

## **Esports from a betting perspective**

This report uses data and insight from industry experts to help analyse how and why esports is breaking into the mainstream.



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# Introduction

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Many believe esports is a new phenomenon, but it has been around since the 1970s. Although Atari's Space Invaders Championship in 1980 attracted over 10,000 players, esports remained a relative unknown, confined to a small community until the mid-2000s.

Esports is now one of the fastest-growing industries in the world, surpassing \$1 billion in revenue in 2019. One of the biggest contributors to this industry growth was the explosion of the esports betting industry. Pinnacle, widely regarded as the pioneer of esports betting, has provided an in-depth report into the state of the esports betting industry.





Watched by thousands in stadiums and millions online



Organisations with professional infrastructure



Competition prize pools up to \$40m+

# The history of esports

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## What is esports?

The biggest misconception about esports (electronic sports) is that it is simply kids playing video games. Esports is competitive gaming at a professional level and has a lot of similarities to traditional sports.

A video game becomes an esports when the player base wants to improve by watching players of higher skill compete. This is purely community driven and is the essence of esports.

# What are the different esports titles?

Esports is an umbrella term that captures various different titles. These titles differ greatly in terms of game mechanics but do fall within certain genres.



**Real-Time Strategy - Starcraft** - Usually competing against one other opponent to build your resources from an equal starting point. The aim is normally to defend your base while trying to overtake/destroy your opponent's.



**Multiplayer Online Battle Arena - Dota 2/LoL** - Similar to RTS (sometimes known as action real-time strategy), a MOBA features team of individual players working together to buy equipment and destroy the opponent's base.



**First Person Shooter - CS:GO/Fortnite** - The aim in this game is normally to kill your opponent/opponents or complete/defend objectives while you play through the eyes of a character.



**Fighting - Street Fighter** - As the name suggests, fighting games are a straightforward character vs. character fight with whoever defeats their opponent/opponents first being the winner.



**Racing - F1/Forza/Gran Turismo** - Similarly to fighting games, racing games have a simple concept. Competitors race against each other on the same map/track with the first past the finish line or player with the fastest time being the winner.



**Sporting - FIFA 21/NBA2K21** - A virtual representation of traditional sports using the same game mechanics and rules (like FIFA 21 and NBA 2K21) or new concept sports like the car-based soccer game Rocket League.



# Analysing the growth of esports

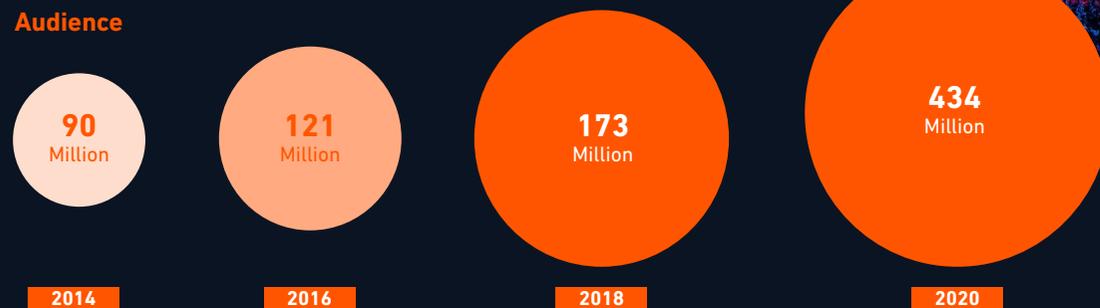
While the revenue generated by the esports industry is the easiest measurement of growth, it's interesting to note the growth across all aspects of the industry.

Of course, as the amount of money invested in esports continues to grow, along with the number of fans around the world, the quality of esports events has undergone a massive transformation.

## Revenue



## Audience



## Major Tournaments\*



\*Tournaments with a prize pool of \$150,000 or above class as major tournament

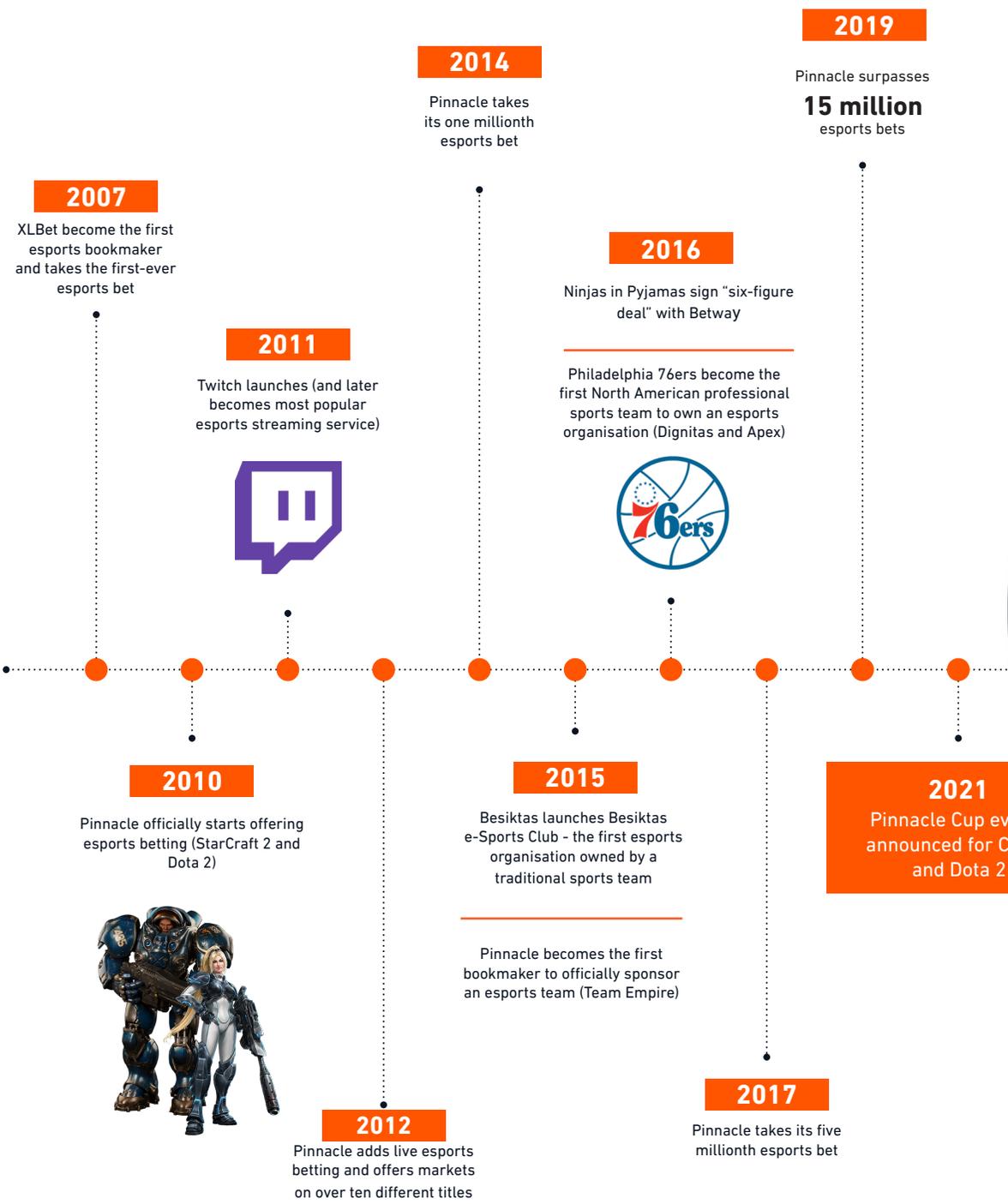


2018

2016

2011

Source: Newzoo



# The history of esports betting

Up until the late-2000s, no bookmaker had taken an esports bet. However, as the popularity of esports has grown, the betting side of the industry has launched and developed to compete with that of traditional sports (all within the space of a decade).

The betting volume on esports titles reflects the overall popularity of the various esports titles with League of Legends, Dota 2 and CS:GO far ahead of any others.

# A look at the industry leader

Pinnacle Solution is considered the leading supplier for esports betting, building on Pinnacle's own heritage in the sector and delivering a profitable, pioneering product to sportsbook partners. With a dedicated team of highly-skilled esports traders – many from a professional gaming background – and years of heavy investment into its esports betting product, Pinnacle Solution continues to set the bar and outperform the market.

Esports now ranks consistently in the top three sports by betting volume for Pinnacle Solution's partners, with the supplier's offering including:



**35+**  
Esports titles



**7,400+**  
Pre-match events each month



**2,100+**  
Live events each month



**100+**  
Unique markets



# The current esports betting landscape

## What makes a video game an esports?

Before we analyse the current esports betting landscape, it is important to clarify the distinction between video games and esports.



In short, it is the community that drives the transition of a video game into an esports. The community can increase levels of competitiveness for specific games and obviously impact viewership figures (fans will watch to both learn and develop their skills, but also just for entertainment purposes).

The way Overwatch and PUBG are set up as games makes it difficult for them to be enjoyed as a spectator sport. Overwatch is graphics-heavy and the gameplay quite frantic, while there are too many players and too many in-game events to keep track of in PUBG.

There are also other reasons why these games aren't quite at the level of the major esports titles: developer franchising, tournament restrictions, focus on in-game revenue generation and limited organic growth are just some examples.

Which titles has the community helped succeed?



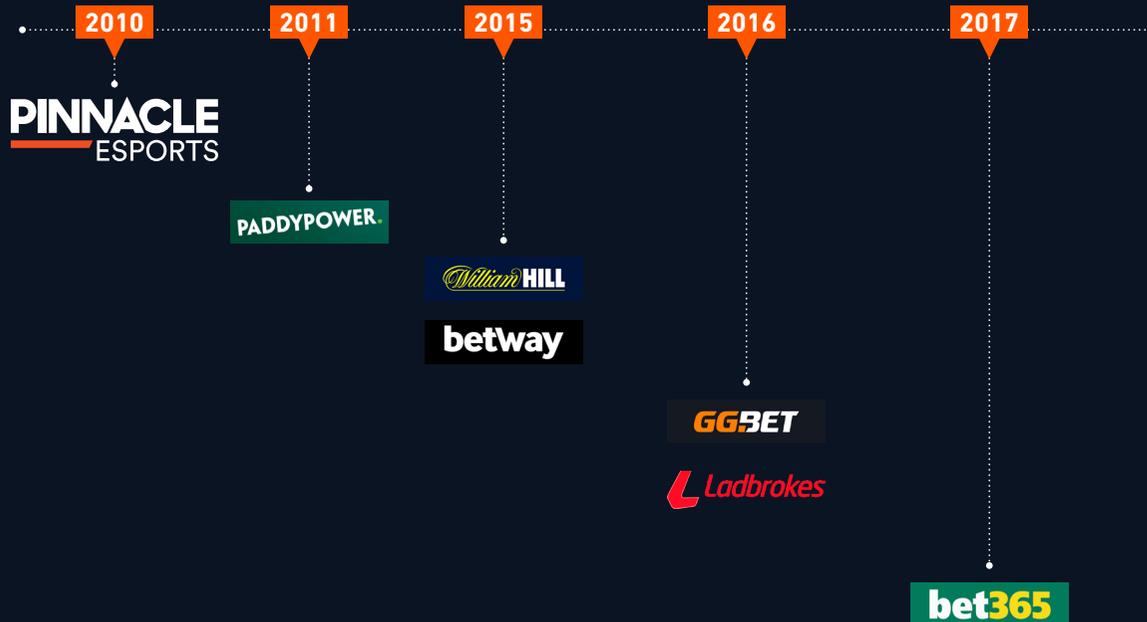
What titles have struggled to challenge the top three in esports?



# A new opportunity for bettors?

As the popularity of esports has surged amongst the betting audience, more and more sportsbooks have shown a willingness to dedicate resources to build up their esports-specific offering.

While Pinnacle started offering esports back in 2010, the majority of active bookmakers that offer esports only started listing markets from 2015 onwards.



\*Only selected bookmakers included

# What do esports bettors look for?



There are numerous considerations an esports bettor will make before choosing which bookmaker to bet with.

Some customers will be betting purely for entertainment and will likely be drawn in by the brand name.

Serious bettors will take a different approach and likely bet across numerous bookmakers, always looking for the best value odds and highest available limits.

## Esports bettor considerations

Esports titles on offer

Markets for each specific title

Betting limits

Bookmaker margin

Live betting offering

Proposition bets or “specials” on offer

Bonus offers

User experience

# Traditional bookmaker vs. Esports bookmaker

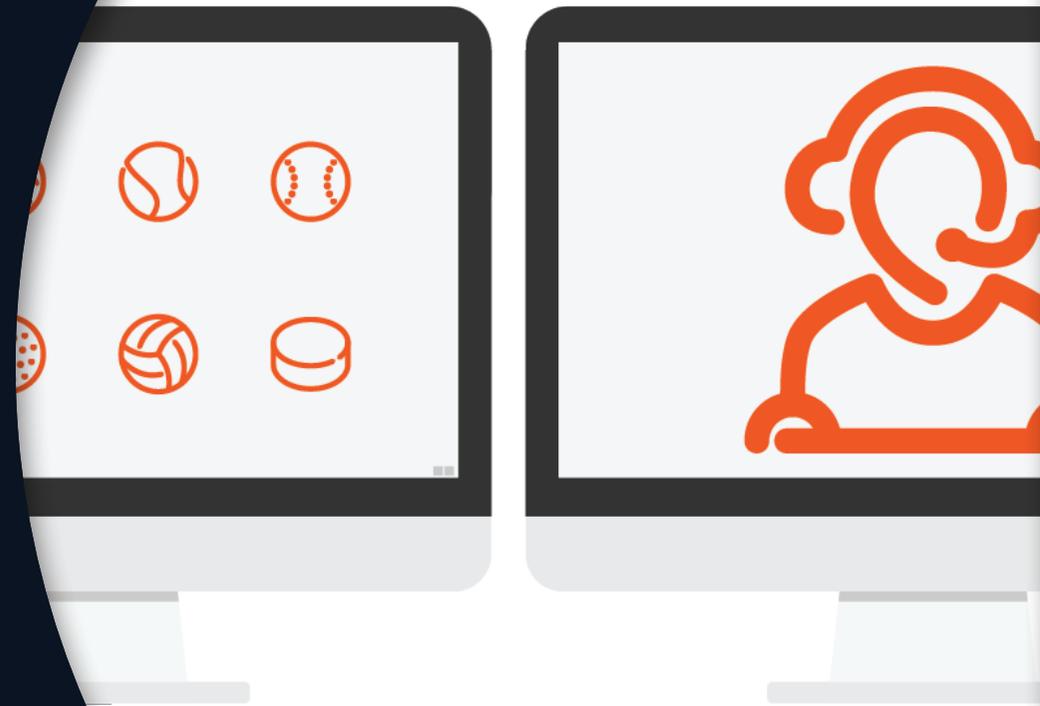
Unlike most other sports, there is a clear divide in the esports betting industry between the types of bookmaker. There are traditional bookmakers who have added esports to their product offering and there are esports bookmakers who don't offer betting on anything other than esports.

## **The benefits of a traditional bookmaker**

Traditional bookmakers have often spent years building a trustworthy reputation. These types of bookmakers will usually be fully licenced and hold a good reputation both with their customers and the industry itself.

## **The benefits of an esports bookmaker**

The obvious benefit of an esports bookmaker is that their sole focus is on esports. This means these bookmakers are likely built on specialist esports knowledge and are in tune with the esports movement.



# New opportunity for the industry

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While the new wave of bookmakers offering esports provides something to esports fans that they didn't have before, these bookmakers wouldn't be drawn to offering such markets if it didn't offer further growth potential.



A new segment of customers are betting on esports with crossover to traditional sports betting.



The global turnover of esports betting is expected to overtake all traditional sports (with the exception of soccer) within a matter of years.



Data rights are relatively inexpensive compared to other sports which allows for greater product development within esports betting.

# A new customer means a new approach

While there is plenty of potential within the industry, betting operators and other organisations must be aware that the audience they are trying to appeal to is completely unique.



The esports audience cannot be reached by traditional forms of media advertising, and instead you need seek them out.

Once you have reached these new customers, the crossover to betting is a natural progression.



They regularly use the device where they would interact with your betting platform.



Analysing data from a player perspective can be applied to betting.

## A day in the life of an esports fan



Watch VODs from last night's pro games



Read Reddit/forums about their favourite game at work



Listen to an esports podcast at the gym



Play games in the evening

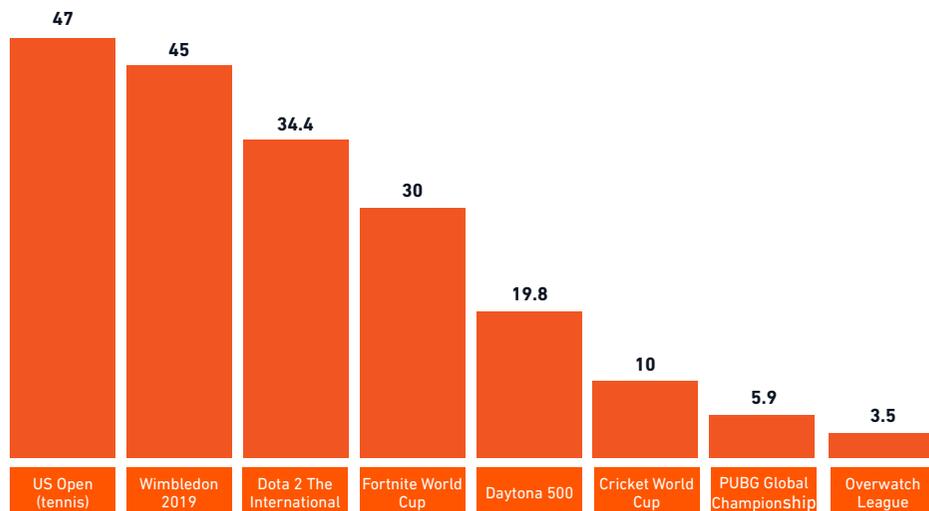
# What happens with esports investments?

A lot of the revenue being generated by the esports industry is being reinvested to help improve the experience of those that matter most - the fans and players.

**Game developments** ✓ **More events** ✓ **Bigger tournaments** ✓

While the quality of esports events has dramatically improved over the years, so too has the life of professional players. In addition to better team infrastructure and well-being awareness, there is also a lot more money available in the form of contracts and prize pool splits.

## Comparing prize pools (Single events in 2019 – in million USD)



## Combined esports prize pools (in million USD)



# Increased investment from outside of esports

The interest and excitement surrounding esports has led to a wealth of investment from outside of the industry (from both global companies and celebrities).



*Coca-Cola*



This kind of interest shows that esports is not only an attractive investment opportunity right now, but that it will likely continue to attract external investment for plenty of time to come.

The growth and future potential of esports will obviously drive external investment, but the cost in comparison to other sports is another key factor.

Despite the difference in sponsorship costs, the benefits remain the same.



# Tackling the issue of integrity in esports



## A lack of global governance

In addition to all of the positive aspects to emerge from the growth of esports in recent years, managing the integrity of the sports has also presented its own challenges.

It has proven difficult to police events on a truly global scene, with few national platforms that govern the scene in their own country and no requirements from most game developers to ensure leagues keep their own games clean from match fixing.

So much can happen so quickly in esports, and this is often cited as a cause for issues with match fixing. Players don't know what to do when approached by match fixers because they can go from playing at home to the professional level within weeks.

## Putting an end to match fixing

Match fixing in itself won't halt the growth of the esports industry but it can certainly have a damaging effect, especially on individual titles.

## Pinnacle's statement following the first ever esports market cancellation

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*As the world's leading esports bookmaker, Pinnacle is especially committed to preventing corruption and match-manipulation in esports. In accordance with this policy, the match between Dark and San (January 20, 2015) has been identified by our fraud prevention team as being manipulated. The bet placement pattern clearly indicates that the match was not played on a fair basis.*

*As a result, all bets on this match have been voided. We apologise for the inconvenience this causes for anyone betting on this match in good faith, but hope you will appreciate that protecting the integrity of esports is of paramount importance.*

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# Putting an end to match fixing



The esports industry is collaborating together and working very hard to help prevent instances of match fixing in esports, including the following initiatives:



ESIC (Esports Integrity Coalition) is working with a variety of partners to cover hundreds of matches every day.



Esports betting operators can use betting patterns to highlight suspicious activity.



The community can work together to report any matches that appear to be fixed.



Continued education within the industry to learn from other sports mistakes.



Pushing for more governance at lower-level competitions with greater consequences and punishment.

**Working with partners to  
improve integrity**

**GRID** |  **Abios**

# Esports Integrity Q&A

With Sam Gomersall (Sports Integrity Manager at Pinnacle)

## How did you become Sports Integrity Manager at Pinnacle?

I was recruited by Pinnacle in 2009 due my background in professional gaming. I initially started as a trader and was part of the team that researched and created Pinnacle's initial esports offering. In 2015 I took over the Sports Integrity department to provide a link between one of the largest bookmakers in the world and the global integrity network.

The rise in popularity of esports has made it a major focus in my day to day activities.

## What does the role of Sports Integrity Manager entail?

The majority of my time is spent reviewing internal alerts and compiling them into external reports. These reports are then sent out to governing bodies and sporting federations with the goal of assisting investigations into suspicious matches. It is not only in Pinnacle's interest to catch this type of activity to stop us paying out to winners from fixed matches, but also to protect the individual organisations and sports themselves.

Match fixing has the potential to cause real harm to the reputation of a sport. If we were to see similar scandals to what we've seen in the past with esports, it could kill off the community's faith in any individual title.

## How much has integrity in esports betting improved in recent years?

Years ago, when we cancelled our first esports match, match fixing was very much a grassroots operation. We saw players creating accounts and betting directly against themselves. However, in recent years there is a much more professional feel about it which is a worrying trend, although the number of alerts does seem to be on the decline.

There are a lot of people working hard to protect the integrity of esports and we have seen plenty of success in reducing the number of alerts for potentially fixed matches. In the context of the developments we've seen with match fixing, this decline becomes even more impressive.

## What are Pinnacle's plans for the future in esports?

Pinnacle is looking to help contribute even more to the growth of esports. This includes offering its customers more markets to bet on and helping other suppliers enter the market with its B2B offering. In terms of what falls specifically under my remit, it's all about continuing the good work we do and improving the relationships we have within the global integrity network, to ensure we are doing everything we can to limit match fixing in esports.



# What does the future of esports have in store?

The esports industry has proven over the last few years that it is far more than just a trend. The potential growth is yet to be fulfilled, so what can we expect in the future, and what does the industry need to make that happen?

## The impact of technology

One of the biggest advantages esports has over other sports is how compatible it is with technology. Esports might technically date back to the 1970s but it really exploded in the digital age, and that's what helps it flourish.

In terms of the audience, esports events are predominantly watched online and are free 99% of the time. In comparison, other sports require costly subscriptions to watch events (often one for each individual sport).

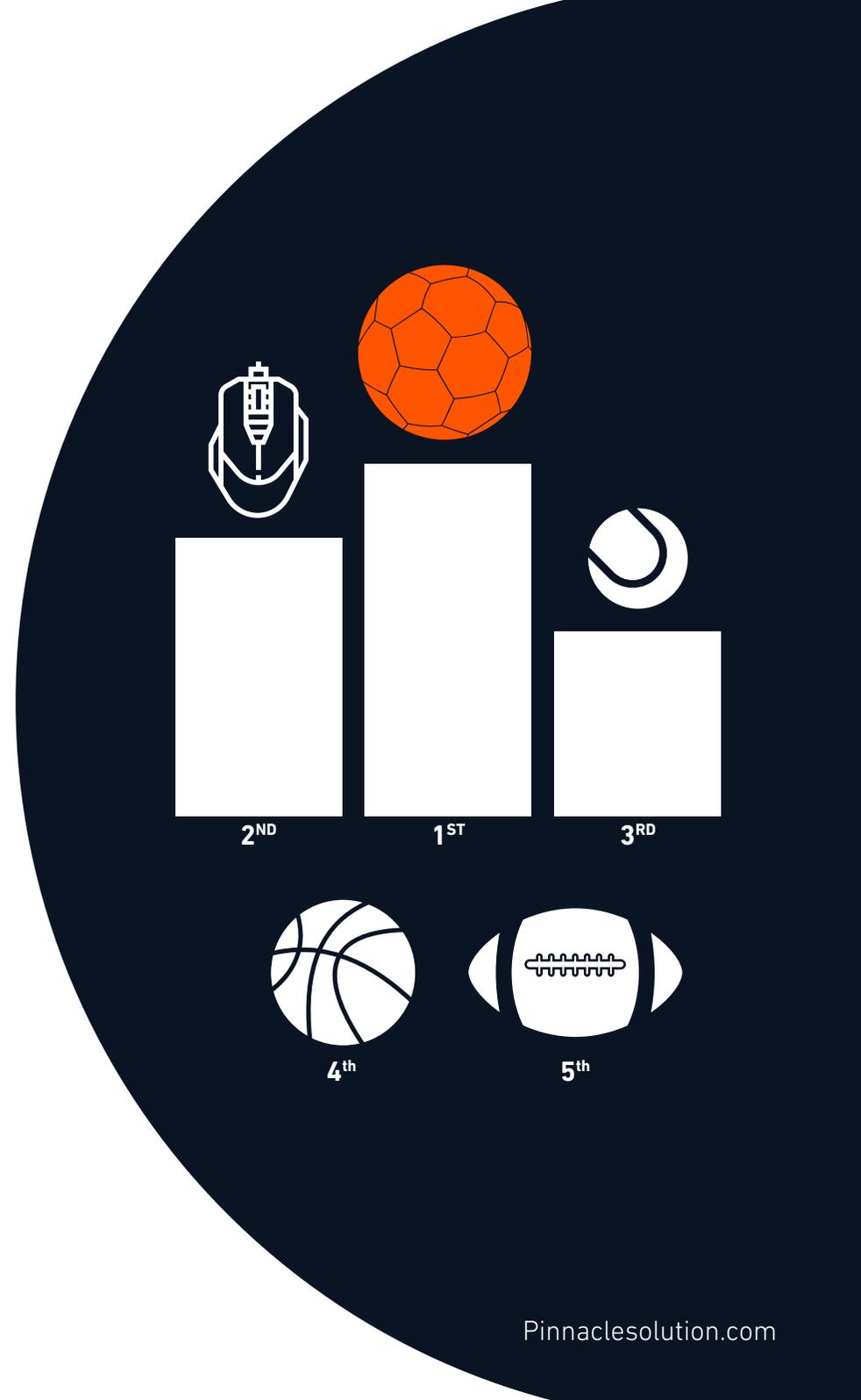
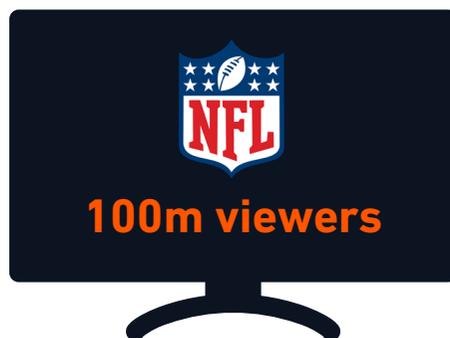


Esports is also more suited to mobile users. Fans can watch or play games on their mobile, while fans of more traditional sports might have to be a member of a club or buy expensive equipment to take part. From a betting perspective the trend is for customers to bet on the go, with live or in-play markets being the most popular.

### Surpassing traditional sports in betting

Pinnacle has projected that esports will surpass almost all other sports within a few years with soccer being the only exception.

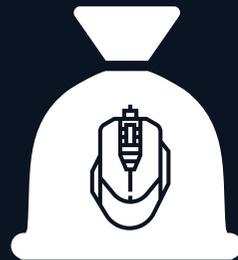
There are many that believe esports has the potential to be the biggest sport in the world, especially when you look at viewing figure comparisons with other global sporting events. The fact that esports has drawn the attention of UEFA and the International Olympic Committee shows how far it has come, as well as where it could go.



Esports has already featured as a demonstration sport at the 2018 Asian Games, and UEFA's eChampions League launched in 2019. While there is plenty of scope for more global esports events, we could also see the esports versions of niche sports become larger than the real-life versions.

### **The growth of the US betting market**

In terms of the popularity of esports around the world, the United States is second only to the Asian markets. The United States also has one of the biggest betting audiences, with future developments expected to take it to another level.



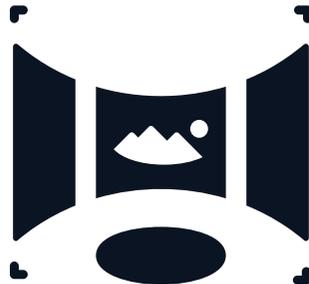
After PASPA (Professional and Amateur Sports Provision Act) was repealed in 2018, the betting industry is anticipating rapid growth within the next few years. Esports betting is one area where experts are projecting the most growth, due to the country's interest in esports, as well as the fact that major US cities are investing in esports arenas or using other stadiums to host major esports events.



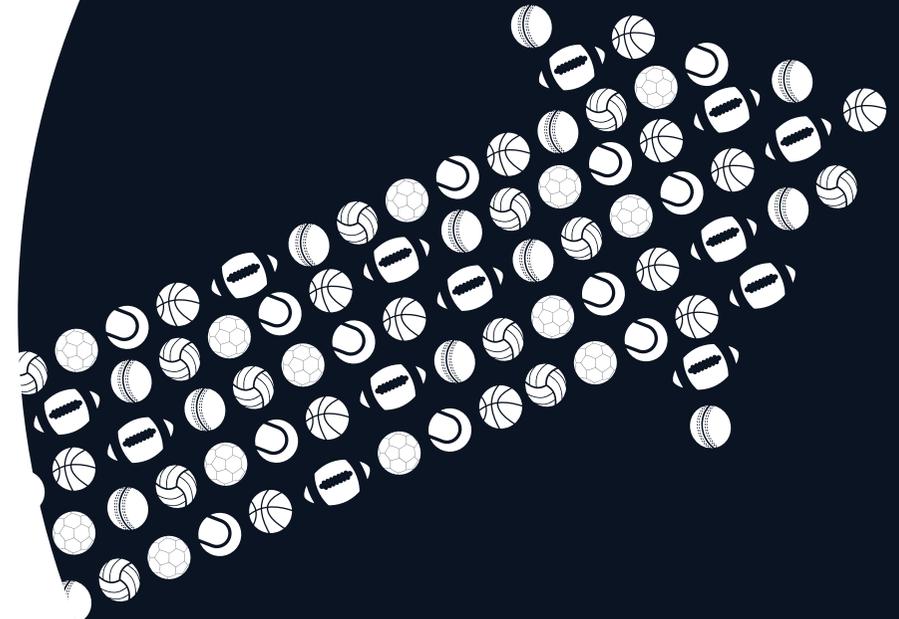
### Esports breaking into the mainstream

Despite the exponential growth of esports over the last few years, it still isn't recognised as mainstream. Some titles or personalities have made that crossover, but not the industry as a whole.

Those within the industry believe it will take a new title to propel esports into the spotlight. This could be a completely new esports title, a virtual reality experience or the next generation of technology.



While the esports titles themselves might have to change a bit to break into the mainstream, the personalities within esports simply have to continue the work they are doing. Ninja has already featured on the cover of ESPN, he has more followers than Shaquille O'Neal, Tom Brady, and Roger Federer and we're certainly going to see more people doing the same.



# PINNACLE SOLUTION

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