

Analysis of the Esports Market Surge

Liu Yuxuan

Haidian Foreign Language Academy

ABSTRACT: With the continuous development and growth of the e-sports industry, it has gradually become an industry that we have to pay attention to. There are two major themes in the e-sports industry. One part is the additional revenue brought by advertising in e-sports competitions, and the other part is the e-commerce-style profit brought by e-sports live streaming. With the development of science and technology, the penetration rate of the Internet is getting higher and higher, and more and more people can come into contact with and participate in the e-sports industry. In order to demonstrate and analyze from the two major directions of advertising and live streaming, this paper uses examples and data visualization to prove that the e-sports industry has indeed developed rapidly from 2017 to 2022, and it can bring more economic benefits to society.

KEY WORD: Esports, Stock trend, Financial statement, live streaming, Advertising economy

Date of Submission: 09-10-2022

Date of Acceptance: 23-10-2022

I. INTRODUCTION

1.1 Background

Recently, as technology has advanced, Esports have become increasingly popular among people regardless of age. As a result, it has attracted the attention of many enterprises. Esports, like the NFL NBA, and other sports is a professional game that includes numerous teams, or clubs. The difference is that Esports involve electronic games, such as FPS (First Person Shooter), Counter-Strike and Call of Duty. Many of these are MOBA(Multiplayer Online Battle Arenas), such as League of Legends and Dota 2. These games have made a huge impact on a global scale. People have begun to accept the existence of Esports and are trying to get involved. Some gifted players can even make a substantial living from it. However, in the beginning, the existence of Esports was in jeopardy, since Esports distribution and viewing was very difficult for the fans and computers were not as popular as today. Therefore, the audiences for Esports were very limited.¹The first game competition was held in 1980 playing the game Space Invaders in the US. In the 1990⁷ s, video games became popular on PCs and people were no longer limited to playing video games on consoles. In 2006, Esports was televised for the first time. As more and more people became aware of this growing industry, players could have a positive interaction with the audience, and broadcasting made more and more people aware of the games. In 2013, the league of Legends hosted its first World Cup at the Staples Center in Los Angeles, where tickets sold out minutes after they went on sale. In 2014, League of Legends once again captured the world's attention, becoming one of the most popular Esports games of all time. Certainly, the surge in audience numbers contributed to the boom of this new form of competition.

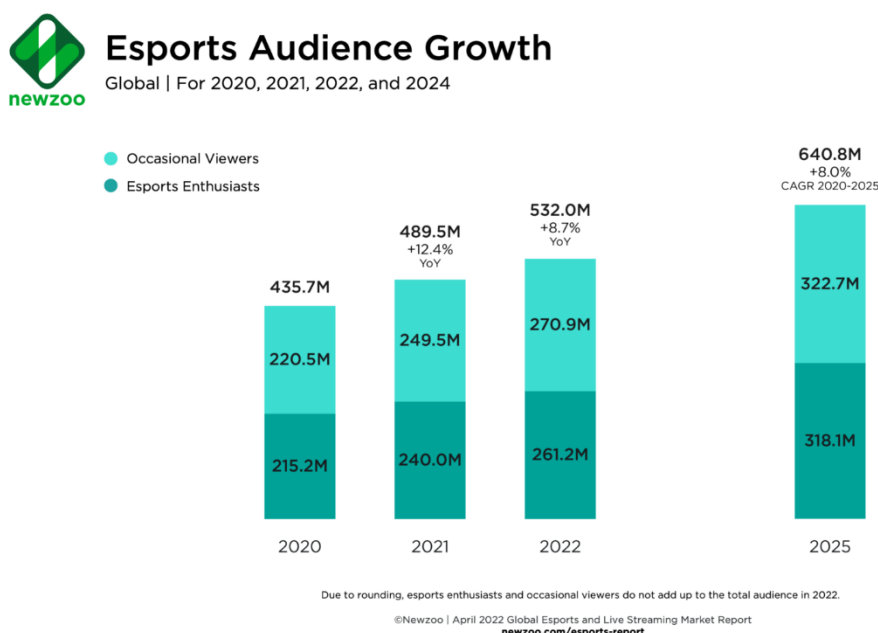
1.2 Viewership and Audience Ratings

The popularity of Esports can be illustrated by looking at audience numbers².Figure 1 shows esports audience numbers from 2020 to 2022. In 2020, 435.7 million of people viewed Esports games and 215.2 million were Esports enthusiasts. Then, in 2021, the audience number increased to 489.5 million, an increase of 12.4 percent over the previous year. The audience number reached 532 million in 2022, an 8.7% increase compared to 2021. Based on the data, it is forecast that 640.8 million people will watch Esports in 2025.The number of enthusiasts also increased, reaching 261.2 million in 2022 and by 2025 it is forecast that this will increase to 318.1 million.

[1]. <https://www.esports.net/wiki/esports-history/>

[2]. <https://newzoo.com/insights/articles/the-esports-audience-will-pass-half-a-billion-in-2022-as-revenue-engagement-esport-industry-growth>

Figure 1 2020-2025 Esports Audience Size Chart



1.3 Advertising

³Many big companies have found opportunities in the Esports market, leading to a series of advertising, sponsorship, franchise, and brand integration deals. For example, the well-known sports apparel giant, Nike, established a relationship with LPL(The League of Legends Pro League). They designed unique team uniforms for Esports clubs within the competition, such as T-shirts, shoes, and other spin-off clothing. Apparel brands such as Adidas and PUMA have similar partnerships with Esports.

⁴The diversity of Esports also allows for diversity in advertising as well. This allows for massive multiplayer online events. In 2020, during a Fortnite game, famous rapper Travis Scott held an online concert, with twelve million players watching the concert simultaneously. Red Bull, a well-known sports drink brand, is also an important brand investing in Esports.

1.4 Overall Revenue

Figure 2⁵ is a bar chart of Esports revenue from 2016 to 2018. In 2018, the Esports market was worth \$165 million, much of it funded by advertisers. At the same time, the diversification of Esports revenue ensures the upward trend of market revenue. Fees for livestreaming tournaments, virtual currency that viewers can top up directly, and payments within the game all guarantee the value of the Esports market will continue to rise.

[3]. <https://www.cnn.com/2019/07/19/big-brands-like-k-swiss-and-nike-are-jumping-on-the-esports-bandwagon.html>

[4]. <https://afkgaming.com/premium/esports/gaming-has-arrived-and-brands-are-noticing-advertising-using-gaming-and-esports>

[5]. <https://www.forbes.com/sites/mattperetz/2018/02/21/report-esports-to-grow-substantially-and-near-a-billion-dollar-revenues-in-2018/?sh=34db5fb62b01>

Figure 2 2016-2021 North America Esports Annual Revenue Chart

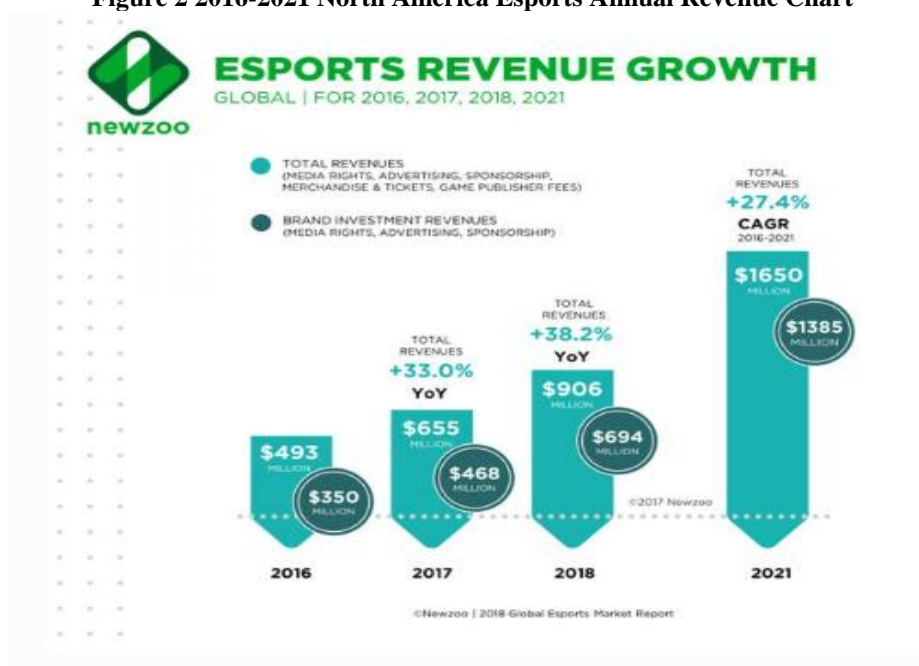
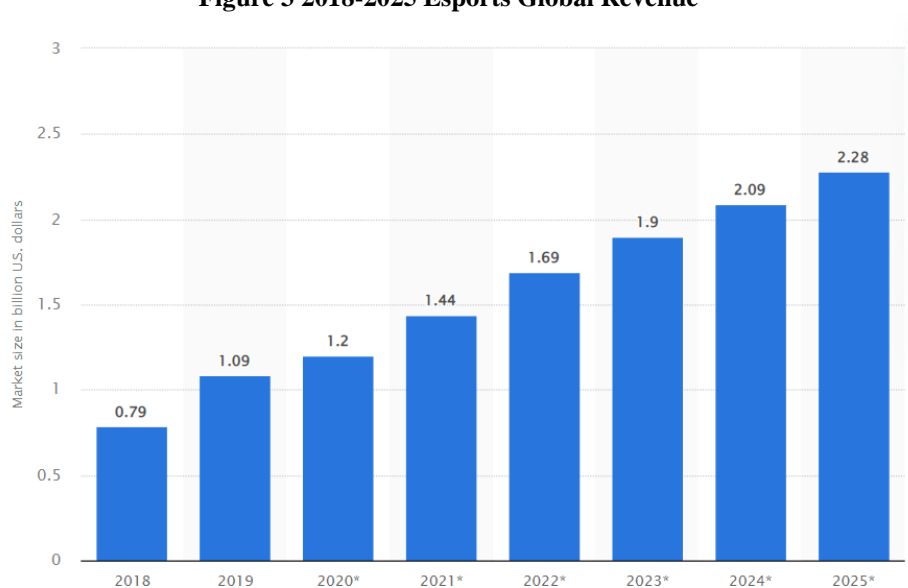


Figure 3⁶ presents the global revenue of the Esports market from 2018 to 2022 with projections for 2023, 2024 and 2025. In 2018, the revenue was 0.79 (billion dollars) and by 2021, it rose to 1.44 billion dollars. Based on the data, it is predicted that in 2025, total revenue will reach to 2.28 billion dollars nearly doubling the 2021 total.

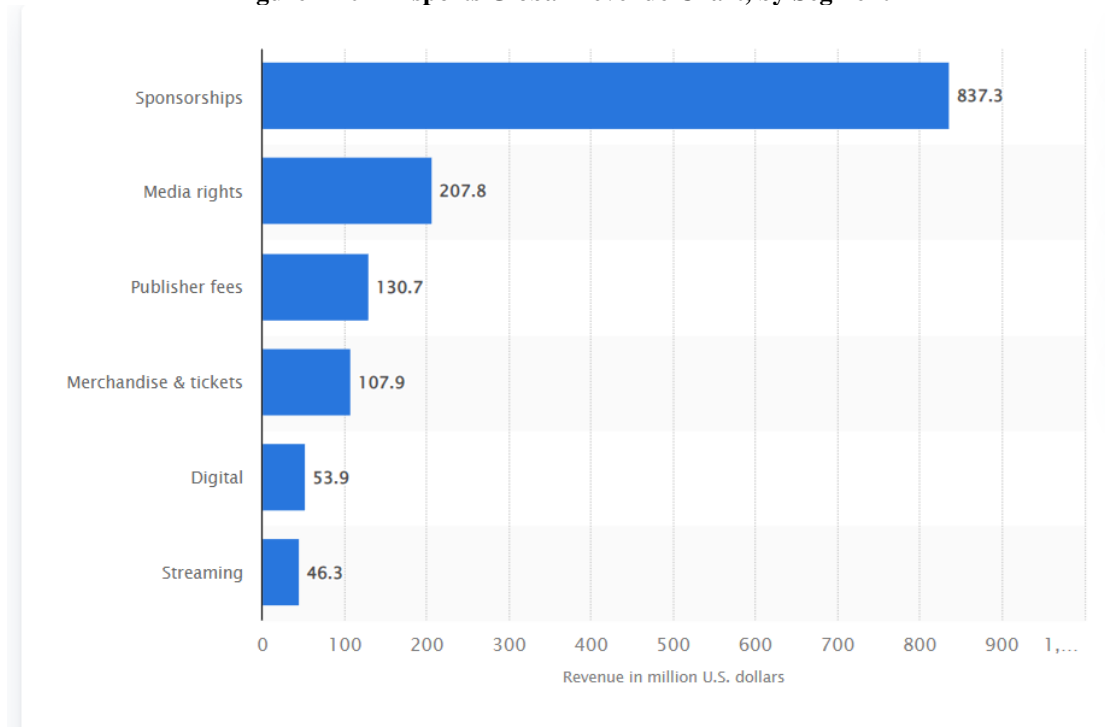
Figure 3 2018-2025 Esports Global Revenue



Next, in Figure 4⁷ a breakdown of these revenues is shown for 2022. In the chart, six types of revenue resources are listed. They are Sponsorships, Media rights, Publisher fees, Merchandise and tickets, Digital and Streaming. The Sponsorships, which are synonyms for investment, occupies nearly 60% of the market revenue. Consequently, advertisement and sponsorship play an extremely important role in Esports market revenue. In the advertisement area, Red Bull was a pioneer and extremely successful example.

[6]. <https://www.statista.com/statistics/1129596/esports-revenue/>

[7]. <https://www.statista.com/statistics/490358/esports-revenue-worldwide-by-segment/>

Figure 4 2022 Esports Global Revenue Chart, by Segment

II. Red Bull

2.1. History

⁸Red Bull is an Austrian energy drink company that was first created in Thailand in 1962. At first, their main role was to provide fuel to truck drivers or farmers at work. The Red Bull logo was often displayed during Muay Thai boxing matches, with the two bulls charging in each other's direction. After that, the local company decided to build up a business cooperation with Yoovidhya and they designed a new special flavor that was more popular in western countries. In 1984, they set up Red Bull Company in Austria and began to enlarge the scope of the market. In 1996, Red Bull entered the United States markets. Since then, Red Bull has been steadily growing and has become the most popular energy drink in the United States and is now an international sports beverage brand.

2.2 Advertising on Esports

As a world known company, Red Bull has more advanced ideas than many companies. They dare to go where no one else has gone and invest there, and Esports has been one of their boldest attempts.

In June 2006, Red Bull began a new Esports competitor sponsorship when they signed Halo legend David “Walshy” Walsh. This was a large expansion of their work with Esports. Several years later, Red Bull created Red Bull LAN EVENTS. The LAN was the idealized test startup for Red Bull and was an enormous success. This represented Red Bull’s highest achievement in the Esports area which enlarged their brand and increased their recognition.

⁹In 2019, to capture the hot trend of Esports, Red Bull turned its attention to League of Legends Pro League, which had the largest Esports audience. From the uniforms of the participating clubs, the audience can clearly see the Red Bull logo, which is designed to grab the attention of the audience. And in the official video, the Red Bull logo is visible everywhere. After this first effort, Red Bull expanded its esports investment. It established a close partnership with World Championship, Mid-Season Invitational, and All-Star Event. Naz Aletaha, Head of Global Esports Partnerships and Business Development for Riot Games discussed the expansion: “Red Bull has been a long-time supporter of sports, Esports, and gaming. Their deep understanding and appreciation of gaming culture and their desire to continually raise the bar for fans makes them an ideal partner. League of Legends Esports is a global, multifaceted sports and entertainment property committed to innovating and shaping the future of sports, and we look forward to breaking the mold with Red Bull.”

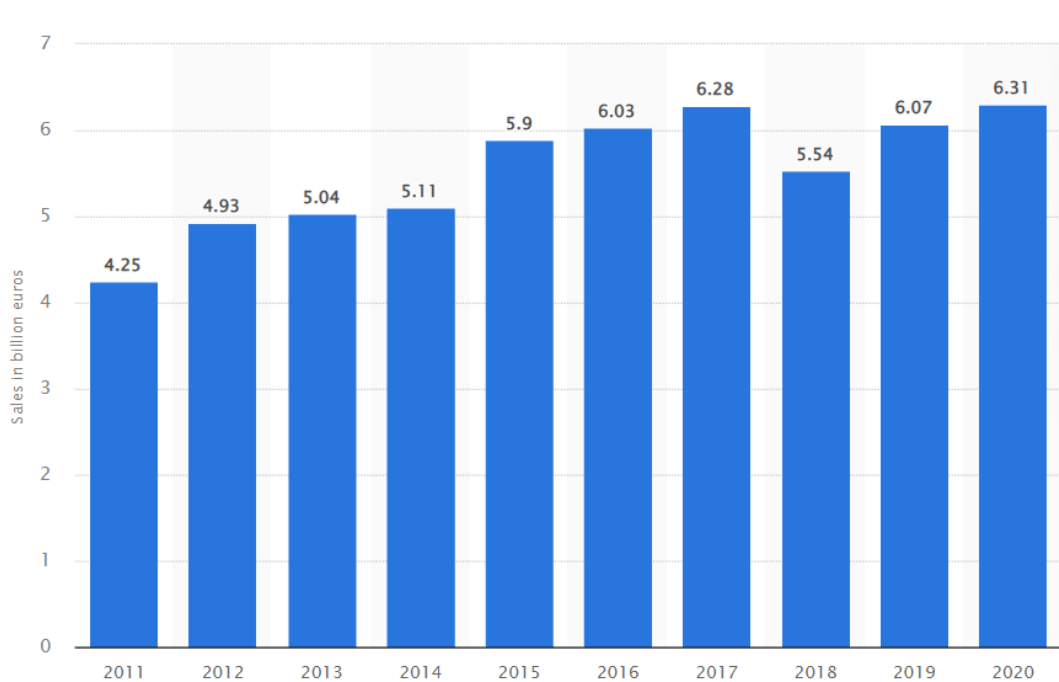
[8]. <https://esportsinsider.com/2021/12/red-bull-in-the-world-of-fgc/>

[9]. <https://www.esportstalk.com/news/t1-partners-with-red-bull-as-official-energy-drink-sponsor/>

As a result of these successes, Red Bull started a plan to build a series of Esports advertisements. Nowadays, Red Bull Battle Grounds has become the greatest game center globally and they continue their esports investment. In 2020, Red Bull announced that Red Bull and T1, the famous League of Legends team, have formed a long-term partnership. By signing contracts with professional Esports clubs, star players can help Red Bull promote their products. In addition, the Red Bull logo can be seen on their team shirts and race seats. For example, Faker, a famous player in T1, said ‘As a pro gamer, I drink energy drinks during practice and before games, All of us at T1 are excited to enjoy our new partnership with Red Bull.’

2.3 Revenue

Figure 5 2011-2020 Red Bull Worldwide Revenue



¹⁰Figure 5 shows the revenue of Red Bull worldwide from 2011 to 2020. According to the graph, it presents a gradual upward trend. From 2011, the worldwide revenue was 4.23 billion dollars, and it kept rising until reaching a peak of 6.28 billion dollars in 2018, when it fell to 5.54 billion dollars. However, the upward trend continued in 2019, with revenue reaching 6.31 billion dollars in 2020, the highest total to date. Much of this growth can be attributed to the relationship Red Bull has established with Esports.

III. Comparisons with Other Sports

3.1 Viewership

The NFL, which refers to National Football League, is the most popular sports league in The United States. As a result, it has created a huge amount of business value from ticketing, advertising and other sources. This study will make a comparison between Esports and the giant NFL.

¹¹The first comparison is viewership. Figure 6 compares the NFL and LOL(League of Legends) actual audience numbers in 2017. In 2017, the NFL was watched by 124 million people, while LOL was watched by 58 million people, not even half as many. However, according to developments over the past two years, the audience of Esports is on the rise, which might be expected to narrow the gap with the NFL. In contrast, Esports has a greater audience when compared with other traditional sports, such as Major League Baseball (38M), the National Basketball Association (32M) and the National Hockey League (11M). Even though the Esport audience has not yet caught up with the NFL, it occupies an important share of sports viewership.

[10]. <https://www.statista.com/statistics/275169/red-bulls-company-sales-worldwide/>

[11]. <https://www.visualcapitalist.com/how-the-esports-industry-fares-against-traditional-sports/>

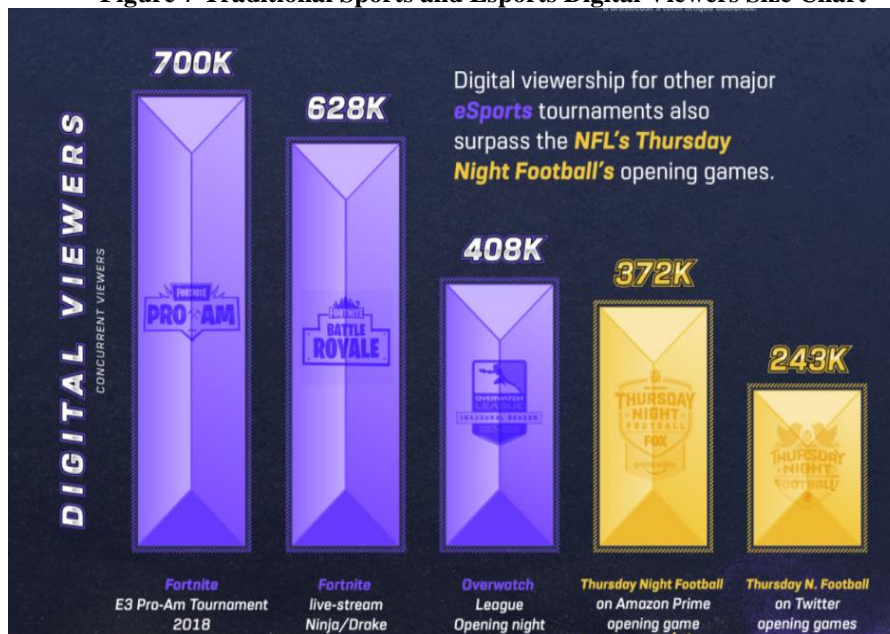
Figure 6 2019 Traditional Sports and Esports Viewers Size Chart



3.2 Online Viewership

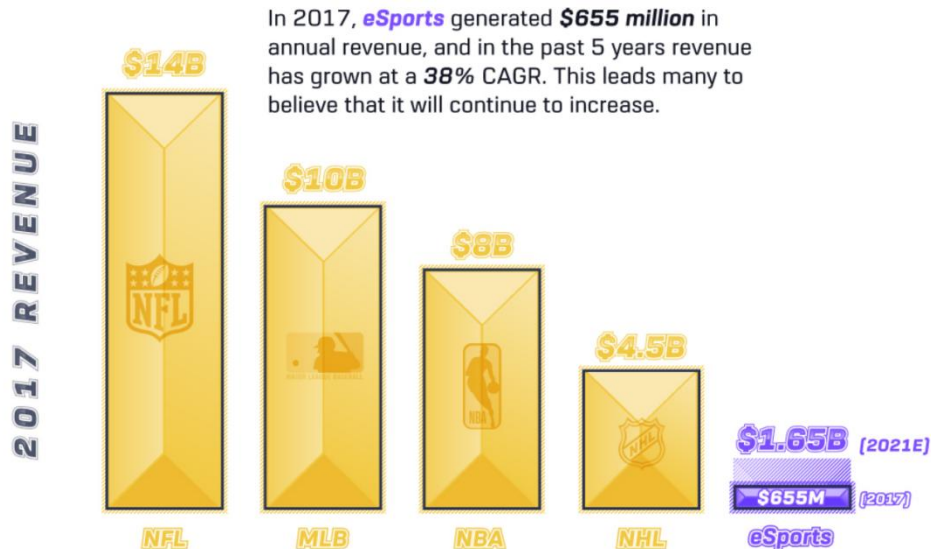
Online viewership, including streaming, has become an increasingly important part of visibility for sports. Figure 7 compares online viewership for some sports. In 2018, online viewership of Fortnite, reached to 0.7 million and another tournament, Overwatch, was 0.408 million. On the other hand, NFL’s online viewership was much lower, at 0.372 million. Thus while the NFL still reaches more viewers, Esports have made important gains, particularly in areas that are expected to be important in the future.

Figure 7 Traditional Sports and Esports Digital Viewers Size Chart



From data collected in 2017, Figure 8 shows that the NFL received \$14 billion in annual revenue, more than any other professional league, including Esports. Esports revenue was only \$655 million, far less than the NFL as well as the other sports leagues, though it was projected to reach \$1.65 billion by 2021.

Figure 8 2017 Traditional Sports and Esport Revenue Chart



To sum up, taking all these features into account, compared to traditional sports, Esports has gradually caught up with and even surpassed some sports competitions, and has become an important part of sports world.

IV. Stock Prices

While the above discussion shows how Esports has become a large part of the overall sports world, this has not translated to the growth in the value of Esports companies. To illustrate this, we look at the performance of the stock of three important Esports companies, The Esports Entertainment Group (GMBL), Tencent and Australian A/S.

4.1 GMBL

Figure 9 shows the performance of the stock for The Esports Entertainment group over the last 10 years¹². It shows that since the beginning of trading in 2011, the stock price remained below \$10 until 2017, when it rose dramatically, reaching a high of \$44.25 per share. Then, it started to decrease almost as dramatically, falling almost 99.6% from its highest price. However, in 2021, it increased for a short period of time but then decreased again. This pattern contradicts the information that Esports is a flourishing enterprise based on features, such as viewership, tournament, market revenue and advertising.

Figure 9 GMBL Stock Trend Chart



4.2 Tencent

As an export company, Tencent has developed many games suitable for the Esports industry and has established many Esports clubs under its umbrella. Figure 10 presents the stock history of Tencent from 2005 to 2022.¹³ We can see that since 2005, the stock maintained a continuous upward trend, reaching the first peak in 2018 and then falling for a period of time. It continued to rise until it reached its peak in \$329 per share in 2021. Since then the price has fallen slightly, to \$308 per share in July 2022.

[12]. <https://www.google.com/finance/quote/GMBL:NASDAQ?window=MAX>

[13]. <https://www.google.com/finance/quote/0700:HKG?sa=X&ved=2ahUKEwj-tqWCodD5AhVVdXAKHchaAjIQ3ecFegQIGxAY&window=MAX>

Figure 10 Tencetnt Stock Trend Chart



4.3 Australia A/S

Australia A/S is an Esports company founded in 2016 in Denmark. However, the company has only been on the stock market from 2020 to the present¹⁴ The stock price reached a high of \$8.88 per share in January 2020, and has fallen almost steadily since, and was selling at a low of \$2.64 per share in September 2022.

Figure 11 Astralis A/S Stock Trend Chart



The stock price of all three companies reached peaks prior to 2021 and have been falling since. It is not clear why this has occurred, but the stock prices of these Esports companies have not followed the same pattern of growth seen in viewership and advertising revenue.

[14]. https://www.google.com/search?q=astralis+group+stock&sxsrf=ALiCzsbLNLqrjJfyvWTPHoRxJtpy9T72oQ%3A1660571330863&ei=wk76Yt-iNPfEqtsP7ZmusAQ&ved=0ahUKewjfi7Oi_sj5AhV3omoFHe2MC0YQ4dUDCA4&uact=5&oq=astralis+group+stock&gs_lcp=Cgndnd3Mtd2l6EAMyDwgAEIAEELcCEBQQRhD6ATIGCAAQHhAWMgYIABAEeBYyBQgAEIYDMgUIABCgAzIFCAAQhgM6BwgAEeCsAM6CgguENQCELADeEM6BwgAELADeEM6CggAEOQCELADGAE6DAguEMgDELADeEMYAjoSCC4QxwEQ0QMqyAMQsAMQxgCOgQIABBDOgUIABCABDoICAAQHhAPEBY6CQgAEEMQRhD6AUoECEEYAEoECEYYAVCuBFjbF2DOHGgBcAF4AIABiQGIaekFkgEDMC42mA EAoAEByAETwAEB2gEGCAEQARgJ2gEGCAIQARgI&scient=gws-wiz

V. Conclusion

Esports, as a new industry, is booming in terms of audience, revenue and popularity. This growth has placed Esports ahead of popular sports in the U.S. such as Major League Baseball, The National Hockey League and even the The National Basketball Association. Relative to sports viewership and advertising revenue Esports trails only The National Football League. With the development of technology and the popularization of electronic devices, more and more people will pay attention to this new industry with unlimited potential. However, the stock values of some esports companies have not been very successful in the market, and even some Esports game companies' stock values have been falling in recent years.

BIBLIOGRAPHY

- [1]. ESPORTS HISTORY: WHEN IT ALL BEGAN (ORIGIN OF COMPETITIVE GAMES). <https://www.esports.net/wiki/esports-history/>
- [2]. The Esports Audience Will Pass Half a Billion in 2022 as Revenues, Engagement, & New Segments Flourish. Hugo Tristão. 2022-04-18. <https://newzoo.com/insights/articles/the-esports-audience-will-pass-half-a-billion-in-2022-as-revenue-engagement-esport-industry-growth>
- [3]. Big brands like K-Swiss and Nike are jumping on the esports bandwagon. Chloe Taylor. <https://www.cnbc.com/2019/07/19/big-brands-like-k-swiss-and-nike-are-jumping-on-the-esports-bandwagon.html>
- [4]. Gaming Has Arrived And Brands Are Noticing: Advertising Using Gaming and Esports. Nutan Lele. 2022-03-23. <https://afkgaming.com/premium/esports/gaming-has-arrived-and-brands-are-noticing-advertising-using-gaming-and-esports>
- [5]. Report: Esports To Grow Substantially And Near Billion-Dollar Revenues In 2018. Matt Perez. 2018-02-21. <https://www.forbes.com/sites/mattperez/2018/02/21/report-esports-to-grow-substantially-and-near-a-billion-dollar-revenues-in-2018/?sh=34db5fb62b01>
- [6]. Value of the eSports market worldwide from 2018 to 2025. Christina Gough. 2022-04-13. <https://www.statista.com/statistics/1129596/esports-revenue/>
- [7]. eSports market revenue worldwide in 2022, by segment. Christina Gough. 2022-09-22. <https://www.statista.com/statistics/490358/esports-revenue-worldwide-by-segment/>
- [8]. Red Bull in the World of FGC. Esports Insider. 2022-12-21. <https://esportsinsider.com/2021/12/red-bull-in-the-world-of-fgc/>
- [9]. T1 Partners With Red Bull as Official Energy Drink Sponsor. Dustin Steiner. 2020-12-02. <https://www.esportstalk.com/news/t1-partners-with-red-bull-as-official-energy-drink-sponsor/>
- [10]. Revenue of Red Bull worldwide from 2011 to 2020. M. Ridder. 2022-07-27. <https://www.statista.com/statistics/275169/red-bulls-company-sales-worldwide/>
- [11]. How the eSports Industry Fares Against Traditional Sports. Katie Jones. 2019-09-03. <https://www.visualcapitalist.com/how-the-esports-industry-fares-against-traditional-sports/>
- [12]. Esports Entertainment Group Inc. <https://www.google.com/finance/quote/GMBL:NASDAQ?window=MAX>
- [13]. <https://www.google.com/finance/quote/0700:HKG?sa=X&ved=2ahUKEwj-tqWCodD5AhVVDXAKHchaAjlQ3ecFegQIGxAY&window=MAX>
- [14]. Astralis A/S. https://www.google.com/search?q=astralis+group+stock&sxsrf=ALiCzsbLNLqrjJfyvWTPHoRxJtpy9T72oQ%3A1660571330863&ei=wk76Yt-iNPIeqtsP7ZmusAQ&ved=0ahUKEwjfi7Oi_sj5AhV3omoFHe2MC0YQ4dUDCA4&uact=5&oq=astralis+group+stock&gs_lcp=Cgdnd3Mtd2l6EAMyDwgAEIAEEIcCEBQQRhD6ATIGCAAQHhAWMgYIABAcEBYyBQgAEIYDMgUIABCgAzIFCAAQhgM6BwgAEEcQsAM6CgguENQCELADDEEM6BwgAELADEEM6CggAEOQCELADGAE6DAguEMgDELADEEMYAjoSCC4QxwEQ0QMqyAMQsAMQxgCOgQIABBDOgUIABCABD0iCAAQHhAPEBY6CQgAEEMQRhD6AUoECEYYAEoECEYYAVCuBFjbf2DOHGgBcAF4A1ABiQGIaekFkEDMC42mAEAoAEBYAEtWAEb2EGCAEQARgJ2EGCAIQARgI&scIent=gws-wiz

Liu Yuxuan. "Analysis of the Esports Market Surge." *International Journal of Business and Management Invention (IJBMI)*, vol. 11(10), 2022, pp. 73-81. Journal DOI- 10.35629/8028