eSports in U.S. and China

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Objectives

UNDERSTAND ESPORTS IN A GLOBAL LANDSCAPE

STUDY ESPORTS BUSINESS OPERATIONAL MODEL

THE FUTURE OPPORTUNITIES OF ESPORTS FOR YOUR COMMUNITY
Agenda

- Methodology
- Research Map
- eSports Business Model
- Case Study
- Key takeaways & Opportunities
Research Map
How to build a sustainable eSports business model

- eSports?  
- eSports Business Model  
- Case Study  
- Takeaways & Opportunities

Revenue Structure
- Publishers & Games
  - Pro gamers → Teams → Tournaments
  - Distribution platform  
  - Sponsors
- Merchandise  
- Venues

League of Legends  
Hearthstone  
Honor of Kings
eSports Business Model
What is eSport?

- multiplayer video game
- played competitively for spectators
- typically by professional gamers
- competing for a prize/championship

Fan demographic

- 64% [flag]
- 46% [flag]

Device

- 25%
- 24%
- 51%
Popular publishers and games

- Activision Blizzard Studios
- Riot Games
- Epic Games
- Tencent
- Valve
- League of Legends
- Overwatch
- Hearthstone
- Fortnite
- Dota 2
Business Model

eSports game categories

- MOBA: Multiplayer Online Battle Arena
  - League of Legends
  - Dota 2
- Battle Royal Game
  - Fortnite
  - PUBG
- First Person Shooter
  - Counter-Strike Global Offensive
  - Call of Duty
- Sports
  - Football
Business Model

Gamers ➔ Teams ➔ Tournaments

Pro Gamers
Saahil Arora aka Universe
American professional DOTA 2 player. In 2017, he has won a total of $2,826,896 from 67 tournaments

Teams
2017 DOTA 2 International Champion: $10,862,683 for the first place won by team Liquid.

Tournaments
In 2017, DOTA 2 International prize pool: $24,787,916

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Business Model

$$ - Distribution / Marketing

U.S.:
- YouTube
- Twitch

China:
- Huya.com
- Dojyu
- PANDA.tv
Business Model

$$ - Customer/Merchandise

We’re excited to partner with @UNDEFEATEDinc for a special edition NYXL Jersey. We’re selling 75 individually numbered jerseys on Saturday at our pop-up shop at 472 Atlantic Ave.
Business Model

$$$ - Sponsorship

**ESPORTS REVENUE GROWTH**
GLOBAL | 2015, 2016, 2017, 2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue</th>
<th>Brand Investment Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$325M</td>
<td>$230M</td>
</tr>
<tr>
<td>2016</td>
<td>$493M</td>
<td>$350M</td>
</tr>
<tr>
<td>2017</td>
<td>$696M</td>
<td>$517M</td>
</tr>
<tr>
<td>2020</td>
<td>$1488M</td>
<td>$1220M</td>
</tr>
</tbody>
</table>

Source: Newzoo. Total revenue includes media rights, advertising, sponsorship, merchandise & tickets and game publisher fees. Brand investment revenue includes media rights, advertising and sponsorship.
eSports Arena

The eSports Arena is an indoor arena specifically intended to host eSports tournaments and events, was founded in 2015.

It holds a capacity of 1,400. For a monthly membership fee, amateur gamers are able to practice and "mingle" at the location.

Orange county, Oakland, Las Vegas, eSport Arena drive
An “eSports town” complex has been opened in the city of Hangzhou in China. The eSports town will be operated by the Hangzhou city government.

It opened last November 16th and features a 3.94M square foot space including an eSports academy, an eSports-themed hotel, theme park, a business center, and a hospital designed for eSports gamers.

Hangzhou expects that the eSports town will attract over 10,000 aspiring eSports professionals and bring in $140 million in estimated tax revenues.
Business Model

Revenue source

**Pro Gamers**
- Salary
- Prize money
- Sponsors
- Streaming

**Teams**
- Investors
- Merchandise
- Ticket sales

**Tournaments**
- Investors
- Sponsors
- Media right?
Case Study
League of Legends

- Pro Teams: 14 Teams in China; 10 Teams in US
- Publisher - Riot – Tencent
- Tournament
  - World Championship Series
  - Asian Game 2018
  - Collegiate Level
- Media Platform
  - YouTube TV; Twitch(Worldwide)
  - Regional: Tencent TV(China); Kakao TV(Korea)
- Fanbase
  - 2014 Riot official report: 67 million monthly players
  - 2016 Forbes: 100 million monthly players
  - 2017 China has 111 million users
- Money
  - 80% comes from sponsors & advertisements
Case Study 2

Honor of Kings/ Arena of Valor

- Publisher: Tencent Games
  Biggest mobile game in the world
  Heroes are from Chinese culture

- Fanbase:
  200 million players in 2017 July
  KPL Viewership 350 million  DAU 50 million

- Team revenue source:
  Sponsor, Streaming, Exhibition Match, Transfer fee

- March into international markets
  Arena of Valor
  Sponsor: Volkswagen, Mars Incorporated
Hearthstone

- Tournament:
  China: city tournaments
  US: pro tournaments and qualification tournaments
  Hearthstone World Championship
  2017- Prize Pool: $1,000,000

- Fanbase:
  Launched in 2014
  100 million users in 2018

- Pro players:
  China: 8 pro players
  US: 56 pro players

- 2018:
  71% U.S. gamers play hearthstone on mobile
  Revenue based on mobile is 660 million dollars
Takeaways & Opportunities

Before Q&A:

- eSport is marching into the mainstream
- eSport franchise can generate revenue
- eSport theme park
- Collegiate program
- City based tournaments + Local community
Thank you!

Questions?