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!

Tristan Schmedes  
Drees & Sommer, Team Sports and Entertainment, Manager eSports

Dr. Nicolas Gaede  
Managing Partner CSIGHT

---

PROFESSIONAL SPORTS VERSUS SHOOT 'EM UP GAMES
YOUTH & POP CULTURE VERSUS NICHE AREA
ENDURING PHENOMENON VERSUS FASHION TREND
ALONE IN FRONT OF THE PC VERSUS STADIUMS AND ARENAS

eSports: loved by some, derided and/or misunderstood by others. eSports polarizes people, but it is increasingly making its presence felt in society – and moving out of basements and playrooms to enter the country's stadiums and indoor arenas. It is high time to take an objective and systematic look at where electronic sports are being played: eSports venues.
ESPORTS IN EUROPE – MARKET OVERVIEW AND GROWTH POTENTIAL

‘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.’
Source: ESBD 2018

In the world of eSport, there are various degrees to which the sport has become professional: casual gaming (recreational level); competitive gaming (competitive amateur level); and eSports (professional).

The global sales of professional electronic sports from, for instance, sponsorships, media rights, ticketing, merchandising, prize money, and publisher fees exceeded USD 1 billion for the first time in 2019. This represents growth of more than 26 percent compared with the previous year.

The market growth is primarily due to the steady expansion of the gaming and eSports community. The eSports viewership increased by more than 30 percent globally in the past two years, to more than 450 million in 2019. By 2022 it is expected to grow to almost 645 million worldwide.

eSports in Europe accounted for just under a third of the global sales in 2019, at more than EUR 300 million, with the growth here also averaging more than 20 percent per year over the past few years.

Both for Europe and globally, no significant change in the sales and viewership trend is expected in the next five years – the growth is anticipated to continue at more than 20 percent per annum.

In comparison with the traditional types of sports, it should be said that eSports in Europe is still at the start of a very promising trend in its sales and viewership figures. Accordingly, we are at an early stage in terms of the quality and quantity of available eSports venues, and as such this is an interesting area of activities which needs to be examined further.

eSports venues can be classified into three types according to their users in the world of gaming and eSports and the relevant events. Each individual type of real estate is presented in brief in the following pages:
EVENT TYPE: PUBLIC CASUAL GAMING — VENUE: GAMING CENTER AND ESPORTS BAR

As shown by the developments in the leading gaming markets — South Korea, Japan, China and the United States — the stereotypical image of the nerdy youth who prefers to play alone at home, online and without any social interaction, is in many respects outdated. Gaming is increasingly making its presence felt in social settings and gamers like to meet up in specially designed establishments, either to play themselves or to watch other gamers or eSports professionals playing.

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).

Analysis of the current situation shows that the European market — and especially the German market — is undersupplied as far as the availability of venues for public casual gaming is concerned.

The direction in which the European market can develop is demonstrated by an example from Australia. Fortress Melbourne, developed and operated by the leading eSports entertainment company, Allied Esports, and designed by the renowned architect firm populous, is to be opened this year. In an area of almost 2,700 square meters, it will offer an event space for an audience of 200, more than 160 PCs for teams and individual players, console gaming suites and arcade gaming, in addition to two eSports bars.

It appears that the greatest challenge in the design of gaming centers and eSports bars is the choice of location. Further core aspects to be considered for developments in this market segment are as follows:

- gaming centers and eSports bars need to be — and will be — in city centers, just as gaming is shifting to the center of society.
- creative event concepts tailored to the target group must respond to the needs of Generations Y and Z.
- it is crucial that the construction should allow for the specific gaming and event requirements.
- 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.

North America and particularly Asia are streets ahead of Europe. Even other European countries are a step ahead of the German market.

Dorian Gorr, Managing Partner, Veritas Entertainment

The number of gaming centers and eSports bars is very small.

Martin Müller, Vice President, eSport-Bund Deutschland (German association representing organized eSports, ESBD)
EVENT TYPE: PROFESSIONAL ESPORTS TRAINING – VENUE: GAMING HOUSE & BOOTCAMP

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 organizations, but also the degree to which they are becoming professional. As eSports has become more professional, organizations or clans are increasingly using establishments in which training and club operations are taking place at a professional level under one roof.

A training facility used exclusively by one clan is generally referred to as a gaming house. On top of team-specific facilities, the market is now offering the first fully equipped eSports rooms for rental for a specific period of time. In these independent establishments, known as bootcamps or training centers, both eSports professionals and amateur players can train regularly under optimal conditions, or prepare for upcoming competitions.

The current level of availability of training facilities in Europe shows that the demand is not being adequately met here either. The experts believe there is a need for high-quality team facilities as well as independent bootcamps or training centers.

One example of a well-designed training facility is the Movistar eSports Center in the Spanish city of Madrid. The training center for the Movistar Riders club comprises four different training rooms in addition to high-class recreation and changing rooms, a merchandising store and an event stage.

The current level of availability of training facilities in Europe shows that the demand is not being adequately met here either. The experts believe there is a need for high-quality team facilities as well as independent bootcamps or training centers.

In addition to the requirement for optimal training conditions, any development of suitable training facilities must take into account the matters of brand development, content production, and location. Research in this market segment has also found that:

- it is important to get fans involved and to open gaming houses to the public in order to exploit further commercial potential;
- creative venue concepts comprise modular space plans, ensure that minimum technical requirements can be met and offer conspicuous opportunities for content production;
- the design of the venues must also reflect the profile of those who use them (brand architecture); and
- the most important task will always be to ensure optimal training conditions for maximum sporting success.

Typology for professional eSports training:

<table>
<thead>
<tr>
<th>With exclusive long-term users</th>
<th>Without exclusive long-term users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaming houses</td>
<td>Bootcamps</td>
</tr>
</tbody>
</table>

pure eSports organization
Part of an overall sports organization

We regularly have to rent training facilities in other countries in Europe because there is a shortage of suitable, high-quality training facilities in Germany.

Jan Domenicus,
Chief Business Development Officer,
mousesports

We regularly have to rent training facilities in other countries in Europe because there is a shortage of suitable, high-quality training facilities in Germany.

Jan Domenicus,
Chief Business Development Officer,
mousesports

When it comes to branding, maintaining a constant connection with our core product of football and with our home, the Volksparkstadion, is very important.

Marleen Groß,
Head of Brand & Marketing, HSV Fußball AG, with responsibility for HSV eSports
EVENT TYPE: PUBLIC ESPORTS EVENT – VENUE: MULTIFUNCTION & ESPORTS ARENAS

Public eSports events are those in which eSports professionals or high-level recreational players compete in front of a public audience in an organized contest.

As in any form of live event, events differ in terms of size – i.e. by the number of viewers expected – and the venue chosen should depend on this target figure. A distinction also needs to be made between monofunctional eSports arenas and multifunction facilities.

An analysis of the current situation in this segment shows that big eSports events with more than 5,000 viewers are exceptional, particularly in Europe. Accordingly, in terms of numbers, the industry experts are satisfied with the existing availability of typical multifunction arenas.

From a wider perspective, the picture is completely different, with a considerably larger number of events and significantly lower attendances, which accordingly should take place in smaller venues with a capacity of 500-5,000 viewers. In this area, therefore, there is already a significant number of events, which will continue to increase. There are as yet too few suitable multifunction or monofunctional venue solutions available in Europe to cater for these.

A good example of an eSports venue of this kind is once again an overseas one. The HyperX Esports Arena in Las Vegas has the capacity to stage events with almost 1,000 spectators on more than 2,700 square meters of space. The concept of this monofunctional eSports venue operated by Allied Esports also comprises gaming stations, streaming and virtual reality applications.

The industry’s requirements with regard to venues for staging public eSports events depend on the arena type (multifunctional or monofunctional). While the primary requirement in multifunction arenas is for high-quality technical equipment and for flexibility, monofunctional venues face the challenge of developing a well-thought-out strategic plan that comprises as wide as possible an offering surrounding the staging of small to medium-sized eSports events. This kind of hybrid solution offers a template for the future of this popular segment.
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.
THE AUTHORS

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.

CSIGHT GmbH
Große Backerstr. 10
20095 Hamburg
Germany
info@csight.com

Drees & Sommer

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.

Drees & Sommer GmbH
Ludwig-Erhard-Straße 1
20459 Hamburg
Germany
sports@dreso.com

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.