



ASSOCIATION
OF SUMMER OLYMPIC
INTERNATIONAL FEDERATIONS

IF GAMING AND ESPORTS STRATEGY

SEPTEMBER 2021



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Foreword

Esports Report – Foreword

The Association of Summer Olympic International Federations (ASOIF) positions itself as a provider of added value to its members, the summer Olympic International Federations (IFs), and for the Sport and Olympic Movement as a whole.

When the IFs pool their collective expertise and experience across many specialist areas they provide an unmatched resource and one role of ASOIF is to provide access to this resource, often facilitated through our eight consultative and advisory groups. In the case of this report sincere thanks are due to the Commercial Advisory Group, chaired by Antony Scanlon, IGF Executive Director, ably supported by members Christian Volk, FIFA Director eFootball & Gaming, Frank Leenders, FIBA General Director (Media & Marketing), Michael Schmidt, WBSC Executive Director, Thierry Weil, FIH CEO and Thomas Lund, BWF Secretary General.

ASOIF’s Future of Global Sport Report, published in 2019, concluded that in a fast-evolving world, sport is increasingly subjected to technological, socio-economic and geo-political developments that all sports governing bodies must anticipate and be prepared to respond to. This report was reviewed at the start of the Covid-19 pandemic in 2020 and the subsequent report, published internally to our members, highlighted the acceleration of many trends which were already in play, including the growth of gaming and esports.

That acceleration combined with the emergence of new esports bodies and rights holders meant that the IFs could not ignore the potential impact on their sports. ASOIF research conducted in 2019 examined

the status of the IFs’ engagement with the esports industry, analysed the major determinants for IFs to adopt esports as a key part of their digitization strategy and studied the feasibility of potential business models. According to Newzoo, a leading global provider of gaming and esports market data, the global gaming & esports revenue would amass more than one billion USD in revenue for 2021 with additional growth in media rights and the livestreaming market. With an increasing number of IFs engaging with gaming & esports, it has become important to develop a cohesive understanding of different strategies among IFs.

For the above reasons, we commissioned the current research project from PwC to aggregate the perspectives of key players in the gaming & esports industry, including gaming publishers, esports competition organisers and IFs which were already active in the esports ecosphere. This report aims to deliver a clear understanding of the gaming and esports market landscape, to support IFs in devising a structured approach on how to address strategic questions and most importantly, to outline strategic positioning options to help IFs define a way forward. The research has provided extensive information for our various internal groups and resulted in some recommendations for our IFs.

ASOIF and PwC conducted two series of workshops in February and June 2021 with participants from 20 IFs. In addition, a number of interviews was conducted with gaming publishers, esports competition organisers and IFs which were already actively engaging with esports. Following the publication of the report, the PwC team has

been engaged by ASOIF to schedule a follow-up bespoke session with each member IF to discuss individual strategic positioning options for them.

On behalf of ASOIF and its members I give special thanks to the IOC for its cooperation and to all the contributors to this report who freely gave their time and shared their experience and knowledge during their interviews and to the IFs who contributed during the various workshops. Thanks also go to the PwC Sports Business Advisory team for their work in delivering the project working closely with members of the ASOIF staff who provided supporting research and helped process and consolidate the mass of information that was collected in constructing this report.



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Gaming and esports: a friend or a foe?



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Growing popularity of gaming and esports

Over the last years, there has been a growing enthusiasm around gaming and esports with both sectors becoming increasingly commercialised...

Headlines

Video games are a bigger industry than movies and North American sports combined, thanks to the pandemic

Three Billion Players by 2023: Engagement and Revenues Continue to Thrive Across the Global Games Market

Video games are becoming spectator sports

League of Legends is growing. Traditional sports better watch out.

Gaming is the Key to Unlocking New Audiences

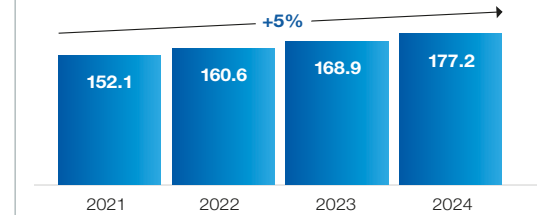
Esports pull in more viewers as coronavirus halts live sport matches

Esports Take Step Closer to Becoming an Olympic Sport

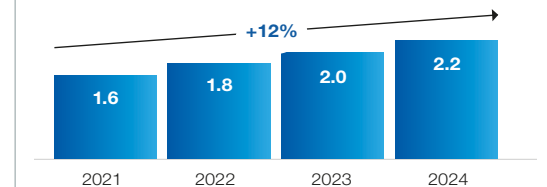
Source: PwC Entertainment and Media Outlook

Market outlook

Global gaming market, revenues in USDbn (2021-2024)



Global esports market, revenues in USDbn (2021-2024)




Comment

- Gaming and esports are increasingly becoming critical sectors within entertainment and media
- The global gaming market size is worth ca. USD 152 bn with Asia Pacific contributing ca. 50% to the total revenues in 2021
- Esports generates significantly less revenues than gaming; China and the US are the leading markets and have a combined market share of 56%
- COVID-19 has accelerated growth of gaming/esports
- Given the close interlinkage of gaming and esports, both segments mutually benefit from each other's growth

Opportunities in gaming and/or esports

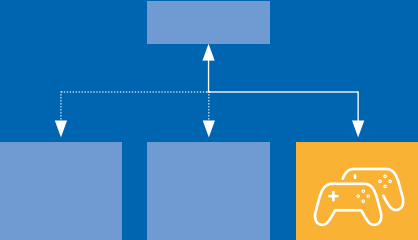
The active involvement in the gaming and/or esports segment provides important opportunities that need serious consideration by each IF

Gaming and esports attract young audiences across genders and territories, hence, playing **an active role in the ecosystem for the virtual version of the sport will help to connect with younger audiences, extend fan bases and strengthen relevance of the sport**



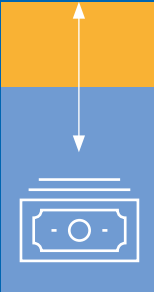
Engagement with new audiences

Esports has been developed using the same fundamentals as traditional sport, consequently it could be considered as a **genuine competitive discipline with different requirements, rules and formats**



Creation of additional business vertical

Gaming and esports are expected to grow significantly over the coming years, hence **offering new opportunities to leverage IF's Intellectual Property, events and access to fans to drive commercial revenues**



Generation of new revenue streams

Each IF must carefully firstly understand and evaluate what are the opportunities (or opportunity costs) for engaging (or not) with gaming and/or esports

Strategic challenges and risks

In addition, IFs must tackle various other strategic challenges when considering an engagement in the gaming and/or esports segment



Revenue potential for sports-related gaming/esports likely limited

The **sports genre has low share of the gaming and esports market**, hence, the revenue potential might be limited



Risk of financial and reputational damages

The IF may face reputational and/or financial damages in case of **data breaches, integrity issues or ethical concerns**



The ecosystem requires flexibility and agility

Given the market dynamics, the **IF and its partners must act with agility and adapt to changing behaviours quickly**



The acceptance of the community is unpredictable

As the game development is a hit-or-miss industry, there is no guarantee that a game will be accepted and played by gamers



The IF must invest financial and human resources

It requires **dedicated resources to activate the gaming and/or esports segment** and to build an community



The gaming product requires regular updates

To keep the community engaged, it is crucial to **launch new features and enhance the gameplay** on a regular basis

Each IF must assess both opportunities and risks thoroughly as there might be reasonable arguments not to engage with gaming and/or esports

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Introduction to gaming and esports



Definition of gaming and esports

The core element of both gaming and esports is a game title that provides the gamer with an engaging experience and may convert into a successful esports title over time



Within gaming and esports today the game is the central element around which communities are built. Once a strong gamer base has been developed, competitive gaming can be established through organised competitions

Gaming genres

Games can be classified into various gaming genres based on the gameplay, the most popular game genres are battle arena, shooter and strategy

Adventure	Gameplay revolves around storytelling, which is an integral part of the game and usually has a distinct ending.	Platformer	Gameplay is about movement and traversal as involves the player jumping from platform to platform and avoiding obstacles.
Arcade	Titles are defined by their simple mechanics and short, repeatable play sessions. Scoring is integral to the gameplay.	Puzzle	The player solves a series of increasingly difficult puzzles or riddles which have a fixed, linear solution.
Battle Arena	The player controls a character with set abilities, usually as part of a team. The bulk of the gameplay is defeating enemies.	Racing	A significant share of the gameplay in racing titles is centered around racing with vehicles or animals.
Battle Royale	Players compete with others to become the last one standing. Players can gather weapons, armor, and other loot to gain power.	Role Playing	Player takes on the role of a character(s) to have its own unique fantasy, specialization, strengths, and shortcomings.
Brawler	Gameplay is about defeating a continuous stream of opponents. The aim is to progress through rooms, waves of enemies, or scenarios.	Shooter	In shooters, the aim of the game is to defeat enemies by shooting them. The weapons of choice in most shooters are firearms or artillery.
Casino	Titles mostly involve the player investing money or items (virtual or real), hoping to win back more money/items via a random outcome.	Simulation	Simulation games simulate specific activities, situations, or social interactions in a recognizable manner.
Deck Building	Gameplay is about using collectible objects (e.g. cards) in a deck. Players make decisions based on available objects during the game.	Sports	The core gameplay elements of sports games are based on or inspired by real-world sports.
Fighting	Games are centered around direct combat with another combatant which happens in small arenas, often by means of hand-to-hand combat.	Strategy	Strategy games see the player making strategic or tactical decisions, typically involving resource management (from a top-down perspective).
Music	Gameplay in music titles is mainly centered around music and rhythm as well as dancing.	Vehicular Combat	Vehicular-combat games mainly involve the player controlling and engaging in combat with armed vehicles (e.g. tanks, planes, ships, etc.)

Source: Newzoo

Sports genre game segmentation

The sports genre gaming segment can be clustered into four types that differ in terms of gameplay authenticity and hardware requirements for the gamer



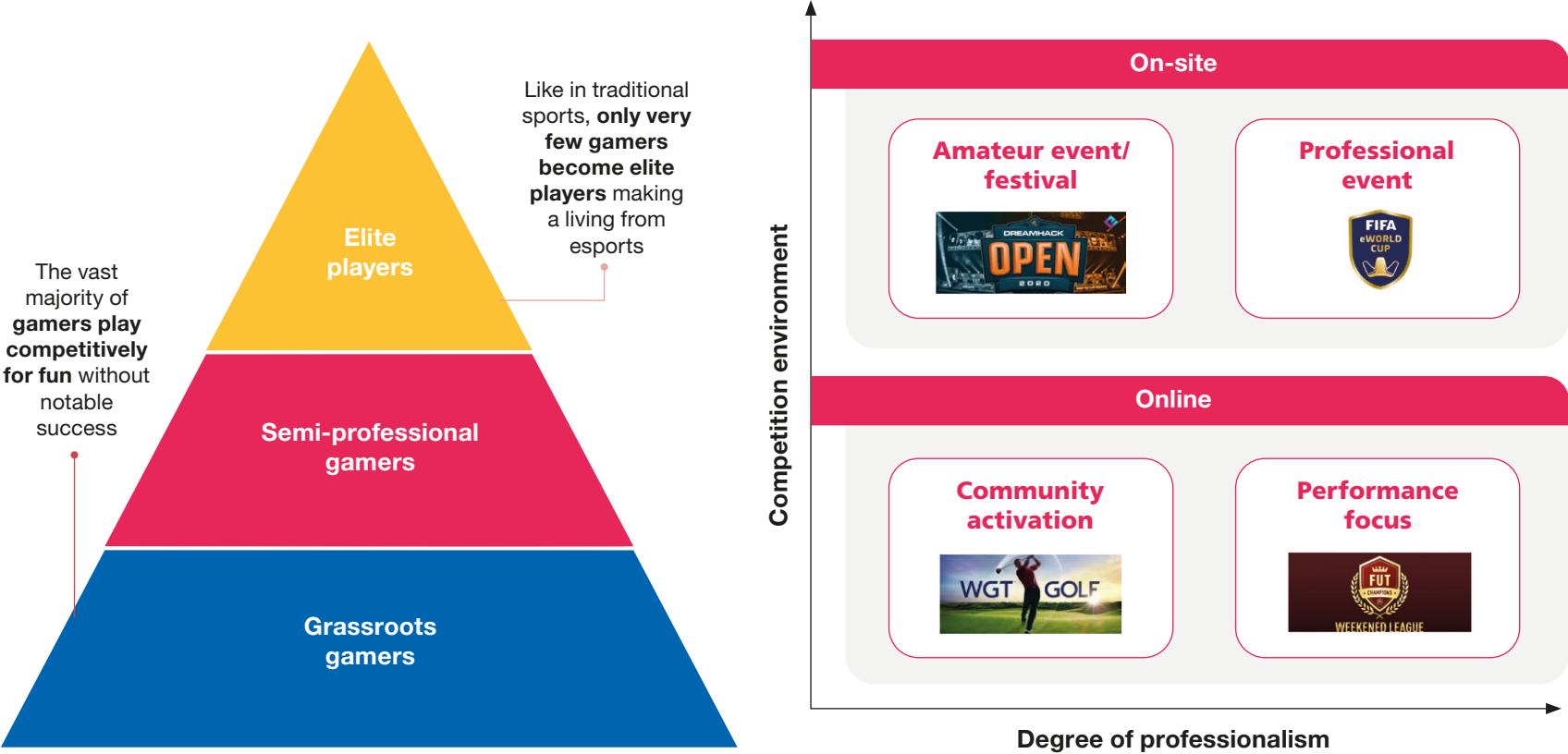
Note: Fantasy includes fictitious gameplay and characters, but it is not related to fan activation games such as Fantasy Football Manager

There are game categories that differ in terms of complexity of the gameplay, hardware requirements and physical involvement

Esports segmentation

The esports competition structure operates from grassroots to elite, with competitions varying in formats (e.g. virtual, physical) and locations (e.g. online, in person)

Segments of sports-related esports



Depending on the competition structure, events may target elite players only. Also, technology enables participants to compete fully virtually with each other



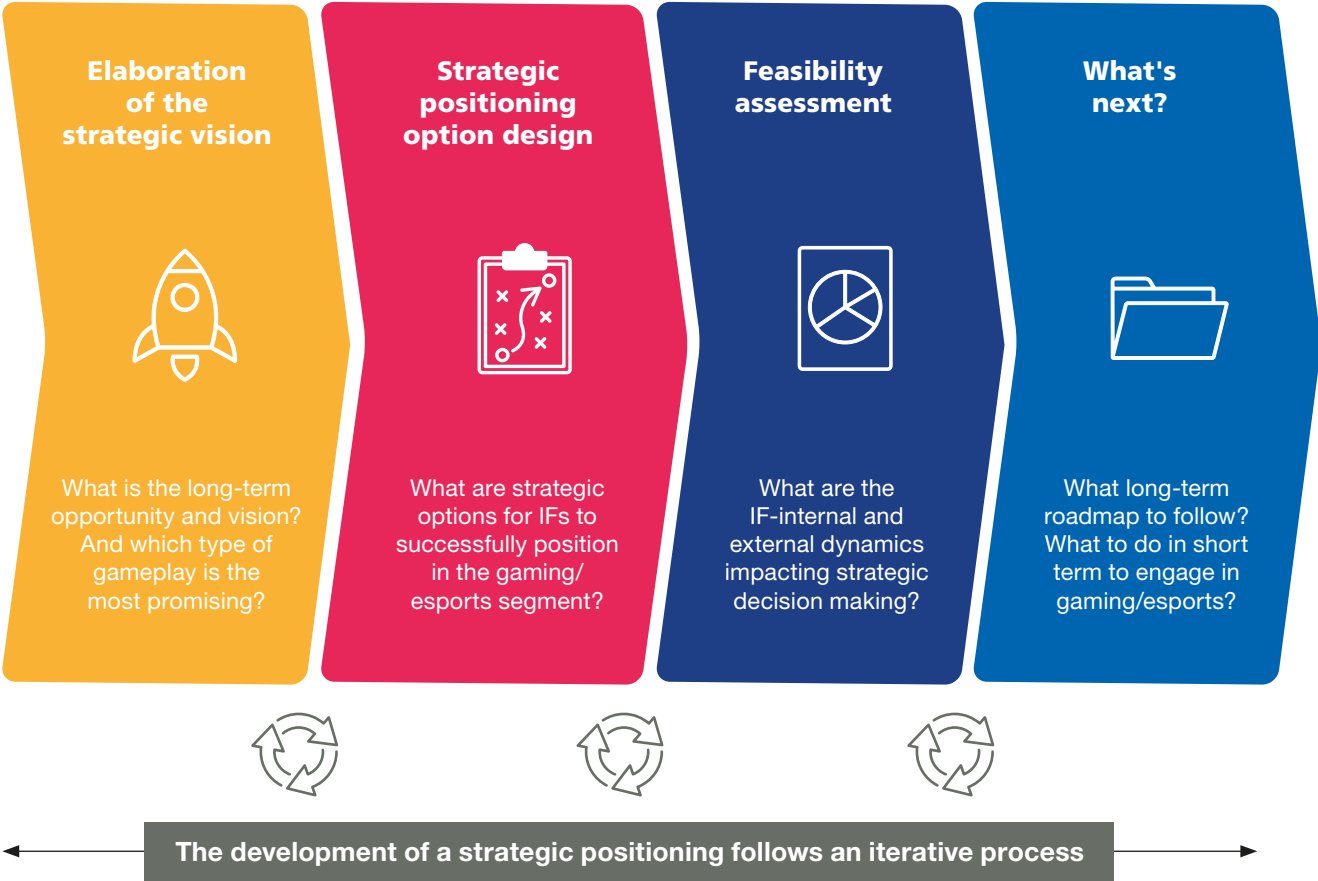


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IFs' strategic positioning options

Strategy development process

The development of a robust gaming and/or esports strategy is an iterative process and requires agility as the market environment evolves quickly



Comment

- Developing an effective strategy is **not linear**: it requires **hypotheses** and **multiple iterations**, **revisiting earlier assumptions** once new insights and information are available
- IFs should **first develop a vision** for their role in gaming/esports
- IFs should then agree on a **desired strategic positioning**, followed by a **feasibility round based on internal and external factors**
- If there is **no agreement on feasibility**, the vision and strategic positioning need **revisiting in a new iteration round**
- Investment requirements and partnership models**, as well as **business cases** are to be looked at **only when vision, positioning and feasibility are clear**

Source: PwC Entertainment and Media Outlook

IFs’ vision for gaming and/or esports



There are various reasons to engage with gaming and/or esports: IFs should be clear on what objectives they pursue and understand related questions

Define standards
in an evolving ecosystem

The IF could play an **active role in defining global standards and determining rules** for a virtual or gamified version of traditional sport

- What do stakeholders want and expect from the IF?
- What is the stakeholder ecosystem in 20+ years?
- Who will ensure integrity of competitions, if not the IF?
- Which developers/publishers could be interested in partnerships?

Engage through gaming and/or esports content

The IF could leverage gaming and/or esports content **to drive active engagement and (virtual) interaction** with younger demographics

- What gameplay (e.g. arcade) to focus on? What about new vs. existing game title?
- On what channel is the content distributed — own or operated? Is it part of a D2C-strategy?
- How do gaming and/or esports fit into the broader digital content strategy?
- What access to data can the IF get? What is the CRM/data targeting strategy?

Innovate physical sport experiences

The IF could leverage technologies to **make physical experiences more attractive and adapted to changing consumer behaviours**

- What are the fans’ and players’ preferences in the future?
- How will people like to engage with the sport 20+ years from now?
- What technologies to use and/or any platforms/communities to build upon?
- Should the innovation be competition- or participation-focused?

Comment

- ▶ Gaming and esports can contribute to the IFs’ **overarching objective to build and secure long-term relevance**
- ▶ However, each IF may have a **different viewpoint on the strategic relevance of gaming/esports**
- ▶ IFs could put their focus on clarifying the **governance role**, driving **community engagement** or innovating **physical sport experiences**
- ▶ The IF may decide to **incorporate multiple strategic objectives** into its vision statement
- ▶ As there are **various ways to implement the vision**, some initial questions are outlined to drive internal discussions
- ▶ Ideally, all **IFs develop a viewpoint on initial questions** to define concrete measures in the following steps

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IF GAMING AND ESPORTS STRATEGY

Types of gamification

In principle, there are two ways to leverage gaming: either traditional sports are replicated virtually, or technology is used to gamify real-world sport activities

Non-physical gamification

Traditional sports

Game title

Based on traditional sports, a **virtual gameplay** with some degree of similarity to real-world sport is developed and launched for **mobile, PC or console**

Focus on the virtual gameplay with some link to traditional sports, however, the gaming activity includes little to no physical activities

Physical/virtual extension gamification

Traditional sports

Gamified features

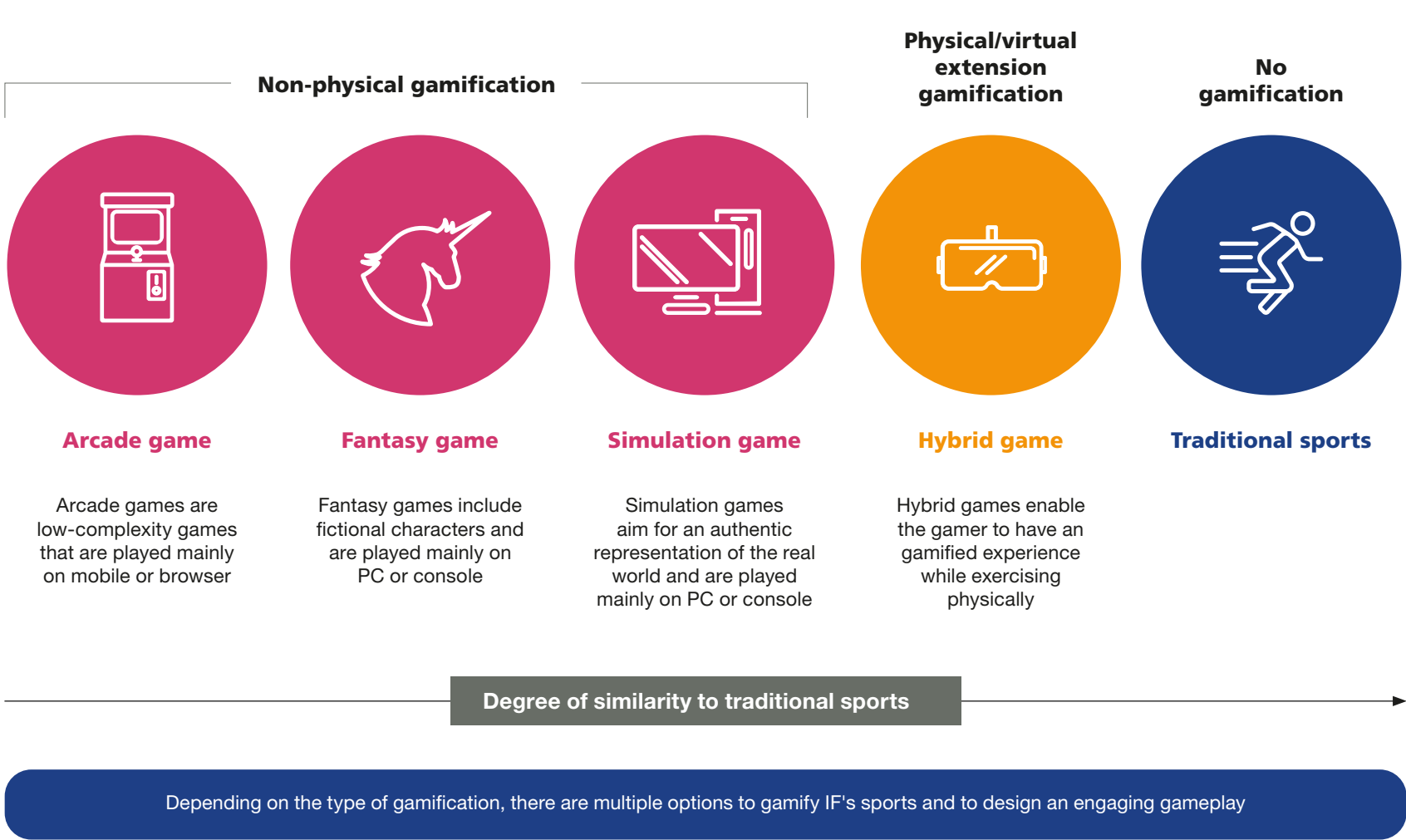
The gameplay of the **traditional sports incl. its physical aspects** remains the key part. Smart and connected equipment enable new (gamified) **formats and communities**

Focus on the physical activity while integrating augmented/digital features and ability to compete with others through a platform

ASOIF 21

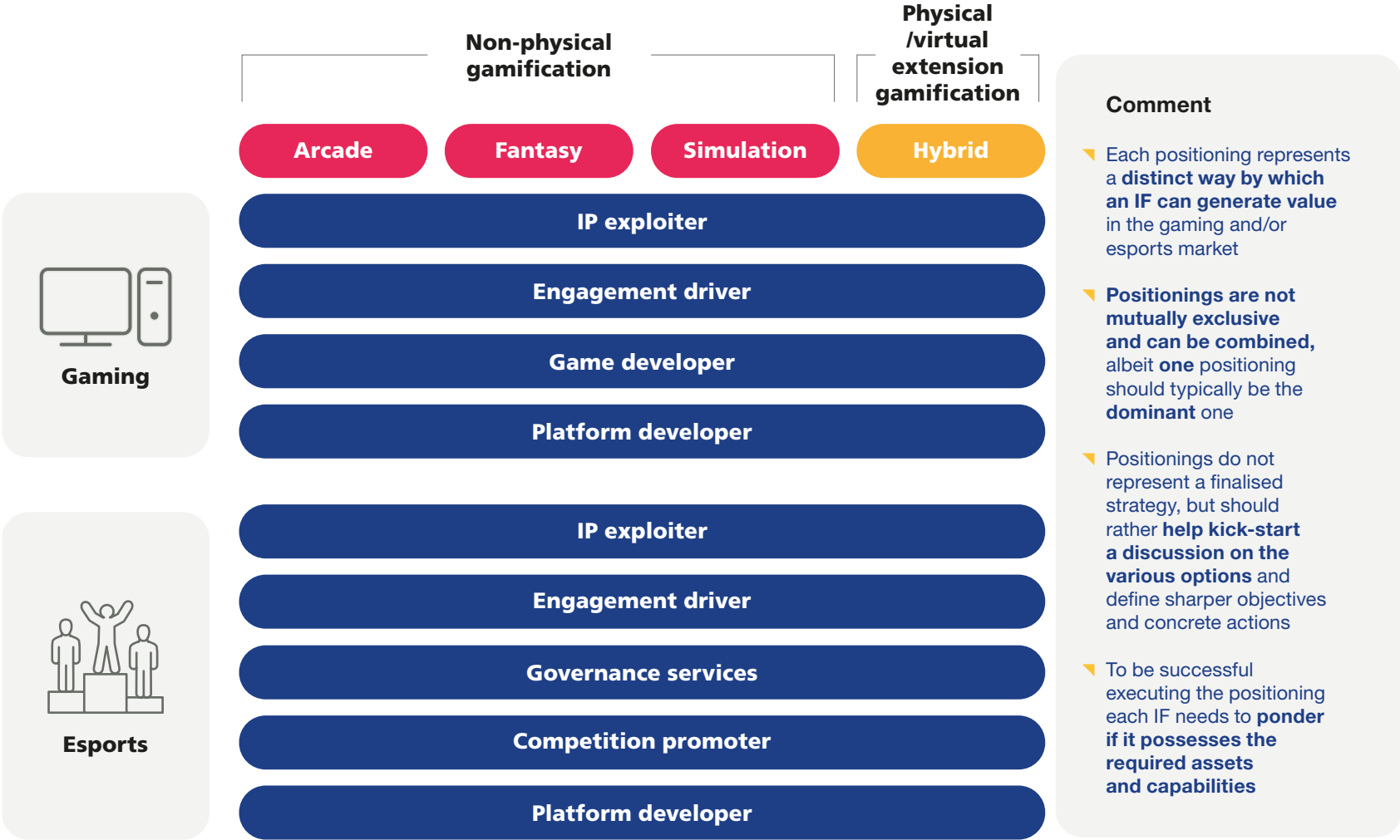
Gameplay design options

Therefore, depending on the degree of similarity to traditional sports, there are various types of gamification an IF may consider moving forward



Potential strategic positioning options

Once the IF has elaborated its broader strategy and objectives, it is important to identify what strategic positioning (or combination thereof) is most suitable



Strategic positioning options



Each strategic positioning represents a distinct value proposition and requires different assets and capabilities to succeed; ideally, the IF can leverage existing ones

Category	Strategic positioning	Description
Gaming	IP exploiter	The IF licenses relevant IP to 3 rd parties (e.g. publisher) for exploitation in the gaming sector. The IP is incorporated into a gameplay developed by a 3 rd party.
	Engagement driver	The IF collaborates with 3 rd parties to produce (and enable user-generated) gaming content which is leveraged to engage fans and gamers/athletes via owned channels.
	Game developer	The IF creates its own game with the options ranging from developing a less complex arcade game towards a hybrid game. Ultimately, the IF aims for greater engagement amongst fans and gamers/athletes through gaming.
	Platform developer	The IF provides a platform connecting various stakeholders around the gamified version of the sport to build up direct relationships with fans and gamers/athletes.
Esports	IP exploiter	The IF licenses relevant IP related to its events to 3 rd parties for exploitation in the esports sector. The IP is incorporated into esports competitions organised by a 3 rd party.
	Engagement driver	The IF collaborates with 3 rd parties to produce (and enable user-generated) esports content distributed on owned channels and to directly engage with the esports community.
	Governance services	The IF offers governance services to event promoters sanctioning on/offline esports competitions which are played on either non-physical or virtual extension games.
	Competition promoter	The IF oversees the esports by hosting own events and sanctioning a tournament across one or multiple game titles.
	Platform developer	The IF provides a virtual competition platform enabling gamers/athletes to join organised tournaments for non-physical or virtual-extended gameplays.

Factors for feasibility



Hence, IF-internal and external factors need reviewing to assess feasibility of any strategy that has been shortlisted as part of the previous phase

Internal factors impacting the strategic positioning	External factors impacting the strategic positioning
<div><div>Strength of IP<p>Which own (or syndicated) compelling IP can the IF successfully leverage in gaming and esports?</p></div></div>	<div><div>Market size<p>What is the estimated addressable market size in gaming and esports as of today and in ten years' time?</p></div></div>
<div><div>Access to fans<p>What access does the IF have to the global sports community?</p></div></div>	<div><div>Dominance of existing competitors<p>How tough is competition in the marketplace considering the dominance of any existing players?</p></div></div>
<div><div>Value added services<p>How can the IF add value to the ecosystem by leveraging existing assets and demonstrating capabilities?</p></div></div>	<div><div>Investment requirement<p>What is the need for investment incl. potential funding to establish IF with a clear value proposition?</p></div></div>
Assessment of internal assets and capabilities that can be leveraged to execute on a strategic positioning	Market assessment to understand the implications of a developed strategy

What's next? (illustrative)

Given the complexity of developing a long-term vision, IFs may consider a first-step approach to gain experience in gaming/esports without larger investments

Partnering



- Discuss partnership options with an established game publisher
- Identify opportunities where the IF can add tangible value to the publisher
- Use the gaming/esports segment as a testing field for new ideas

Searching



- Search for developers interested in launching a (mobile) sport title
- Leverage existing assets/IP to contribute to the partnership
- Access IF's network and channels to promote the game

Sourcing



- Go to the market and initiate an open-source development competition
- Identify promising gameplay designs conceptualised by developers
- Provide assets/IP developers can incorporate into the gameplay

Learning



- Launch an RFI process to get innovative ideas and assess business opportunities
- Disclose clear strategic objectives that are of relevance for the IF
- Develop strategic options once market feedback is clear

Moving forward, IFs can explore different alternatives on how to play an active role in the gaming and/or esports segment despite being at an early development stage



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	FIN	SONJA PERHE	9	33m	52 1:33
	EGY	EMAN HAN	19	33m	43 1:33
	USA	BUSOLA	14	36m	36 1:36
	EGY	AMNA	4	41m	40 1:36
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