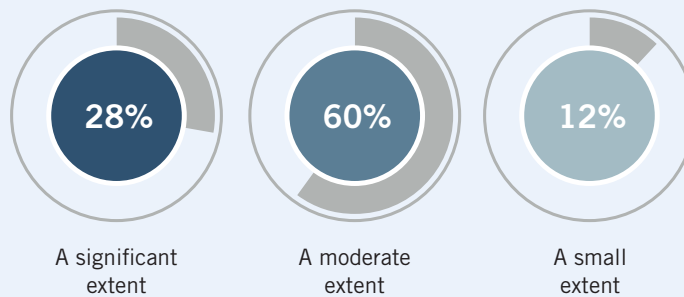
Most respondents said the United States (60%) and China (56%) offer the most promising investment opportunities in esports over the next five years. But there are positive signs for the industry even in less-developed countries. Roughly one-quarter of respondents believe that India (32%), Southeast Asia (24%) and Latin America (22%) are the most promising regions for investment.

## Interaction Between Esports and Traditional Sports

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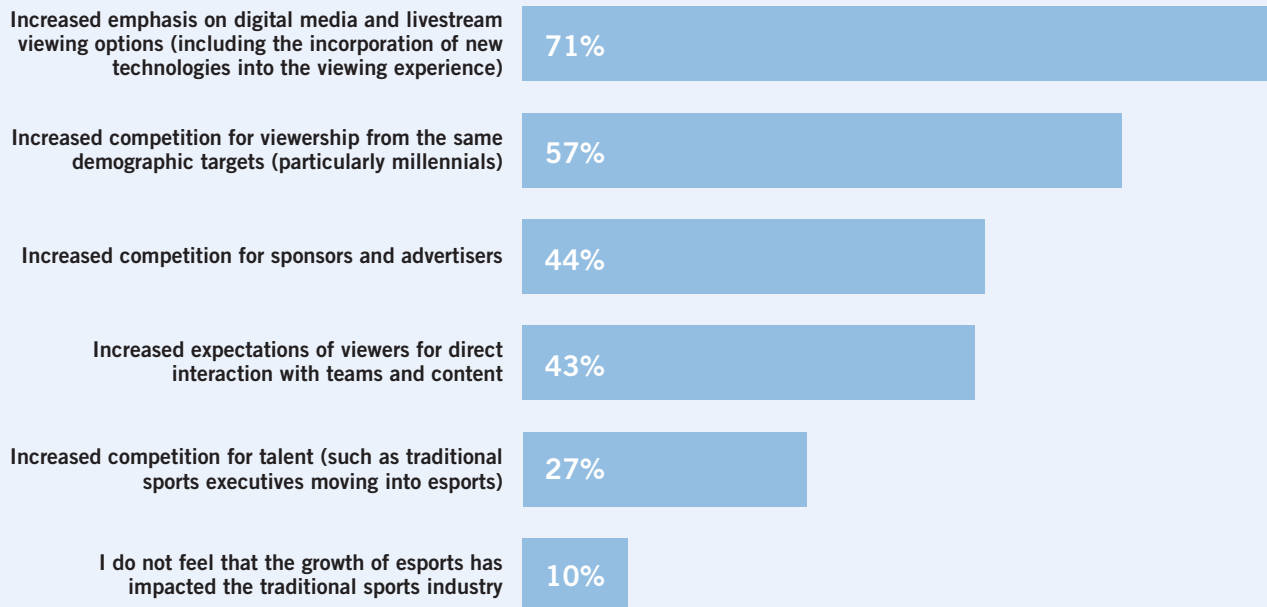
**TO WHAT EXTENT DO YOU THINK TRADITIONAL PROFESSIONAL SPORTS ORGANIZATIONS AND ATHLETES WILL INCREASE THEIR INVESTMENT IN THE ESPORTS INDUSTRY OVER THE NEXT YEAR?**

*NOTE: THIS QUESTION WAS ONLY ASKED TO RESPONDENTS WHO BELIEVE TRADITIONAL SPORTS WILL INCREASE INVESTMENTS IN ESPORTS*



6

**IN WHICH OF THE FOLLOWING WAYS DO YOU FEEL THE GROWTH OF THE ESPORTS INDUSTRY HAS IMPACTED THE TRADITIONAL SPORTS INDUSTRY? (CHECK ALL THAT APPLY)**







The traditional sports apparatus (teams, leagues, owners, athletes, celebrities) has already made significant investments in esports and the majority of respondents believe the industry will continue to be a major player in esports investing. When these respondents were asked the extent to which traditional professional sports would increase their investment in esports over the next 12 months, 88% said to a significant or moderate degree.



*“We continue to see significant interest from traditional professional sports in investing in esports, particularly hard assets such as venue development, streaming and technology. Given the labor issues facing teams and the lack of clarity around their business model, the teams, leagues, owners and athletes who have been on the sidelines until now are often focused on deploying their funds in areas they perceive as more stable and less risky, like facility and venue construction.”*

— **Lisa Glahn**, vice chair of the Construction Practice and member of the Sports & Entertainment Group at **Foley & Lardner LLP**

Most respondents feel the growth of esports has affected traditional sports, with just 10% saying it hasn’t had any impact. The top perceived impact — selected by 71% of respondents — is increased emphasis on digital media and livestream viewing options, including incorporating new technologies into the viewing experience. As one survey respondent put it, “esports has forced traditional sports teams and leagues to evaluate how (and how often) they engage with their audience.” Another noted that “esports has prompted traditional sports teams to seek viewership beyond their respective arenas, and to seek year-long activity from fans. Teams are now finding ways to merge both worlds, gaming and live sport.”

But does esports’ rise threaten traditional sports? Increased competition for millennial viewers ranked as the second-highest impact. As such, established leagues are wisely adapting — even if there are a lot of viewers to go around.

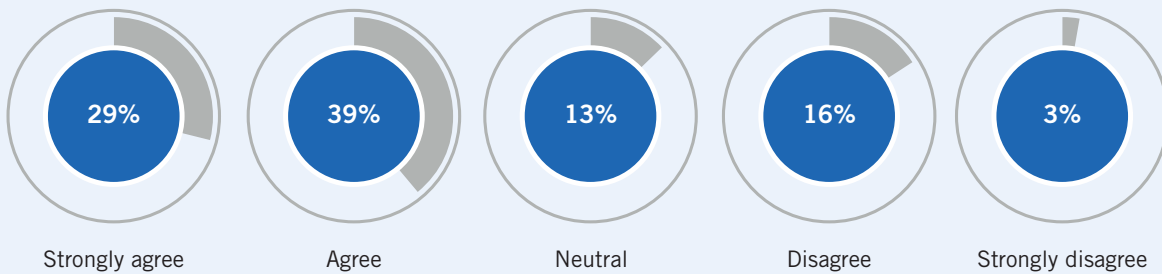
“To the extent that a younger audience is consuming content differently, traditional sports realize that linear distribution of content loses out on a large and growing sector,” one respondent said. “Not only do the traditional sports organizations want to reach that younger demographic, they realize that diversification, both in content AND content delivery, is a key business driver.”

SECTION 3:

## Legal and Other Risk Areas

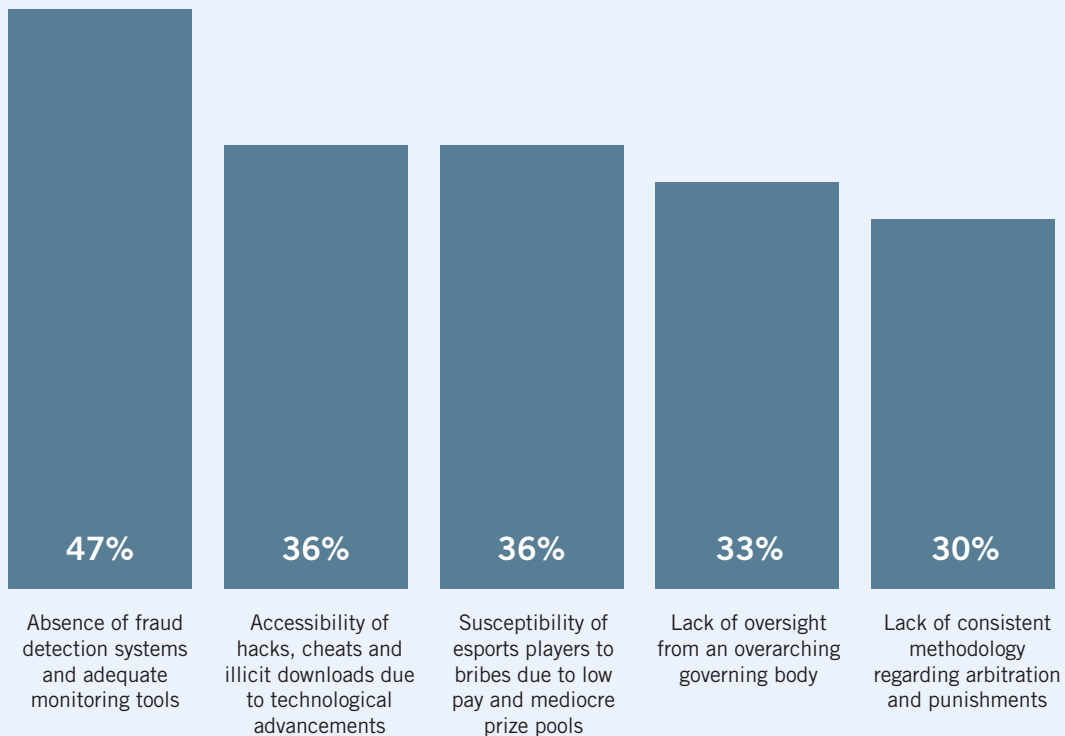
7

PLEASE INDICATE THE EXTENT TO WHICH YOU AGREE WITH THE FOLLOWING STATEMENT:  
MATCH FIXING AND CHEATING POSE A SIGNIFICANT THREAT TO THE LEGITIMACY AND GROWTH  
OF THE ESPORTS INDUSTRY.



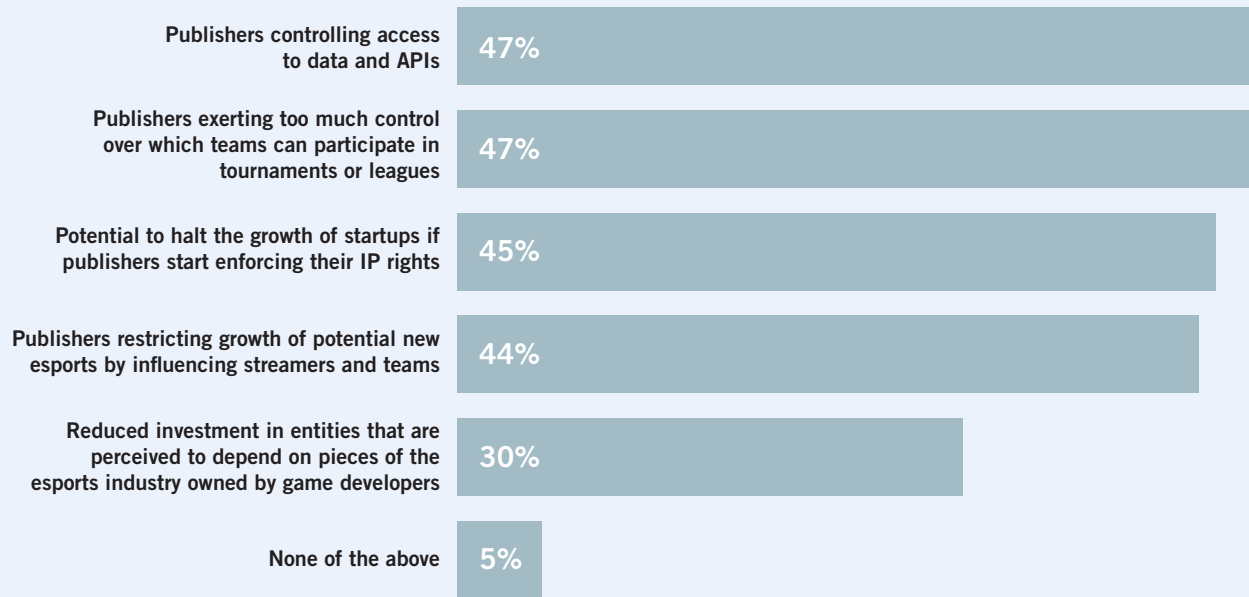
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IN YOUR OPINION, WHAT ARE THE TOP FACTORS CONTRIBUTING TO THE PREVALENCE OF  
MATCH FIXING AND CHEATING IN ESPORTS? (SELECT UP TO TWO OPTIONS)



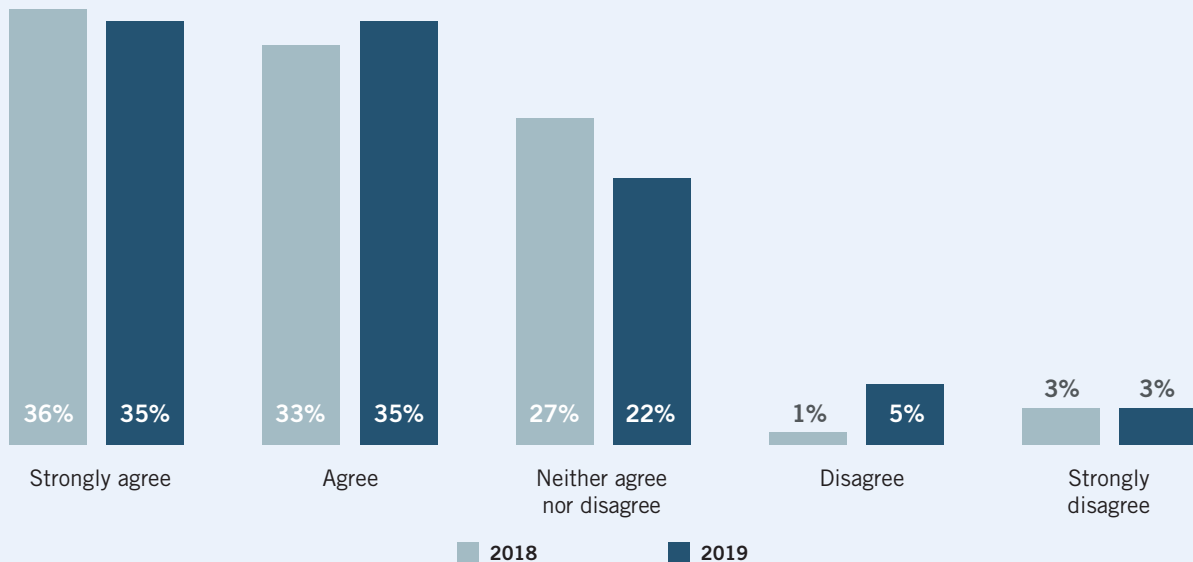
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**A SMALL NUMBER OF GAME DEVELOPERS CONTROL MUCH OF THE ESPORTS INDUSTRY. WHAT, IN YOUR OPINION, ARE THE NEGATIVE IMPLICATIONS OF THIS DYNAMIC, IF ANY? (CHECK ALL THAT APPLY)**



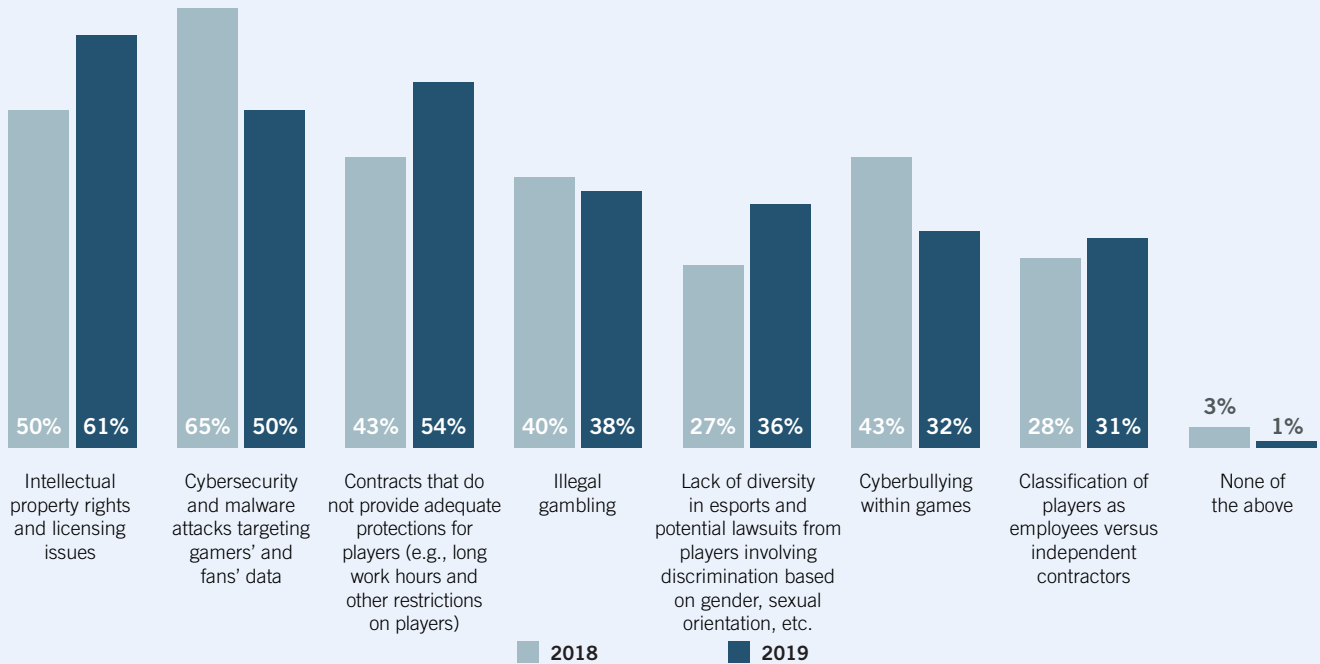
10

**PLEASE INDICATE THE EXTENT TO WHICH YOU AGREE WITH THE FOLLOWING STATEMENT: MY ORGANIZATION IS FOCUSED ON STAYING UP TO DATE ON LEGAL ISSUES IN ESPORTS AND ENSURING COMPLIANCE WITH CURRENT LAWS AND REGULATIONS.**



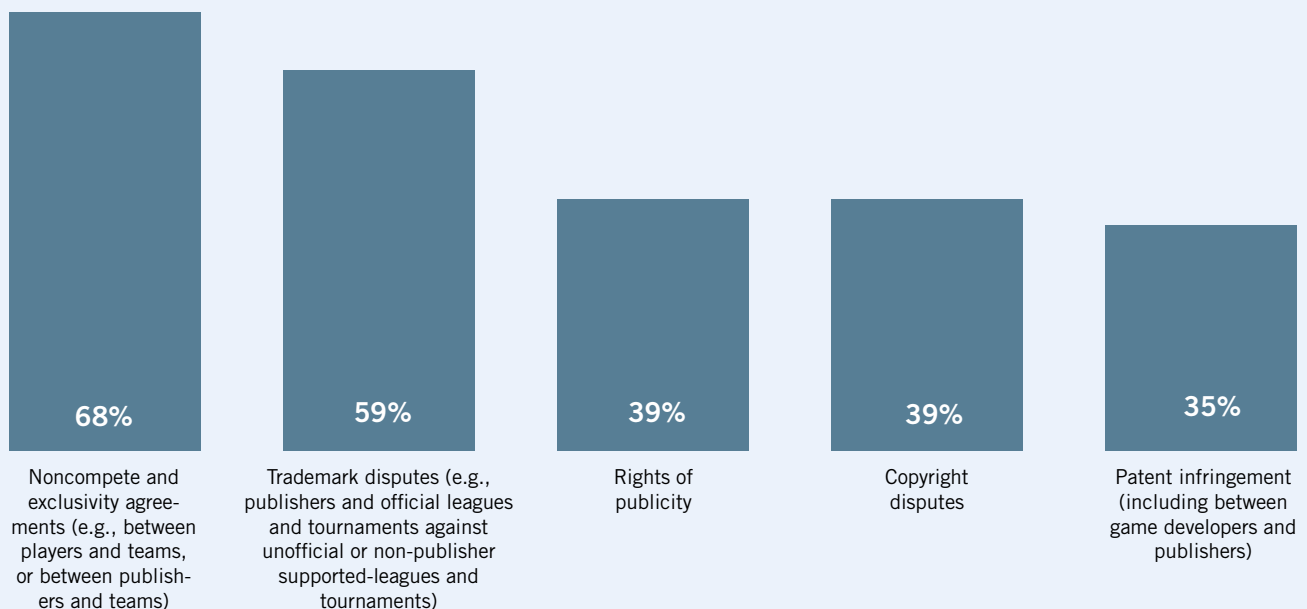
11

**WHICH OF THE FOLLOWING LEGAL ISSUES DO YOU THINK POSE A SUBSTANTIAL RISK TO THE ESPORTS INDUSTRY? (CHECK ALL THAT APPLY)**



12

**WHICH OF THE FOLLOWING INTELLECTUAL PROPERTY ISSUES DO YOU THINK ARE MOST LIKELY TO DRIVE DISPUTES AND LITIGATION IN THE ESPORTS INDUSTRY? (CHECK ALL THAT APPLY)**



While growth in esports investment has been sizeable and impressive, risks abound in a maturing market on overdrive speed.

The majority of respondents (68%) indicate cheating and match fixing continue to pose a significant threat to the legitimacy and growth of esports. Respondents say their concerns are driven primarily by inadequate fraud detection (47%), vulnerability to technology hacks (36%), susceptibility of players to bribes (36%) and the lack of a governing body (33%).

Regardless of their validity, rumors about players intentionally losing games for profit can tarnish the integrity of matches, causing fans to lose interest and bring down the value of esports as a whole. The Esports Integrity Commission (ESIC) was formed in 2016 to address match fixing in esports, and as of January 2019, the organization has [received a report of match fixing](#) about once a week.

When asked about the negative implications of a small number of game developers controlling much of esports, only 5% of respondents did not perceive this as a problem for the industry. Respondents pointed to a variety of potential negative impacts of this dynamic, mainly publishers controlling access to data and Application Programming Interfaces or APIs (which allow applications to communicate with one another) and publishers restricting team participation in tournaments or leagues, which were each identified by 47% of respondents. This was followed closely by the potential to halt startup development if publishers enforce IP rights (45%).

One esports investor, [writing in Medium in 2018](#), called developers “benign and supportive of the startups building on their IP,” but predicted changes on that front. “I believe game developers will begin to capture and control more of the value chain as the esports ecosystem continues to grow and mature.”

Similar to the 2018 survey, and perhaps not surprising given the awareness of risks and vulnerabilities in a developing industry, most respondents (70%) said their own organizations prioritize keeping up to date on legal issues in esports and ensuring that they comply with current laws and regulations. But there was an interesting change

regarding specific legal issues that respondents think pose a substantial risk. 61% of respondents said that IP rights and licensing issues is the top risk, up from 50% the year prior. Likewise, respondents are more worried about contracts that do not provide adequate player protections (e.g., long work hours and other restrictions), up to 54% from 43%.



*“The issue of player rights and the potential for increased union organizing are among the most prominent legal issues currently facing esports. As players have become more sophisticated in asserting their rights and ensuring fair contracts, there has been greater attention to such issues as individual endorsements and team sponsorship deals, health insurance and restrictions placed on players.”*

— **Jon Israel**, co-chair of **Foley’s Sports & Entertainment Group**

Among IP issues that are most likely to lead to disputes and litigation, noncompete and exclusivity agreements ranked first (selected by 68% of respondents), followed by trademark disputes at 59%. Along with the finding above that 45% of respondents are worried about game developers enforcing their IP rights, the heavy focus on IP issues further suggests that industry insiders are concerned about the degree to which IP is wrapped up with the developers.



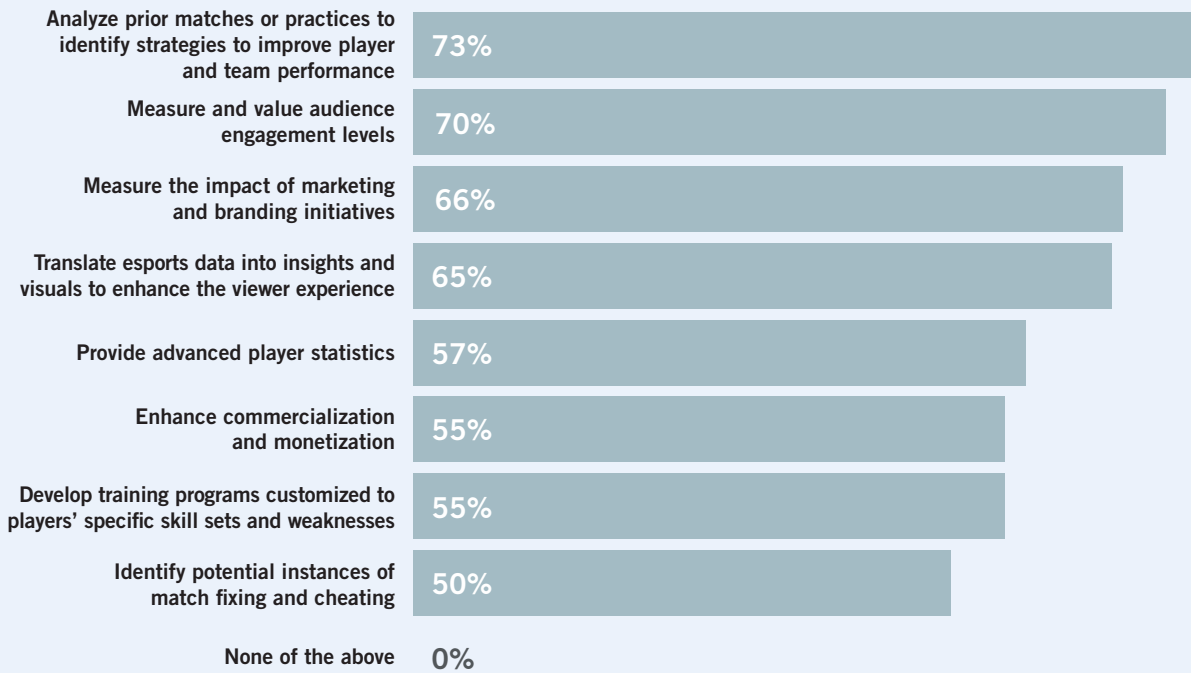
*“The structure of the esports industry, along with the various parties involved, gives rise to a host of complex and novel IP issues. This often leaves stakeholders ranging from players to teams to broadcasters unclear about what they are and are not allowed to do with regard to such issues as building and controlling their own brands and negotiating contracts.”*

— **Daniel Rose**, intellectual property lawyer with **Foley & Lardner LLP**

## Technology Developments

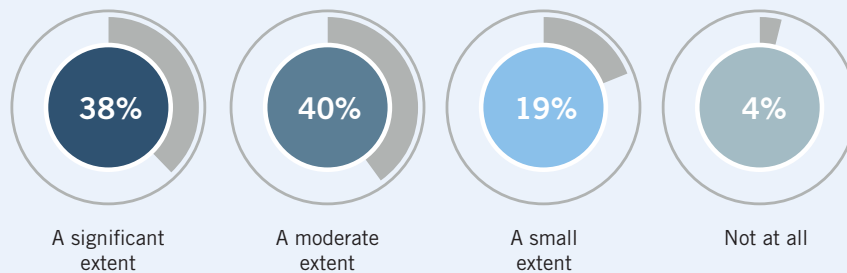
13

IN WHICH OF THE FOLLOWING WAYS DO YOU THINK ADVANCED TECHNOLOGIES, SUCH AS DATA ANALYTICS AND AI, CAN BE USED TO IMPROVE ESPORTS OPERATIONS AND ADVANCE THE INTERESTS OF THE INDUSTRY AND PLAYERS? (CHECK ALL THAT APPLY)



14

TO WHAT EXTENT DO YOU THINK MOBILE AND TABLET VERSIONS OF ESPORTS GAMES WILL GROW IN POPULARITY AMONG FANS AND NONPROFESSIONAL ESPORTS PLAYERS OVER THE NEXT YEAR?



Respondents see great potential for advanced technologies in esports, primarily to analyze prior matches to identify strategies to improve performance (73%), measure audience engagement levels (70%) and measure the impact of marketing and branding initiatives (66%).

Advanced technologies also have other potential applications. AI-based training can help competitors hone their skills. Broadcasters, teams, sponsors and tournament organizers rely on technology to measure and value audience engagement levels as well as the impact of branding and marketing initiatives.

Furthermore, broadcasters can add value by using technology that enables them to translate esports data into insights and visuals to enhance the viewer experience and display advanced player statistics. Given concerns about match fixing noted above, tournament organizers and betting providers can analyze data to identify potential instances of cheating.



*“Respondents expressed positive expectations of the impact advanced technologies can have for the esports industry. This aligns with the nature of a tech-driven industry that produces enormous amounts of big data sets and by implication is set to improve and advance when extracting untapped value out of those resources.”*

— **Tobias Seck**, business analyst at **The Esports Observer**

Most respondents (78%) believe that mobile and tablet versions of esports games will grow in popularity among fans and nonprofessional esports players. Only 4% of respondents are of the impression that mobile and tablet versions of esports games will not grow at all.

*“The appeal of mobile gaming competitions is multifaceted. Viewership for these tournaments is often small, but the participation rate can be exceptionally high. Even though the handheld versions of esports titles are technically inferior, they serve as a marketing and customer acquisition tool all in one. A casual gamer may sink enough time in PUBG Mobile that they invest in the PC version. This is why even Intel is keen to embrace mobile. It grows the overall pool of customers.”*

— **Graham Ashton**, business journalist at **The Esports Observer**

## Methodology and Demographics

In July and August of 2019, 204 professionals completed the 2019 Esports Survey conducted by Foley & Lardner LLP and The Esports Observer. Most respondents were based in the U.S. (47%) and Europe (28%), followed by Asia (9%), Australia (4%), South America (4%) and Canada (3%).

Respondents identified their affiliation as:

- Esports team or league (15%)
- Media outlet or broadcaster (15%)
- Agency (12%)
- Consultant (11%)
- Traditional professional sports team or league (9%)
- Technology, game or app developer or publisher (8%)
- Investor (6%)
- Educational institution (5%)
- Venue owner (3%)
- Sponsor or advertiser (2%)
- Other professional (14%)

## About Foley & Lardner LLP

Foley & Lardner LLP looks beyond the law to focus on the constantly evolving demands facing our clients and their industries. With over 1,100 lawyers in 24 offices across the United States, Mexico, Europe and Asia, Foley approaches client service by first understanding our clients' priorities, objectives and challenges. We work hard to understand our clients' issues and forge long-term relationships with them to help achieve successful outcomes and solve their legal issues through practical business advice and cutting-edge legal insight. Our clients view us as trusted business advisors because we understand that great legal service is only valuable if it is relevant, practical and beneficial to their businesses.

## About Foley's Sports & Entertainment Group

With a broad and deep history, experience and multi-disciplinary reach, Foley has been a market leader in sports and entertainment law for decades. Our attorneys have held high-profile positions at leading sports, entertainment and media companies, from the President and COO of Major League Baseball to Founding Partner of Electronic Sports Group. With an unmatched level of client service, innovation and value, we counsel clients on the full range of commercial and regulatory issues, including mergers and acquisitions, league and team operations, intellectual property issues, financing and investments, negotiation of media deals, labor and employment matters, and medical and healthcare issues for players. Our team of industry insiders and seasoned practitioners are consistently ranked among top-tier practices by *U.S. News – Best Lawyers*, *Legal 500* and *Chambers USA*.

## About The Esports Observer

The Esports Observer is the world's leading source for essential esports business news and insights. As the esports business authority of the western world, *TEO* enables companies to make informed decisions for their business. We offer a comprehensive industry database covering entities from personalities to companies and games, real-time business intelligence, and insight reports. Through *TEO's* business conferences and events, we connect industries and individuals alike. Our ultimate goal is to increase transparency and foster growth in the industry we love: esports.



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