The Games Publisher’s Guide to Esports

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The power of esports for games publishers

Turning your game into a hit esport can be an expensive endeavour, and it’s not without risk. But there’s money to be made, plus a huge amount of marketing potential. Here are some key statistics:

- 37% NORTH AMERICA
- 38% REST OF THE WORLD
- 6% SOUTH KOREA
- 19% CHINA

(Newzoo)

$900m
AMOUNT ESPORTS GENERATED FROM MEDIA RIGHTS, FEES, TICKETS, MERCHANDISING, ADS AND SPONSORSHIP IN 2018. EXPECTED TO RISE TO $1.663BN BY 2021
(NEWZOO)

$100m
THE ROUGH AMOUNT THAT LEAGUE OF LEGENDS DEVELOPER RIOT GAMES SPENDS EVERY YEAR ON ESPORTS
(RIOT)

$20m
THE 2017 COST OF ENTRY FOR TEAMS IN THE OVERWATCH LEAGUE

$2.5m
THE AMOUNT OF MONEY INDIE DEVELOPER PSYONIX HAS INVESTED INTO ITS ESPORTS ACTIVITY FOR ROCKET LEAGUE
(PSYONIX)
The proportion of US gamers who watch esports content: 13% (SuperData)

The fighting game event EVO 2018 saw viewership of over 5.2m hours, up nearly a quarter over 2017 (Newzoo)

The H1Z1 Pro League was shut down after half a season due to declining interest

The concurrent viewers on Twitch for ELEAGUE's Counter-Strike Global Offensive Major Grand Final in 2017: 1m+ (Twitch)

FIFA players who compete in the Champions Esport mode play the game five times more than those who don't (EA)

People spent watching League of Legends esports between January and October 2018: 240m (Newzoo)

FIFA players who compete in the Champions Esport mode play the game five times more than those who don't (EA)
For a long time, esports was viewed primarily as a marketing tool for games publishers. It was a means to increase engagement and visibility and - ultimately - this would result in more games sales, more DLC sales and increased microtransactions.

Indeed, according to EA, customers who compete in FIFA competitions are five times more engaged with the video game than those who do not (which naturally resulted in more money generated via its Ultimate Team mode).

In 2016, during the early stages of the NBA 2K competitive league, Take-Two CEO Strauss Zelnick told GamesIndustry.biz that the initiative was more about marketing the game rather than making money from competitive gaming.

“Esports we find very interesting,” he told us. “It is, however, still more a promotional tool than anything else. And most people see esports as an opportunity to increase consumer engagement in their titles, and depending on the title, to increase consumer spending within the title.

“We have yet to see it as a standalone profitable business. We see it more as an adjunct to consumer engagement in our titles.”

And it’s still a view held today in some quarters. Despite a lot of investment, the goal has been primarily to drive revenues through game sales, and not through the events themselves.

“Generally, and I think this is continuing to be evidenced by a cross section of companies in esports, making a standalone profitable esports business remains a target rather than a reality,” explains Piers Harding-Rolls, director of games at analyst firm IHS Markit.
“Esports continues to be a marketing play more than anything for a game publisher. It’s an engagement strategy and fits nicely with the concept of games-as-a-service. However, under those conditions, if a game starts to decline or underperform, it is often the marketing budget which is curtailed first, which will have a knock on impact on esports investment.”

Indeed, even Riot Games, the company responsible for the world’s biggest esports product (League of Legends), says that it is “not even close to breaking even” on its esports investment.

But the expectation is that the profits will come. Take-Two for one has changed its mind after partnering with the real-world NBA league for its esports product.

“We are not expecting any contribution from the NBA 2K League in fiscal 2019,” the company said in a statement. “We look forward to the continued progress and growth of the League, which has the long-term potential to enhance engagement, and to be a meaningful driver of profits for our company.”

Indeed, Esports expert and Gfinity director David Yarnton says that perceptions are changing about the profit potential of competitive gaming amongst publishers.

“Esports is evolving and historically some publishers would have looked at Esports as a marketing cost and sometimes question the return on that investment,” he says. “That is changing as we see the viewing numbers of large events growing significantly and sponsorship from brands supporting these also increasing, along with successful esports games making significant profits.”

Of course not every publisher is looking to make money from esports. For those that are, there’s a long journey ahead that’s full of opportunities to consider, challenges to overcome and investments to make. Over the course of this article, we will analyse what needs to be done to build an esports product, and what revenue opportunities exist for publishers.
Part 1. Is your game an esport?

Having an online multiplayer mode does not automatically transform your game into an esport. In fact, there’s really only so much development and marketing teams can do to encourage a game to become a hit in the competitive gaming space.

“A number of developers and publishers approach me regularly saying that they want to develop an esports title, as they believe there are significant opportunities in that area,” Yarnton tells us. “However, I think some of their views are rather naive as they often want to be as big as League of Legends or Dota, failing to realise that Valve and Riot have spent years building that success with long-term investment and a very close relationship with the games’ communities.

“The major factor that you have to take into consideration is the sense of community that successful games have, because it is the players who end up making a game successful in esports. Many have tried to develop a game and call it an esport only to see it fail as they haven’t recognised that, in most cases, the success is developed from the bottom up with the community and not the top down from the company.”

It’s important for publishers rushing into esports to consider the long-term, Yarnton says. There has been a rise in the number of companies trying to make quick money out of esports, and not giving back to their communities.

There are examples of companies that have got this wrong. The recent H1Z1 Pro League launched very early in the game’s life, but popularity waned and the game’s inaugural season was ended early, and before the teams were due to receive their funds for taking part.

Equally, there are companies that have made a small success out of esports in more intimate ways. Jagex has seen RuneScape become an unlikely esport via its Deadman mode, which has been a popular marketing tool for the game. And some classic games have become esports, entirely driven by the community, such as Microsoft’s Age of Empires 2.

Yarnton believes the secret to a great esports game is the classic ‘simple to learn, hard to master’ concept.

“Dota 2 might be a super complicated game but at its core it’s easy,” he says. “Two teams try to destroy the enemy’s castle. StarCraft? Kill your opponent’s base. Counter-Strike? Shoot the other team. Super Smash Bros. Melee grew to become a prominent esport after a documentary gave the players a personality. This is something that helps build communities.

“One of my favourites is Valve’s Counter-Strike: Global Offensive. It debuted in 2012 and now, years later, it still mostly holds its own against more modern titles, partly because of its established core gameplay and active community. Many FPS games have come and gone and almost as many have tried being esports. Doom, Unreal Tournament, Quake, and many more had small or middling esports scenes. They just couldn’t keep up with Counter-Strike.

“Valve kept it simple. No characters or special abilities and everyone gets the same choice of guns. It’s all about the pure mechanical skills of the player. It was like that in the 1990s and the formula hasn’t changed much.”
Part 2. Is your game esport ready?

So your game has a community of gamers competing to be the best and it’s growing. How do you capitalise on it?

Before calling up the esports specialists, it’s worth considering how ready your game truly is for live competitive gaming. For instance, do you have the right in-game modes? Can you pull the required statistics? Do you have the viewing options so it can be as enjoyable to watch as it is to play?

“Watching a match needs to be exciting,” Yarnton explains. “Good spectator and replay systems help a lot, with various camera angles, a map view with onscreen information, and great replay systems for people to enjoy.

“Developer support is arguably the number one factor in a game becoming a successful esport title. This ranges from listening to feedback and advice from your community, to providing regular updates and bug fixes, alongside using some of your marketing budget to supplement competitions.”

Examples of in-game esports functionality includes the spectator options that can be found in modern Call of Duty games. FIFA's Champions mode is all about esports and competitive gaming, and it attracted 20 million players with FIFA 18.

Part 3. Build an esports team

With an engaged community of players and a product that’s almost as fun to watch as it is to play, you will want to make sure you have a team that can capitalise on this with events, community support and content.

How big your esports team is will depend on how much of it you are willing to take on yourself. There’s a lot to consider. You’ll want operations experts who can put on the live events. Community teams to work with the players and fans. A business development unit to handle the commercial side. Technical experts to support the events with leaderboards, broadcasting and online infrastructure. You’ll be looking for content, too, whether that’s on-air talent, pre-recorded shows, online write-ups and so on.

Some of the bigger publishers and developers have entire departments dedicated to esports. Riot Games has an extensive esports team in every regional office. In its European headquarters, there are 50 employees dedicated to esports. Meanwhile, EA estimates that across development and publishing, between 300 and 400 employees are working on its esports activities.

However, there are plenty of partners who can provide a lot of these services without the need to build huge internal teams (and many of them will be at the Esports BAR in Miami this coming February). There are league and tournament organisers of all sizes, which specialise in major events as well as smaller, local tournaments. There are also production experts who can run your broadcasting and content.

If your esports ambitions are modest (primarily as a marketing play), then your investment here can be minimal. But if you want to generate revenue from your esports initiatives, then you should ensure you have experts working within your organisation across multiple disciplines.
Before looking at generating revenue, the first objective is to build the esports community around your game. Keep the viewers engaged, keep people playing and grow that audience. You won’t attract investment from sponsors if you can’t show a large number of people watching your competitions.

In terms of the types of competitions, most publishers focus on leagues over individual tournaments (although they support both). Leagues, on the whole, generate longer-term engagement, producing seasons of content that keep players involved for prolonged periods. Leagues also generate the most viewers. According to Newzoo, top-tier leagues generate 20 million hours watched every year, whereas top-tier tournaments attract around 10 million hours. Leagues are more popular at mid-tier and amateur level, too.

Speaking of amateur tournaments, although it might be attractive to focus on the top-tier events (that’s where the money is made, after all), many esports games look after lower division and school-level tournaments and leagues, too. These grassroots events are where future stars can be found, and it’s through these star players that you will be able to generate improved viewership and engagement.

Building an esports to a sizeable level that attracts sponsors can take a lot of investment and years of work. This is very much a long-term play, so it’s important to look after the entire esports ecosystem.
Part 5. Begin to generate revenue

There are multiple avenues to generate revenue from esports. These include sponsorship from endemic and non-endemic brands (by far the biggest area), advertising, publisher fees, media rights selling (which is the fastest growing area), ticket sales and even merchandise (both physical and digital).

Yet there are potential obstacles that publishers will face in their quest to generate this money.

“Up until now, increased in-game spending was the main revenue opportunity for game publishers,” says Jurre Pannekeet, senior market analyst for esports at Newzoo. “More recently, publishers have been focusing on ways to generate revenues directly from esports, facing a number of challenges though.

“Firstly, consumers in esports are used to having free access to all content. Putting leagues and tournaments behind paywalls could lead to fan backlash. Secondly, not all esports leagues are organised by the publishers themselves, making it more difficult to sell media rights and other deals. Publishers have also been somewhat reserved with allowing sponsorship while they were trying out community response to sponsorships around their esports content.”

Perhaps the prime example of a company that has been most aggressive in driving esports revenue is Activision Blizzard. The company operates a number of esports-friendly games, including Overwatch, Hearthstone, Starcraft and Call of Duty. It also acquired esports organisation Major League Gaming in 2016 for $46 million.

“It also introduced a premium content pass together with Twitch. The pass gave buyers access to additional content around the league as well as rewards within the game. These premium passes have become more prevalent in esports this year and offer game publishers an additional revenue opportunity where they prevent community backlash of a paywall, but are able to monetise its more dedicated viewers.”

Indeed, although esports biggest benefit to publishers is in marketing, engagement and selling in-game content, there are several revenue opportunities outside of this. From sponsorship deals, licensing broadcasting rights to distributors, offering premium content to fans, and even merchandise, there are numerous ways in which esports can become a sizeable business within your organisation.

Over the rest of this report, we’ll focus in on three very different esports - Rocket League, League of Legends and FIFA – and speak to the publishers about the investments they’ve made, the results they’ve seen, and what they’re hoping to achieve in the future.
Case study: 
Rocket League

Indie developer Psyonix released Rocket League in 2015. It was actually a sequel to a 2008 PS3 game called Supersonic Acrobatic Rocket-Powered Battle-Cars, and sees gamers play football with rocket-powered cars.

Like all the best esports, Rocket League is simple to play but with a huge amount of depth. It’s since been played by around 40 million people, and its esports scene (as with all the successful esports) grew from the community.

“Our early motivation for pursuing esports was absolutely to support the community that sprung up around the highly-competitive nature of Rocket League,” says Josh Watson, Esports Operations Manager at Psyonix. “In developing the game, we knew that it had the potential to be the most exciting sport out there, but only if that is what the community wanted. After launch, our community did amazing things to build the enthusiasm and infrastructure around the sport and we knew that we had to do what we could to support them.”

Community, Watson says, remains the single most important part of Rocket League esports. The aim is to look after the players and keep them engaged with the product. However, the developer does need to make decisions to ensure the product is commercially viable - after all, Psyonix employs dedicated staff to work full time on this esports activity.

“At the heart of Rocket League esports, we are always trying to remain true to the community and work together to deliver the kind of experience that they want from competitive Rocket League,” Watson tells us. “However, as the sport has grown, we now have to balance that community feedback with many other factors now that we have young men and women whose livelihoods depend on making decisions that are in the best interest in the health and longevity of our leagues and tournaments.”

Up until now, official Rocket League esports events have taken place in three regions: Europe, North America and Oceania. Last year, Psyonix offered $600,000 in prize money. In 2016, 6,000 teams took part in events watched by one million people and ten million channel views on Twitch. The company has invested $2.5 million in developing Rocket League as an esport, and this has included adding in-game functionality, new tournaments, regions, and even video shows promoting the Rocket League events.
As a result, the numbers have since ballooned. This year’s Rocket League World Championship has a $1 million prize pool, and the launch of that saw Rocket League jump up Newzoo’s social media tracking. According to the analytics firm, almost four million hours of Rocket League was watched via Twitch in September alone.

“We are extremely proud of the progress we have made over the last several years in Rocket League esports,” continues Watson. “It is incredibly rare for indie developers to find success in esports, but we have been able to exceed expectations at every turn. The Rocket League Championship Series (RLCS) has cemented itself as a top-tier esports product in relatively short order; we have worked with amazing partners in both the endemic esports space, such as DreamHack and ELEAGUE, as well as with traditional linear sports partners such as ESPN, X Games and NBC Sports. And we wrote the blueprint for non-violent esports that want to deliver exciting entertainment that is suitable for all ages. Most of all, our players and fans continue to be the shining example of what an esports community should be.”

The non-violent element of Rocket League means that the game does get promoted more widely than other esports. It’s easier to put Rocket League on display and highlight it via mainstream events and channels, without the need for age gating. It has certainly kept Rocket League relevant for a lot longer, and it has created a few commercial opportunities. Psyonix has attracted a number of non-endemic sponsors, such as Snickers, Old Spice and 7Eleven. It is also now making team-branded items available for players to buy (with revenue shared with the teams).

Although Rocket League is a commercially viable esports product, the primary objective for Psyonix is to support its community so that it remains engaged with the product (and buying add-on content). The firm promises to keep investing in esports moving forwards, from high-level tournaments, to collegiate leagues (which it launched last year). In fact, the company is now targeting new regions and even younger players.

“In 2019, we are bringing more of what the community has asked us for,” Watson says. “At the professional level, we are expanding the RLCS to include a brand new region: South America. We are also increasing the number of high-level LAN events for our players, as well as introducing revenue sharing for team-branded esports items. “At the scholastic level, we will continue to grow and support Collegiate Rocket League and we are expanding our tournament support into high-school esports. Lastly, at the community level we will continue to groom the next generation of esports professionals, not only players, but organisers and casters as well. Next year will be another big year for Rocket League and we can’t wait to get started.”
As the one of the three most powerful esports games (the others being Dota 2 and Counter-Strike: Global Offensive), League of Legends’ esports division is extensive and global.

The League of Legends World Championship attracts the sort of viewer numbers that other ‘real world’ sports would love to have. Indeed, the 2018 World Championships drew in more viewers than the Super Bowl, according to early reports, and the finals regularly take place at Olympic-sized national stadiums.

There are countless LoL tournaments and leagues taking place globally all the time. As a result, Riot Games’ esports division is more like a company in itself. Even the firm’s European office in Berlin features six different departments all dedicated to esports.

These departments include: League Management, which encompasses strategy, governance, format and rules and team relations. The Live team look after event production, logistics, technical infrastructure and team logistics.

The Broadcast division includes on-air talent, show producers, and broadcast statistics. Business Development handles sponsorship, broadcasting licensing, merchandise and other commercial elements. And finally the Publishing division handles communications, creative services, supplementary content and online presence.

“There are about 50 people working full-time on EU esports in Berlin,” reveals Marc Schnell, head of EU League Management. “They are mainly focused on the European Championship, but also the European Masters as well as our European Regional Leagues. On top of this we work with many shared resources, such as support from various departments based in the Riot Games headquarters in Los Angeles, and some shared services that are based in our Dublin office.

“Viewer experience will always be our top priority, which is why our core broadcast will always be free and accessible to everyone”
“We also have a close relationship with our local publishing and esports offices in the UK, France, Spain and Germany. On show days, we are additionally working with various partners and field another 40 to 50 staffers for show and event production, such as security, front of house, catering, additional on-air talent and various other technical staff such as camera men, audio crew, and so on.”

With so many people working on League of Legends esports events, there is obviously a pressure to ensure it is commercially strong. This is no mere marketing play by Riot.

“We recognise that for a sports league to thrive and last for decades and more, it needs to be a sustainable business proposition and/or career opportunity for everyone involved: the league, the team organisations, and the pro players,” Schnell says. “For this reason it is important that we also think about commercialising the league.

“This allows us to continue investing in improving what we do and lets us directly support the teams and pro players: 100% of revenues generated by the league go into a pool that is shared with the league, teams and players. However, viewer experience will always be our top priority, which is why our core broadcast will always be free and accessible to everyone.”

The Riot European team is always looking at ways to improve engagement of its esports events. This year, the company changed the format of its Championship Series, and it had a positive impact on its numbers - the company posted a 20% increase in unique viewers. The team is also working with DesignStudio to completely rebrand the LEC for next year.

Riot is also changing how it supports semi-pro players. It closed its second division and Challenger Series, and replaced it with an expanded European Regional League circuit, which features 13 leagues that cover every European country. This all climaxes in the bi-annual European Masters.

When it comes to competition formats, League of Legends supports both leagues and tournaments, but from the early days the team at Riot placed its emphasis on the league.

Schnell explains: “While tournaments are flashy and exciting, having leagues allowed us to create a strong foundation or the long-term as they offer more stability and more time to plan for teams and pros. Having to go from tournament to tournament with no regular play can make it difficult for teams to plan ahead and can pose job security concerns for pros.”

League of Legends’ esports events are primarily funded via sponsorship, broadcast rights and offline event monetisation. But the company is continuing to explore new avenues, including merchandise and digital opportunities.

League of Legends teams do create their own merchandise, but it’s not something Riot has done specifically on a large scale. Schnell says that it is on the firm’s “to-do list” as it researches new ways to generate revenue from one of the world’s most popular esports titles.
EA is now into the third year of its FIFA esports tournaments.

The company starts its esports work online via FIFA’s in-game FUT Champions mode. The best then enter head-to-head online tournaments, before 64 players (32 on Xbox One and 32 on PS4) come to the FUT Champions Cup (held last month in Bucharest, Romania).

During these Cups, players can collect FIFA Global Series points. If players secure enough points, they qualify to the FIFA eWorld Cup. It may sound like a long process (there are also many other FIFA esports events), but the result is a huge number of players get to compete.

“If you earn a spot at the live events, you’ve definitely tested yourself. That’s one of the great things here. A lot of people get to compete, and it allows people to contest against the very best in the world.”

Esports serves as a powerful marketing tool for EA and FIFA. The company says that those who play competitively via the Champions mode are five times more engaged than those who do not. This results in better game sales and more people spending money in the game. But there’s also revenue to be made from the esports events themselves.

“It is also an important opportunity for EA to generate out-of-game revenue,” Sitrin continues. “If you can have people be entertained - because that’s what esports viewership is, it’s a form of entertainment - then that can become a business. And that’s through sponsorship, media rights, licensing fees, and that is what we are building here.

“We just completed our second year, and we are showing the types of viewership numbers that are at a top level tier for the entirety of esports. We are already seeing numbers that are getting the attention of sponsors and broadcasters around the world. But we still have a way to go.”

It may seem surprising to think that a virtual version of an existing sport is attracting tens of millions of viewers, but EA says that not only is that the case, but it’s growing rapidly.

“Last year we saw a tripling of our viewership numbers,” Sitrin says. “Everyone knows that there is the big three in esports: Dota, League of Legends and Counter-Strike: Global Offensive. We are not quite at that level yet, but we are in the same region of viewership that the Overwatch League sees.

“I think that surprises a lot of people, because why would people want to watch people play this when they can just watch the live sport counterpart? And the reason is really simple. FIFA esports is by far the most accessible sport that exists. Billions of people know the rules, they know the teams and the players, and have an emotional attachment. All of that makes it easy to understand. Whereas if you look at a lot of the other games that I just mentioned, those are very complicated, deep, inaccessible viewing experiences.

“The other thing is when you really think about sports in general, sports around the world are really more about the people
competing. They’re about the Lionel Messis or the Ronaldos. You have an emotional attachment to the people and teams that are actually playing. That’s no different in esports. You start watching and you realise who the great teams and players are, and you start to follow those storylines. That’s what makes sport truly enjoyable.”

EA has invested significant sums in esports. To make FIFA a success in competitive gaming, EA has developed in-game modes, and runs events from a local level right the way up to global tournaments with huge prize money.

“We want to make stars of all of our players,” Sitrin tells us. “And the key word is ‘all’. We want people, no matter what their competitive skill, to be able to compete. So that means designing modes inside in the game that are built for competition. It means creating community-level competitions where less than 100 people can play in their local community. It is about building mid-tier level and regional events where a lot larger groups can come.

‘And then there’s the Elite level, like the FUT Champions Cup that happened in Bucharest last month. To put all of that together, including development technology, marketing, league operations… you are talking, across EA, over 300 to 400 people who are working on this. So it is a large investment by the company.”

It’s not just EA, either. The company also works with over 30 different esports partners around the world.

“We are trying to build a really robust ecosystem of competitive gaming,” he concludes. “That requires tens of millions of dollars of investment on a yearly basis. We don’t believe that any one company should put that on, whether that’s EA or anyone else. Some of them are doing dozens of competitions. The likes of Gfinity and PGL are some of the larger ones we’re doing, but we work with all different levels and regions. We have a tonne of events that occur in Asia, Europe, North America, as well as Central and South America.

“Some of our biggest partnerships are with real-world leagues. We have official competitions that are being run by the Bundesliga, the English Premier League, La Liga, League One, The Dutch League, MLS… There are 15 to 20 leagues that are running licensed competitions in partnerships with us.”

All of this, together, is why FIFA esports “is becoming one of the most popular esports franchises in the world.”
Thank you for reading this exclusive Esports BAR white paper!

About Esports BAR

At Esports BAR, we are committed to transforming the sport of the digital generation into the future of entertainment by providing industry leaders with the most productive and meaningful events where esports tastemakers and non-endemic top-management executives meet to shape esports’ future.

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