E-sports: the birth of a millennial industry

INTRODUCTION

Among millennials, traditional sports increasingly make way for competitive gaming. E-sports have become popular through urbanization, gaming culture and livestreams. Tech giants and gaming companies are in the best positions to benefit. E-sports could be the beginning of a much bigger entertainment industry involving immersive VR and robot battles.

OBSERVATIONS

- Among male millennials in the U.S., e-sports are as popular as baseball and ice-hockey. Spacious suburbs accommodate baseball, but millennials live in urban areas in larger numbers than any other generation.
- Of the nearly 300 million e-sports viewers, 40% do not play the games they watch.
- Of 148 million e-sports enthusiasts, 76% state that their time spent on e-sports viewing is taken away from the hours they used to spend on viewing traditional sports. Consequently, NFL ratings have plummeted this year.
- A League of Legends tournament final drew 36 million viewers, almost double that of the NBA finals.
- Tencent, China’s most valuable technology company, purchased Riot Games, which developed and published League of Legends, the world’s most popular e-sports game.
- The University of California, Irvine, launched a League of Legends e-sports scholarship program.
- Paris Saint-Germain purchased a League of Legends team. Other traditional sports investors in e-sports include the Philadelphia 76ers, Ajax and Schalke 04.
- Activision Blizzard hopes to create ‘the ESPN of e-sports’ by bringing mainstream viewing, which is focused on livestreams, away from the internet and onto traditional cable TV channels. Meanwhile, ESPN dedicated an entire magazine issue to e-sports and televised a live competition.
- The International e-Sports Federation has taken steps to have e-sports recognized as an Olympic sport.
- Genvid Technologies aims to revolutionize e-sports by enabling developers to control multiple camera angles during live-streamed games and thereby creating storytelling and emotional responses similar to traditional sports.

ANALYSIS

Urban tech-savvy millennials have triggered the global rise of e-sports. Since the 1990s, gaming competitions were predicted to move onto television. But only since the growth of livestreaming platforms like Twitch, which are dominated by millennials did e-sports really become popular. These livestreams provide fans with a sense of community. Live chat boxes on Twitch channels bear the resemblance of audiences that range from small gatherings to crowded arenas. The millennial world of crowded cities and technological connectivity fits better with e-sports than many traditional sports.

Organizations in sports, gaming, media and tech have all entered the e-sports industry. Companies that hold the IP rights to popular gaming franchises are set to benefit the most, which is why Tencent acquired Riot Games. Traditional sports clubs purchase e-sports teams because they see e-sports as a potential competitor and a commercial opportunity. Still, it remains to be seen how e-sports will materialize as a media product: online livestreams or TV? Amazon (which owns Twitch) is becoming a broad-based video hub and could bring e-sports to TV themselves with Amazon Channels. The industry battle will most likely be between tech giants and gaming companies that own IP’s.

E-sports could be the beginning of a new entertainment industry. VR will boost e-sports’ entertainment value by providing a much more immersive experience. The competitive and tech-savvy element of e-sports is also a big feature of robot battles, which are increasingly popular in Asia, where e-sports first became popular. To young people, the dynamic innovations of these new phenomena are increasingly more exciting than traditional sports which in their minds exist only on the aging medium of television.

POTENTIAL BENEFICIARIES

- Gaming studios and publishers with IP rights to popular e-sports franchises.
- Traditional sports organizations which gain value through e-sports acquisitions.
- Technology companies involved in e-sports. Besides Tencent acquiring Riot Games, Twitch partnered with developer Super Mega Evil Corp to bolster e-sports competitions.