

ESPORTS PLAYBOOK FOR BRANDS 2019





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**THE INDUSTRY'S
HEAVY RELIANCE ON
SPONSORSHIP OFFERS
WAYS FOR BRANDS
TO BOTH CREATE
AWARENESS AMONG
FANS AND BUILD
RELATIONSHIPS AND
SPEAK TO THEM IN
A MORE NUANCED,
ENGAGING WAY.**

INTRODUCTION

"Where can we help?"

It's a question I ask nearly every potential client I talk to in my role. But this particular time, I was asking our Nielsen Esports Advisory Board, a group of industry experts including the likes of game publishers, event operators, broadcasters and media companies, traditional sports organizations, and brands, who have been invaluable to Nielsen's successful entry into the esports space.

The resounding answer: figure out how to explain the esports ecosystem to brands in a way only Nielsen can.

So here we are. Since we launched our initial report in our Nielsen Esports Playbook series, esports has grown and evolved in so many ways. One in five fans globally just began following esports within the past year. This growth brings rapid change that is hard to keep track of, even if you're working in the industry every day. For many brands, this is a daunting task – and ultimately, a barrier to their esports investment.

And yet, there is proven value to unlock through esports. Esports fans around the world include some of the hardest-to-reach consumers for brands through traditional media – they're young, digital natives who are also cutting cords and blocking ads at rapid rates. Esports allows brands to reach these fans while they're engaging with their number one entertainment passion point: video games.

We've created the Nielsen Esports Playbook for Brands - not to explain to brands why they should invest in esports, but ensure brands have the information they need to make an informed decision about whether esports is right for them. We believe this report will be a foundational piece in this first step for brands considering esports sponsorships.

While the esports industry offers so many different sizes and types of sponsorships for brands to consider (only a small sliver of which we could cover in this Playbook!), we also know it's not a fit for everyone. My challenge to every brand I speak with is to have a well-informed position on where they stand with respect to esports – and to regularly reevaluate this as the industry continues to evolve.

At Nielsen, our proprietary data sets help us guide clients on how to engage with esports, while enabling measurement of the return and effectiveness of their investments. Examples are included in the Playbook to demonstrate the tools to identify, quantify, and evaluate their partnerships and to give brands confidence this space can be accurately measured. Enjoy!

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ESPORTS ECOSYSTEM

Navigating the professional esports ecosystem can be a challenge. In fact, simply identifying what esports itself entails is often the first hurdle brands face when considering investment in the space.

Esports titles are video games - however, not all video games are esports titles. Games that involve player vs. player competition have the ability to become esports titles, though this quality alone does not automatically make a game an esports title. Historically common esports game genres include multiplayer online battle arena (MOBA), first-person shooter (FPS), strategy, fighting, and collectible card game (CCG). In recent years, additional genres like battle royale, sports, and racing have increased their presence as esports titles.

Regulated competitions are formed around esports-appropriate titles, and those that are successful in attracting fans to view the competition become part of the esports ecosystem.

Brands can get involved through sponsorship and advertising partnerships with game publishers, leagues, teams, event operators, broadcasters/distributors, esports players, and/or video gaming personalities.



GAME PUBLISHERS

Publishers are the cornerstone of any esports competition - without the games they release, esports simply would not exist. However, the role an individual publisher plays in esports competitions for their titles varies from one publisher to the next. Some own, operate, and manage their entire esports engagement with players and fans, while others take a hands-off approach.

Often, the reality lies somewhere between these two extremes, with the publisher playing an integral role in specific leagues or events, but also allowing independent event operators to coordinate competitions leveraging their titles as well.

For esports titles with global reach, brands partnering directly with publishers that run their own competitions have discovered opportunities to activate across multiple global leagues through a single, centralized publisher relationship.

This provides a valuable opportunity for global brands to connect with fans with a cohesive message through a single activation plan.

Riot Games has built a blueprint for successful esports brand relationships, both globally and locally, through its League of Legends professional leagues, combined with a slate of international events operated annually.

RIOT GAMES: LEAGUE OF LEGENDS

40 Major Tournaments

30 Cities

20 Broadcast Platforms

18 Languages

13 Leagues around the World

3 Global Events







“

Today we are the world's largest esport, with a globally integrated ecosystem, linking 13 leagues from around the world through a year-round season and major global events. Our ecosystem is robust and primed for sponsors – with global, regional, event, and team-level entry points that can provide meaningful integration and collaboration opportunities for brands looking to reach an ever-growing, elusive audience.

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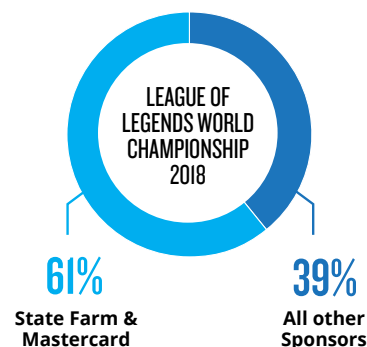
*Naz Aletaha, Head of Esports Partnerships & Business Development
Riot Games*

LEAGUE OF LEGENDS FANS

	 UNITED STATES	 GERMANY	 CHINA	 KOREA	 INDIA	 BRAZIL
Males	82%	76%	70%	72%	89%	84%
Females	18%	24%	30%	28%	11%	16%
Ages 13-17	12%	8%	11%	20%	5%	9%
Ages 18-24	37%	46%	28%	28%	33%	39%
Ages 25-34	40%	37%	44%	37%	37%	34%
Ages 35-40	11%	9%	17%	15%	25%	18%

Source: Nielsen Esports Fan Insights

SHARE OF VOICE FOR EVENT SPONSORS



Source: Nielsen Esport24, 2018 League of Legends World Championships, Official Riot Games channels on Twitch (English, Spanish, Japanese, Turkish, Portuguese) and YouTube

In 2018, Mastercard became Riot Games' first global sponsorship partner. Today, as the exclusive global payment services partner for League of Legends international esports events, Mastercard activates across three annual global League of Legends tournaments.

► SPONSOR SPOTLIGHT: MASTERCARD

League of Legends Activation

- 3 global events (the Mid-Season Invitational, the All-Star Event, and the World Championship)
- 10 countries with unique promotional programs to date
- "Priceless" surprise giveaways
- Worlds Opening Ceremony
- All-Star Event Pro Player Lounge
- "Mastercard Nexus" Pop-up Experience
- VIP Seats and Lounge
- Fan playtests
- Custom commemorative memorabilia



“ Mastercard has a rich history in sports and entertainment sponsorships, and, much like Riot, Mastercard is committed to providing unforgettable fan experiences. It was the shared synergies in our philosophies that made this the right partnership.

Our on-the-ground activation at the League of Legends Worlds Final in Korea was anchored through a multiday immersive experiential pop-up in the Gangnam-Gu neighborhood section of Seoul, called the Mastercard Nexus. Here, the League community came together to connect and get closer to the esports they love as anticipation grew for the Worlds Final.

Through pro player meet-and-greets, augmented reality experiences, and, of course, playing exclusive formats of League against their fellow summoners, we made sure that every element was something that the League community would enjoy. And if you weren't in Seoul, we partnered with Twitch to extend the experience to an international audience by partnering with key broadcasters from around the world to amplify our partnership efforts.

While many global brands have to stay true to their core message – for us, that is connecting people to Priceless possibilities – there should be an understanding that you will need to adapt to this audience and their consumption behaviors in order to engage with them in a meaningful way.

*Emily Neenan, Vice President, Global Marketing & Sponsorships
Mastercard*

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Esports can also be a valuable platform for regional brands. Insurance provider State Farm, a mainstay in traditional U.S. sports sponsorship, has engaged with Riot Games across its North American League of Legends Championship Series and international events.

Global and regional sponsorship were featured side by side in the 2018 League of Legends World Final, where the pregame show was hosted at the State Farm Analyst Desk, whose branding only appeared on the English-language stream. During the competition, on-air talent seated at the State Farm Desk introduced segments and tossed to the Opening Ceremony presented by global partner Mastercard, which appeared in all language feeds.

► SPONSOR SPOTLIGHT: STATE FARM

League of Legends Activation

- State Farm Analyst Desk
- Custom/Bespoke Content Segments
- Digital “Cheerboard” Printers
- “Cospitality” Tents
- State Farm Analyst Desk Replica for Fans



Q & A WITH ED GOLD, MARKETING DIRECTOR, STATE FARM

What initially drew State Farm’s interest to League of Legends/Riot over other esports sponsorship opportunities?

We’ve kept an eye on the League of Legends’ success since the start. Based on its passionate fan base, we also saw that League, along with Riot Games, was the leader and innovator in the esports community. And, from a pure esports standpoint, it has the biggest audience and following. We want to associate with those types of brands.

You have activated with Riot both via a regional league (LCS) as well as a major international event (Worlds). What different objectives did you have for each of these? Did you ultimately see a different impact coming out of each?

We activate as sponsors of the English-language streams of League of Legends events, as we want to focus our activities around the U.S. audience. However, we sponsor the Worlds, Mid-Season Invitational, and All-Star Events, through the English stream, as the key difference of esports vs. the traditional sports scene is that esports is globally based. When U.S.-based fans want to watch the best of the best in the world play League, we are there helping bring the Worlds event to them. State Farm is a Bloomington, Illinois-based company, and we only do business in the U.S. so this makes sense for our organization. The impact, we hope, is the same – the esports family will want to connect with us as a brand.

How would you compare your expectations and results from esports partnerships with how you activate in traditional sports?

The expectations are the same – esports and traditional sports are both a way to surround our brand around passion points for the consumer, as a way to build brand awareness, consideration, and affinity for State Farm.

LEAGUES

A wide variety of leagues operate in the current esports ecosystem, ranging from local, amateur contests to highly produced, professional, global events with tens of millions of dollars in prize pools.

Leagues can be operated by a game publisher or a third-party operator who either works with the publisher or is granted a license to operate competitions for their title without direct publisher involvement. Some leagues operate as global competitions, whereas others are regionalized, sometimes feeding into larger global championships.

In esports today, there are both franchised and nonfranchised leagues. In franchised leagues, teams purchase a franchise slot, and in turn are guaranteed participation in the league each year – a model very familiar in the traditional sports world. In nonfranchised leagues, team participation is variable year to year based on team performance, more akin to the English Premier League relegation format.

COMMON ESPORTS LEAGUE SPONSORSHIP ASSETS



In-broadcast digital overlays



Branded content built into competition livestream coverage



In-venue signage



Social and standalone branded content



Gaming equipment



Apparel



Esports leagues come in a variety of forms, from local to global, amateur to professional



Operated by game publishers or third-party operators that are granted a license from a game publisher to operate competitions for their title



Franchised and nonfranchised leagues exist



Annual season play and playoff rounds



League play generally occurs at a central studio location where all teams play

Like in traditional sports, esports leagues commonly operate in an annual season of play, with weekly matches during the regular season, followed by playoff rounds. Unlike traditional sports, league play generally occurs at a central studio location where all teams play – in other words, teams do not typically host home matches at their own arena or studio.

Sponsorship opportunities with esports leagues often look and feel similar to traditional sports partnerships. Because league sponsors are visible across all teams' match play – and are not competing with home teams' in-venue sponsor real estate – they are able to generate significant exposure and hence value from these partnerships.

50%



SHARE OF MEDIA VALUE DRIVEN BY NONENDEMIC BRANDS IN LIVE MATCH PLAY OF OVERWATCH LEAGUE'S INAUGURAL SEASON

(VS. ESPORTS AVERAGE OF 39%)

The Overwatch League is one example of a global franchised esports league that boasts a high-profile slate of league partners. Nielsen's Esport24 sponsorship valuation product measures the sponsorship exposure of OWL and several other major esports leagues and events around the world, applying a methodology consistent with valuations Nielsen conducts for traditional sports partnerships. We determine the Quality Index (QI) Media Value generated by brands based on sponsor time on screen, exposure quality, and viewership metrics.

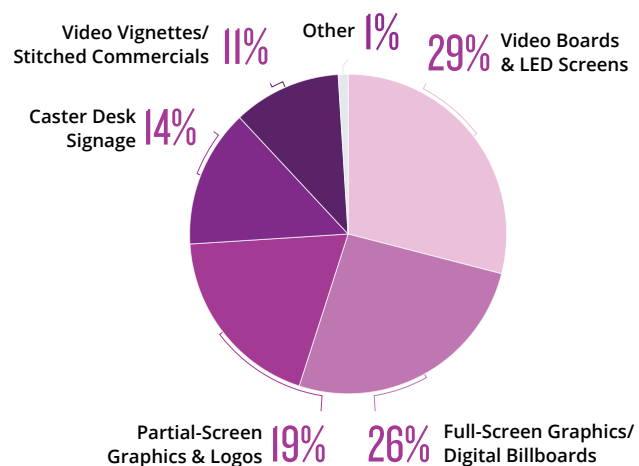
An Esport24 analysis shows that combined, league and team sponsors activating within the live match play broadcast for OWL received more than \$8 million in QI Media Value during the League's inaugural season (of note, this excludes value generated for these partners outside of Twitch and U.S. linear TV, such as social posts, branded content pieces, VOD views, Chinese viewership sources, etc. – which can deliver substantial incremental value on top of broadcast exposure).

Season one league partners included OMEN by HP and Intel, two endemic (i.e., gaming-related) brands very active in the esports space, and Toyota, Sour Patch Kids, and T-Mobile. Additionally, the League brought on incremental sponsors for its playoff rounds, adding Dolby, Spotify, and Cheez-It to its list of nonendemic partners for the end of the season.

OWL partners were featured on a variety of different locations, including in-venue assets such as video boards/LED screens and caster desk signage. The broadcasts also include digital graphics, overlaid onto the online or linear TV broadcast environment. Typical uses of these assets include screen takeovers of presenting partners, logos appearing in the lower third portion of the screen for calls to action, or sponsored segments such as "OMEN by HP Game/Set," which showcases a player taking the viewer through customizable in-game settings to maximize their performance.

OVERWATCH LEAGUE PARTNERS SPONSOR MEDIA VALUE

Most Valuable Asset Locations



Source: Nielsen Esport24 (League-owned sponsorship assets)

Finally, stitched vignettes (full-screen video rolls incorporated directly into the OWL broadcast) are also served directly through the OWL broadcast feed. Toyota, a North American Launch Partner for the League's inaugural season, worked with the League to develop a video series called "Access Granted" that aired as vignettes during League broadcasts. The series featured Overwatch League casters taking fans behind-the-scenes with players and teams in – what else? – Toyota vehicles.

With the 2019 season underway, the League has added two major nonendemic sponsors commonly seen in the traditional sports space – Coke and State Farm.

“

With Overwatch League, the complex esports environment gets simplified, as you receive direct access to key consumers across multiple verticals. Blizzard provides brands with a connection point to the entire ecosystem of publishers, developers, distribution partners, sponsors, platforms, broadcasting, news, stream sites, and content producers (talent and influencers), where previously a brand would have to consider multiple partnerships in order to create 360 programming.

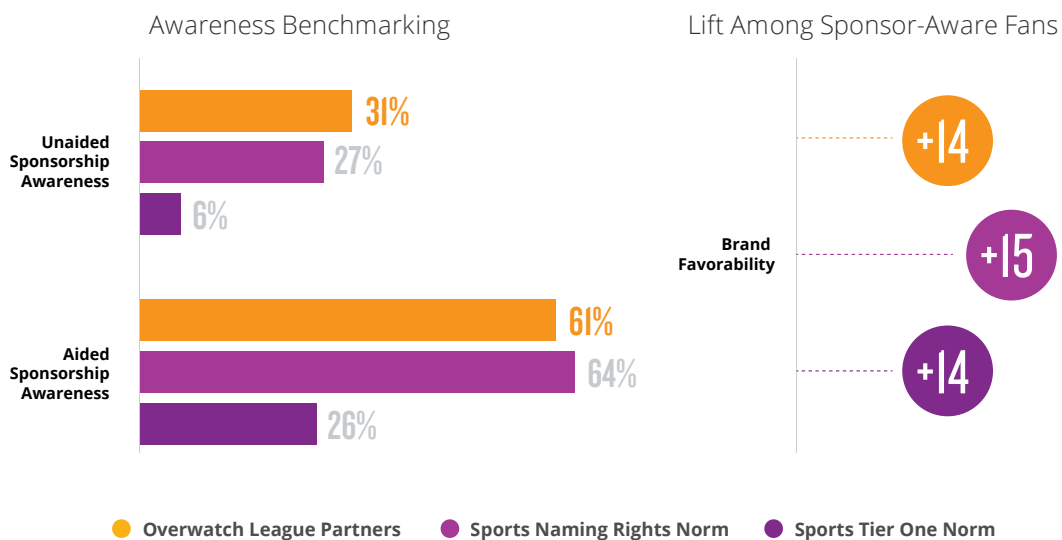
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*Brandon Snow, Chief Revenue Officer
Activision Blizzard Esports Leagues*

Media value is only one element of the overall measurement of sponsorship success. Brands are ultimately turning to partnerships as a way to build deeper relationships with fans, and in turn to improve their affinity toward - and ultimately, likelihood to purchase - their products. With this in mind, Nielsen helps The Overwatch League to understand how association with their league impacts fans' relationship with partners across the consumer purchase funnel.

Our research for the League showed that in Season One, association with OWL had a significant impact not only on fans' awareness of League sponsors, but also on how strongly fans preferred these brands vs. their competitors, and especially how favorably they were viewed. When compared to traditional sports league partnerships - many of which are long-standing and have allowed the brands to engage with fans for many years - OWL reached or exceeded norms for awareness and favorability, even nearing positive results seen from sports naming rights deals - the most high-profile, high-awareness types of sponsorships in that space.

OVERWATCH LEAGUE SEASON ONE SPONSORS



Source: Nielsen Esports / Overwatch League Custom Sponsorship Impact Research (U.S. Market)



► SPONSOR SPOTLIGHT: TOYOTA

Overwatch League “Access Granted”

- As part of Toyota’s North American Overwatch League partnership, executed a branded content series – “Access Granted”
- Each episode gave a behind-the-scenes look at an esports competitor’s journey in the Overwatch League
- Competitors joined hosts in a Toyota C-HR for a casual interview as they drove to an upcoming competition

“ We wanted to make sure our entrance into the league was authentic, so community was a major focus in ensuring what we did would be something that would resonate positively with the audience. Access Granted was a unique opportunity to not only give fans a deeper look into the players of the league that they love, but also a great chance to let our vehicles be a part of the story as we drove the stars of this sport to their upcoming match.

For Toyota, investing in the space today and making ourselves a part of the community means that we can build equity with new consumers and make Toyota the choice for them when they are thinking of purchasing a new vehicle.

*Samantha Goot, General Manager, Media & Engagement Marketing
Toyota*

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“ Branded content plays a significant role in almost all of our partnerships. Toyota’s innovative ‘Access Granted’ series gave fans an inside look at some of the biggest stars in the Overwatch League and exemplifies the kind of creative collaboration we’ll look to achieve in future partner activations. This will continue to be a larger part of what we do together with our brand partners moving forward.

*Brandon Snow, Chief Revenue Officer
Activision Blizzard Esports Leagues*

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CHANGING THE GAME: TRADITIONAL SPORTS AS ESPORTS

A growing segment within the esports landscape, competitions created to exist alongside corresponding traditional sports leagues and events are broadening their global reach – and offering brands an alternative to more established esports genres.

The format of most traditional-sports-based esports competitions is different from many established esports titles – individuals rather than teams are typically competing, and players are often associated with a traditional sports team or league vs. an endemic esports organization.

Sports organizations such as FIFA (FIFA eWorld Cup), NBA (NBA 2K League), ONE Championship (ONE Esports), Formula 1 (F1 Esports Series), and many more have begun to build major competitions and leagues around their sports. The structure of these varies significantly, from qualifying events attached to regional leagues (La Liga, English Premier League, MLS) feeding into the Global Series for the FIFA eWorld Cup to franchises slots purchased by existing NBA teams to participate in the NBA 2K League.

NBA 2K LEAGUE

Esport24 data across the NBA 2K League during its inaugural season highlights the comfort nonendemic brands have with sports-based esports.



67 BRAND PARTNERS OF TEAMS IN THE 2K LEAGUE ACTIVATING ON ASSETS IN LIVE MATCH BROADCASTS



48 WERE NONENDEMIC



10 OF 17 TEAMS HAD BOTH PARTNERS OF THEIR TRADITIONAL NBA TEAMS AND NEW BRANDS AS SPONSORS

Brands looking at investment opportunities in esports will find sports titles to be a more familiar environment, as the majority of assets for both league and team partners activating in these events are built into the game environment itself, often mirroring assets sold in the actual sports they correspond with. For brands who are unfamiliar with the broader esports landscape, sports titles can often be a comfortable entry point.

“ We are seeing an exponential growth through the multiplier of sports and esports. Many brands have deep familiarity with traditional sports, but esports can be a new territory. EA’s approach to elevate esports through out affiliation with traditional sports resonates with leading brands. They can activate similarly to how they approach traditional sports marketing using esports as a seamless extension to their programs, and this connection presents immense opportunity to engage existing and new audiences.

*Paul Johnson, VP and Head of Esports Commercialization
Electronic Arts*

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EVENT OPERATORS

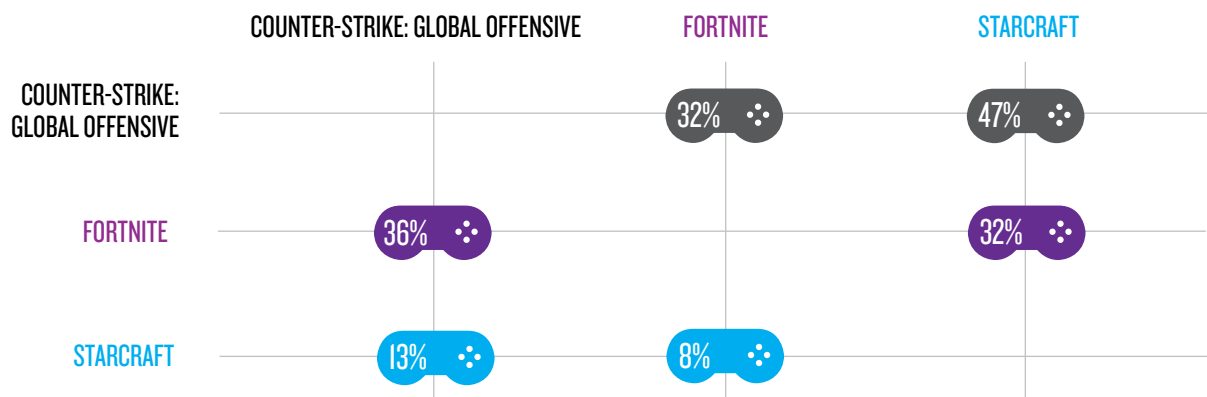
While publishers own the rights to the game intellectual property (IP) that make esports tournaments and events possible, they do not always operate these leagues on their own. Since the inception of esports, third-party event operators have played a critical role in bringing esports content to fans - and sponsorship opportunities to brands.

Events organized by these operators can range from online-only competitions to season-long leagues to major tournaments featuring multiple titles over the course of several days. Being independent from any one title allows these operators to bring together fans across multiple esports games, which can be particularly valuable to brands looking to maximize their esports audience reach, given the limited overlap across fan bases of distinct esports titles.

- ▶ Obtain a license from game publisher to use game and its IP
- ▶ Coordinate event logistics, tournament structure, production and team participation
- ▶ Manage event's sponsorship portfolio
- ▶ Can operate events across multiple game titles

EUROPEAN FAN OVERLAP ACROSS INTEL EXTREME MASTERS KATOWICE 2019 FEATURED TITLES

(Read chart as percent of fans of esports title in column that also follow the title in the row)



Source: Nielsen Esports Fan Insights (UK, France, Germany)



With many events run by larger operators over the course of a year, a single partnership with such an organization can allow a brand to activate across multiple titles in different regions around the world. However, brands looking to focus in only one market or title can also strike smaller partnership deals that fit their needs and budget.

While opportunities abound across these operators' portfolios, their access to games and IP is not unlimited – ultimately, publishers have control over whether or not to allow third-party events for their title. Valve, publisher of top esports titles such as Counter-Strike: Global Offensive and Dota 2, is well known for its liberal approach to third-party events connected to its games, a strategy that has proven successful given the popularity of both titles' marquee esports events. Other publishers are now exercising more control over their IP, restricting third-party operators' ability to build events or leagues around their games.

ESL is a major global player in esports event operation and is particularly known for its large-scale, weekend-long tournaments that have evolved to be as much fan festival as esports event. This not only attracts fans across different titles in an online environment, but also offers attendees various ways to engage on-site with ESL's brand partners. For brands that value and are a good fit with experiential activations, events like these can provide a way to engage deeply with fans.



**OF DREAMHACK VIEWERS ALSO WATCHED
ESL COMPETITIONS IN THE PAST YEAR**

Source: Nielsen Esports Fan Insights U.S. Market (TwitchRPG wave)



The flexibility of ESL in working with a variety of game publishers to create a diverse range of esports experiences allows brands to reach a mass audience made up from a multitude of different communities without being tied to an IP which theoretically can change at any moment.

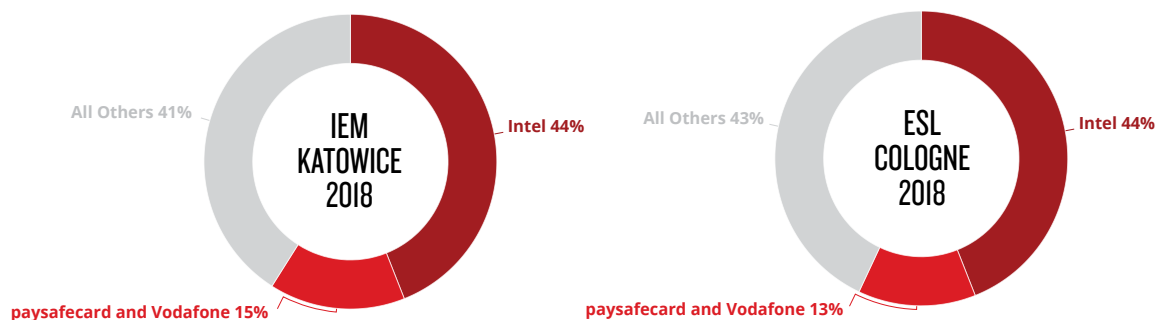


*Paul Brewer, Senior Vice President, Brand Partnerships, ESL
Turtle Entertainment North America*

Over the past year, this value proposition has proven attractive for a number of nonendemic brands looking to capitalize on the reach of ESL's platform. McDonald's (fast food), Vodafone (telecom), Pringles (snack food), and paysafecard (online payments) have all engaged in multievent/league sponsorships with ESL, with most already renewing and/or expanding their partnerships in 2019. The global nature of these brands fits well with the reach ESL extends across the international esports ecosystem.

ESL EVENT SPONSOR Q1 MEDIA VALUE SHARE OF VOICE

(Excludes Team Sponsors)



Source: Nielsen Esports 24 (playoff rounds of each competition)

TEAMS

Esports team organizations provide sponsors with the opportunity to connect with fans both within and outside of the match day environment. The esports team landscape is as variable as it is complex, with teams employing a number of different organizational structures.

The largest esports team organizations field teams across a variety of esports titles - often, but not exclusively, under the same team branding. While the players on each title-specific team are different, they all compete under the same team banner.

Examples of these teams include Cloud9, Team Liquid, Team SoloMid, Fnatic, and OpTic Gaming. These organizations are regularly adding new players and rosters when a new esports title hits the scene. Most recently, we've seen teams rush to sign Fortnite and Apex Legends players as these games became overnight competitive gaming sensations.



The largest esports team organizations field teams across a number of different titles



The players on each title-specific team are different



A single brand partnership can reach fans across a number of different titles



Some teams participate in only one esports title

With their scale, these teams are able to adapt to the ever-changing esports landscape with ease. The pure scale and reach of these teams is often attractive to potential sponsors, because with a single partnership, a brand can reach esports fans across a number of different titles. Additionally, brands are able to leverage the team's adaptability to stay on trend with new esports games. Some brands are less comfortable with the constant change associated with these relationships and may be sensitive to some of the titles represented in a team's portfolio that do not align with their brand identity (example: violent / shooter games).

At the opposite extreme, some teams participate in only one title. For these teams, some are just beginning to build their esports presence and aspire to grow their organizations over time; for others, this specialization may remain their longer-term strategy. Many teams in franchised-based esports leagues, like the Overwatch League, League of Legends European Championship, or NBA 2K League, fit this single-league model. Brands attracted to these types of organizations may be looking to focus and become associated with only one area of the complex esports ecosystem, building a deep relationship with a singular fan base. These types of team organizations can sometimes also be good fits for brands looking to enter esports for the first time, as it allows them to focus on and understand one title and manage a 1:1 relationship with a single team.

Many team organizations fit somewhere in the middle – active and well-known in a few select titles, with the opportunity to further expand over time. Teams like Invictus Gaming, SK Telecom T1 (rebranding now to T1), and Immortals are organizations that provide a healthy mix of scale, cross-audience reach, and title focus.





Much like traditional sports, esports teams regularly sell on-jersey sponsorships, which is where brand partners get their primary exposure during tournament play. Jersey sponsorships can also provide additional value via exposures like individual players' livestreams, during pre- and post-media interviews, on team and player social media channels, and through fans wearing purchased apparel.

Until now, unlike many traditional sports teams, nearly all esports teams have not been able to leverage in-venue branding in the arenas and stadiums where they play – a significant differentiator in their ability to drive sponsorship-related revenues. However in 2020, Overwatch League will be the first global league to allow its teams to compete in home/away venues. This could be the start of a change in the esports landscape and, in turn, teams' revenue streams.

In January, PUMA announced its biggest esports sponsorship to date by signing with Cloud9, becoming the team's official apparel partner and official provider of game-day pants and shoes for its League of Legends Championship Series (LCS) team. The partnership gives fans more access to Cloud9 apparel, with the anticipation of a full line of team-branded products yet to come.

It is expected that Cloud9 and PUMA will also codevelop performance apparel tailored to the esports ecosystem. Beyond the apparel collaboration, this partnership was the first of many deals announced by Cloud9 in early 2019 that awarded its partners the ability to leverage the team's brand pillars of Character and Conviction in a more creative, content-driven way. The ability to meld the team's brand identity and its partners' into one will enable Cloud9 sponsors to connect with fans on an emotional level that is poised to help shift this valuable audience's perceptions of the sponsors' own brands.

CLOUD9 FANS ARE...

22% MORE LIKELY THAN GENERAL ESPORTS FANS TO SAY SPORTSWEAR AND APPAREL BRANDS ARE A GOOD FIT FOR ESPORTS SPONSORSHIP



CLOUD9 PUMA PARTNERSHIP ANNOUNCEMENT



**73% POSITIVE SOCIAL
MEDIA SENTIMENT**

700% HIGHER THAN SPORTS NORM ↑

Source: Nielsen Sports & Esports social listening tools

Using social listening tools, Nielsen also found that social media sentiment around the Cloud9 and PUMA partnership announcement in January 2019 was 73% positive - 700%+ higher than the sports industry norm of 10% positive fan sentiment for similar campaigns in traditional sports, which tend to have mostly neutral sentiment.

“ PUMA allows us to affect broader culture. And 'culture' is made up of a lot of things: music, entertainment, activism, sports, the internet, and, of course, gaming and esports. The fact is that if you want to be able to relate to younger people globally, you'd better be thinking about esports as much as you're thinking about cultural lenses like music and sports. ”

*Jordan Udko, Head of Partnerships
Cloud9 Esports Inc.*

► SPONSOR SPOTLIGHT: PUMA

Q & A WITH MATT SHAW, TEAM HEAD OF DIGITAL MARKETING, PUMA

What made PUMA consider adding esports to your sponsorship portfolio?

Esports occupies a large and growing percentage of our audience's media consumption. But more than that, PUMA has witnessed the nature of sports and sports culture change over the course of the last decade, and it has become apparent that esports has a valuable role to play in how the next generation shapes sports culture. We are a brand that charges itself with driving sports culture, and so this is naturally an area we feel we must lead.

What initially drew PUMA's interest to a team sponsorship over other opportunities within esports (leagues, event organizers, streamers/personalities, etc.)?

PUMA will be considering a number of esports opportunities in 2019 and beyond, but as a nonendemic brand, we realize that we need some help establishing credibility and demonstrating our commitment. Those aren't things we felt we could do easily without first establishing a credible, high-profile partnership. Cloud9 was the perfect choice for us in that regard.

What qualities about Cloud9 led you to choose them specifically as a partner?

Cloud9 came to us with partnership ideas that we hadn't heard from anyone else. Their values closely align to ours, and it feels like we're both interested in making the same kind of impact on the esports industry. These values permeate throughout the organization; Cloud9 has been a tremendous partner over the last several months – even before we had a contract in place. That speaks a lot to their leadership, and it means a lot to us as an organization.

GAMING PERSONALITIES

Like traditional sports, esports have their stars. Major esports - as well as broader gaming - personalities drive fan engagement; in fact, more than a quarter of esports fans globally say they engage with gaming personalities daily. Gaming personalities may be players on professional esports teams, though that's not always the case: many are simply gamers who have built a large community of online followers.

The most common way for fans to engage with these personalities is through livestreams on their personal channels on platforms like Twitch or YouTube. Streamers will often broadcast themselves playing a video game live, while fans watch and interact through chat windows and other platform features that allow them to have 1:1 communication with the personality they follow, as well as with fellow fans. For professional esports gamers, this type of activity is fit in around training and competitions, giving fans unique access to their favorite players outside of match day.

- ▶ Not all gaming personalities compete on esports teams, and not all professional esports players are streamers
- ▶ The most common way of engaging with fans is through livestreaming on gamers' personal channels
- ▶ Fans interact through video, audio, chat windows, and other platform features
- ▶ Fans have one-on-one interactions with the personalities they follow

The power of this type of fan engagement is particularly clear when you consider what the corollary would be in traditional sports: imagine Cristiano Ronaldo or LeBron James finishing a big match or game, then immediately going home and logging on to livestream with fans for multiple hours to discuss their performance, practice moves they want to perfect, and answer questions live over the air and in a chat screen. While traditional social media platforms continue to create new ways for fans to connect with their favorite athletes off the pitch, there is nothing that rivals this type of 1:1 interaction in the traditional sports world.

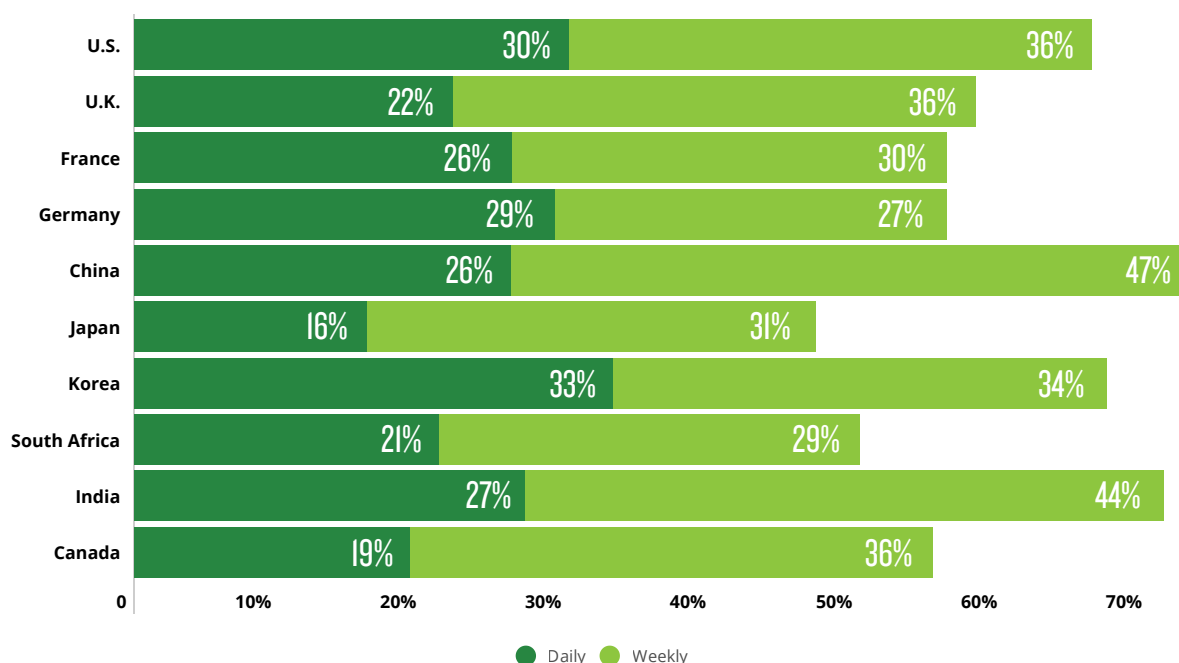
63% OF TWITCH ESPORTS FANS IN THE U.S. SAID THEY SPEND MORE TIME IN AN AVERAGE WEEK INTERACTING WITH GAMING PERSONALITIES VERSUS ESPORTS CONTENT



The streaming world can be a complicated matrix to those unfamiliar with the esports and gaming video content landscape. First, not all streamers are esports athletes - in fact, the majority of gaming video content streamed on platforms like Twitch is not esports related. Tyler "Ninja" Blevins skyrocketed to streaming stardom in 2018 through his live Fortnite play, among other content, on Twitch and YouTube. While Ninja was a professional Halo player earlier in his career, he no longer competes in professional esports circuits - but through the value of the hundreds of thousands of viewers he brings to his almost-daily broadcasts, he has amassed a substantial portfolio of sponsors, including Red Bull, Samsung, and Uber Eats. Other famous gaming personalities - like "shroud" (real name: Michael Grzesiek), a former Cloud9 CS:GO team member competitor - are former professional esports athletes who have now built a career in streaming.

Second, not all professional esports gamers are streaming personalities. Often several members of a team will livestream content, with some teams even requiring a minimum number of weekly or monthly streaming hours from players in order to guarantee sponsor exposure within the stream environment. However, not all streamers are created equal. Some bring a large base of existing fans along with them to the teams they join, encouraging their personal fan base to support their new club. Others are just inherently better suited to streaming based on their personality - in the same way some traditional sports athletes will always handle interviews and press conferences better than others.

ESPORTS FAN ENGAGEMENT WITH GAMING PERSONALITIES



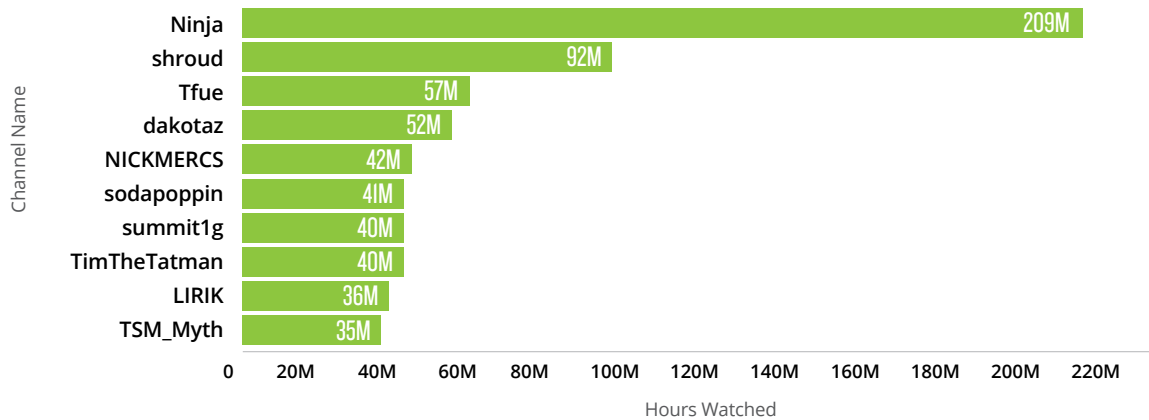
Source: Nielsen Esports Fan Insights 2018

Brands are able to sponsor streamers both individually (if independent of a team organization) and through sponsorships with a team itself - the latter being more directly connected to the esports ecosystem. Branded content is another important component of the sponsor-streamer partnership, which can take many forms but is most often distributed via live and/or on-demand long-form video content. Additional exposure via streamers' traditional social media handles on platforms like Twitter, Instagram, Facebook, and Snapchat is also common.

SPONSORING STREAMERS

-  **Product Placement & Usage**
-  **Ambient Branding**
-  **Graphic Overlays**
-  **Sponsor Mentions**

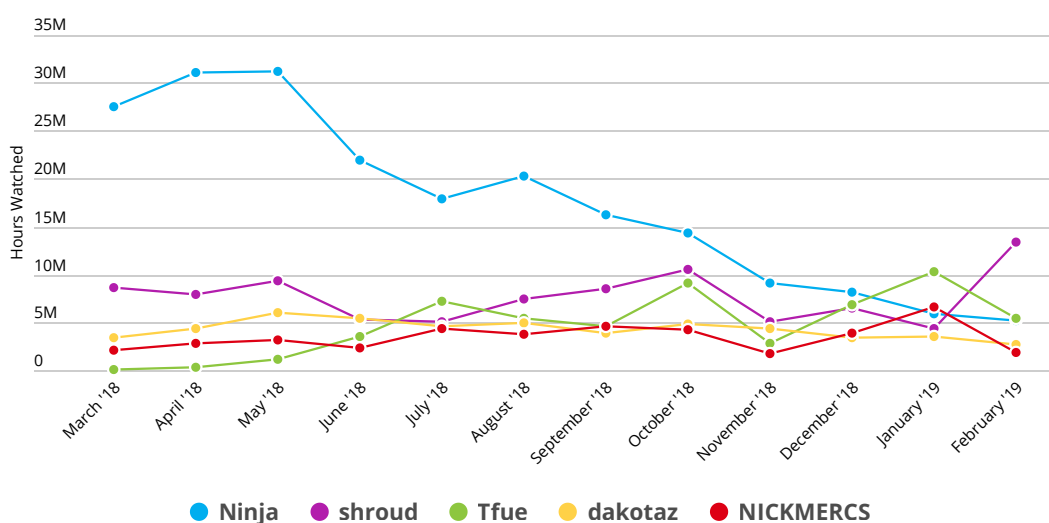
TOP TWITCH STREAMERS – TOTAL HOURS WATCHED IN THE PAST 12 MONTHS



Source: SuperData Arena (March 2018 - February 2019)

Streamer popularity is an exciting and very personal way for brands to connect with esports (and, for that matter, broader gaming) fans. However, streamers can also enter and exit the scene quickly, especially those who rise to stardom via their attachment to a popular game – if the game loses its mass appeal, so too does the streamer risk becoming less relevant to his or her fans. Many streamers can ultimately sustain a healthy fan base via the personal connection made and non-gaming content and conversation they bring to their audiences, but their less-dedicated followers may shift to the next hottest title – and, in turn, streamer.

TOP TWITCH STREAMERS – MONTHLY HOURS WATCHED



Source: SuperData Arena (March 2018 - February 2019)

Esports teams are able to leverage their players' livestreaming to drive additional value for partners via a variety of engagements and activations. In 2018, Team SoloMid signed Chipotle Mexican Grill as the first official sponsor of its Fortnite House team. The partnership was set up to be content-driven from the beginning, starting with their announcement video, which featured a blind taste test challenge in which TSM players tried to identify Chipotle ingredients while blindfolded. Fans also got in on the action via a #BurritoRoyale sweepstakes on Twitter, which offered them a chance to play with one of Fortnite's most decorated players, Daequan.

“ Our players' audiences are growing exponentially every day, which increases the total reach for brands that we partner with. Also, our streamers have different audiences they reach, so we look at those segments to best align our streamers with brand partners. ”

*Brad Sive, Chief Revenue Officer
Team SoloMid*



“ Esports is a growing phenomenon and we are very proud to be a part of the community. Partnering with Team SoloMid and the Fortnite House players – each of whom really loves Chipotle! – has enabled us to engage with our fans in unexpected ways and provided the company with a unique gamers' perspective. ”

*Chris Brandt, Chief Marketing Officer
Chipotle*

STREAMING PLATFORMS/BROADCASTERS

Online streaming is the dominant distribution method for esports, although select esports competitions also appear on broadcast and cable television.

Globally (exclusive of China, where it is banned), Twitch is the main platform for esports livestream viewing. YouTube is also frequently used for watching esports content, though more often as video on demand, curated clips, and non-match videos versus livestreams.

Social media sites like Facebook and Twitter have also entered the esports streaming space, along with a number of regional players - most notably in China, where platforms like HuYa TV and DouyuTV draw significant audiences. A number of other, smaller platforms (e.g., Mixer, Caffeine) also operate as esports content distributors.



Digital video streaming is most common



Select leagues and tournaments also appear on television



Twitch is the main platform for esports live stream viewing



Paying for media rights is becoming more common, but majority of content is distributed rights-free

The esports streaming/broadcast environment can be particularly confusing for newcomers, as the structure is inherently unique to the industry. While paid media rights are becoming more common in the space, the majority of esports content is still distributed without rights deals in place. Publishers and event operators simply stream the content via an online distributor without money being exchanged. As such, esports events are often streamed on multiple platforms concurrently – most commonly with the exact same content airing across all channels.



Gamers are not a niche audience, and watching others play video games is neither a new or niche activity. Twitch has successfully explained to brands – through case studies, research insights, etc. – precisely how their brand messaging can authentically connect with such an engaged and influential audience. With esports tournaments, teams, leagues, athletes, and custom content, brands can connect to their target audience through Twitch, and our team's expert consultancy in the space ensures each advertising partner is leveraging those opportunities in the ways most suited to achieve their desired results.



Kristen Salvatore, VP/Commercial Director, Esports, Event and Content Sponsorships, Twitch

ESPORTS VIEWERS ON TWITCH



61%

Do not watch TV on a weekly basis



70%

Spend more time engaging with esports than traditional sports



90%

Can name at least one non-gaming-related sponsor in esports

Video distributors generally do not own or manage sponsorship assets within esports live event streams. While they do have the opportunity to sell traditional advertisements (pre-roll, mid-roll, etc.) around the event, the reach of these can be limited because of heavy ad blocker use by the esports viewing audience, as well as premium subscriptions (such as Twitch Prime) that allow ads to be skipped.

Source: Nielsen Esports U.S., TwitchRPG research

Even with all of these nuances, digital media platforms have found creative and successful ways to involve esports sponsors and represent a unique opportunity for brand partners, given their reach and access to a broad range of content and titles. Twitch has developed a number of industry-leading approaches to sponsorship activation on its platform, leveraging a combination of its audience size and the community of streamers it has at its fingertips.

In conjunction with 2018 TwitchCon, Twitch hosted Doritos Bowl – an event where top Twitch streamers competed in the new Battle Royale mode of Call of Duty: Black Ops 4 - Blackout. While the event physically happened on-site at TwitchCon, its larger footprint – and hence the majority of sponsorship value for Doritos – came via the network of streamers who broadcast the event live, reaching a broad network across the Twitch audience base.

Similarly, the new Twitch Rivals tournament format will offer brands looking to benefit from association with the most popular, up-and-coming titles via the esports streaming equivalent of “pop up stores” – online competitive tournaments with top players that can be developed on the fly when a new game starts to build momentum.

In February, the Twitch Rivals Apex Legends Challenge connected esports fans with Electronic Arts’ newest battle royale title just weeks after its release – and far before any type of professional competitive scene for the game could be developed.



DORITOS BOWL VIEWERSHIP

549,600 COMBINED
HOURS WATCHED

on five main/official channels:

- TwitchCon Esports Stage
- shroud
- Ninja
- CouRageJD
- DrLupo

Source: SuperData Arena (Oct. 27, 2018)



We were initially attracted to Twitch’s broad reach, their relevance with emerging adults, and their connection to top influencers in the esports space.

The streamers we worked with were crucial for making the execution feel authentic. They had so much enthusiasm for the partnership and went above and beyond with their creative, engaging social content.

Leslie Vesper, Senior Director of Marketing, Doritos



The common theme for brands across these types of sponsorship opportunities with a streaming platform/broadcaster is the access they provide to a wide variety of esports titles, content formats, and personalities. For brands that prioritize being on-trend yet still want to partner with an organization with structure and permanence, sponsorship programs with a video distributor/broadcaster can pay great dividends – and can mitigate the risk of going “all in” on one esports title.

CONCLUSION

When speaking with dozens of esports sponsorship rights holders and brands, several themes and pieces of advice emerge.

KNOW YOUR OBJECTIVES:

Going into esports partnerships without understanding what your organization needs to get from them can quickly backfire. Each brand has unique goals and therefore will require tailored activations to make sure these are met. Communicate these goals up front to your partner, too.

BE READY TO MEASURE:

Think beyond impressions and reach – these will provide a baseline for measurement, but they are not the only benchmark for success. It takes time for sponsorships to realize their full potential – have methods in place to measure short- and long-term impact on your brand.

EMBRACE COLLABORATION:

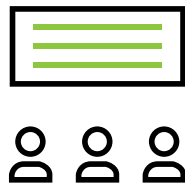
True partnerships have the best success. Ensure strong fit between partners from the beginning of the relationship - make it an integral part of your criteria for choosing which partner to work with. There are many great esports rights holders and many great brands – but not all are great fits for each other.

SOME ESPORTS VETERANS OFFER ADDITIONAL ADVICE:

Nathan Lindberg, Senior Director of Sponsorships, Twitch recommends that brands thoroughly vet opportunities with esports personalities. “Do you know who you are getting? Do you know what they’re like, both on-stream and off? Are they in alignment with your brand values or not? These are things that experts know, that Twitch has had years of working out,” he said.

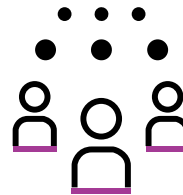
Bobby Sharma, Founding Partner, Electronic Sports Group says don’t test the waters instead of adopting and enacting a full-on esports/gaming strategy. “Esports fans respect and welcome those brands that embrace what they already love, and get the need for the revenue and exposure that sponsors, distributors, and content creators bring with them. But they also know when they are being used as test subjects... and that is where things can go awry.”

NIELSEN ESPORTS OVERVIEW



SPONSORSHIP VALUATION

Measurement of the value generated for brands by esports sponsorships/activations, and intangible value



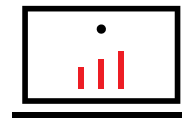
FAN INSIGHTS

Esports fan research to understand the nuances of the international esports audience and opportunity it presents to investors



RESEARCH & CONSULTING

Our commercial solutions help answer the business challenges presented through esports for both brands and rights holders



SUPERDATA ARENA

Assesses the value of top influencers, streamers, game channels, and audiences by tracking viewership of gaming video content

FOR MORE INFORMATION CONTACT: KNOW@NIELSEN.COM

