

Tencent



GAMES & ESPORTS: BONA FIDE SPORTS

Esports market outlook for Southeast Asia

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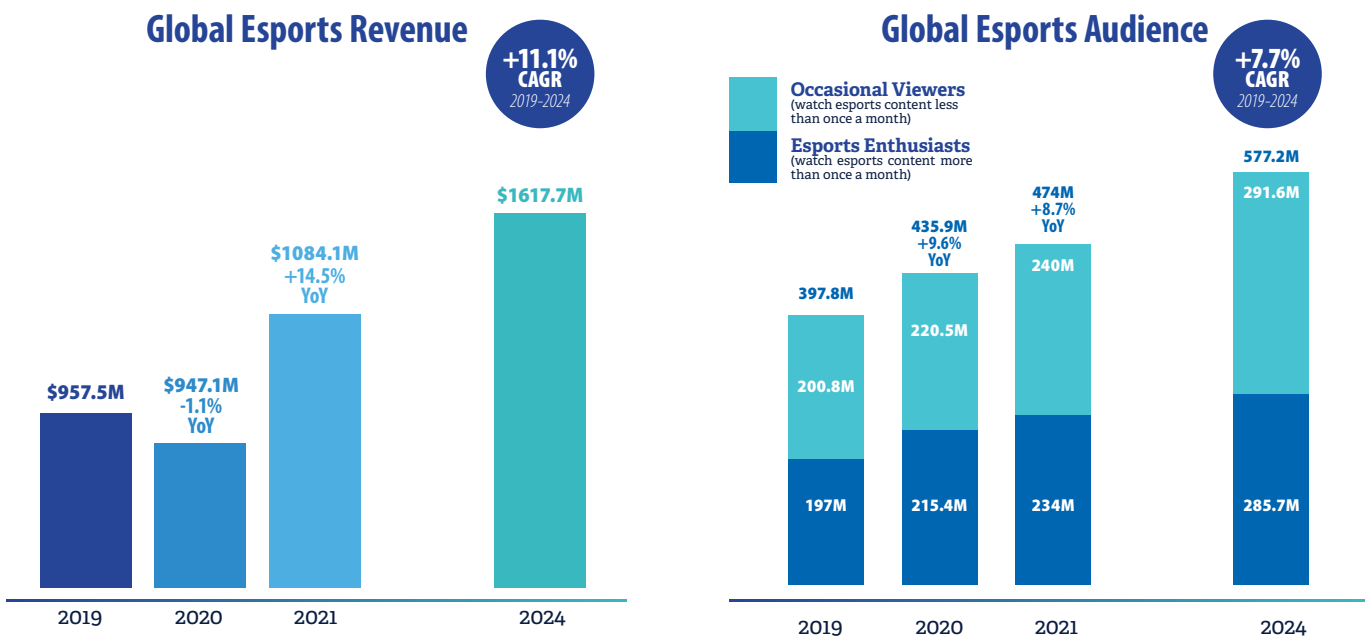
Esports, or electronic sports, is a global phenomenon that has seen exponential growth in recent years. Rising demand for video games over the years has contributed to the growth of the esports market, and gaming has come a long way from merely a pastime to the professional tournaments dominating global attention today.

The availability of new technology is expanding the possibilities of video content, products and virtual reality, making game tournaments more exciting and drawing in an ever-growing fan base. Video gaming is so deeply embedded in the lives of the current generation that it has become a transformative pop culture, redefining the ways people consume entertainment.

Gaming is way older than esports. We could say competitive gaming is as old as gaming. The spectacular rise of competitive gaming and the growing recognition of esports have prompted some industry leaders including a Wall Street investment bank to declare that the sector has now entered the mainstream.

Yet, the rapid expansion in the audience for competitive gaming and the billions of dollars drawn by these events have all but elevated the status of esports into the big league recently.

Globally, esports revenues will hit around US\$1.1 billion by the end of 2021, with a year-on-year (YoY) growth of +14.5% from US\$947.1 million in 2020 and is expected to exceed US\$1.6 billion by 2024. The number of esports audience is also expected to reach 474 million in 2021, and further increase with a CAGR of +7.7% to 577.2 million (2019-2024).



Source: Newzoo

The potential of this nascent industry is tremendous. Dominated by a young, digital and global audience, the esports industry is fueled with economic opportunities measured by sponsorships, merchandising, ticket sales, advertising and media rights.

Newzoo data indicates that in 2021, 2.96 billion gamers worldwide will help generate US\$175.8 billion in games market revenues, driven by emerging markets like Southeast Asia.

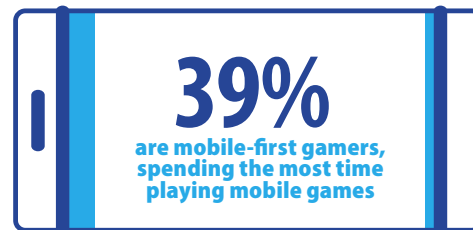
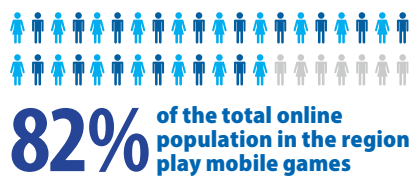
Southeast Asia Market Outlook

In the past, esports has grown much faster in the developed economies of North America and Western Europe, thanks to a more sophisticated IT infrastructure. Major esports titles were also mostly played on PC, which posed significant entry barriers for those living in developing markets.

This is set to change as we are now reaching a pivotal point where smartphones are more accessible than ever. With the addition of controllers and paddles, they offer a gaming experience on par with what PC gaming or console gaming provide. This represents major opportunities for developing markets such as Southeast Asia, where mobile gaming dominates.

The region's six major markets — **Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam** — are distinctively different in many ways but they do share one theme in common, which is that all of them are **mobile-first** when it comes to game preferences.

2021 Consumer Insight on Games & Esports



(Southeast Asia respondents only)

For Singapore, the data is representative of the online population aged 10-50. For Indonesia, Malaysia, Philippines, Thailand, and Vietnam we use the Major City Approach. Thus, the data is representative of active internet users aged 10-50 from a defined list of major cities.

Game publishers are adjusting their strategies accordingly to reach out to a wider audience. Hit titles such as PUBG MOBILE and Mobile Legends: Bang Bang all need relatively low system specifications, making the potential installed base larger.

On the other hand, some old misconceptions that gaming and esports are less lucrative and desirable as an option for personal career development still exist in Southeast Asia. On the contrary, the industry offers talented individuals genuine career opportunities with various professional roles within the games and esports ecosystem, such as content creator, analyst, referee, and many other professions around marketing and social media.

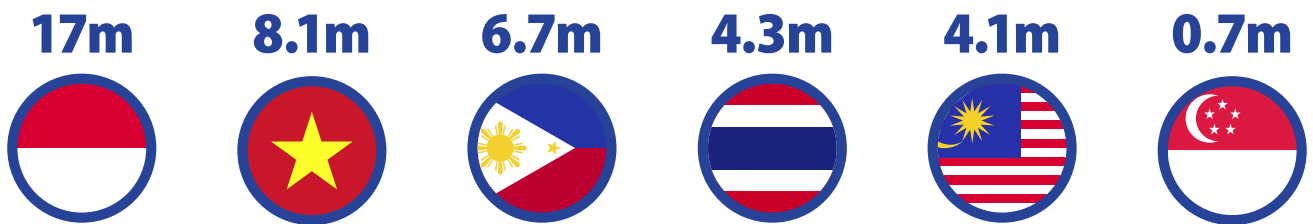
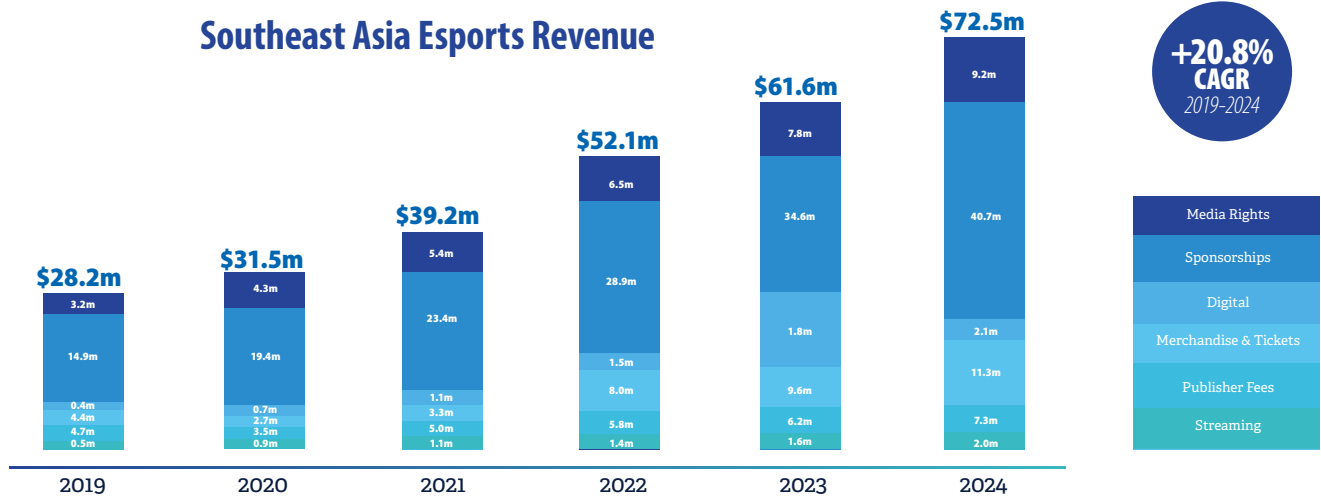


While gaming is a very popular pastime in Southeast Asia, it is less entrenched in the culture and professional lives of the population. When compared to regional powerhouses like South Korea and China, we can see that Southeast Asia still has room to grow.”

Chris Tran
Head of Esports for Riot Games Southeast Asia, Taiwan, Hong Kong and Macau

The Landscape in Southeast Asia

Southeast Asia is becoming more dynamic as the region sees the fastest revenue growth in the global esports industry. Esports revenue in Southeast Asia is expected by Newzoo to grow at a healthy CAGR (2019 - 2024) of +20.8% to reach US\$72.5 million in 2024.



Southeast Asia esports audience 2021 for Indonesia, Vietnam, the Philippines, Thailand, Malaysia and Singapore
Source: Newzoo

By the end of 2021, it is expected that overall, the region will hit 42.5 million esports audiences. In Southeast Asia, the spectacular rise of esports has been fueling the games market. Games that are popular worldwide are also adored by gamers in Southeast Asia, such as Dota 2, League of Legends and CS:GO. Still, the region's unique mobile-first nature means the two most-watched esports events are mobile games – PUBG MOBILE and Mobile Legends: Bang Bang. According to Newzoo, many esports teams make the bulk of their revenue through sponsorships and advertising, which allow corporates an alternative avenue to promote their brands. Sponsorships will make up more than half of the projected revenue for Southeast Asia in 2024.



Key Growth Drivers of Southeast Asia Games and Esports Industry

As the network and mobile infrastructure evolve, and the internet penetration rate increases, games and esports will have the potential to further unlock major population centers like Indonesia and the Philippines. The rollout of 5G networks, which has already begun in countries such as Indonesia, Malaysia, Singapore and Thailand, will further unleash the potential of the Internet, allowing people to embrace games and esports across various platforms and through new models such as cloud gaming.

The rise of esports has led to video games developers considering several factors when they approach game design to engage large audiences, such as bringing in a strong competitive element that offers a variety of meta and room for players to experiment and strategize.

“It is important that when designing games, developers are focused on creating a product that is both fun to play and exciting to watch. This helps to keep the game exciting and fresh for players and lays the groundwork for formal competitive play. Apart from targeting players who actively engage with the game. Game developers also need to keep in mind fans who just want to watch their favorite influencers and teams play,” says Chris Tran, Head of Esports for Riot Games Southeast Asia, Taiwan, Hong Kong and Macau.



Expanding middle class and the proliferation of the Internet and smartphones



Constructive environment for growth

Supportive policies are also driving the growth of games and esports in Southeast Asia. For instance, in the Philippines, the Youth Esports Program (YEP) was launched and integrated into the country's school sports programs. In Indonesia, the government is hosting esports competitions in the country like *Piala President Esports* to help youths excel in this sector.

The Malaysian government announced the Esports Integrated (ESI) initiative in October 2020, as part of the nation's development roadmap for the sector. The Singapore Tourism Board is also showing support to host regional and global tournaments in the city, while other government agencies and non-governmental organizations are championing initiatives such as the SuperGamerFest and Gamescom Asia.

All these bode well to further engage Southeast Asia's more than 655 million population in the video games industry.

RISING RECOGNITION FOR ESPORTS



Esports has come a long way since the first tournament that was held in 1972 at Stanford University for the game Spacewar. Since then, ever-improving hardware, graphics and the expansion of the Internet have all contributed to the development of esports.

In the nearly five decades of online game history, esports has established itself in many countries worldwide, with prize money increasing significantly over the years, the number of events growing gradually, and the viewership breaking records each year. The industry has emerged as a multi-billion dollar market from a small niche leisure activity it once was.



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Today, we are seeing the rise of esports from being played via traditional PC and console to mobile esports, influenced by new developments in improved mobile hardware, cloud gaming, and 5G networks.”

James Yang
Director of PUBG MOBILE Global Esports, Tencent Games

In a traditional sense, esports may not seem to be a conventional idea of sport. However, by bringing in entertainment, competition, and mental wellbeing (physical exertion and skills), the same would apply to esports.

Esports is increasingly gaining the recognition it deserves as a real sport in recent years, after being included as a medal sport in the SEA Games 2019. Suffice to say that esports qualifies as a real sport as competitive gaming pretty much evokes the same emotional impact that physical sports would. Moreover, the enormous economic potential and social benefits brought about by esports are increasingly being acknowledged as it goes mainstream.

Esports and Gaming Going Mainstream

Making competitive online games more professional in the form of esports has helped in the sector's affirmation and recognition. By creating an organization comparable to traditional sports, it makes it easier for professionals outside of the industry to understand the value chains of the esports industry.

Using conventional sports as an analogy, soccer is "owned" by FIFA and it is organized in leagues such as the Premier League, in which professional soccer teams like Manchester United compete. Likewise, League of Legends is owned by its publisher and it is organized in leagues such as the LoL Championship Series, in which professional teams like Fnatic compete.

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I believe that for mobile esports to keep growing, it needs to be driven by community platform(s). Looking at the market and the growing traffic, I think mobile esports will be mainstream.”

James Yang
Director of PUBG MOBILE Global Esports, Tencent Games



Open competition is very important for mobile esports, and so are the three main concepts that underpin its popularity — mobility, accessibility, and lifestyle. In order to build a successful esports title, accessibility is particularly important. This does not just mean device accessibility. It also refers to the accessibility to the overall structure and ecosystem, according to Yang from Tencent Games.

Games that made it big globally are generally free-to-play because having to pay a premium fee to play a game would diminish the addressable market. In developing countries, the impact will be stronger. On top of that, games must be developed and optimized to support low hardware requirements, as this will bolster the games' penetration in the market.

Creating communities surrounding the games' ecosystems is another way for game titles to succeed. More publishers are releasing new games with this concept in mind. Electronic Arts (EA), Activision Blizzard, and Riot Games are just a few of the publishers investing heavily in expanding their addressable markets, after having spent years focusing on PC and console titles. These publishers have turned their attention towards developing markets such as Southeast Asia, by designing mobile versions of popular PC franchises, such as League of Legends, PUBG, Call of Duty, Valorant and Apex Legends.



“
As we have observed in similar markets, this will translate into **new business opportunities in Southeast Asia** too. More new esports organizations will be founded, tournament organizers will enter the market, so as broadcast companies and specialized marketing agencies.”

Hugo Tristão
Head of Esports at Newzoo

The esports ecosystem is still evolving and its value chain will continue to change in the future. The shift from publisher-owned tournament broadcasts to watch parties led by influencers, for instance, will disrupt the value flow of the industry and how media rights are awarded.

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New business opportunities are opening up for esports, just like any other high-speed growing industries, for example, content broadcasting rights, emerging streaming platforms, and increased coverage among others, driven mainly by young consumers in the region.”

Hung Do Viet
Secretary General for Vietnam Recreation and eSports Association (VIRESA)



Esports: An Exciting and Desirable Career Option

Mobile esports is still very much in its early phases. This is not only true in Southeast Asia, but globally. The sector will keep growing in the coming years, supported by the parallel technology innovation, strategic investments aimed at sustaining the ecosystem and increased academic recognition and acknowledgment where it is now a viable career option given the industry's progressive, inclusive and diverse nature.

Mobile Premier League (MPL), for example, has received multi-million investments to create a mobile esports and gaming platform. MPL is actively expanding in Southeast Asia after becoming India's largest platform, and it has already hit more than 3.5 million users in Indonesia.

For those looking to build a career in esports, Edwin Chia, the founder and CEO of Bigetron Esports, a leading esports organization in Indonesia, says the nascent industry has unleashed a host of exciting opportunities to those seeking to build a career within esports.



“

The industry has grown significantly to encompass more than just players to include key opinion leaders and social media influencers, shout casters, managers and coaches. **They are all necessary components for the functioning of the sports today.** Larger esports organizations even have a back office similar to other startups that will have essential functions such as marketing and finance.”

Edwin Chia
Founder and CEO of Bigetron Esports

In addition, the era of social media is unlocking another lucrative stream of income for gamers in the form of Key Opinion Leader (KOL) contracts. This further expands their earnings from fixed salaries and prize pools to include endorsement deals and ad-sense revenue.

In Indonesia, esports is also shaping up as a viable professional career path for young talents. Full-time professional players can receive home schooling or higher education study programs offered by the gaming houses to strengthen their academics. Many gaming houses are also planning to provide more in-house academic programs so that talents can receive both academic certification as well as training in esports at the same time.

In Malaysia, the Asia Pacific University of Technology & Innovation (APU) is an institution of higher learning that offers skills-based esports certification programs. Unlike in the UK and the US, there is no accrediting body for esports education in Malaysia. Yet, accreditation is important as it allows for a level of quality standard that ascertains core content and delivery method to be intact.

“

The accreditation body has to develop standards pertaining to esports. This has to be two-fold, jointly worked on by academicians within the gaming, computing or event management expertise, and the key industry players within the gaming space.”

Prof Ir Ts Dr Vinesh Thiruchelvam
Deputy Vice Chancellor, APU



Inclusivity in Esports: Bringing People Together



“

We are constantly working closely with local esports organizers and authorities to promote female leagues and tournaments for several sports titles, including Wild Rift and AOV.”

Hung Do Viet
Secretary General for Vietnam Recreation and eSports Association (VIRESA)

Economic benefits aside, a thriving esports industry also contributes to the betterment of society. As observed by Newzoo, people who were once stereotyped and excluded from social relations can now find communities where they belong, while players who grew up in underserved communities can fund their studies and livelihood through esports and content creation.

As an example, reflecting similar trends in other industries, achieving true gender equality is an ongoing effort and the esports industry always strives toward this goal.



“

Women gamers constantly seek to quash the gender stereotype because **gaming is not limited to any gender, it is universal.**”

Yana Samsudin
Malaysian female Celebrity gamer and YSX eSport founder

THE IMPACT OF COVID-19 ON ESPORTS IN SOUTHEAST ASIA

The Covid-19 outbreak has undoubtedly disrupted the way we live and every industry around the world has sought to pivot in adapting to the changes. There are several noteworthy trends and crucial areas that emerged within the gaming market during this period and some will likely stick even after the crisis subsides.

Gamers spent more time on platforms such as Twitch, YouTube and Huya, to adhere with the lockdown measures. As a result, there is a surge in esports viewership.

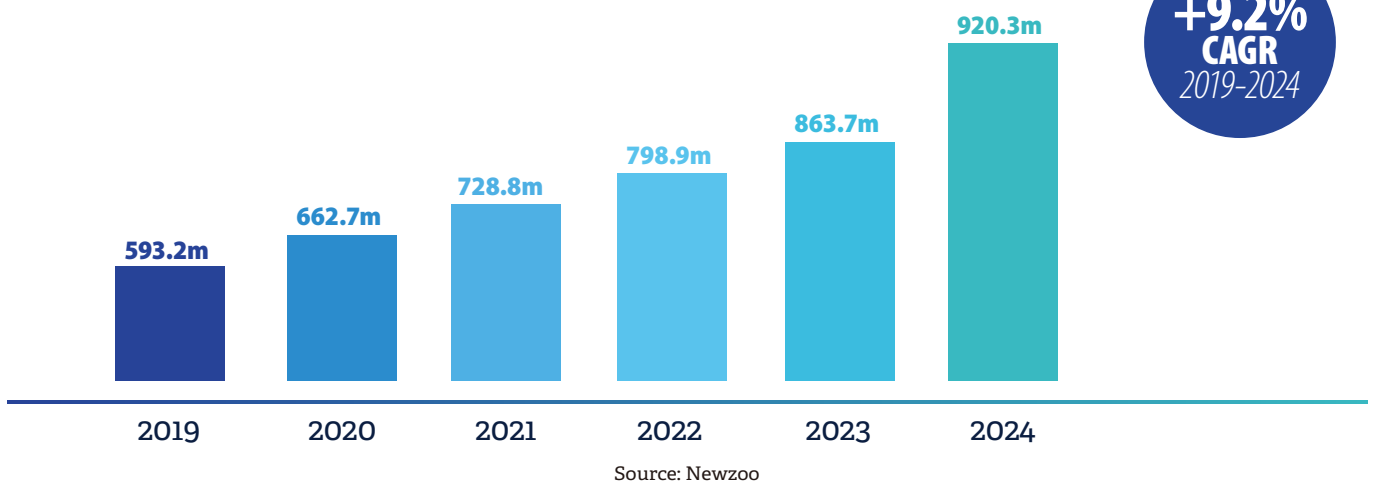


Due to the pandemic, more players and users engage with our esports tournaments. People watch the gameplay and esports tournaments online event even if some of them don't play the game. Throughout 2020, PUBG MOBILE competitions racked up more than 200 million hours in viewership."

James Yang
Director of PUBG MOBILE Global Esports, Tencent Games

GROWTH OF GLOBAL LIVESTREAMING AUDIENCE

+9.2%
CAGR
2019-2024



Organizers are now expected to use new technologies and broadcast tactics to deliver immersive and differentiated experiences for players and fans who watch the tournaments live and at home.

The key challenge in shifting offline tournaments to online lies in the limitation arising from the physical distance, of which the company strives to overcome by working continuously to offer the best possible solutions — from server location, network optimization, to devices — to ensure that great connection is provided, wherever the players are.



A great example of a hybrid event that was optimized to cater to viewers at home is Riot's Worlds 2020 event that was held in the middle of the Covid-19 pandemic in October 2020. We built a set of massive LED screens and used augmented reality technology to stage a live performance by our virtual pop group K/DA."

Chris Tran
Head of Esports for Riot Games Southeast Asia, Taiwan, Hong Kong and Macau

Besides infrastructure, fair play is also prioritized to ensure competitive integrity remains intact in these tournaments, whether they are offline or online. PUBG MOBILE has an anti-cheating app. Any player who plays in the tournament needs to install this app to ensure they are playing on the proper device.

Yang believes that the new user fan base gained during the pandemic will be sustained even when people return to their new normal routine. According to Tran at Riot Games, hybrid events will likely become more common after the pandemic as video game developers seek to optimize esports events for online streaming and engagement to bring the excitement to more fans across the world.

Conclusion



Esports has grown tremendously in recent years in terms of revenue and fan base, fast winning recognition in Southeast Asia as it is being included as a medal sport in major events. Esports and gaming are also increasingly viewed by the younger generations as a professional career path of choice.

Southeast Asia represents one of the regions with the most impressive growth rate in the world. Due to the uniquely mobile-first gaming preferences of consumers here, this growth is poised to continue in the years to come, and mobile esports will be the mainstay of gaming in this region.

The exponential growth of mobile esports will also continue to be influenced by Southeast Asia's expanding middle class and the proliferation of the Internet and smartphones. Further possibilities offered by the Internet will be unleashed as more countries in the region roll out 5G network infrastructure and services in the near future, allowing consumers to embrace games across various platforms and through cloud gaming.

In addition, while Covid-19 pandemic has brought many industries to a halt, esports has emerged as one of the most popular form of alternative entertainment during times where people are staying at home.

Once a leisure activity, esports is now a billion-dollar industry that has spawned a robust ecosystem creating many new jobs in the digital economy, from game developers, graphic designers and KOLs, to social media content creators.

Esports truly embodies the value of solidarity, creating a powerful place for community building. It pays no attention to nationality, gender, age or physical condition. In the digital world, everyone has the same chances and be in a positive space of personal expression and growth.

Key Takeaways

1

Covid-19 Pivots Shift in Game-Viewing Behavior

The Covid-19 pandemic has accelerated esports viewership and pushed all service providers, developers, publishers and event organizers in the esports industry to up their games and invest in technologies to enhance gameplay, competition environment, as well as online tournament experiences for fans watching online. It is expected that most of the additional engagements arising from this period will stick after the pandemic, and hybrid events will become more common.

2

Southeast Asia's First Screen - A "Mobile-First" Region

Younger population influences the shift to a 'mobile first' mentality where the region's increasing online population and high smartphone penetration contribute significantly to the growth of mobile esports. As infrastructure and internet connectivity continue to improve, it will play a part to enable the growing gaming ecosystem in the region.

3

Mobile Esports Contributes to Social and Economic Benefits

Esports is going mainstream in Southeast Asia with fast-rising recognition in recent years. In this digital era, esports provides opportunities for corporate sponsors to target demographics that may be difficult to reach through the traditional marketing channels. All said, the potential of the industry is tremendous. It is fast shaping up as a viable career path where talents train to be professional esports players while concurrently pursuing academic studies. Esports education is no longer conceptual, and proper accreditation for esports education is now being offered. Supportive policies from governments in the region will continue to provide the impetus for future growth.

4

Esports Offers Equal Access to Everyone

Esports is a more inclusive activity intent on offering equal opportunity to everyone pursuing a career in the sector. In addition to the economic benefits, a thriving esports industry also contributes toward the betterment of the society by uniting people from different backgrounds socially and demographically - society and social status, gender, race, age and physical ability.

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