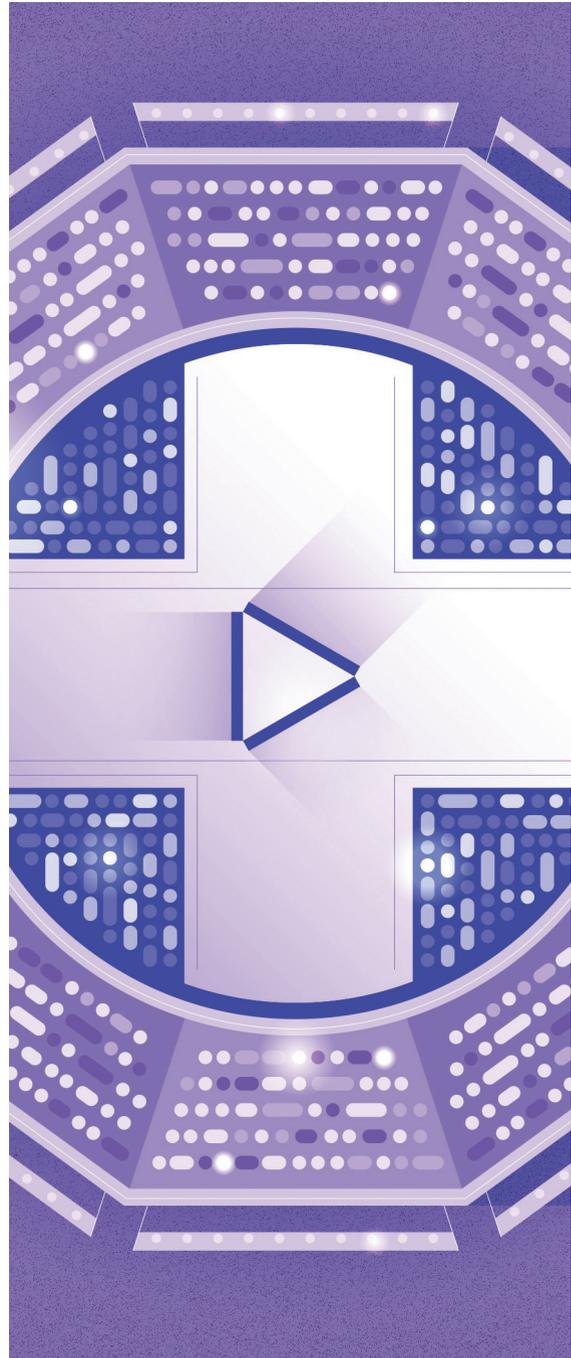


Let's play!

THE EUROPEAN ESPORTS MARKET

COMPETITIVE VIDEO GAMING—A growing global phenomenon known as esports—has hit the big time in Europe, where it is packing stadiums, encroaching upon established media's traditional entertainment offerings, and attracting sponsors from a wide range of industries. With estimated revenues of 240 million euros in 2018 alone, Europe's esports industry has grown by about 24 percent annually since 2016. Similar growth is expected over the next few years, with an expected revenue of 670 million euros in 2023.



Continued growth could translate into big revenues for individual gamers, game developers, esports leagues and franchises, event organizers, and media companies alike. More than two-thirds of European esports revenue in 2018 came from sponsorships, advertising, and media and streaming rights, with ticketing, merchandise, and game publisher fees—paid to esports organizers for hosting events—making up the balance. Prominent transactions include a 20 million–euro investment in the French esports clan Team Vitality by Rewired Advisory, a Switzerland-based venture capital firm with an esports division, in November 2018, and a 17 million–euro investment in UK-based esports clan Fnatic by a group of investors led by tech entrepreneur Lev Leviev in May 2019.

Businesses wanting to participate in esports' growing popularity in Europe could still face several challenges. In Germany, for instance, revenues from the sale of media rights for premium esports content have experienced slower-than-expected growth. This may be because German esports fans have traditionally considered esports viewership to be “for free,” accessing matches through dedicated online platforms that do not charge for their content. However, initiatives such as the Virtual Bundesliga—an efootball championship run jointly by the DFL Deutsche Fußball Liga and EA SPORTS¹—are opening esports to a broader audience, providing a solid foundation for future growth.

Concerns around minors' viewership of and participation in esports also exist, especially regarding the ability of game publishers, event organizers, and teams to ensure that game viewers and players are of an appropriate age. Many event organizers are working with authorities and game industry organizations to address this concern. For example, Germany's gamescom, the world's biggest computer and video game event, has put restrictive admission controls in place, and exhibitors are required to ensure that their content is not visible to younger children.

In the near future, the European esports industry may receive a boost from the introduction of “closed” franchise leagues such as Riot Games' League of Legends European Championships (EU LEC) franchise. Unlike “open” franchises that determine division participation through promotion and relegation, all games in a closed franchise take place among a defined set of players or teams. This can prompt more consistent viewership among fans of particular players or teams, as well as increase the franchise's appeal to advertisers, sponsors, and media rights buyers that appreciate knowing who will be playing which games in advance. However, it remains to be seen how much traction this model can gain in Europe, where open leagues are currently the norm. ●

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To learn more, read *Let's play! The European esports market* on www.deloitte.com/insights.

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page 48

1. Bundesliga, "Virtual Bundesliga overview," accessed October 15, 2019.

