

The Global Rise of eSports and Japan's Increasing Prominence



Japan esports Union (JeSU)
Hirokazu HAMAMURA

1. The global rise of eSports

The rising world of eSports is advancing beyond all imagination viewed from Japan. The competitive level of players from Japan is not low by global standards and it has not been unusual to see Japanese player in the highest ranks in tournaments hosted by international eSports organizations. However, we cannot yet say that the economic environment supporting players and games in Japan has taken shape.

The global eSports market in 2019 was estimated by Newzoo to be on a scale of 958 million dollars, but was expected to grow by a factor of 11.7 in the following 5 years, to reach 1.62 billion dollars in 2024. As an intermediate figure, it was estimated at 1.084 billion dollars in 2021. To understand the market better, we need to break down this number further. The largest fraction of the market is sponsorships. At 641 million dollars, this represents 59% of the whole market. The next largest part of the market is media rights, accounting for 293 million dollars, or 18%. Sales of related goods and tickets were 66 million dollars, less than 3% of the total. In the major physical sports, 20 to 25% is understood to depend on sponsorship. The fact that the part dependent on sponsorships is greater than the business part indicates that the global eSports market is still developing. eSports can also provide content for broadcast. The number of viewers has also become an important KPI. This trend can be followed using the same data from Newzoo. The global total number of eSports viewers was 397 million in 2019. However, five years later in 2024, this figure was estimated to grow by a factor of about 1.45, to 577 million. Thus, the global eSports market is expected to grow greatly into the future, in both sales and number of customers.

Overseas, eSports is recognized by nations, governments and academic institutions, and is protected in many cases. An example of this is in North America, where the U.S. Citizenship and Immigration Bureau has recognized League of Legends, an archetypical eSports title, as a professional sport. It will now issue athlete visas to players entering from other countries. Robert Morris University in Pennsylvania provides support such as 50% fee exemptions for students recognized as eSports athletes. The University of California, Irvine Campus, has also offered eSports scholarships to eSports players since 2016. The university has also invested approximately 25 million yen to build a dedicated eSports arena facility. In another case, the Philadelphia team in the Overwatch league announced it had invested 50 million dollars to build the Fusion Arena, an eSports arena with a capacity of 3,500 people. GameStop, the most widely recognized game retailer in America, has also announced that they have acquired naming

rights for an eSports facility that opened in May, 2019.

eSports is also popular in Europe. Three high schools in Sweden have incorporated eSports into their physical education classes for three hours per week. Public high schools in Norway are also using eSports as electives in physical education. York University in the U.K. has joined with the Electronic Sports League (ESL) to conduct research related to the eSports industry. York University is also giving credits toward degrees to students taking courses in eSports. In 2016, the Ministry of Sport in Russia announced that they would recognize eSports as sports. In the U.K., FIFA opened an ePremium League for eSports tournaments. In France, Team Vitality, which is known as a leading eSports team, raised 20 million Euros of capital. They announced that it was allocated for developing advanced facilities and to strengthen the team.

In South Korea, which is recognized as an eSports Mecca and advanced even within Asia, awareness of eSports is high and initiatives are progressing. At Chung-Ang University in Korea, eSports are used as part of the entrance exams for the Department of Physical Education. The exams test both skills and achievements, and university entrance is determined based on both eSports skills and achievements in past tournaments. Support for eSports by the government is also well developed in Korea. Since 1999, eSports organizations in Korea have received support from the Ministry of Culture, Sports and Tourism. In 2010, a law was enacted to encourage eSports. In 2016, the city of Seoul and the Ministry of Culture, Sports and Tourism jointly built the Seoul eSports Stadium.

Enthusiasm for eSports is also high in China. The number of eSports players in China is already thought to exceed 300 million, and the government is studying ways to cultivate players. The government recognizes eSports player as an occupation, and colleges training players are appearing in regions throughout China.

One KPI measuring the popularity of eSports is prize money. In tournaments hosted by Epic Games using their product, Fortnite, in 2018 and 2019, prizes totaling 100 million dollars were offered. In July 2019, in the final of a tournament held in New York, the winner was a 16-year-old, who received a prize of three million dollars. Professional league play is also popular. In the Overwatch League, with franchise teams based in major cities in America, China, the U.K., and Korea, teams compete in global championships, with support from their local areas. Broadcast rights for these events together with other IP competitions, as released by the publisher, were priced at an astonishing 17 billion yen for a two-year contract.

2. eSports in Japan beginning to gain prominence

Compared to Japan, the global eSports scene is astonishing, with large figures in administration, understanding and support from academia, prize money, broadcast rights and other aspects. In contrast, the eSports market in Japan in 2017, as reported by the Ministry of Internal Affairs and Communications, was not even 400 million yen. However, with the appearance of eSports in an exhibition at the Pyeong Chang Olympics, and the Japan eSports Union (the first of its kind) beginning to issue professional licenses, the eSports scene in Japan is beginning to change. At the Asia Tournament, held as an exhibition match in August 2018, Japanese players and teams were selected in five matches, and sent to East Asia qualifying matches. The “Winning Eleven” players that broke through these qualifying matches accomplished a great achievement and received a gold medal. This great achievement by Japanese players in their first international competition was reported widely in various media. At the end of that same year, “eSports” was selected for a “New and Trending Word” prize. Sales exceeding 4.8 billion yen had been recorded in this market, growing by a factor of 14 over the previous year. As such, it really is appropriate to call 2018 the inaugural year of eSports in Japan.

Enterprise activity in eSports initiatives is also starting to increase. Capcom, which holds the IP for another globally popular eSports game called Street Fighter, began sponsoring a public league in the summer of 2019. It featured three-on-three teams combining beginners, amateurs, and pros battling, and generated much drama before the series ended. For the next series, expanded team competition with franchises in regions throughout Japan was soon announced. Just like with major sports such as baseball and soccer, it was expected that tournaments would attract strong support from local fans in each region. An increasing number of eSports events are also being held by organizations other than the IP holders. Of note are some of the enterprise groups collaborating to hold tournaments. Only a few years ago, it would have been normal to see mainly the names of PC and peripheral device manufacturers at an eSports tournament, but at EVO JAPAN in January 2019, sponsors included companies having nothing to do with eSports, such as NTT DOCOMO, Indeed, Nissin Foods, Nissan, and Hisamitsu Pharmaceutical. The Dwango-sponsored event, Tokaigi (“Battle Meet”), was co-sponsored by Seven-Eleven, Fujitsu, au, Big Globe and others, and the RAGE eSports event held by eSports broadcaster, OPENREC, was co-sponsored by enterprises including Nestle, Kao, PIZZA-LA and Sharp.

There have also been many tournaments for high-school students. In March, 2019, a national high-school eSports championship was held, sponsored by Mainichi Newspapers and PC retailer, Third Wave. In August that year, TV Tokyo and Dentsu held the STAGE: 0 high-school eSports tournament, which concluded in great success. STAGE: 0 was supported by names including Japan Coca Cola and Rohto Pharmaceutical.

In 2019, eSports were also used as a culture program in the National Athletic Meet (called the “Kokutai”), held in Ibaraki. The tournament was called the “Inter-prefecture eSports

Championship.” This was a Kokutai for a new generation, attended by the new Emperor and Empress. Use of eSports was initiated in Ibaraki prefecture to appeal to the new generation in a resolution by Ibaraki governor, Kazuhiko OOIGAWA. The same tournament was held in Kagoshima the following year and in Mie prefecture in October, 2021. The Kagoshima tournament in 2020 was a great success, with over 85,000 people participating in qualifying rounds.

Activity in regional eSports initiatives also jumped due to this Inter-prefecture eSports Championship. In 2017, there were only about 14 regional eSports organizations bearing the name of a prefecture, but as of October, 2019, this figure had risen to over 60. Many prefectures also have multiple organizations. Support for eSports by other regional administrations has also increased sharply. In Ishikawa prefecture, the city of Kanazawa has included promotion of eSports in its budget. In Fukuoka, the mayor worked actively to invite EVO Japan, an eSports tournament focused on fighting games, to the city. In Tokushima prefecture, the governor made an election promise to promote eSports and was re-elected decisively. The Tokyo Metropolitan has also budgeted to hold eSports festivals for two years in a row. It is undeniable that regional eSports activity has increased, which is a change since 2018, when eSports was appearing as something new in media.

Finally, in 2021 the International Olympic Committee (IOC) decided to hold its own eSports competition, called the Olympic Virtual Series. Sports titles from Japan including Power Pros Baseball and Gran Turismo were entered in the competition and created much excitement. Competitions were also officially announced for the Asia Games to be held in Hangzhou, China, in 2022. The IOC explained that the use of eSports in the Olympics was part of initiatives to strengthen engagement of the younger generation in the Olympic Movement.

3. Why eSports are attracting attention now

The “younger generation” is a phrase often heard in discussion regarding eSports. It is what entices enterprises to support these various tournaments. So, why is it that eSports attracts such strong support from the younger generation? We will attempt to explain using another sport, namely baseball, as an example. Baseball is thought to have been brought to Japan in about 1827, and the number of baseball players, including high-school baseball (formerly middle-school baseball), university competition and municipal baseball, grew greatly after that. However, at that level, baseball consisted of just the players actually using bat and ball. This continued for nearly 60 years. The turning point was the advent of radio broadcasting. High school baseball was broadcast on the radio, and just a few years later, in 1934, a major team from the U.S. came to Japan. Two years after that, in 1936, teams were formed that became precursors to modern pro-baseball in Japan, including the Tokyo Giants, the Osaka Tigers, and the Nagoya Golden Dolphins. Then, after the Second World War, television broadcasting began in 1953. The killer content for television at the time included professional sumo wrestling, pro wrestling, and baseball. However, sumo and pro wrestling naturally centered on

athletes that were very large. At the time, baseball was the only prominent professional sport with young athletes having excellent physical abilities. Five years after television broadcasts began, in 1958, Shigeo NAGASHIMA joined the Giants, and Minoru MURAYAMA joined the Osaka Tigers. Sadaharu OH joined the Giants in 1959. This heralded the golden age of pro-baseball in Japan.

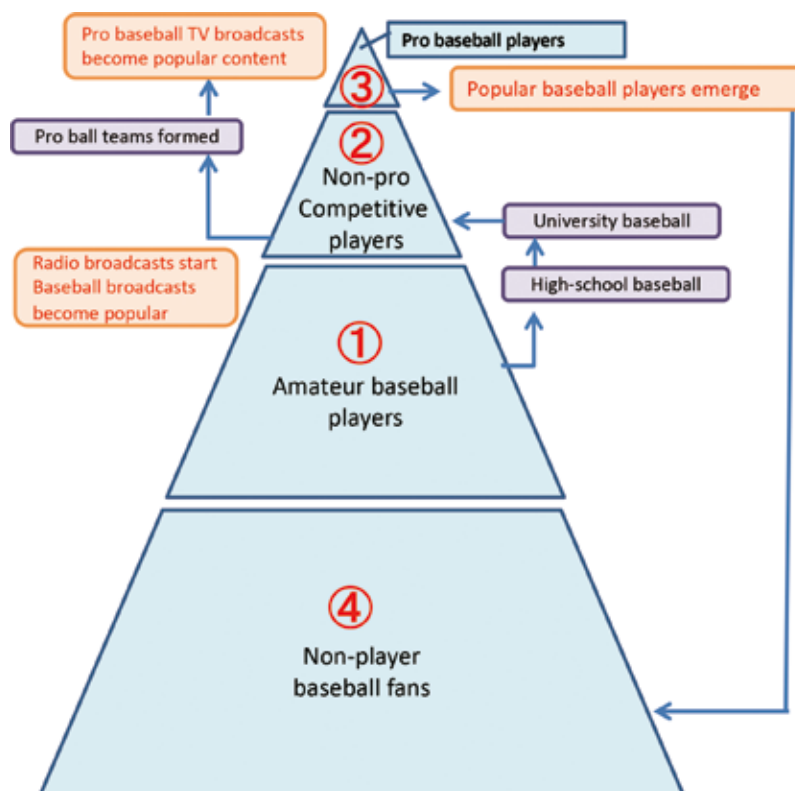
As shown in Figure 1, initially, there were only amateur baseball players, forming level (1). Later, with high-school and university baseball, highly-skilled but non-pro players began to appear. Soon, with radio broadcasting, the number of competitors increased. When professional players began appearing to viewers on television, the number of fans increased rapidly. This was because baseball itself was interesting, but also because players like NAGASHIMA were so cool. These were the non-player baseball fans at level (4) in Figure 1. There is a definite difference between levels (1) to (3) and level (4). Levels (1) to (3) consist of people that actually take bat and ball and play baseball, but level (4) consists of people who watch baseball on television. With level (4), baseball was attracting interest as a spectator sport, and spectators would pay money to enter venues or buy goods. Baseball also grew dramatically with this level, becoming a major business and producing other businesses such as broadcast rights and sponsorships. As such, baseball is a spectator sport that was developed by the medium of television.

So what about eSports? In fact, eSports have developed

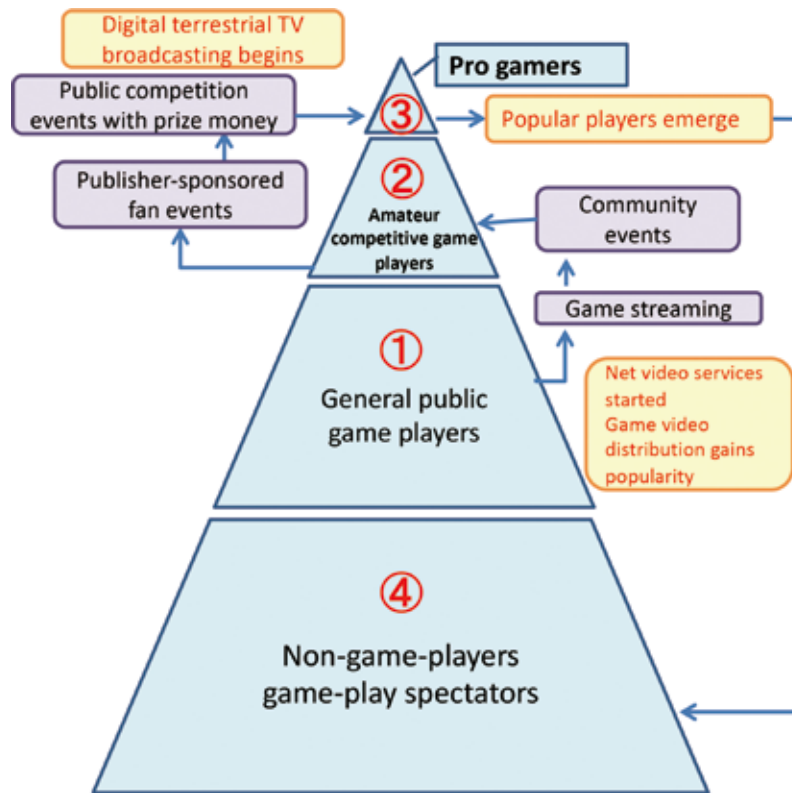
in almost the same way as baseball. Initially, there were many game fans focused on games such as Dragon Quest and the Mario franchise. Soon, game consoles and PCs connected to the Internet, and video related to the games increased on video sharing sites. Regarding game commentary, one would expect it would only become popular with people able to say interesting things in their commentary, and inevitably popularity would focus on a small number of Internet personalities. But what about the overwhelming number of other players? They also began uploading videos of their own game play, and there were far more of these latter game-play videos than those by commentators. Soon, game-play video became popular on video sharing sites. In fact, the most popular type of content on YouTube, the largest video site, is music, but the next most popular type is game-related video. Nearly half of the live streams on Niconico video are also game related. Twitch and OPENREC are stations dedicated to game video. Thus, it is not an exaggeration to say game video is a major part of video distribution sites.

Many people enjoyed game-play videos, of which there were a huge number. Soon, videos from people with confidence in their skills began to attract more popularity and then competitions began being held at community events, where people could watch these advanced players. Then, seeing the popularity of these events and the ability of internet video to attract viewers, the IP holders began to hold tournaments with prize money, to promote their game IP. The success of these led to broadcasts of pro

■ Figure 1: Pro baseball evolution and player hierarchy



■ Figure 2: eSports evolution and player hierarchy



eSports players in various forms, including terrestrial and satellite television broadcasts. As a result, another layer of people who have not played the games became accustomed to watching eSports, not because of interest in the games themselves, but because they were attracted to the players. In Figure 2, levels (1) to (3) are people who actually play the games, while level (4) consists of eSports fans that do not play the games themselves. It goes without saying that growth of this level (4) is what has enabled the eSports industry to achieve its incredible growth.

Baseball and eSports have followed exactly the same lineage. One clear difference is in the media that nurtured them. Baseball as a spectator sport was developed by television, while eSports are spectator sports for a younger generation that was raised without watching television.

Most of the younger generation, who were born into the world when the internet already existed, are not in a habit of

watching television; they watch eSports on a smartphone instead. People who watch television or read newspapers and magazines have decreased, while smartphones have spread. Based on the indispensable smartphone, eSports video and eSports fans supporting the players in such video are growing with incredible energy and are already forming an unstoppable trend. Advertising from television and newspapers is now supporting eSports, to reach the younger generation that it cannot reach through television. Enterprises that were sponsoring real sports are leaving real sports and starting to sponsor eSports. We can expect this irresistible trend to continue in the future. Soon, eSports in Japan will reach new heights in the world, expanding from just the younger generation and becoming a movement that involves older age-groups as well. As was the case with baseball and soccer, internet media can be expected to continue to nurture eSports.