ESPORTS VENUES

FROM THE BACKGROUND INTO THE LIMELIGHT

Status Quo and Outlook for a Strategic Growth Area
The eSports market is booming all around the world – including in Europe. Almost every day we read fresh reports of its success: the rising number of gamers and eSports enthusiasts, the entry of big brands onto the market as sponsors or investors, the rise in media coverage, the new platforms, and the growing number of increasingly big eSports events being planned.

But what about the real estate infrastructure needed to suitably accommodate this megatrend in the long term? What kinds of buildings are needed for the different eSports events? What are the venue requirements for the various event types, and what will be the greatest future challenges and opportunities?

This white paper addresses these questions in order to throw light on an area which has so far received little attention in Europe, which is essential for the further development of eSports, and which also, in view of the forecast for sustained growth in eSports, offers great opportunities for the construction and operation of buildings used for eSports or gaming.

The objective of this white paper is not to express another personal opinion or a subjective gut feeling that fuels the hype in an unthinking way. Instead, its purpose is to consider the issue of eSports venues systematically and objectively in terms of the current position and the future prospects. To do this, it is first necessary to define some basic terminology in order to resolve and/or avoid misunderstandings, misinterpretations and myths. From this we have developed an initial way of classifying eSports events which does justice to the diversity of the market and the correspondingly varied requirements placed on eSports venues. We consciously avoided using any form of checklist, ranking or manual, so as not to give the impression that there is a one-size-fits-all solution. Instead, we wanted to identify possible solutions that cater for the individual nature of each venue project and to do this by using objective figures and best-practice cases.

We would like to thank all the experts representing the various eSports stakeholders, who have shared their knowledge with us. They all help us to consider the topic from different perspectives, draw a comprehensive picture and so provide an impetus for the development of successful eSports venues that meet the needs of owners, users and visitors.

We look forward to having many stimulating discussions concerning eSports venues!

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1. eSPORTS IN EUROPE – MARKET OVERVIEW & GROWTH POTENTIAL

Many people are talking and writing about eSports these days without knowing exactly what it is - and what it is not. The consequences are misunderstandings, misinterpretations and often wrong conclusions or cultivated expectations. Therefore, we would like to start by clarifying a few basic terms that are essential for further understanding and proper classification of the facts and figures.

The term eSports in its broader sense denotes "the playing of video or computer games in sports competitions, especially on computers and consoles, according to defined rules." (ESBD 2018)

In the world of eSports, a distinction must be made according to the level of professionalisation in casual gaming, competitive gaming and eSports.

Casual Gaming stands for the recreational use of video games, with and without multiplayer function, but without organized competitive character. Casual gaming thus forms the broad basis of eSports and is roughly comparable to the non-organised recreational sportsmen and women in classic sports. In other words, with all those who play football on the football pitch, go jogging or ride a bicycle in their leisure time.

In Competitive Gaming, the competition between several players is the primary focus, but nevertheless the recreational character predominates. This is where ambitious amateurs come together to compete in various game titles, both online and offline. As an analogy to classical sport, organised amateur sport on a district, county or national level could be used.

eSports is at the top of this „gaming pyramid“. It stands for the professional competition of the best players in the various video or computer games. Accordingly, these competitions often achieve a relevant public interest among spectators and fans who follow the duel live on the spot or in the media. In order to remain with the image of classical sport, the competition of professional competitive athletes, such as a professional football game, a Formula 1 race or a WTA/ATP tennis tournament should be used as an analogy.
In view of this distinction, it is certainly not surprising that the participants of the different gaming types also come together in the context of very different events and define correspondingly characteristic demands on the facilities required for this purpose.

But before we go into this in detail, we would first like to use a few figures to fundamentally assess the relevance of the market and the time dimension of the eSports phenomenon.

### 1.2 MARKET VOLUME AND DEVELOPMENT

The global gaming market - i.e. the entirety of casual and competitive gaming as well as professional eSports - generated almost USD 150 billion last year (Source: Newzoo).

This sum initially appears extremely high - also and especially in comparison to the sales of classic sports. However, it should be noted here that the overwhelming majority of revenues are generated in the „recreational sports“ area of casual gaming, and are attributable in particular to revenues from purchases of the game itself or from the purchase of various virtual goods in a game (so-called „in-game purchases“). In contrast, no comparable revenue streams are given for classic sports (otherwise the proceeds from the sale of leisure sportswear concerning jogging, football shoes or private coaching sessions in tennis would also have to be added here).

And also with regard to the challenges in the real estate sector, these frequently quoted figures are only of limited help, as they primarily include the domestic, non-organised gaming sector, which is of secondary importance for the analysis of the venue situation.

### 2019 Global Games Market per Region with year-on-year growth rates

- **North America**: $39.6Bn, +11.7% YoY
- **Latin America**: $35.6Bn, +11.1% YoY
- **Europe, Middle East & Africa**: $34.7Bn, +11.5% YoY
- **Asia-Pacific**: $72.2Bn, +7.6% YoY

**Total 2019**: $152.1Bn, +9.6% YoY

**China Total**: $36.5Bn

**US Total**: $36.9Bn

48% of all consumer spending on games in 2019 will come from the U.S. and China

**Source**: ©Newzoo, 2019 Global Games Market Report
eSports

The facts and figures on the professional gaming and eSports market appear much more meaningful here. Global sales in 2019 amounted to over USD 1 billion (less than 1 % of total gaming sales) (source Newzoo).

These sales figures include the revenues of professional market participants - such as organized leagues, eSports events and organisations or clans - which consist of sponsoring, advertising, media rights (including streaming), ticketing, merchandising as well as prize money and so-called publisher fees.

The total turnover of USD 1,096 million in 2019 represents growth of more than 26 % compared with the previous year (USD 865 million) and a comparable increase in revenue to USD 1,790 million is also forecast for the next few years up to 2022. This corresponds to an average annual growth rate of 22.3 % over a time horizon of 5 years.

Despite this impressive development and future prospects, these figures should also be put into relation with the sales figures of classic sports for a better understanding. For example, the comparable sales of the major European football leagues in the 2017/18 season amounted to Premier League 6.06 billion USD, Bundesliga 3.53 billion USD, La Liga 3.42 billion USD or the sales of Formula 1 in 2017 to 2.04 billion USD. Last year’s sales growth rates in professional football ranged from 2.7% (Premier League) to 13.4% (Bundesliga) and were thus significantly lower than in eSports (Sources: Deloitte Annual Review of Football Finance 2018; 2019 / Forbes 2019).

This shows that the figures in eSports are absolutely remarkable and impressive, but also that the magnitudes achieved are not yet on the scale that some „experts” would have us believe at times. It is also important to know that under eSports revenues the total proceeds of all relevant game titles (i.e. disciplines), leagues and events have been added together, whereas the comparative values from football and Formula 1 only refer to individual sports leagues, sports types or event series.

All in all, it can be said that eSports is still at the beginning of a very promising development of its sales figures. These are positive news for all potential investors and especially for eSports venues.
eSports-Venues

With respect to the current situation and prospects in the eSports venues sector, two fundamental aspects must first be emphasised: firstly, the development of viewer numbers and secondly, the capitalisation per eSports fan.

The number of people interested in eSports is constantly increasing. This can be seen from the number of viewers in eSports, which have been rising steadily in the double-digit percentage range since 2017. The positive development applies equally to occasional viewers as well as to „enthusiastic“ eSports fans. In the past year 2019, eSports recorded a total of 454 million viewers worldwide, 15% more than in the previous year. In the next three years until 2022, a further increase to 645 million viewers is forecast.

If this is combined with the clearly underdeveloped capitalisation and the economic attractiveness of the target group of eSports viewers compared to visitors of classic sports fans, the commercial growth potential of the industry - also and especially for operators of eSports venues - can be guessed at.

While the monetisation of an eSports fan in 2019 averaged just 5 USD, a fan of the big American Major Leagues spent 6 to 18 times that amount on his favourite sport (NBA: 33 USD; MLB and NHL approx. 90 USD).

This again shows the still young stage of development of eSports and the associated capitalisation potential that has not yet been realised with a demand-oriented infrastructure and supply structure.

In addition, the target group of eSports enthusiasts and fans is attractive in many respects, both now and in the future, not only for advertising brands but also for event and venue operators.
In short, the target group is characterised by its young age (3/4 of all interested under 35 years of age), above-average education, job and income situation as well as a special - given the topic - online affinity. With these characteristics, the eSports community not only differs significantly from the visitor groups of classic sports venues, but also embodies a considerable future revenue potential that has not yet been systematically exploited.

Focus market eSports Europe

If we take another look at the relevant developments specifically for the European region, it can quickly be seen that Europe, with a current market share of 16.9% of global sales (see Deloitte „Let’s Play”), is lagging behind the leading markets of Japan, South Korea, China and the US by a few years - both in terms of absolute figures and stage of development. However, in relation and tendency of the figures, the European market is in line with the global development of eSports.
Thus, an average annual growth rate of 23% in eSports sales is also expected in Europe over the next few years. And the number of people who watch eSports regularly or on a occasionally basis is expected to increase from around 86 million people in 2018 to an estimated 105 million eSports viewers and fans in Europe by 2020 (source: Newzoo).

But what do these figures mean now and especially in the future for the real estate infrastructure of electronic sports in Europe? What types of events will be attended in the future and what demands do organisers, athletes and spectators place on the properties where these gatherings take place?

1.3 TYPOLOGY OF ESPORTS EVENTS AND VENUES

First of all, it should be noted: There is not only one „universal type“ of eSport event. In as much as a distinction has to be made between casual gaming, competitive gaming and eSports, the different event needs and types of stakeholders have to be differentiated.

Whereas the more or less ambitious leisure gamer is more interested in social interaction and active amateur gaming in a pleasant atmosphere (Public Casual Gaming), the professional eSports organisations focus on the best possible training conditions and smooth club operations (Professional eSports Training Facilities). For the staging of smaller as well as larger public competitions (Public eSports Event) venue operators need to offer optimum conditions for athletes, fans and organisers.

What characterises the respective event type in detail, which qualitative and quantitative requirements result from this for the respective eSport venue and how the market presents itself at present and in which way it will develop in the future, is the focus of the following explanations.
2. EVENT TYPE “PUBLIC CASUAL GAMING” – VENUE “GAMING CENTERS & ESPORTS BARS”

2.1 CHARACTERISTICS

As shown by the developments in the leading gaming markets South Korea, Japan, China or the United States, the stereotypical image of the nerdy youth who prefers to play computer games alone at home, online and without any kind of social interaction, is in many respects outdated. In fact, gaming is becoming more and more central to society and gamers like to meet in specially designed facilities to either play actively together or watch other gamers or eSports professionals play.

These concepts often also incorporate food and beverage services to increase visitors’ length of stay and improve the quality of their experience. Depending on the focus of the concept, they can be Gaming Centers (where the focus is on active gaming), or eSports Bars (where the focus is on food and beverages, with passive eSports consumption). In classical sports, these venues are roughly comparable to commercially operated tennis Centers or soccer halls (focus on recreational sports and leisure) or sports Bars (focus on gastronomy and media sports consumption).

The concept of Gaming Centers is characterized by the fact that interested parties have the possibility to rent PCs or consoles to play games. In most cases, the PC and console games of all popular game titles are supplemented by attractive offers such as arcade gaming (games on retro consoles), virtual reality applications or racing simulations. The offers are available to gamers for individual players as well as groups and teams. In addition to temporary rental of consoles or PCs, some concepts also offer the possibility of acquiring a permanent membership of the facility with or without fixed playing times.

Gaming Centers usually also offer catering services, which can be added to the gaming stations, for example in a group rate for small private events. In addition to the offer for private parties, Gaming Centers also regularly offer tournaments in various game titles, LAN parties or open gaming nights as special events.

If the focus is more on catering than gaming, one speaks of so-called eSports Bars. In the style of classic sports bars, the combination of a comprehensive range of food and beverages, broadcasts of eSports competitions and the opportunity to play games yourself forms an attractive offer for both enthusiastic eSports fans and interested casual gamers. In contrast to the Gaming Centers, playing on consoles or PCs is in some cases free of charge, provided that the gastronomic offer is taken advantage of. In many cases, the range of services offered by the eSports Bars is also extended to include special events such as public viewings, theme evenings, board game or card game evenings.
2.2 STATUS ANALYSIS AND BENCHMARKS

The current market situation with respect to gaming Centers and eSports Bars varies internationally in different ways. While in Asia and North America there is a multitude of quite successful tailor-made concepts, in Europe and especially in Germany hardly any concepts have been implemented so far. For example, Dorian Gorr (CEO of Veritas Entertainment) states that "...North America and especially Asia, Europe are miles ahead. Even other European countries are ahead of the German market.

In addition to the pure availability of gaming locations, the deficits relate in particular to the choice of the right location and the content-related conception of the projects realised so far. Specifically, the surveyed experts criticize that eSports Bars and Gaming Centers are underrepresented so far, especially in the city centers. This is confirmed by Martin Müller of the eSport-Bund Deutschland ("The number is very small.") and Oliver Redelfs of Red Elf Media and Full Metal Gaming ("insufficient to non-existent"), among others.

At the same time, the concepts as well as the technical installations in classic real estate objects are still too little geared to the specific needs of casual gamers and eSports fans. Too often it is still a more or less "normal" gastronomy business that additionally installs a few computers and/or consoles.

In view of this up-to-date inventory, it is not surprising that our first benchmark project for the eSports Venue type Gaming Centers & eSports Bars does not originate from Europe.

Benchmark – Fortress Melbourne

A good example of a current development of this type of venue is the Fortress in Melbourne, Australia, which is scheduled to open in 2020:

The venue will be built and operated by Allied Esports, a leading eSports entertainment company that has already built a worldwide network of eSports properties. Upon completion, Fortress Melbourne will be the largest eSports complex in the Southern Hemisphere (Source: Allied Esports).
The Fortress is characterised by the mix of Gaming Center and eSports Bar and is deliberately designed to reach a target group as broad as possible. This is how the responsible architectural firm populous, which is well renowned in the stadium and arena world, describes the objective of Fortress Melbourne: “it will provide a home for everyone in the video gaming and eSports world: from casual gamers, to eSports fanatics, to after-work crowds.

In an area of almost 2,700 square meters, the facility will offer an event space for an audience of 200, more than 160 PCs for teams and individual players, console gaming suites, arcade gaming and two eSports Bars. Four so-called streaming pods are also available to guests. In addition, various merchandising articles are being offered in the in-house shop.

### 2.3 CHALLENGES AND OUTLOOK

First of all, it should be noted that the current number of eSports Bars and Gaming Centers does not meet the continuously increasing demand for such locations according to the market overview figures. This shortage will increase in the foreseeable future.

Increased demands are placed on a suitable facility, especially with regard to the perfect choice of location in the context of the planned event concept. However, the structural and technical equipment as well as the space concept and architecture of the property must also be suitable for its use as a Gaming Center or eSports Bar.

In the future, eSports Bars will increasingly be established in the centers of larger cities and regional metropolitan areas. Gaming Centers on the urban periphery are not unsuitable per se, but they do make it considerably more difficult to address the young target group, which wants to combine a visit to eSports with social interaction, communication and, not least, the expression of their own attitude to life. In this context, gaming and eSports should also be seen less as sport in the classical sense but more as an integral part of a „youth and pop culture“. The minimum logistical requirements for decentralised locations are fast and comfortable public transport connections from the respective city centers.

The event concepts require both more creativity and a great understanding for the interests, habits and needs of casual gamers and eSports fans of the Y and Z generations. Merely combining a restaurant business and a few computers will not lead to success. It will be observed that such eSports Bars will prevail in the competition, developing varied event programs, creating fixed content formats and at the same time developing their own identity in order to not only appeal to the „hardcore gamers“ but also to create offers for those target groups who have hardly or not at all actively played or followed eSports so far.

Concerning the structural and technical equipment, in contrast to most existing Gaming Centers and eSports Bars, the specific usage requirements of gamers and eSports enthusiasts must be taken into account for the initial planning of new buildings or conversions. This starts with the unconditional accessibility - unlike many other sports, gaming and eSports offers the complete inclusion of people with physical disabilities - and openly designed rooms that can be flexibly adapted for various forms of gaming and events and ends with state-of-the-art gaming interiors and hardware that make the gaming experience noticeably different from the eSports or gaming consumption at home.

Accordingly, the architectural design of the premises should also be paid extensive attention to. For appealing the broad mass of gamers, such venues must not give the impression of „gamer caves“. Rather, an inviting, pleasant and high-quality atmosphere should be created by suitable design means.
In this respect Oliver Redelfs (Red Elf Media & Full Metal Gaming) also emphasizes that successful eSports Bars must have a lasting “advantage compared to gaming within one’s own four walls and they need to offer more than just social exchange with like-minded people”.

When designing such facilities, aspects of the regulations for the protection of minors should not be ignored, so nothing should affect a successful operation of the venue.

Furthermore, in addition to the pure gaming installations, it is also a question of the range of adjacent services for the defined target group, such as VR gaming, SimRacing or arcade gaming, which, in turn, must be structurally and technically integrated into the planning. A further useful supplementary component for a successful use are so-called streaming stations, which enable visitors to share their game with their followers on site. The content created in this way should also be an essential part of the marketing and event concept of the respective facility.

Central Learnings in the market segment Gaming Centers & eSports Bars:

- number and availability do not meet the current and future demand.
- eSports Bars need to be – and will be - in the centers of cities and metropolitan areas, just as gaming is moving into the middle of society.
- creative event concepts tailored to the target group must respond to the needs of Generations Y & Z.
- it is crucial that the construction should allow for the specific gaming and event requirements in terms of space concept, flexibility, accessibility and equipment.
- technical equipment is not just a „necessity“, but a point of difference crucial to success.
- layout and architecture are of great importance for brand development and to appeal to a wide audience.
- addition of individual conspicuous elements to enhance the facility is helpful.
3. EVENT TYPE “PROFESSIONAL ESPORTS TRAINING” – VENUE „GAMING HOUSE & BOOTCAMP“

3.1 CHARACTERISTICS

With increasing sales, the entry of high-profile investors and sponsors and the transfer of experts from traditional sports to eSports, there is steady growth not only in the number and size of active eSports organisations, but also of their level of professionalisation.

As eSports has become more professional, organisations or “clans” and teams are increasingly using properties in which training and club operations are taking place at a professional level under one roof.

As in classical sports, eSports organisations are now primarily concerned with providing optimal training conditions for the athletes in their training facilities, so that an appropriate basis for athletic performance is created. Accordingly, the training rooms are a central element in such facilities. These are equipped with training stations, sufficient trainer stations as well as the possibility to analyse the training and to carry out tactical training.

It is generally known that physical training in the classical sense has a positive effect on performance in electronic sports. Accordingly, areas for physical activity between training sessions on the PC or console are also part of such a property. Since the training plans include active recovery phases in addition to the operative training, modern facilities also have adequate recreational areas and supply possibilities.

Of course, the streaming area should not be missing in such centers. From simple streaming-stations to entire studios, there are various possibilities to provide the appropriate framework to create content for fans, sponsors or even their own training work.

Currently and in the past, especially living areas for athletes are part of such facilities.

If a training facility is used exclusively by a clan, it is commonly referred to as a „Gaming House“. This term implies the direct combination of training and living areas, which was often the case in the past. However, it can already be observed on the market that the living areas are sometimes physically separated from the training facility.

Depending on their size and the degree of professionalisation, eSports organisations already have a considerable number of employees who need to be provided with appropriately equipped workplaces. For this reason, a Gaming House of larger eSports organisations is often supplemented with areas for administration or club operations.
The Gaming Houses of electronic sports are thus comparable less in size than in their utilization components with the club centers, which in traditional sports are the central location of club activities. Around the training and playing areas of the clubs, whole quarters with medical facilities, administration buildings, junior academies, boarding schools or even facilities for club supporters such as fan shops or museums are now being built.

In the context of the Gaming House, a distinction must be made between such eSports teams, which are part of an existing sports organisation and need to be integrated into their infrastructure, and pure eSports teams, which have to plan and finance their training facilities on a stand-alone basis.

For clans that do not have their own training facilities or who want to set special incentives in their training work, as well as for eSports teams that currently do not belong to any clan, the market now offers the first fully equipped eSports Venues that can be rented temporarily. In such independent facilities, so-called „Bootcamps“ or „Performance Centers“, eSports professionals and amateur players can train on a regular basis under optimal training conditions or prepare themselves specifically for upcoming competitions.

By renting such independent facilities, top teams have the chance to train under optimal conditions far away from their own establishments, especially when travelling to tournaments around the globe. The overnight accommodations that many Bootcamps also offer further advantages for the clans. The services offered by such facilities often include a concierge service, physiotherapy or personal trainers.

Bootcamp facilities are also attractive for semi-professional eSports and Competitive Gaming. Instead of creating their own training room or club centers, teams can rent the premises in the bootcamps for their training periods. The facilities even provide the amateur teams with in-house eSports coaches if required.

In traditional sports we would analogously speak of the generally known training camps or sports schools.

3.2. STATUS ANALYSIS AND BENCHMARKS

Similar to eSports Bars and Gaming Centers, the current status of the venues for professional eSports training is also similar: in international comparison the German market is undersupplied both in terms of quality and quantity which is also valid for national venue requirements. Martin Müller, Vice President of the German eSports Federation (ESBD) states that „...the nationwide availability of training facilities is far from being guaranteed."

One of the consequences of this shortage of venues is that athletes need to cover long distances to reach their training facilities which does not meet the requirements of a progressive professionalisation of the industry. The professional teams of the German eSports organisation mousesports even „regularly use training facilities in other European countries, because there is a shortage of suitable, high-quality training facilities in Germany“ (Jan Dominicus, Chief Business Development Officer at mousesports).

Similar to eSports Bars, our experts criticize the choice of location in the survey as many of the currently operated gaming houses and bootcamps are not located in the city centers, but mainly in the periphery. This poses not only logistical challenges for athletes and coaching staff, but also means significant deficits in the opportunities for active branding because the training facilities are difficult for fans to reach.
However, this unused potential is not only due to the quantity and choice of location of the training facilities, but it is also largely determined by the utilization concepts these facilities are built up with. In many clan centers, the aspects of public relations, fan loyalty and commercialisation have so far been largely ignored. The majority of the training facilities are hardly or not at all accessible to the public and do not have their own event concept for fans and casual gamers to make the organisation’s brand tangible and experimental. The experiential character of these venues is usually (still) in the background, although it might be an attractive source of revenue for the organisation.

A further point of criticism of the classical training facilities is the combination of training rooms and living space in a kind of „shared flat for gaming“. These models are referred to as a „relic of the early days of eSports“ (Dorian Gorr, CEO Veritas Entertainment), as they neither reflect the modern state of training theory nor do they systematically develop the above-mentioned possibilities of branding. Martin Müller (ESBD) also states: „The current model of professional teams living under one roof is currently being replaced by team-owned training facilities with corresponding social areas, public areas and players who use their own homes as a retreat.“

According to the experts, the development is currently moving towards professionalised facilities, in which the requirements of training theory, pleasant living conditions, increased marketing opportunities and smooth club operations are more important than simply bringing training and sleeping facilities together under one roof. Comparable to the club centers of classical sports, various uses around the training area are supplemented in order to create optimal conditions for athletes and employees or - in the case of bootcamps - potential tenants.

A special feature in this assessment of the status quo are once again those eSports teams that are part of an existing sports organisation and whose training facilities must be integrated into the club’s existing infrastructure. The synergetic use of adjacent services - such as administration, merchandise, gastronomy and especially physical training and medical care - as well as the use of the club brand must be positively emphasized. At the same time, however, the establishment of specific eSports training rooms on the club premises is often associated with special challenges. Marleen Groß, Head of Brand & Marketing HSV Fußball AG and responsible for the HSV’s professional FIFA team, says: „As a football club, we also have the challenge of finding suitable training and playing facilities for our FIFA professional team. At the moment we are playing in a specially equipped skybox in the Volksparkstadion. In terms of branding, it is very important for us to maintain a close relationship with our core product football and our home, the Volksparkstadion. A football stadium has its limits at one point or another, especially in the technical area, and is therefore without reconstruction measures not a best-case example“.

**Benchmark – Movistar Riders Centers**

An example of a training facility is the Movistar Riders eSports Center in Madrid. The club from Spain has seven professional eSports teams that are active in the titles League of Legends, CS:GO, Hearthstone, Rainbow Six: Siege, Call Of Duty, Clash Royale and FIFA.

The Movistar eSports Center is the headquarter of the Movistar Riders Club. It is a 1,000 sqm hall, which was designed according to the specific needs of the club. The gaming area, in which, in addition to training for the professionals and a separate academy for junior staff, club-owned events can also take place thanks to flexible room design, is regularly open to club members and fans. In addition to active gaming, the Movistar eSports Center also broadcasts live individual games and entire tournaments with the participation of the club’s own eSports team as well as other eSports events of particular public interest.
With this overall concept, the venue has developed within a very short time into a real meeting place, not only for club members and fans, but also for eSports enthusiasts from the entire region, who come into direct contact with the Movistar Riders for the first time and establish a relationship with the brand. Accordingly, the concept also includes a club-owned merchandising store.

In short, the Movistar eSports Centers is a kind of „eSports city“ on a small scale, combining many different types of venues and concepts. It is both the club’s own training ground for the Movistar Riders with four different training rooms, whose equipment is geared to the training needs of the respective game titles, and a meeting place for eSports fans with its own gaming and public viewing facilities and even its own small event location for eSports events with up to 70 viewers.

3.3 CHALLENGES AND OUTLOOK

Taking up the status quo in the field of eSports training facilities, which is described above and can certainly be described as unsatisfactory, a number of central requirements are placed on the stakeholders of the industry as well as potential investors:

Besides the pure increase of the number by the creation of new training facilities, it is first of all important to further develop the concepts in terms of content and to meet the changed or increased requirements of eSports athletes and clans in the course of the professionalisation of the entire sector.

The experts unanimously call for completely new venue concepts, a departure from the combination of „working and living under one roof“ (Dorian Gorr, CEO Veritas Entertainment), as was or is typical for the first generation of Gaming Houses. Players are increasingly experiencing a „shared flat situation“ as a psychological strain, which in the long term will also impair their sporting performance.

Furthermore, modern Gaming House concepts must also offer the experience of the eSports brand and the individual athletes. This means that the facility must be accessible to members, fans and the public in a regulated manner. By creating an event concept the venue would gain an individual experience character taking into account the strategic positioning and the communicative goals of the resident eSports clan as well as the entertainment needs of the target group(s) and the psychological and physical requirements of the daily training work.
In the future, the structural planning and technical installation will be preceded by conceptual and planning work in particular, which requires a deep understanding of the specific needs of eSports as a whole or the respective eSports team. Nevertheless, initial general requirements can already be formulated in this regard.

In view of the dynamics of the market and the rapid professionalisation of the entire industry, flexible, modular spatial concepts should be aimed for. Areas of different sizes and uses can be used at short notice. This is necessary, for example, when training different game titles with varying numbers of team members. In addition, individual areas can be made publicly accessible for a limited time (or permanently). Event areas can also be varied depending on the type and size of the event.

As the centers of a clan, the spirit of the organisation must also be reflected in the premises. The facility is to be designed in such a way that the venue must reflect the profile of those who use them. This does not only contribute to the branding and loyalty of the players and staff to the organisation, but also increases the fan experience, provided that the facility is made accessible to the fans at least in part or temporarily. Team-independent Bootcamps should also rely on a uniform brand language for a better marketability, which is reflected in the design of the rooms. Similar to the Casual Gaming venues, the highest technical demands on network connectivity and stability (redundancy) must be met.

Furthermore, the facilities should not only be designed as training facilities but also as content production sites. Since literally every training session and each event represents potential content for the target group, media accessibility should be guaranteed almost throughout the building. Through a brand-specific and above all spectacular room and interior design, the produced content is further enhanced by the facility. In this way, the flexible usage concept, the modular room planning and the content strategy of the clan can be efficiently harmonized.

In addition to fan experience and content production, the essentials should not be lost sight of for both team-owned and independently operated facilities: Optimal training conditions must be provided for the players. Jan Dominicus of mousesports gives another important hint in this context: „The quality of training facilities can also be an essential competitive advantage for an eSports organisation when fighting for the best players“.

To achieve this, not only the right hardware and peripherals must be provided, but also suitable furniture must be purchased, the right lighting conditions ensured and a pleasant indoor climate maintained. Likewise, the operation of the property must be designed in such a way that its use is not only trouble-free, but also efficiently guaranteed, especially from an economic point of view.

In the special case of a facility linked to a classic sports club, the challenge is to integrate this concept into the existing infrastructure of the sports club in terms of content and construction. In other words, it must be decided whether the eSports training facilities can be integrated into the stadium or the training grounds of the club (not always at the same location) or whether an independent infrastructure should be created. Again, there is no general answer to this question, as the specific situation and objectives of each club must be considered individually. „In principle, integration into a holistic venue concept can have positive effects on both parties, i.e. the eSports team as well as the classic sports team, in terms of brand development and the addressing of new target groups“ (Marleen Groß, Head of Brand & Marketing HSV Fußball AG). At the same time, it is also important to take into account that large sports facilities in Germany are often not located in the city centers and have little public traffic during the week. In addition, they are generally not up to date with the current market situation in terms of the basic technical requirements and the specific needs of professional eSports.

Possible interactions can, however, in combination with a suitable destination concept for the sports facility, possibly also have positive aspects and lead to an increase in added value independent of the event type.
In the case of independent properties without exclusive operation or use by an eSports team, the question of the usage of given stadium areas does not arise. However, with this type of venue the choice of location is of particular importance in other respects, since in a concept without a fixed main tenant, accessibility and the approach to potential tenants are of particular importance for economically successful operation. This means that the venue should ideally be centrally located and/or easily accessible by public transport. „It should also have an external visibility and allow access without time constraints.” (Martin Müller, Vice-President of the German eSports Association (ESBD)). In many shopping centers, office or administration buildings, for example, the opening hours for all tenants are strictly limited or access is considerably more difficult in the evening hours, which are highly relevant for eSports training facilities.

Central Learnings in the market segment Gaming House & Bootcamp:

- different challenges for venues,
  - which are permanently used by an eSports team as training facility,
  - which have to be integrated into an existing sports club facility,
  - and those who position themselves freely on the market and whose services are specifically aimed at eSports and competitive gamers.

- proven usage concepts must be fundamentally reconsidered: instead of musty gaming houses, topics such as branding, service offers, recreational sports and administrative areas are playing a greater role in the course of the professionalization of eSports clans.

- it is important to get fans involved and to open gaming houses to the public in order to exploit further economic potential.

- creative venue concepts must be developed individually, but key points such as modular room plans, minimum technical requirements or media recording and content production possibilities can be formulated in general terms.

- the design of the venues must also reflect the profile of those who use them.

- the most important task will always be to ensure optimal training conditions for maximum sporting success.
4. EVENT TYPE “PUBLIC ESPORTS EVENT” – VENUE “MULTIFUNCTIONAL AND ESPORTS ARENA”

4.1 CHARACTERS

The event type of the public eSports event basically describes such events where eSports professionals or ambitious amateur athletes compete against each other in front of a public audience in an organized setting.

Here - as with any form of live event - small, medium and large events are to be distinguished according to the number of spectators to be expected. Depending on this target size, the venues to be used are also to be selected. Further essential criteria for the selection of venues are the technical requirements, the conceptual possibilities, the economic framework conditions and of course the availability and attractiveness of the location.

A fundamental distinction must also be made between monofunctional eSports arenas and multifunctional facilities. While locations that focus exclusively on eSports events have so far been the absolute exception - especially in Europe - the majority of eSports events currently take place in multifunctional arenas. In contrast to traditional sports, where many football clubs, for example, own or operate their own stadium and regularly hold their home games here, there are currently hardly any eSports arenas that are permanently owned / operated by an eSports institution.

An exception is the publisher Riot Games, for example, which has converted a former TV studio in Berlin-Adlershof, according to the individual requirements, into a modern eSports arena for the regular, seasonal operation of its League of Legends LEC in 2018.

In this case, we are talking about a „single eSports“ arena, as here only competitions in a special game title take place and the venue was explicitly designed for this purpose. In contrast to this, there are also monofunctional venues in which exclusively eSports events are held, but which are competitions of different game titles („multi eSports“).

The dominance of multi-functional arenas in eSports to date can certainly also be explained by the highly dynamic market development with regard to game titles (rapid rise of new genres and game titles such as the Battle Royal genre with the largest game titles Fortnite and Players Unknown Battleground) and the development of new events as well as the diversity of different event series and types.
A special feature within the type of public eSports events are the „join-in events“, which have rather the character of a large eSports festival than a classic spectator event. Here, viewers visit a venue, sometimes for several days, in order to be both spectators and active participants in so-called LAN parties. In February 2019, for example, more than 20,000 gamers came to the Dreamhack in Leipzig over three days to play actively, to see and try out the latest industry news at a trade fair and to watch the professional teams play.

All in all, it remains to be stated that in many respects it is difficult to speak of „the“ eSports event as a prototype and accordingly of a single suitable venue type. The differences between the individual game titles and their venue requirements are too manifold in many ways. Nevertheless, in the following an attempt will be made to bring some transparency to this market segment, which has not been analysed much so far.
4.2 Status Analysis and Benchmarks

174,000 spectators during live broadcast on 2 weekends in Katowice (Poland) at the ESL IEM (Intel Extreme Masters) Week

More than 19,000 live viewers at the 2017 World Cup final of the League of Legends at the Beijing Olympic Stadium

More than 40,000 eSports fans on site in Arthur Ashe Stadium in New York at the first Fortnite World Cup

15,000 daily viewers in the sold out Lanxess Arena at the biggest CS:GO event in Europe, the ESL ONE Cologne

26,000 Dota2 fans at The International 2019 in the Mercedes-Benz Arena in Shanghai

These figures and developments are undoubtedly impressive, but with a view to the economic operation of eSports venues, it is also necessary to handle these numbers with care. After all, the above-mentioned events are the absolute pinnacle of global eSports events in the most popular gaming titles. There is a clear picture of significantly more events with a significantly lower number of spectators which should therefore be held in smaller venues. Chris Hana, founder and publisher of The Esports Observer, states: „Even if we disregard the number of games, it quickly becomes clear that there are currently a growing number, but still very few genuine major eSports events.“ Accordingly, the current status in this market cannot be analysed in general terms, but only in each market segment individually.

With regard to the few major eSports events (more than 5,000 spectators), the experts assess the venue infrastructure as quite satisfactory in quantitative terms. The main reason for this assessment is that such events in Europe have so far been held exclusively in multi-functional arenas whose equipment is adapted to the specific needs of the respective event. Pure eSports venues on this scale have not existed in Europe to date. Concerning the number of events, however, the economic efficiency of operating such a venue may also be questioned. Therefore, in this venue segment it is very important to adapt the existing multifunctional arenas to the requirements of eSports organisers, athletes and spectators and to offer them an adequate service portfolio.

In the middle segment of the Public eSports Event Venues (500 - 5,000 spectators) the situation is quite different, as Oliver Redelfs of Red Elf Media and Full Metal Gaming confirms. „There is a particular shortage of small and medium sized locations designed purely to respond to the special requirements of eSports, with spaces for dedicated events.“ There is already a relevant number of events that will further rise in the future, and so there are too few multi or monofunctional venue solutions that meet the requirements. Hence medium sized events take place in large multi-functional arenas, which will then not fully be occupied. This, in turn, is not conducive to the visitor experience, the atmosphere for the athletes or a possible commercialisation of the event.
On an international scale there are first pure eSports arenas, such as the HyperX Arena in Las Vegas, which hosts eSports events of various game titles for an audience of up to 1,000 spectators and which can be flexibly adapted to the needs of the respective organizers. In Europe, on the other hand, all experts interviewed complained about the great backlog demand in this segment. „We need more esports Venues that serve a mid-sized segment and systematically fill the gap between basement productions and arena spectacles“ (Dorian Gorr, CEO Veritas Entertainment).

In this respect a specific challenge to be taken into account is that especially the medium-sized and smaller events have so far been very difficult for venue operators to plan. The high dynamics in this segment make reliable event planning and thus also corresponding venue utilisation more difficult. Professional structures and processes are required for the future, and venue operators can make a significant contribution to this by establishing events or event series in a venue on a long-term basis and developing them further in a targeted manner. Montiz Altmann, Head of eSports at sports rights marketer Lagardère Sports, emphasises in this connection that „... more meeting points and better equipped facilities are needed, particularly in small event locations“.

In his view, this is also a decisive factor for better commercialisation in the sense of advertising partnerships, suppliers and other service providers for the economic operation of smaller eSports event venues.

**Benchmark: HyperX Arena Las Vegas**

The HyperX eSports Arena was opened in March 2018 as part of the Luxor Hotel and Casino complex on the Las Vegas Strip. It embodies the prototype of a monofunctional, fully comprehensive eSports Venue. On more than 2,700 square meters of space and two levels, there is, among other things, a 600-inch video screen and countless PCs and consoles that allow eSports enthusiasts to play and stream free of charge. Special highlights were set by the integration of ultra-modern VR technology. For big eSports events like DayOne or NINJA Vegas telescopic grandstands are extended, so that up to 1,000 spectators can be present live.

Apart from organised public eSports events, no entrance fee is charged for visiting the arena. The entire venue can also be booked for individual events. Three private boxes and a lounge are available for VIPs. Furthermore, the HyperX eSports Arena has its own integrated content and broadcasting studio. A full-service catering will take care of the physical well-being. Various eSports merchandising articles can be purchased in a permanently installed store in the arena.
4.3 CHALLENGES AND OUTLOOK

In view of the heterogeneous market situations for small, medium and large eSports public event venues described before, the respective requirements and future developments must also be reflected separately.

Concerning large multifunctional arenas for global top eSports events, the number and availability will not be the primary concern in the future either. Central market requirements are more focused on the conceptual flexibility and technical equipment of the venues observing the specific needs of eSports event organizers. Ralf Reichert, CEO of ESL - the world’s largest eSports event organiser - demands in particular “… further development in the area of combining stadium and fair experience for the visitor”. In comparison to other live events, many eSports events are characterised by a special festival character, which in his opinion many indoor arenas have so far not been able to live up to, or only inadequately or with considerable and cost-intensive reconstruction measures.

Concerning the technical conditions, Reichert sees the central requirement for the future optimised implementation of large ESL events in the “… availability of a greater number of larger and high-quality projections in the entire arena”. In addition, there are specific technical requirements essential for the flawless running of live eSports competitions, whereas it is generally irrelevant for other events. Smaller technical features such as so-called noise-cancelling solutions preventing the on-stage action from being influenced by shouts from the audience, must not be ignored.

The extent to which we will also see the first larger, monofunctional eSports venues in the future will also largely depend on how the publishers of the major game titles or the leading event organizers bundle their activities at individual locations - such as the LEC gaming operation in Berlin - or distribute them across numerous locations - such as the latest developments of the Overwatch League in North America, in which each team is to play its home games in its own venue in front of an audience. It will be decisive whether firm, permanent league and competition structures are established that allow the economic operation of „home venues“ on a certain scale.

For small and medium-sized eSports Venues, on the other hand, the path seems to be clearly marked out that - similar to the development in Asia and the USA - new eSports Venues will also emerge in Europe. It is however not necessary to take an actionistic approach in order to follow the current „eSports hype“, but rather to systematically analyse the demand and to develop a holistic strategy for the future with respect to location, capacity, event and room concept, technical equipment, operator model etc. and finally financing and profitability calculation. The market in this segment unanimously demands more specialized venues, at central locations, with flexible space and utilization concepts for various eSports events, with first-class technical infrastructure and game-specific interior design.

With regard to the needs of the target group, but also to the profitability of such a property, it can currently be observed that a combination of different functionalities and venue types is becoming increasingly popular, especially in the area of smaller eSports events. New projects such as the eSports location of Veritas Entertainment GmbH in the Centers of Berlin systematically combine the concepts of a venue for small public eSports events (up to 200 spectators) with a state-of-the-art eSports Bar as well as a permanent training facility for one of the most successful eSports teams in Europe and the possibility of temporarily renting amateur and professional training facilities for Bootcamps or courses. At the same time, appropriate streaming and production facilities provide 24/7 live content for all interested parties who cannot be present live on site. In this way, not only different target groups are addressed from hobby and ambitious amateur gamers to fans of a special team and event visitors, but flexible usage concepts also create year-round capacity utilisation and a wide range of cross-selling and up-selling potential.
From our point of view, such a combination of economic and conceptual aspects seems extremely promising, which is why we assume that this type of venue will successfully establish itself on the market in the future. We expressly advocate holistic, strategic venue planning that is conceptually oriented to the needs of the target group and always considers the profitability of the property for all stakeholders.

Central learnings in the market segment multifunctional & eSports arenas:

- the development of pure eSports arenas for major events in Europe depends largely on the strategic orientation of the major publishers and event organizers.

- multifunctional arenas will continue to host major eSports events until further notice - this is where content and technical adaptations will be required of the operators in the future:
  - concepts that optimise a combination of a sporting event experience in the interior and the trade fair & festival character in the surrounding area
  - technical optimization of projections in the entire arena area
  - sufficient and redundant media supply

- in the segment of facilities for small and medium-sized event arenas, there is a considerable need for growth in Europe, which must be met with flexible facilities

- hybrid venue types that systematically combine the concepts presented in order to be able to respond to the diverse customer needs in the best possible and economically efficient way can develop into a successful model
5. KEY MESSAGES AND CONCLUSIONS

> The eSports market has seen impressive growth relative to its size.
> The figures for absolute sales are expected to remain moderate.
> Despite steady growth, Europe lags significantly behind the Asian and U.S. markets. Nevertheless—or perhaps for this very reason—it is a very attractive area for future investments.
> There is often a lack of clarity in the market regarding what exactly people are talking about when they refer to eSports and the relevant venues. There is important basic work to be done in this area, and this contribution offers an initial road map for this purpose.
> There is not just one market segment for eSports venues, but three venue types that differ according to their various uses:
  - Event type public casual gaming – Venue gaming centers and eSports bars
  - Event type professional eSports training – Venue gaming houses and bootcamps
  - Event type public eSports events – Venue multifunction and eSports arenas
> Across Europe there is a scarcity of gaming centers and eSports bars in attractive city center locations. There is also a lack of creative utilization plans, state-of-the-art structural and technical solutions to cater for the specific requirements and the user behavior of the steadily growing target group—especially Generations Y and Z.
> For venues for professional eSports training, in the future it will be important to make the facilities accessible to the public, to integrate new utilization plans (e.g., own content production, merchandising etc.), and to implement high-quality brand architecture strategies in order to contribute to the successful brand development and marketing of the venue, while continuing to ensure the provision of optimal training and practical conditions for users.
> The fundamental differentiating factors between venues for public eSports events are their utilization plans (multifunctional vs. monofunctional) and their capacities (small, medium, large). They face very different challenges in terms of the way in which they will operate in the future.
  - Big events mostly take place in multifunction arenas. Although a sufficient quantity of these is available for the hitherto limited number of events in Europe, the concepts and the technical equipment needs to be adapted to users’ needs. This applies especially to the festival ethos of big events and technical projections.
  - Small and medium-sized eSports events will increasingly take place in arenas used purely for eSports, which will either accommodate various event formats of different game titles and organizers, or serve as the home ground of a specific eSports institution.
> Hybrid models, which provide a systematic and flexible combination of the different venue types and uses, are very promising with regard to the commercial benefits. However, alongside these hybrid models, special concepts for individual high performers in the industry will also develop and become increasingly specialized.
> Crucial for the successful further development of the European eSports venue segment, in terms of content and economics, is a strategic and holistic approach based on a combination of thorough specialist knowledge of the eSports industry, an understanding of user needs, an overview of current market developments, and expertise in the concept development, design and implementation of complex real estate projects.
CSIGHT

CSIGHT is a strategic business consulting company in the sports and entertainment business with a focus on innovation and growth topics such as eSports, smart stadiums, virtual advertising, investor advice, target group-specific marketing concepts and strategic sponsorship planning. Consulting is always independent and customer-oriented, based on genuine insights gathered through many years of practical senior management experience in the international sports business. The consultancy approach taken by CSIGHT aims to implement the project goals of its partners in an economically efficient way in order to achieve a sustainable competitive advantage.

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The leading European consulting, planning and project management enterprise, Drees & Sommer has supported private and public clients and investors for almost 50 years in all aspects of real estate and infrastructure – both analog and digital. The company’s 3,700 employees in 43 locations around the world work in interdisciplinary teams to provide support for clients from a wide variety of sectors. All the services provided by the partner-run company take into consideration both economic and ecological concerns. Drees & Sommer calls this holistic approach ‘the blue way’.

The Sports and Entertainment team takes a holistic approach to lead sports projects on the road to success: the industry experts share their clients’ enthusiasm, while overseeing projects objectively, offering rational arguments and well-founded results.

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MISSION STATEMENT

Drees & Sommer and CSIGHT join forces to support organizations in the eSports and gaming industry as well as companies in the real estate industry in the assessment, design, construction and operation of real estate to be used for eSports or gaming purposes. Working with our clients, we prepare the space required for outstanding performances by eSports professionals, amateurs and recreational gamers. In addition to unforgettable live experiences for fans of competitive electronic games, this results in commercially successful eSports venues.