



ASSESSMENT OF ESPORTS IN THE TRAVEL AND EVENT SECTORS

Presented June 25, 2020





INTRODUCTION

CSL International and its partners at the Esports Entry Advisory are pleased to share the following results from an esports-focused survey recently distributed to Destination Marketing Organizations (DMO's) and event facilities throughout the country. The survey asked DMO directors and facility managers to rate their interest in the relatively new and quickly growing esports event industry, describe their experience with hosting esports events, and summarize their efforts to prepare for and learn more about esports.

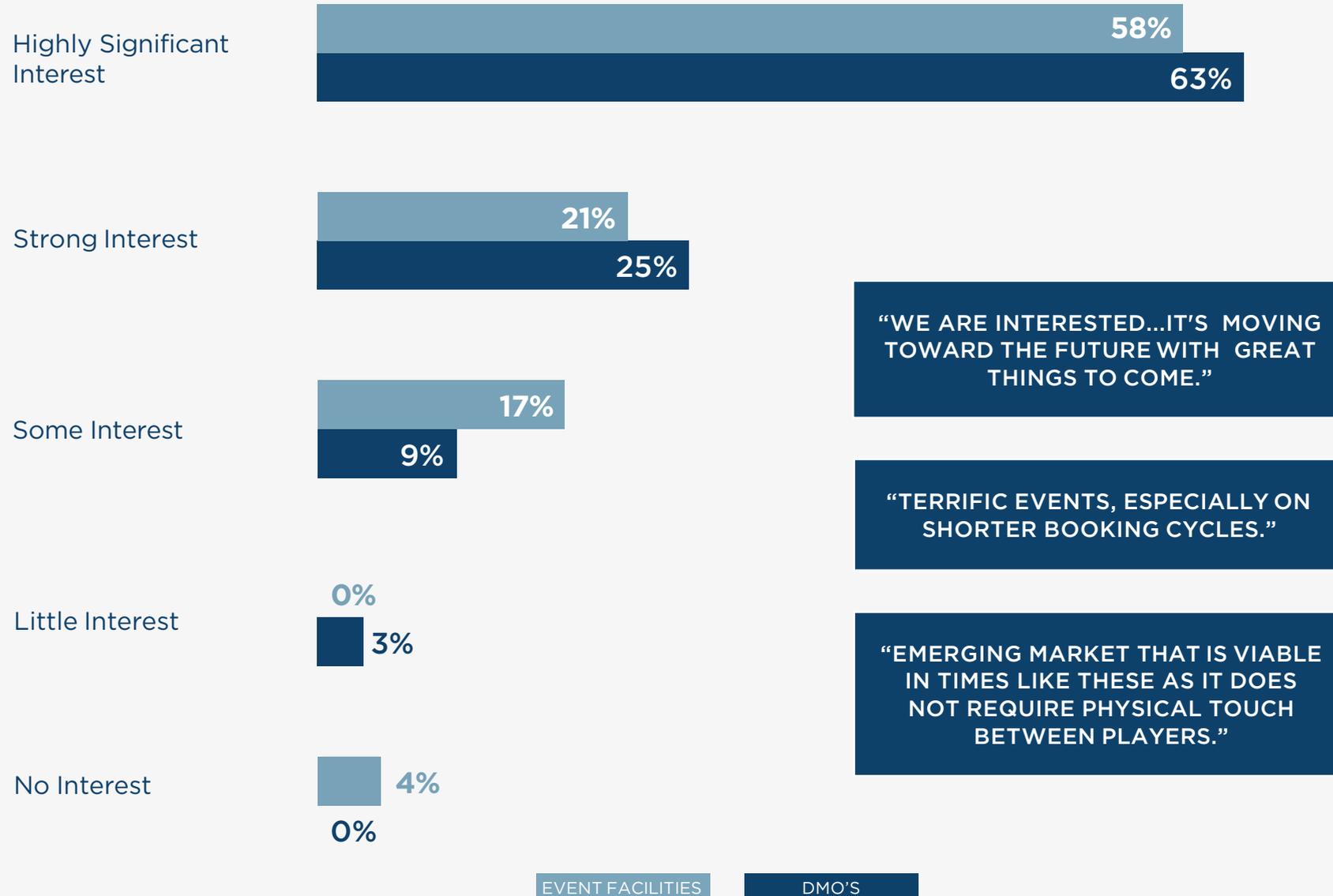
The following slides summarize the results of this survey outreach, prepared based on more than 35 submissions from DMO's and over 25 event facilities nationally. We appreciate the cooperation from all those who participated, and we look forward to conducting further analyses in the coming weeks and months.

This is the second informational memo presented by CSL and the EEA since the start of the pandemic, the first of which included a focus on esports resiliency in light of live event restrictions. To receive a copy of this memo, please refer to the contact information at the end of this report.

SIGNIFICANT INTEREST IDENTIFIED

DMO'S AND EVENT FACILITIES ARE EAGER TO HOST ESPORTS EVENTS, BUT AS DISCUSSED HEREIN, KEY QUESTIONS REMAIN

Once public gatherings are considered to be safe again, how interested are you in hosting an esports event in your destination/facility?



TAKEAWAYS

- Very high interest levels in the esports segment continue among event industry representatives after 3+ years of its existence as a mainstream form of entertainment.
- A substantial majority of DMO's and event facilities indicated “highly significant interest” in hosting esports events, with less than five percent from both groups expressing little or no interest.
- Additional comments provided by respondents mainly focused on the industry's future trajectory, with many references to “up and coming”, “bright future”, and “great things to come”.
- Others suggested that esports events will align well with the expected post-pandemic social distancing culture, and also that it enables markets and facilities to foster development of youth and STEM programs in their local communities.

EVENT FACILITIES

DMO'S



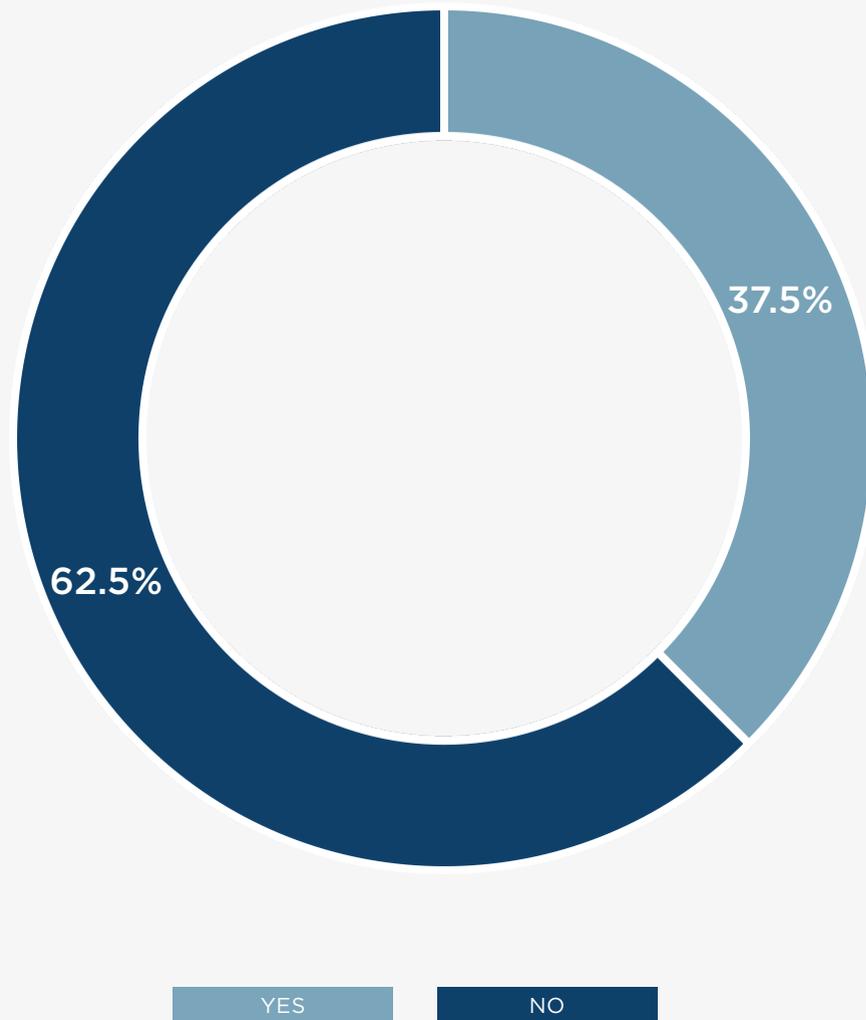
SURVEYED EVENT FACILITIES

The 25 responding event facilities featured a mix of convention centers, performing arts centers, and arenas located in a variety of market sizes, ranging from Mobile, (AL); Dallas, (TX); and, Las Vegas, (NV).

FACILITY EXPERIENCE WITH ESPORTS EVENTS

FACILITY MANAGERS THAT HAVE HOSTED ESPORTS EVENTS SHARE SOME OF THE LESSONS THEY LEARNED FROM HOSTING

Have you held an esports event in your facility?



LEARNING POINTS OBSERVED BY PAST HOSTS

- Many past hosts indicated that their internet and production costs can be relatively high, which puts pressure on food & beverage and rental revenue streams.
- Esports organizers demand more flexible food and beverage policies than those typically adhered to by larger event venues. Many request food truck access, prefer pop-up vendors, or ask for walk-in/self-serve convenience store layouts within the venue.
- Marketing to a new and largely unfamiliar attendee base also challenged many venue marketing departments. Esports communities can be difficult to reach as they prefer non-traditional mediums such as Reddit and Twitch.
- Over 30 percent of all venues surveyed doubted or did not know if they had the technology necessary to host esports events.

Each of these issues, or “growing pains” are explored as part of our Observations and Conclusions at the end of this document.

ESPORTS EVENT IMPACTS ON FACILITIES

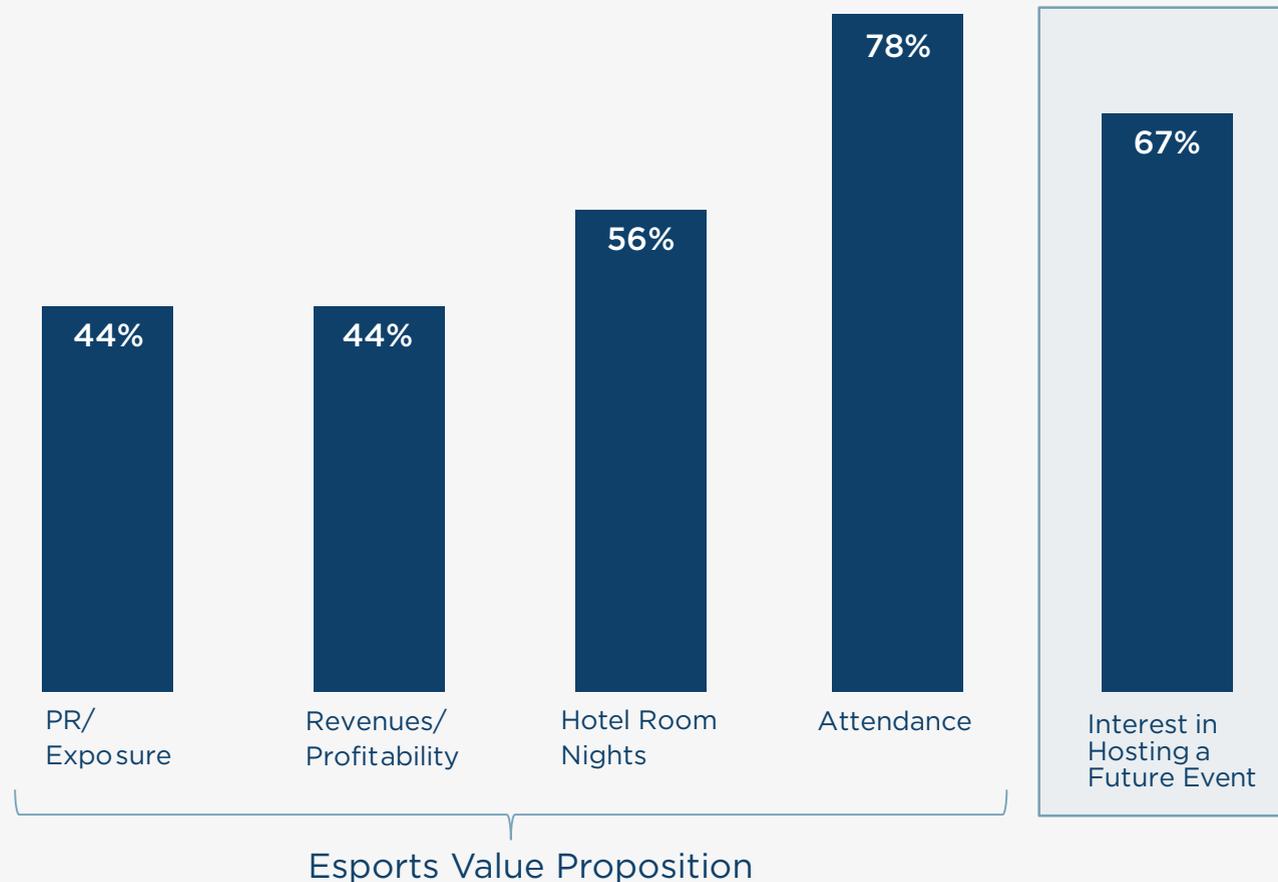
MANY FACILITY MANAGERS THAT HAVE HOSTED ESPORTS EVENTS RATE THEM AS HIGHLY IMPACTFUL OR VERY HIGHLY IMPACTFUL IN TERMS OF ATTENDANCE AND REVENUE

% of Past Esports Host Venues Indicating “High” or “Very High” Ratings

(Respondents were asked to rate various impacts of esports on a scale of 1 to 5, with 5 representing the highest impact)

“IT’S A BRAND-NEW MARKET THAT WOULD REALLY HELP US CONNECT WITH YOUNG PEOPLE IN THE LOCAL AREA.”

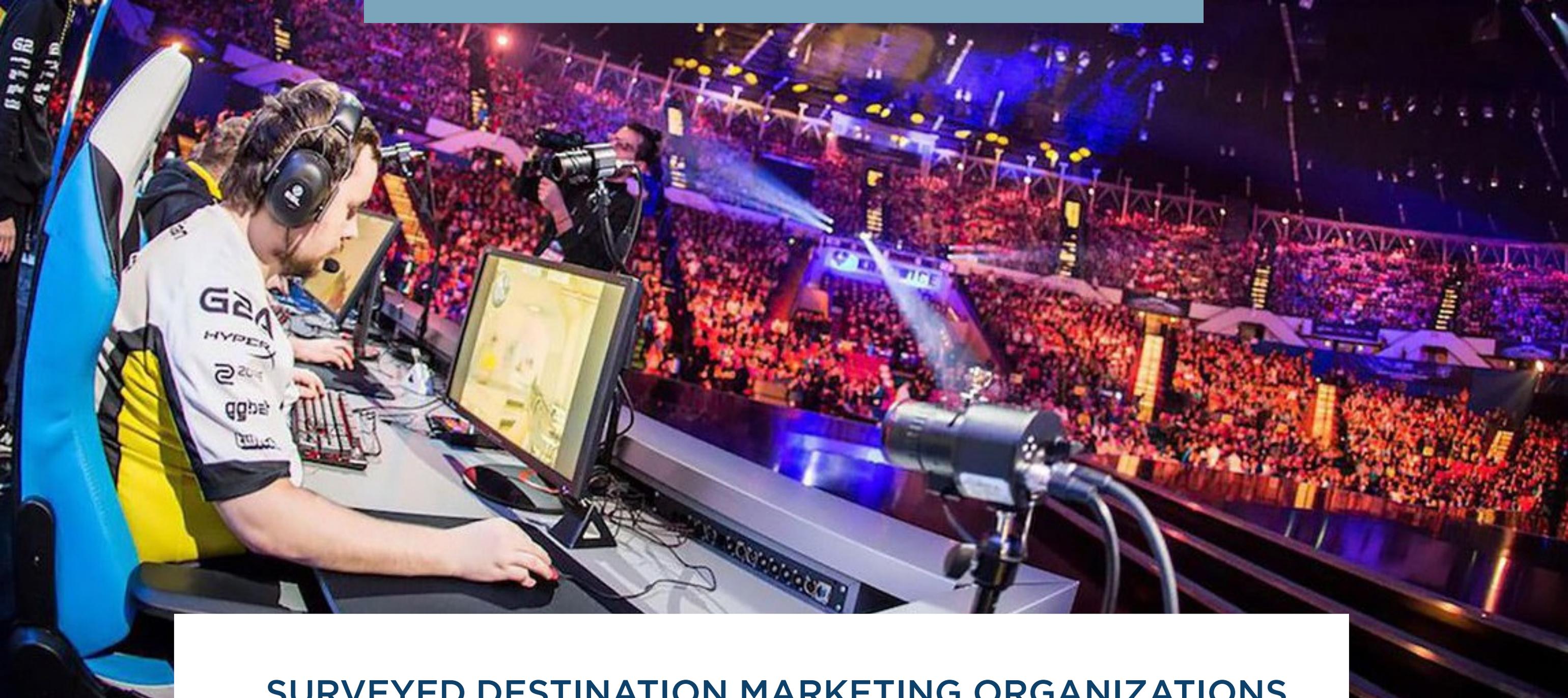
“HIGHLY INTERESTED IN CONTINUING TO HOST EVENTS BECAUSE IT DIVERSIFIES OUR EVENT MIX, INCOME, AND ATTENDEE PROFILE.”



TAKEAWAYS

- A significant majority of surveyed venues rated the attendance draw of the esports events they have hosted as “high” (a score of 4 out of 5) or “very high” (5 out of 5), and more than half applied these ratings to their hotel room night generation. Forty-four percent also enjoyed “high” or “very high” revenues and PR.
- Two-thirds of those facility managers who have hosted an event are “highly” or “very highly” interested in hosting another event.
- Several facility managers noted that esports planners will often book within three- to six-months of their event date. This gives revenue-oriented facilities new opportunities to fill key dates on their calendar.

A minority of surveyed venues valued the revenue generation associated with esports events. What other revenue opportunities could be realized to better monetize this segment?

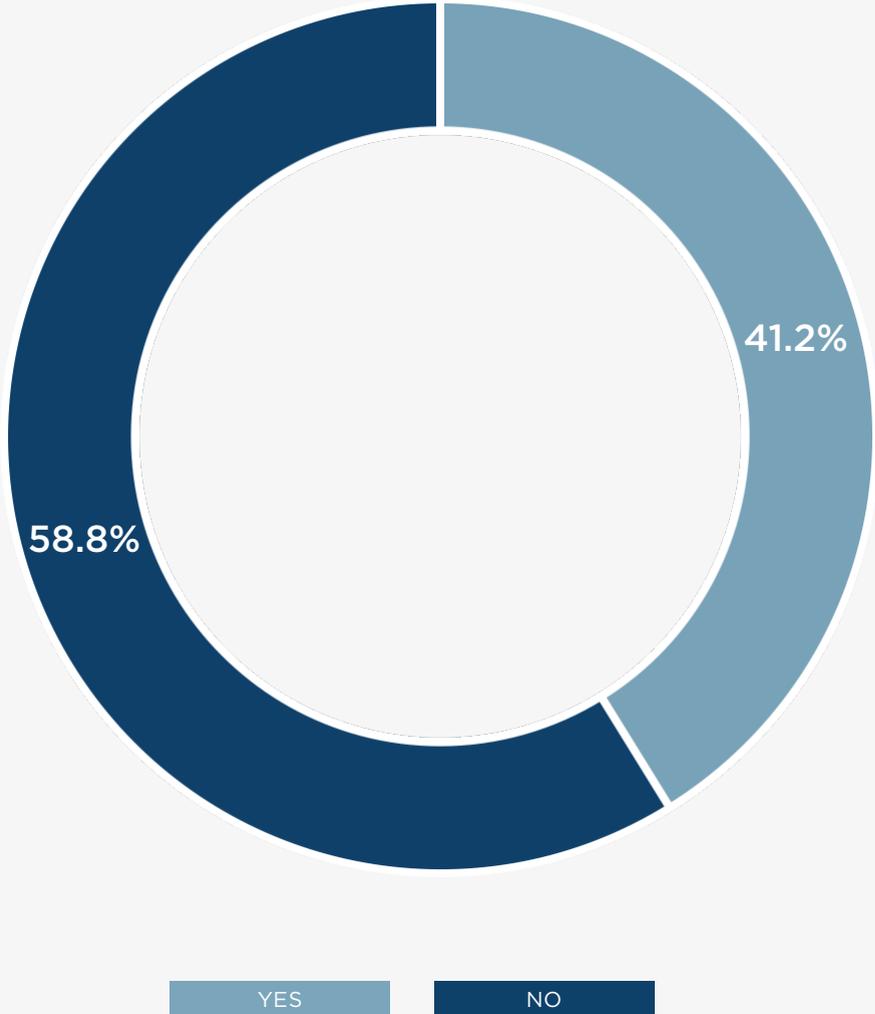


SURVEYED DESTINATION MARKETING ORGANIZATIONS

Over 35 responding destinations consisting of a variety of market sizes, ranging from Provo, UT; and Atlanta, GA.

ESPORTS DESTINATION EXPERIENCE

Have you held an esports event in your destination?



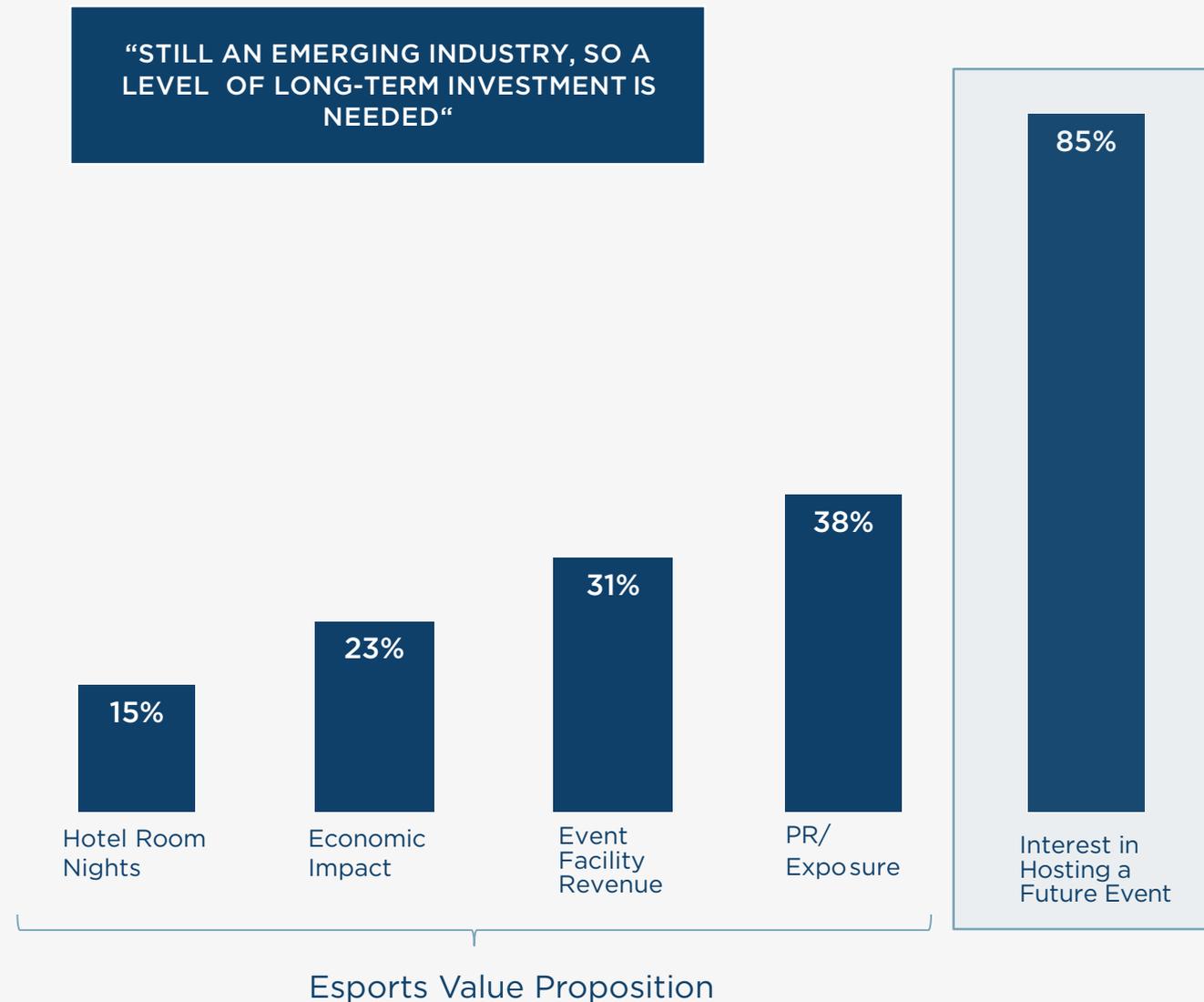
LEARNING POINTS OBSERVED BY PAST HOSTS

- Like their event facility counterparts, DMO's indicated that esports events are expensive to produce, and that they are still learning how to promote and market these events to their local communities.
- Several DMO directors suggested that the broader population still does not understand the concept of live esports events, and that the sports tourism industry needs to develop means to educate the mainstream masses on the excitement and value of attending such events in person.
- Overall, DMO's that have hosted events were very eager to host again now that they have firsthand experience.

ESPORTS EVENT IMPACTS

THOUGH A MINORITY OF DMO'S REPORT SIGNIFICANT COMMUNITY-WIDE IMPACTS,
NEARLY ALL ARE EAGER TO HOST AGAIN.

% of Responding Destinations Indicating “High” or “Very High” Ratings
(Respondents were asked to rate various impacts of esports on a scale of 1 to 5, with 5 representing the highest impact)



TAKEAWAYS

- 85 percent of destinations that have hosted an event would like to host again in the future.
- As many responding DMO leaders explained, this is still “an emerging industry”, and they accept that it may take time until it fulfills its potential as an economically impactful event segment. Many know that today’s younger generations have grown up streaming esports and will likely support future demand for large in-person esports social gatherings and productions.

As indicated by the data, some destinations have already enjoyed significant hotel room night generation and economic impacts from esports. How can other destinations replicate this success?

DMO'S AND ESPORTS DEVELOPMENT

MANY DMO'S ARE TAKING STEPS TO DEVELOP AND ATTRACT ESPORTS EVENTS IN THEIR DESTINATIONS

As you and your destination continue to pursue esports events, which of the following initiatives have been considered or already implemented?



TAKEAWAYS

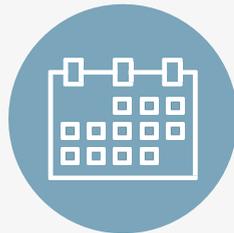
- A majority of DMO's have staff researching the esports industry as well as finding leads and/or retaining esports events in the industry.
- Approximately one in five DMO's are in destinations that have developed their own self-produced esports events or have initiated a designated esports task force or commission.
- Kansas City recently developed the Kansas City Esports Coalition. This sub-division of the Kansas City Sports Commission consists of representatives from local businesses in the esports, gaming, tech, and a/v industries, as well as those from professional sports organizations and universities.
- A significant number of surveyed destinations have local colleges and school districts that have esports teams, clubs or programs. Esports at the collegiate and high school levels represent two key areas of growth for the live event industry.

KEY TAKEAWAYS

OBSERVATIONS, CONCLUSIONS AND OTHER COMMENTS MADE BY RESPONDENTS



SIGNIFICANT INTEREST IN HOSTING ESPORTS EVENTS The data suggest that a significant majority of event facilities and DMO's are highly interested in hosting esports events, but less than half have hosted them. The industry recognizes the potential of this market, and many are eager to gain an early foothold in a growing industry that will be well positioned for upcoming generational shifts in spectator and event attendee behaviors.



TODAY, ESPORTS IS SHORT TERM FILLER BUSINESS DMO's and event facilities differed in their assessed impacts of past esports events. Most surveyed event facilities rated the revenue and attendance generation as being relatively high, while DMO's noted more moderate impacts in terms of room nights and economic impact. Both respondent groups confirmed that esports events are great late notice calendar fillers, but they have not yet achieved the status of room night generating city-wide conventions that receive booking priority from facilities several years in advance.



BUSINESS MODEL STILL IN ITS INFANCY As indicated by the previous data, DMO's and facilities alike realize the potential of esports but realize that it is still early in its life cycle as an industry. That said, many venues have collected high or very high levels of revenue from esports events. Successful event models and business strategies are critical in the esports event landscape. Venues and destinations can find ways to optimize revenues from food and beverage, merchandise, admission, and other sources more unique to the esports industry such as virtual purchases for in-game use, LAN center user fees, and esports betting. CSL and the EEA continue to inventory and assess these potential revenue opportunities.

KEY TAKEAWAYS

OBSERVATIONS, CONCLUSIONS AND OTHER COMMENTS MADE BY RESPONDENTS



THE ARGUMENT FOR FACILITY DEVELOPMENT OR REDEVELOPMENT With steep technology, internet, and other production service fees, the esports industry may increasingly turn to dedicated or easily convertible facilities to host tournaments and events. These more “turnkey” facilities would greatly lower costs and set-up times for event organizers. Venues like Esports Stadium Arlington or the planned Fusion Arena in Philadelphia may continue to emerge, and opportunity also exists for convention centers and arenas to consider developing portions of their facilities into esports cafes or stages by adding minimal production/broadcast stations, cameras, monitors, and enhanced data connectivity in these areas.



BROADER DESTINATION INVOLVEMENT Many DMO’s and facility managers expressed interest in connecting with their area’s gaming community and attracting or producing events that specifically appeal to these groups. Some innovative DMO’s and community organizations have employed this type of grassroots initiative by supporting the creation of esports councils, advisory boards, training academies, local tournaments, rec leagues and school-related programs.



COLLEGIATE AND HIGH SCHOOL MARKET A majority of destinations noted that universities in their area have developed esports programs, and nearly half have local school districts with esports curriculum or competitive programs. This reflects the notion within the esports industry that academic institutions represent the segment with the most significant growth potential in the near- and mid-term. This may have significant implications for DMO partnership opportunities.

KEY TAKEAWAYS

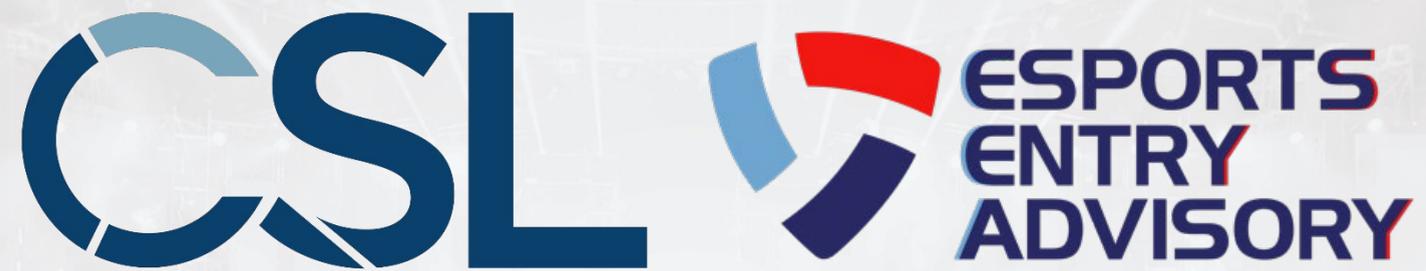
OBSERVATIONS, CONCLUSIONS AND OTHER COMMENTS MADE BY RESPONDENTS



IMPLICATIONS OF COVID-19 AND THE IMPORTANCE OF STREAMING CAPABILITIES The pandemic has disrupted the entirety of the sports and travel industries, while esports has displayed some resilience to this downturn because its live events can so easily be converted into online or hybrid formats. Other event industries may adopt aspects of this advantage. For instance, event organizers may increasingly prefer permanent turnkey production and broadcast facilities onsite at event venues to stream and produce content for their events in real-time. Future convention, arena, or theater investments in these technologies could better position each for both esports *and* traditional event sectors.



MORE CONCLUSIVE DATA STILL NEEDED Many responding event facilities and DMO's would like to know more about esports fans, their willingness to travel, and their willingness to spend money while attending events in a destination. CSL and the EEA have recently distributed a survey that has been filled out by more than 2,500 esports fans nationally that addresses many of these questions. The data will provide useful information regarding which event types, locations, and facility types will have the highest likelihood of financial and economic success when hosting events. We look forward to sharing these results with our industry partners soon.



This is the second in a series of research initiatives conducted by CSL International and the EEA to provide updates on the status of the esports event industry. Additional research summaries will be forthcoming. Please contact CSL International for copies of previous research memos:

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ABOUT US

CSL INTERNATIONAL



CSL, the consulting and advisory division of Legends, has provided esports futures analyses and entry strategy plans for markets such as Washington, D.C., San Antonio, Los Angeles, South Bend, Atlantic City, and other destinations throughout the country. In total CSL, has conducted over 1,000 planning projects focused on the tourism assets, facilities, policies, resources and other features needed to attract visitors and events to a market. CSL's reputation is built on meeting client needs by delivering quality services that have credibility in the marketplace. Led by industry veteran John Kaatz and Esports Lead Tyler Othen, the firm is able to provide these services by drawing on the years of experience of a large professional staff—one of the largest and most experienced in the convention and sports consulting industry.

CSL Website:

cslintl.com

ABOUT US

ESPORTS ENTRY ADVISORY



The Esports Entry Advisory is a strategic partnership formed by three highly experienced consulting firms in the esports space: CSL International, A-Game Esports, and Simply New. The Esports Entry Advisory assists venue developers, destination marketing organizations, sports commissions, facility managers, and other sports and entertainment industry stakeholders by providing tailored market analyses, return on investment, facility development guidance and technology consulting, among other advisory services.

EEA Website:

eea.gg