

Slow Streams: Esports in the United Kingdom

Krasimir Dinev, March 2020

As the growth of the global esports industry gains momentum, IBISWorld looks at why the esports in the United Kingdom has lagged behind other geographies.

The global esports industry has boomed over the past five years, with countries such as China, South Korea and the United States recording large increases in participation and spectatorship numbers. It has also grown in popularity around Europe, but the United Kingdom has been left behind, considering the size of its population and the size of its gaming industry.

The rise of esports has caught the attention of gaming fans, businesses and the general public. Esports research company Newzoo forecasts that global esports revenue will reach US\$1.1 billion (£861.1 million) in 2020, an increase of 15.7% from 2019, when it was US\$950.6 million (£726.9 million). This is a massive growth on the revenue estimates from 2015, when the industry was valued at US\$325 million (£202.6 million). At the same time, according to Newzoo, the total esports audience is estimated to grow to 495 million people in 2020, an increase of 11.7% on the previous year. A 2019 report by Deloitte titled Let's Play! estimates that the European esports market generated revenue of €240 million (£221.5 million) in 2018, with this expected to increase at a compound annual rate of 22.8% over the five years through 2023 €670 million (£618.3 million). These figures show the potential for growth in the industry. However, the European market is still behind North America and Asia.

A part of why Europe has slacked is due to the slow uptake of esports in the United Kingdom. According to the British Esports Association, the United Kingdom has lagged behind other countries in esports, despite it being the fifth biggest consumer market for games. Revenue in the Video Games industry is expected to grow at a

What is esports?

Esports, short for electronic sports, is competitive video gaming which is organised and played by professionals, and watched by fans. The industry generates revenue primarily through sponsorship, media rights, ticket and merchandise sales, and publisher fees.

compound annual rate of 7.7% over the five years through 2019-20. Although the growth of gaming is helping to increase the popularity of esports, there are a few reasons as to why esports has struggled to take off in the United Kingdom in the same way as in other countries.

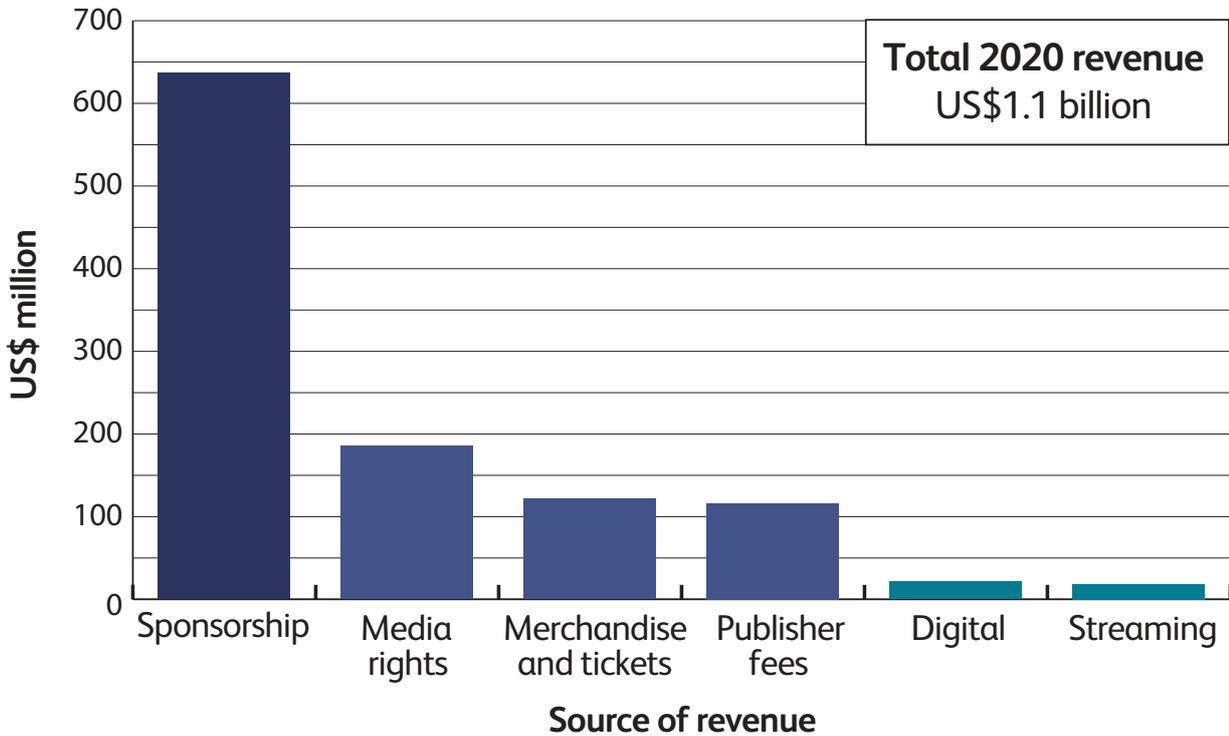
Low exposure

Awareness and viewership numbers in the United Kingdom are relatively low. A report by YouGov from September 2017 found that about 35% of UK adults (18.3 million) are aware of esports, 7% of the British population (four million) have watched esports, while 8% would be interested in watching esports again in the future. At the same time, in China, a staggering 45% of adults have watched esports, while in the United States 12% have tuned in and in Germany 11% of the population has watched esports. The majority of esports fans are people aged between 21 and 35, so companies have tried to reach this target group. Esports is mainly watched on live streaming and video-on-demand platforms. Twitch, YouTube and Facebook, for example, offer the chance to watch esports tournaments. Twitch has over 15 million

Slow Streams: Esports in the United Kingdom

Global esports revenue in 2020*

Split by revenue streams



NOTE: *Estimate

SOURCE: NEWZOO

daily active users and over 20% of its content is esports-related. These platforms make it easy and convenient for people to watch esports as it gives them the opportunity to decide when and what they want to watch. Revenue in the Video Downloading and Streaming Services industry, which could benefit from a growing esports industry, is expected to grow at a compound annual rate of 29.4% over the five years through 2019-20. This presents a great opportunity for esports to become more mainstream and increase in popularity. TV broadcasters have also slowly tried to get involved in esports. For example, launched in June 2016, GINX eSports TV became the first UK esports gaming channel to air 24/7. Additionally, in 2015, the BBC aired the highlights of the quarter finals of the League of Legends World Championships. According to Newzoo, total media rights revenue is expected to reach US\$185.4 million (£145.1 million) in 2020. This is expected to continue growing, as competition between TV broadcasters and online streaming platforms for rights to show big tournaments is anticipated to increase.

However, online streaming platforms are expected to remain more popular for esports as viewers prefer them over traditional TV. According to Deloitte, 40% of viewers in 2018 preferred to watch esports on live streaming and video-on-demand, while 27% preferred watching on traditional TV.

Tournaments

Esports are also played in arenas which allow esports fans to go and witness in person their favourite players and games. However, the number of tournaments that have been held in the United Kingdom has been far lower than in countries such as China and the United States, limiting exposure to the industry. In 2018, the CSGO FaceIT Major was held in London, while the Dota 2 Major ESL One Birmingham 2019 had a prize money of US\$300,000 (£238,000) and attracted 13.4 million views across all streaming platforms. The FIFA eWorld Cup 2019 Grand Final took place in the O2 arena in London and was broadcast live on Sky Sports and the

Slow Streams: Esports in the United Kingdom

Premier League's digital channels, attracting over 9.6 million views. However, uncertainty in the economy due to the UK's exit from the European Union has negatively affected the industry, with London being omitted from hosting the League of Legends World Championship 2019, which took place across Europe, due to potential complications that could have arisen.

Government assistance

The industry's growth in the United Kingdom has also been constrained due to the lack of government support compared with other countries, which give grants to new esports teams and have training centres. However, government support has started to pick up more recently. In 2016, the UK government backed the eGames initiative, which took place alongside the Rio 2016 Olympics. Additionally, the government provided £4 million of funding to Weavr, which is a technology platform that uses live and historic data to create meaningful and highly personalized mixed-reality experiences for esports. The Department for Digital, Culture, Media & Sport has also formed a committee to explore the potential for esports in the United Kingdom. Nonetheless, it is argued that more can be done by the government to promote esports and to attract large tournaments to the United Kingdom. For example, faster internet connections that improve game quality and speed, and more exposure and advertising would help the esports industry reach its growth potential.

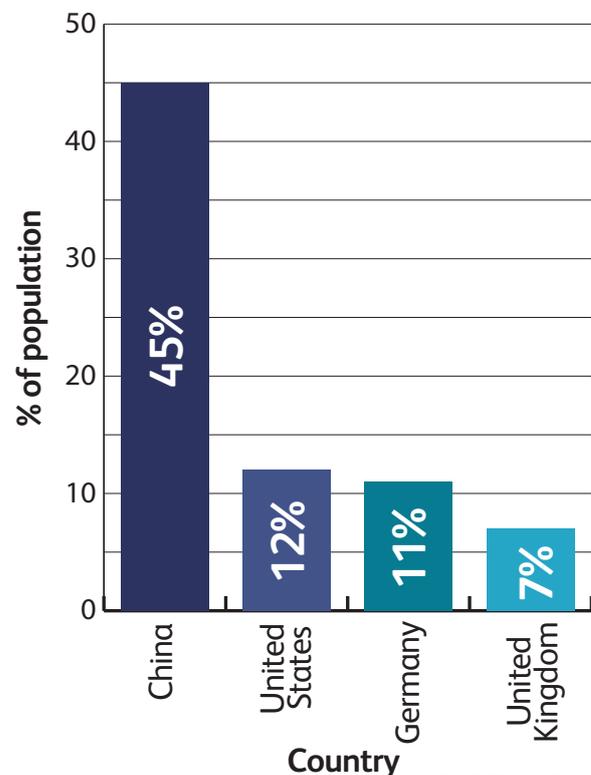
Private investment

In recent years, more investors are noticing the potential of the industry. Newzoo estimates global sponsorship would reach US\$636.9 million (£498.5 million) in 2020. Game developers invest a lot in tournaments and advertising as this helps increase the popularity and demand for their games. Deloitte reported 68 merger and acquisition transactions in the esports industry worldwide, with total investment of €3.9 billion (£3.4 billion) in the European market. In 2018, tech billionaire Tej Kohli invested €50 million (£44.1 million) to help European esports grow, including UK-based ones. Additionally, UK organisation excel Esports secured investment from Guinevere Capital, while also partnering with a consortium led by UK-based investment firm JRJ Group. Although uncertainty following the EU referendum result is likely to

IBISWorld Industry reports used in this special report:

J60.200	Television Programming & Broadcasting in the UK
SP0.015	Video Games in the UK
SP0.017	Video Downloading & Streaming Services in the UK

Esports viewership by country



have constrained investment, the high growth potential of the industry, game makers realising that esports could be a key revenue stream and rising confidence in the economy are likely to boost investment in the esports market.

Conclusion

The global esports industry has grown significantly over the past five years, in terms of revenue and audience numbers. Although the industry in the United Kingdom is still relatively behind, due to little government help, low investment and low viewership numbers, it is expected to start growing more strongly in the near future. Mobile esports could be key to supporting growth, as it will reduce barriers to entry and allow more gamers and fans to be involved. As other countries and game developers see the potential in esports it is time that esports finally pick up in popularity in the United Kingdom.

www.ibisworld.com | 020 7222 9898 | info@ibisworld.co.uk

At IBISWorld, we know that industry intelligence is more than assembling facts
It is combining data with analysis to answer the questions that successful businesses ask

Identify high-growth, emerging and shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing and new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximising decisions

IBISWorld

WHERE KNOWLEDGE IS POWER

Who is IBISWorld?

We are strategists, analysts, researchers and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real-world answers that matter to your business. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and risk intelligence products give you deeply researched answers quickly.

IBISWorld Membership

IBISWorld offers tailored membership packages to meet your needs.