Chapter 3
The eSports Economy

ABSTRACT

A decade ago, few people believed that eSports would be a billion-dollar business. However, over the past few years, the industry has grown exponentially, attracting fans, players, investors, sponsors, and governing bodies. The global eSports economy exceeded the $1B dollar mark for the first time in 2019. In this chapter, the size of the eSports industry in terms of investment, revenue generation, and major costs will be discussed. The chapter also presents the risks and concerns associated with the eSports industry.

INTRODUCTION

The eSports industry has been attracting an increasing number of investors, sponsors, viewers, players and governing bodies. Originally, considered a fringe hobby, the industry now boasts millions of fans and nearly a billion dollars in revenue. Specifically, the eSports industry generated an estimated total revenue of $905M in 2018, up from $493M just two years before. North America (and mostly the United States), China, and South Korea take the majority with 60% of the revenue generated from the three regions (Gray, 2018). Companies in this young industry are raising funds from corporations, ticket sales, media rights and merchandising, continually buying and selling teams and players, constructing training facilities, and building their fan bases through increasingly sophisticated marketing efforts.

DOI: 10.4018/978-1-7998-1538-9.ch003
As discussed in Chapter 1, prize money is growing significantly in eSports and now rivals other professional leagues and tournaments. Gray (2018) noted that the total prize pool of some eSports tournaments (e.g., The International, in 2018, had a reported prize purse of US$25.5M) and is currently higher than that of the National Basketball Association (US$13M) (who reward their players largely based on base salary) and that of the most PGA golf tournaments, including The Masters (US$11M) and the US Open (US$12M). As a result, the eSports industry is tracking for future growth in a way that emphasizes performance-based pay, much like more traditional sports such as tennis.

In terms of viewership, the industry is capturing the interest of viewers and streamers attracting an estimated 400 million worldwide viewers by the end of 2019 (Gray, 2018). Of particular note, is the movement towards streamers over television watchers. For instance, the Super Bowl in 2019 had an estimated 2% of viewership via streaming versus traditional television, while the number in eSports, although not specifically documented, is well into the majority. SullyGnome.com estimated that Twitch hit 1.2 million streamers in 2018.

With the growing size of the industry, and as already noted, the global eSports economy will exceed the US$1B dollar mark for the first time in 2019 (Refer to Figure 3.0). This is the first time that revenue will have exceeded the billion-dollar revenue mark, and it is estimated by many sources that about one third of this revenue will come from the United States. This will include sponsorships and media rights being the two main sources (Merwin 2018). Again, although modest in size compared to other industries, these early indicators of market-based revenues are positive for the industry.

On this current trajectory, the eSports market is expected to generate $1.8 billion by 2022 (Gray, 2018). Reflecting on the industry’s popularity and rapid growth, Jack Etienne, the owner of the world’s most valuable eSports company (Cloud9), stated, “To me it feels like we have broken a barrier that we have never attained before in eSports [in the past few years]” (Pei, 2019). Indeed, many investors are looking at the industry as a new investment opportunity and are founding new eSport teams to compete in official tournaments.

Summarily, eSports is described as having a small but rapidly growing economy with many very positive indicators. To understand the eSports economy in more detail, this chapter will discuss the industry’s different revenue streams, major costs, capital investments, and the risks/concerns that
Related Content

Offshore IT Outsourcing
[www.irma-international.org/chapter/offshore-outsourcing/8733](http://www.irma-international.org/chapter/offshore-outsourcing/8733)

Convergence in Mobile Internet with Service Oriented Architecture and Its Value to Business
[www.irma-international.org/chapter/convergence-mobile-internet-service-oriented/19579](http://www.irma-international.org/chapter/convergence-mobile-internet-service-oriented/19579)

Integration of Database and Internet Technologies for Scalable End-to-End E-Commerce Systems
[www.irma-international.org/chapter/integration-database-internet-technologies-scalable/5193](http://www.irma-international.org/chapter/integration-database-internet-technologies-scalable/5193)

A Netnographic Analysis of Facebook Content Strategy of World's Top 10 Management Institutes

The Need for Formal Compatibility Analysis in Web Service Choreography via an E-Commerce Application
[www.irma-international.org/article/the-need-for-formal-compatibility-analysis-in-web-service-choreography-via-an-e-commerce-application/139446](http://www.irma-international.org/article/the-need-for-formal-compatibility-analysis-in-web-service-choreography-via-an-e-commerce-application/139446)