Endemics vs Non-Endemics: eSports expanding its sponsorship horizons

by Matt Nichols

SPONSORSHIP

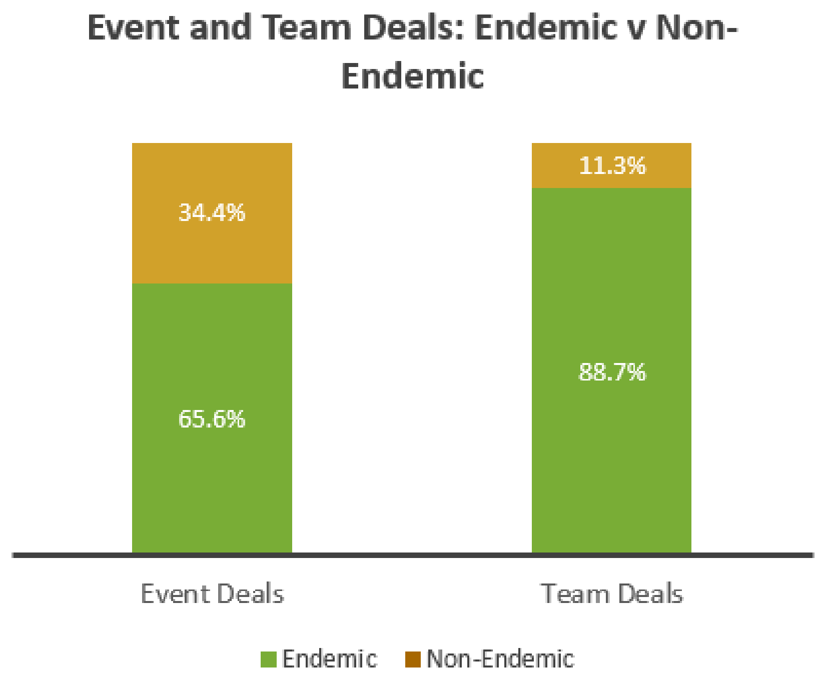
Sponsorship of eSports is still developing. Endemic brands, those that produce products that are required to play or take part in eSports, still dominate both the event and team sponsorship sectors. Analysis by Sportcal has identified what eSports may need to do to attract non-endemic sponsors

Sponsorship plays a particularly important role in eSports, as generating revenue from media rights in the sport remains in its infancy. With player wages rising and with ambitions to expand, the introduction of new sponsors and sponsorship sectors is critical for the future commercial success of eSports.

Newzoo, the market intelligence group, estimates that sponsorship and advertising presently makes up around 75 per cent ($517 million) of the sport's total revenue, compared to 14 per cent ($95.2 million) from media rights, and will continue to drive revenue growth until at least 2020.

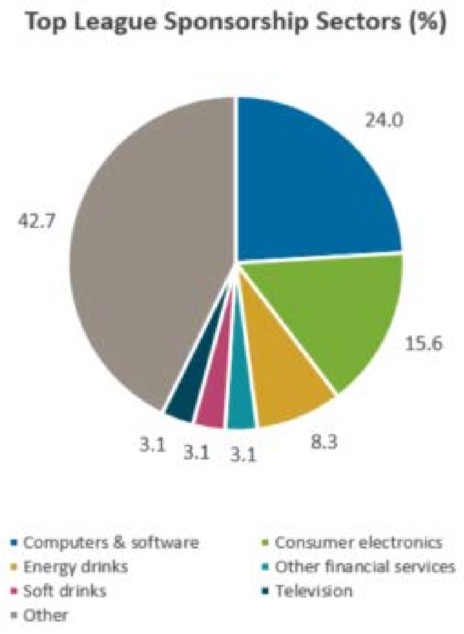
Endemic sponsors, brands that create products that are used in the production or playing of eSports, such as software and computer component manufacturers and energy drinks, are the most regular sponsors of eSports.

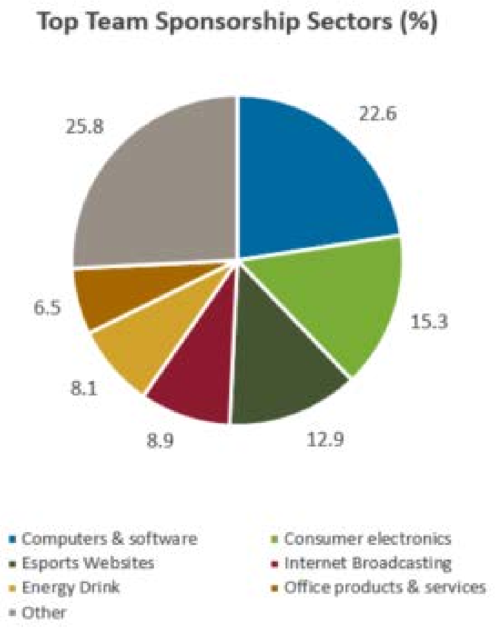
When analysing the sectors that sponsor the top 20 eSports teams by prize money won, and 19 of the biggest eSports events in the world by viewership, sponsorship and prize money, over 88 per cent of all team deals and 65 per cent of all event deals analysed are with endemic brands. Non-endemic sponsors, brands that create products that are not vital to the production or playing of eSports, such as Coca-Cola or Geico, play a secondary role to these endemic sponsors.



A study by sector shows that computer software and consumer electronics brands dominate, accounting for nearly 40 per cent of both team and event deals. Of the six sectors that account for the most team sponsorship agreements all are endemic, as are four of the top six event sponsorship sectors.

Moreover, the events analysed had sponsorship agreements with brands from a total of 36 different sectors compared with just 22 different sponsorship sectors for the eSports teams, despite the teams having 30 per cent more deals than the events analysed.





Despite ever-increasing audience figures and industry growth - Newzoo reported an audience growth of 88.5 per cent between 2014 and 2017, plus revenue growth of nearly 360 per cent in the same period - why is it the case that endemic sponsors still dominate eSports sponsorship, particularly team sponsorship deals? Why are non-endemic brands only slowly becoming interested in eSports and what can the industry as a whole do to attract more of them?

Mainstream awareness, understanding and exposure

The first major issue that eSports has to counter if it wants to become more popular with blue chip brands is the levels of public understanding, awareness and mainstream exposure.

Many eSports tournaments, such as Riot Games' League of Legends World Championship, draw huge attendances and online audiences, helping to attract support from major sponsors. The 2014 League of Legends World Championship in Seoul, South Korea, had more than 40,000 people attending the final, and attracted a total of 27 million unique viewers on Twitch, the video game live streaming portal owned by Amazon. The sponsorship portfolio of the World Championship includes Coca-Cola.

However, Nicolas Maurer, owner of French eSports organisation Team Vitality, told Sportcal that despite the increasing level of exposure, many sponsors still "don't really understand what eSports is," because it remains outside mainstream consciousness, being primarily broadcast on specialist gaming websites such as Twitch. A 2015 survey by Médiamétrie, a French audience research company, suggested that the lack of awareness extends to the general public, with only 45 per cent of people surveyed familiar with eSports.

The difference in the number of non-endemic event and team sponsors could be explained by the lack of public and brand understanding of eSports. Some events, including the League of Legends World Championship, receive enough media exposure, albeit on non-mainstream platforms, and have large enough attendance figures to be attractive to non-endemic sponsors. Individual teams do not have the same level of recognition and will likely have to wait until the sport breaks through on linear media platforms before they are able to profit to the same extent.

Nonetheless, sponsorship makes up 70 to 85 per cent of eSports team revenues, according to Maurer.

As eSports is still in its infancy, and has an irregular events season structure, sponsorship provides a platform for brands to create their own events and become rights holders. Red Bull, the Austrian energy drinks brand, only entered into team sponsorship in 2015, having been an eSports event sponsor since 2008.

But Maurer is convinced that the outlook is changing, proclaiming 2017 "year one" for extensive non-endemic sponsorship of eSports. In France, two major pay-TV broadcasters, Canal Plus and BeIN Sports, hold eSports rights, giving the sport exposure beyond its established online streaming audience. Canal Plus, along with major brands such as Adidas and HP, is a sponsor of Team Vitality. The increased involvement of broadcasters, complemented by social media platforms such as YouTube, Facebook and Twitter, could help to bring eSports closer to the mainstream sporting culture and attract more non-endemic sponsors.

The inclusion of eSports in major, multi-sport games (it will feature in the 2022 Asian Games), could be a turning point for the sport as it could provide an opportunity to finally place it in the public consciousness. However, Maurer was sceptical about the impact of this move, as the pace of change in the market is so fast, saying: "The question as to whether eSports becomes mainstream will already be solved by 2022, as one year in eSports is like 10 in other sports."

Inclusion in other major multi-sport games remains in doubt because of a lack of clarity as to whether eSports is a sport. Thomas Bach, the president of the International Olympic Committee, said recently that the organisation is “not yet 100 per cent clear whether eSports is really sport, with regard to physical activity and what it needs to be considered sport.”

The millennial bug and a community feel

What really excites some non-endemic brands about eSports and has encouraged them to become sponsors is audience demographics, namely so-called 'millennials'.

Various eSports reports suggest that people aged 18 to 35 make up between 65 and 75 per cent of the eSports audience, with the majority of these being male. A 2016 Mindshare NA eSports Report survey found that as many as 60 per cent of fans were aged between 25 and 35, an age group with more disposable income than 18-to-24-year-olds, further increasing the attractiveness of the sport. According to Mach-1, an agency that is part of WPP’s GroupM, this sub-section of society is becoming increasingly hard to access for sponsors as they are watching less and less television and use ad blocking software more regularly. The primacy of this audience encouraged Maurer to claim that eSports as a whole faces “not that many challenges” when looking to attract sponsors.

However, communicating with the millennial audience without a strong grasp on eSports poses a challenge for potential eSports sponsors. eSports has a strong community surrounding it, with the 2017 Newzoo eSports Report stating that 50 per cent of the audience identify themselves as “enthusiasts.” The 2016 Mindshare Report said that 49 per cent of eSports fans surveyed spent most of their free time around eSports, and 67 per cent had made new friends or acquaintances through games. Moreover, a 2016 GMR report into eSports stated that 69 per cent of gamers use social media while gaming or playing eSports and 51 per cent said that they chat with other game players.

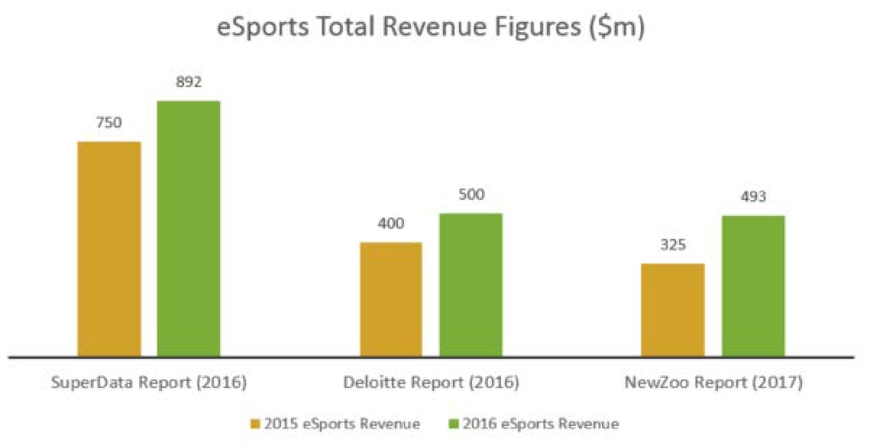
Maurer said that this means that brands sponsoring eSports “need to know how to address the eSports community and need to understand the eSports subculture to be successful,” something that non-endemic brands are taking time to learn. When announcing its agreement with the League of Legends World Championship in February 2017, Gillette emphasised that, as a brand, managers had to “immerse themselves into the eSports community” in order to communicate with the event’s audience.

Having to learn to connect with an audience on their own terms is not new to sponsors within sport. When Under Armour entered the golf market, Ryan Kuehl, the brand’s vice-president for sports marketing and sponsorships, said that it needed to "talk like a golf brand. We've got to act like a golf brand. We've got to behave like a golf brand.” Endemic brands within eSports, having been involved for a longer period of time, are more accustomed to communicating with the audience than non-endemic ones and therefore find it easier to justify sponsorship deals.

Continuing uncertainty over measurement

Despite the growth of eSports and the attraction of the main audience demographic, many brands, even endemic ones, are still reluctant to become sponsors. Speaking at the 2017 eSCon Europe eSports Conference, Yvonne Hobden, consumer marketing lead for HP UK, said that its involvement remains “a leap of faith” and that “eSports sponsorship needs to be data-driven. We consider ourselves a serious eSports brand and we need rigorous numbers to guarantee some kind of return of investment.”

As a young sport, with relatively little data available compared to some of the traditional sports, measurements and forecasts for eSports still differ wildly. For example, there are large variations in the reported size of the eSports market as a whole and the levels of growth the sport can anticipate. Recent reports from Deloitte, Newzoo and SuperData put the size of the market at between $325m and $750m in 2015 and between $493m and $892m in 2016, and the growth rate at between 19 per cent and 52 per cent.



eSports hit the headlines in 2016 when it was claimed that the League of Legends final had attracted more viewers than the NBA Finals. However, the data that produced these headlines is not comparable to the likes of the NBA or the MLB's viewership figures.

As eSports viewing figures are not calculated by traditional media monitoring agencies, the huge audience numbers cited in various reports havecreated doubts about the actual viewership of eSports. By not splitting its audience geographically and relying on a total cumulative viewing figure, not an average viewership reading, events like the League of Legends World Championship appear to have a higher number of viewers (43 million unique viewers in 2016) than the 2016 MLB World Series, whose headline viewership figures (40.3 million viewers for Game 7) denote the average number of people who watched the event in USA alone. If eSports brings its method of media measurement in line with traditional sporting properties, it will allow brands to gain more insight into where eSports sits relative to other sports, making investment easier to justify.

On top of the standardisation of audience measurement, it is thought that eSports needs to start to identify the difference between eSports fans (those who watch eSports for the competitive element of tournaments and support teams) and the size of the gaming community as a whole (which includes eSports fans and those who watch eSports content for other reasons).

In 2016, Twitch gained a total of 889 million views for streaming content featuring League of Legends, but the figure is not representative of how much League of Legends content eSports fans viewed, it is a record of how much content the gaming community as a whole watched. eSports has to find a way of delving deeper to explain how many gamers are truly eSports fans, to get a sense of its true value to sponsors.

Above all, eSports needs time to prove to sponsors that it can be used as a marketing tool. Maurer said that some brands remain wary, and are "not prepared to take the risk to become the first brand to fail. Brands want proof that the concept of eSports sponsorship can be successful." If the sport can clarify and solidify its own structure, and go on to prove through both data insights and sponsorship case studies that it is worth investing in, then it will attract more non-endemic sponsors. Once a major brand has taken the leap of faith and demonstrated that it can get a return on investment, others are more likely to follow.

Teams and Events Analysed

Teams	Events
Alliance	Austrian eSport League
CDEC Gaming	DreamHack ASTRO Open (CS:GO)
Cloud9	ELeague
Digital Chaos	ESL One Cologne
Evil Geniuses	ESL One Genting
Fnatic	ESL One Hamburg/Dota
Invictus Gaming	ESL One New York
LGD Gaming	ESL Pro League CS:GO
MVP	eSports Championship Series
Natus Vincere	eSports World Championships 2016
Newbee	eSports World Convention
SK Gaming	Fifa Interactive World Cup
SK Telecom T1	French e-Ligue
Team EnVyUs	German Virtuelle Bundesliga
Team Liquid	Intel Extreme Masters
Team OG	League of Legends World Championships
Team Secret	Madden NFL Championship Series
Vici Gaming	Manila Masters
Virtus.pro	Spanish Professional eSports League
Wings Gaming	

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