

The Pandemic Puts the Spotlight on a Rising Esports Industry

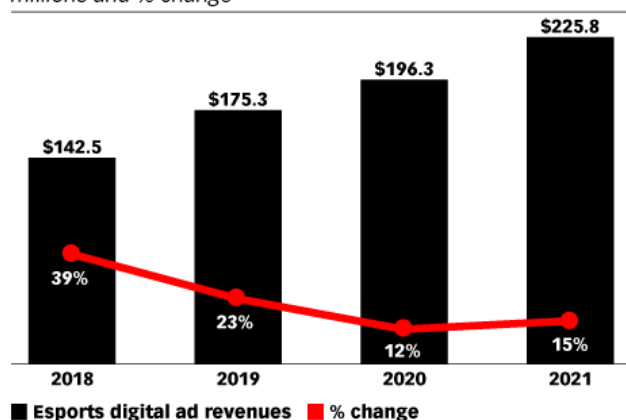
Article

While the coronavirus pandemic caused every major US sports league to suspend its season, esports resumed relatively quickly. Leagues pivoted from competing inside venues to an online-only format where teams and production crews operated remotely. Despite any short-term struggles from large advertising downturns, the outlook for esports remains positive.

This year, US esports ad revenues will still grow 12% to \$196 million, about \$3 million shy of our pre-pandemic estimate. The coronavirus led us to lower our video advertising estimates, which makes up a significant chunk of esports ad revenues. Esports will make up for this short-term loss by 2021, when ad revenues will grow 15% to reach \$225 million, roughly \$6 million more than we expected prior to COVID-19.

US Esports Digital Ad Revenues, 2018-2021

millions and % change



Note: includes advertising and sponsorship revenues from organized esports competitions (e.g., Evolution Championship Series, League of Legends Championship Series and Overwatch League) hosted on digital platforms; excludes revenues from esports competitions hosted on linear TV
Source: eMarketer, June 2020

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Looking at esports worldwide, estimates from gaming research firm Newzoo paint a larger picture of how esports is monetized. While sponsorships (including advertisements sold as part of a sponsorship package) make up the largest segment of esports revenues, additional revenues come from media rights, merchandising, ticket sales and publisher fees.

Esports Revenues Worldwide, by Segment, 2020

millions and % change vs. prior year

Sponsorship

\$584.1 (7.5%)

Media rights

\$163.3 (3.3%)

Publisher fees

\$108.9 (-11.6%)

Merchandise & tickets

\$76.2 (-27.9%)

Digital

\$21.5 (60.9%)

Streaming

\$19.9 (44.9%)

Note: total esports revenues in 2020=\$973.9 million and 2019=\$957.5 million

Source: Newzoo as cited in blog post, July 9, 2020

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The US ad market for esports is much smaller compared with revenues earned from video ads in gaming content. This includes revenues from the much larger community of amateur gamers who broadcast themselves on streaming platforms, as well as the video ads that appear during esports tournaments. Much of this content is streamed live and then has a considerable shelf life on these platforms afterward, which can garner additional ad dollars. We expect US gaming video content ad revenues will surpass \$1.56 billion this year, up 18% year over year.

As the industry matures, esports is becoming a more appealing environment for advertisers. Publishers and streaming platforms are offering more comprehensive partnerships, while measurement across tournaments and platforms is becoming more unified. Brands that have eased into esports for several years are increasing investments, while the pandemic has led to greater advertiser interest in gaming.

To learn more about opportunities for marketers in esports, eMarketer PRO subscribers can read our recent report:

Report by Blake Droesch Jul 27, 2020

US Esports 2020

