

# **COVID-19 Accelerates Expansion of Esports as the Industry Navigates New Obstacles, Survey Finds**

Industry insiders believe the spotlight afforded by COVID-19-related shutdowns and restrictions will generate increased investment and deal activity for esports in the near term. Yet, as the third annual Esports Survey Report shows, even esports isn't immune to the pandemic's effects.

Conducted by law firm Foley & Lardner LLP and The Esports Observer – and based on responses from hundreds of executives involved in esports – the report identifies the opportunities and challenges ahead for this young industry. While concerns remain about match-fixing and cheating, along with myriad legal risks, strong revenue and viewership numbers in 2020 appear to have given executives confidence that esports is on solid footing and that the industry is well-equipped to navigate these issues.

Key takeaways from the report include:

## **Growth and Investment**

The majority of survey respondents (73%) believe the pandemic will lead to more investment and deal activity in esports over the next six months (Q4 2020 and Q1 2021). More than half cite the drivers of this trend as: continued social distancing boosting engagement with video games and esports (61%), the growth of online streaming platforms (61%), and the increased movement of big brands into esports sponsorships (52%).

At the same time, those who expect a decrease in investment over the same time period cite the top challenge facing

esports as the inability to hold large in-person events (77%), followed by declines in advertising and sponsorships (65%). The results also suggest some reluctance from investors hit hard by the downturn to inject further capital into esports. For instance, the percentage of respondents who expect increased investment from private equity and venture capital firms dropped from 47% in the 2019 survey to 40% in 2020.

## **Gambling and Match-Fixing**

With traditional professional sports largely on pause, the early months of the pandemic saw a rapid escalation in the approval of gambling on esports matches by major betting regulators – thereby opening another potential revenue stream for the industry.

However, there remains some skepticism from regulators and bookmakers about the risks involved in taking bets on esports. When respondents were asked what poses the greatest threat to the esports betting market, the top choice was a lack of adequate detection systems and monitoring tools for fraud and cheating (46%). In addition, 75% believe that match-fixing and cheating pose a significant threat to the legitimacy and growth of esports.

## **Legal Risks**

As was the case in 2019, respondents view intellectual property (IP) and licensing (48%) and cybersecurity (41%) as the legal issues posing the most risk to the esports industry; however, they both dropped by about 10 percentage points from last year's survey. In addition, most respondents (60%) feel that the control a small number of game developers have over esports – and the potential for these parties to exert their IP rights – is a barrier to the industry's growth and development.

Meanwhile, there is increasing sentiment that labor and employment issues pose a significant risk to the industry (38%

cite this as a concern in 2020, up from 31% in 2019). The specific employment law issues that respondents identified as important include: Management of players under the age of 18 (68%), providing proper employee benefits (53%), and contract disputes/renegotiation as players increasingly assert their rights (47%). Respondents also identified a range of actions they feel the esports industry should take to increase the representation and equitable treatment of women in esports.

## **Esports and Traditional Professional Sports**

In an increasingly virtual world, traditional professional sports executives and organizations are looking to esports for new ways of leveraging technology and engaging with fans.

When asked how traditional professional sports may focus on digital technologies amid the rise of esports and the ongoing pandemic, the top responses included: Using digital technologies to provide fans with more direct interaction and engagement (64%), incorporating new technologies into broadcasts (54%), and hosting tournaments in which traditional professional sports players compete in simulated games (54%).

The 2020 Esports Survey was completed by 255 professionals primarily based in the United States and Europe. Respondents included esports and traditional professional sports teams and leagues, technology developers, media companies and agencies. To read the complete report and methodology, please click [here](#).

***[Read the survey report.](#)***