



EA Intel
Report 2021

**Virtual and
esports**



- Kiron Interactive
- Pinnacle

VIRTUAL GAMES REAL WINNERS



KIRON.

Kironinteractive.com
Sales@Kironinteractive.com

Group head of content:

Niamh Gallagher
 T: +44 (0)20 7832 6562
 n.gallagher@egr.global

Managing editor

Melanie Dayasena-Lowe
 T: +44 (0)20 7832 6561
 E: m.dayasena-lose@egr.global

Report editor:

Ross Law
 Tel: +44 (0)20 7832 6535
 r.law@pageantmedia.com

Production

Production editor:
 Charlotte Sayers

Photography

iStock/Getty Images

Commercial**Group commercial director:**

Sam Compagnoni
 Tel: +44 (0)20 7832 6554
 s.compagnoni@egr.global

Commercial manager:

Debbie Robson
 Tel: +44 (0)20 7832 6551
 debbie.robson@egr.global

Content sales:

Tel: +44 (0) 20 7832 6512
 membership@egrmagazine.com

CEO:

Charlie Kerr



EGR Intel is published monthly by Pageant Gaming Media One London Wall, London, EC2Y 5EA, United Kingdom

ISSN 1742-2450

Printed by The Manson Group
 © 2020 all rights reserved.
 No parts of this publication may be reproduced or used without the prior permission from the publisher

The 2020 pivot

This report provides viewpoints from industry leading firms which reflect on what has been a disruptive year for the sports betting industry.

However, while the onset of the novel coronavirus pandemic and the subsequent cancellation of almost all live sport presented an unprecedented challenge to betting firms worldwide, 2020 has been a banner year for virtual offerings.

For many providers, the pivot to a virtual sports offering has been seamless and the uptake overwhelming. While the popularity of virtuals was on the rise, 2020 will surely be looked back on as an important year for this segment and a year when many providers' offerings flourished.

Another vertical that has seen impressive growth during the Covid-19 lockdown periods is esports. As operators like GVC start to focus more on the potential of gaming, the use of technology, data and streaming are all effective ways to capture the attention of esports' typically younger demographic.

By Ross Law | **Report editor**

04

Learning from the esports tech adoption curve

The use of technology, particularly around data and streaming, is pivotal in keeping esports' younger demographic engaged, writes Scott Longley

06

2020 in review

Steven Spartinos, co-CEO of Kiron, reflects on the vast uptake of virtuals in 2020 due to the coronavirus pandemic

09

Why this is just the beginning for esports betting

Ben Cronin of Pinnacle outlines the even brighter future of the esports betting marketplace

Learning from the esports tech adoption curve

The implementation of technology, particularly around data and streaming, is even more clearly interwoven with esports betting than it is with traditional sports betting. Indeed, its centrality to the underlying activity is potentially the key to unlocking a younger – and for the betting sector a new – demographic

By Scott Longley

There is something instructive about esports being mentioned by GVC – now renamed Entain – in the same release that the company spoke about being a technology-led entertainment business. As part of the transformation of the company to its new name Entain, the firm said it would be “bold, ambitious and disruptive” and the world of gaming was identified by chief executive Shay Segev as a “vast untapped” market.

“Gaming is fast becoming the hub for other digital activities, creating a whole new ecosystem where customers interact with the online market, including betting,” he told investors.

There can be no doubt that technology and esports are interlinked and entwined in a way that is not quite the case with traditional sports. While advances in betting technology – and in-play in particular – are clearly vital to the sector’s development, within esports that relationship is perhaps even more intrinsic. It starts with the data. In esports, the data is part and parcel with the game in a way that is not the case with traditional sports.

“The games generate data in a way that traditional sports don’t,” says Werner Becher, regional CEO for the Emea and Latam regions at Sportradar, which established Bayes Esports Solutions in 2019 as a joint venture with Bayes Holding. “The data is generated on the servers; all we have to do is collect it direct.”

Flavien Guillocheau, chief executive and founder at PandaScore, concurs. “Esports is data-driven by design; the games all have granular scoring

systems even in casual gaming, which is requiring more data for the esports fan experience, betting included,” he says.

It might be said the centrality of data in esports and traditional sports is no different, but where data really comes to the fore in esports is in how it reflects the stream of rules changes. This is very different to the traditional sports environment, says Marco Blume, trading director at Pinnacle. “In terms of variety, there is a lot happening and esports is also an area where the rules are changing constantly,” he says.

This is very different to sports such as tennis or football where rules changes are few and far between, and usually amount to tweaks. “In esports they can decide on a monthly basis that rules can change, including such basic things as how the scoring system works,” says Becher. “That obviously affects the modelling for the betting operators. Rules can change one way and change back a month later. It puts the onus on the providers to respond with the data and the algorithms. The whole infrastructure has to adjust with the changes.”

Structural basis

The need for agility to respond to changes in the basic rules of the game cuts across the entire supply spectrum on esports, from data provision to odds and liability systems. Indeed, it puts even more emphasis on these areas than traditional sports and it means that any operator looking at the area – whether an endemic esports operator or a traditional book working in the esports arena – is more reliant than ever on the providers.

Even a tech-led endemic bookmaker such as Rivalry says that with the back-end aspects of esports, there is “no need to reinvent the wheel”.

“We are builders by nature and default to that versus using third-parties for our technology needs,” says chief executive Steven Salz. “[But] the key outsourced items would be our third-party

odds providers, KYC providers, given our regulatory requirements, and payment providers.”

Similar decisions are prevalent in traditional sports betting, of course, but Becher believes that in esports the need for specialist provision reaches to the very top betting operators. “Even the tier-ones are outsourcing odds generation in esports, and even the liability management,” he says. “Just keeping pace is a big challenge for everyone and this is where the outsourcing really shines.”

Indeed, much of the innovation in esports betting is happening at the supplier level and in particular among the data providers. Blume mentions Sportradar’s joint venture with Bayes as well as GRID Esports, for instance, and says that 2020 has been “a golden year for data providers”.

Moritz Maurer, founder and chief executive at the latter, repays the compliment, pointing out that it is operators such as Pinnacle which invest properly in esports that stand a greater chance of success. “If esports is part of the strategy, it will need more commitment than simply offering basic markets to succeed,” he says.

In part, this is about the audience in esports. Everyone appears to agree that the demographic for esports is significantly younger than that for traditional sports. Moreover, this audience comes with preconceptions about technology and how they use it. “Esports fans are typically younger, early adopters of tech, [perhaps] three-to-five years ahead of their traditional sports counterparts who still tend to use linear media,” says Maurer. “This gives the user a stronger sense of ownership in the type of content they consume.”

The tech challenge for esports betting, therefore, is to ensure the offering keeps up with the demand of the audience. Hence, Salz says his team’s efforts, for instance, are aimed at developing IP around the betting experience, from betslips to site navigation, the “look and feel” and the wallet.

Immersion therapy

Intriguingly, though, it is the prospects for esports betting provision to inform that of traditional sports betting that could yet turn the relationship between the two on its head. Streaming is one area, for instance, where what is potentially going to happen in esports will be of great interest to traditional sports.

Twitch, of course, has been one of the most well-known areas of esports advance. But Becher points out that for betting purposes, the delays in the Twitch stream (over 30 seconds) make it virtu-



ally unusable from an in-play betting point of view. Hence, Sportradar provides real-time streaming feeds to ensure as small a delay as possible.

But that is only the start of what Becher believes will be possible with streaming in the near future. He says that a lot of esports fans are already using VR headsets to actually take up a position within the field of play, albeit virtually. “Is intrinsic integration possible? I think so,” he adds.

“It’s all about engagement – these younger demographic target groups are just not interested in watching a 90-minute game of football. They’re used to two-minute YouTube clips. They get bored very quickly and streaming is just not enough; they want overlays, with stats and probabilities and social interaction built in.”

It is this potential that is exciting those at the top of traditional sports in Europe and the US. With fan engagement, one of the arguments being used in the debate around regulating sports betting is that augmented reality (AR) may have a key role to play. “That’s a big discussion point for the future. Some sports are very interested in what AR might mean for fan engagement,” says Becher. “So the experience in esports could be something they look to emulate in the future.”

Ultimately, it could be that the gaming and betting world has much to gain from esports over and above simply looking at the provision of betting on key products such as CS:GO and League of Legends. Partly this is about understanding a different demographic. But it is also about seeing how technology with a purpose is the prime route into this cohort.

It might be that the more the sector learns about the gaming world, the more it will get to like where interaction with that sector is leading it. It may only start with the tech but where the end destination might well be is an interesting tale to tell. ♦

Featuring: *Kiron Interactive*

2020 in review



Steven Spartinos

◆ Co-founder and co-CEO
◆ Kiron Interactive

Steven Spartinos is co-founder and co-CEO of virtual games provider Kiron Interactive. Established in 2001, the specialist supplier now services web, mobile and land-based sportsbook, and casino operators on five continents. Prior to joining the betting and gaming industry, Spartinos worked in banking and finance.

Steven Spartinos, co-CEO of Kiron, reflects on the vast uptake of virtuals in 2020 due to the coronavirus pandemic

There's no denying that 2020 has been a remarkable year for virtuals online. As country after country went into lockdown, shutting down live sport and bringing revenue streams from sports betting to a grinding halt, virtuals became a lifeline for betting operators across the globe. Along with casino, it allowed them to maintain customer engagement and revenue during extremely testing times. The past six months have brought many challenges for the industry, but those difficulties have lit a fire under the virtuals sector and opened opportunities in the most unexpected of places.

Although there has been considerable uptake across the board, the peaks seen in Italy, the United Kingdom, Eastern Europe and East Africa have been most notable. In these territories, we have seen significant growth in mobile betting, especially where virtuals have, in many cases, been used as a substitute for real sports. Starved of the real-life alternatives, local players gravitated towards virtual counterparts of their favourite sports to continue in betting-based entertainment, and the momentum has since continued.

When heavy lockdown restrictions first rocked the globe, there was a surge in interest from operators looking to diversify their product offering. Attitudes shifted, and the casinos and sportsbooks that had previously been hesitant about the virtual offering began to recognise that a varied portfolio not only worked to satisfy current players but was also capable of attracting new ones.

This change in perception led to unexpected successes in markets where virtuals had originally been slow to take off, since players, now encouraged to try out new products, found themselves en-

joying virtual sports just as much as the real thing.

That said, and as logic would suggest, the largest increases experienced were in markets where virtuals already had an established presence in the land-based sector. With virtual sports bridging the gap between online gaming and live sports betting, customers turned to this alternative to fill the void when betting shops were shuttered. Volumes rocketed in countries such as Italy, where the existing popularity of virtuals is among the highest in the global market, as loyal land-based players turned to other avenues to play the games. They've even stayed online as retail venues have reopened, indicating that this customer base has been converted for the long term.

The past six months have brought many challenges for the industry, but those difficulties have lit a fire under the virtuals sector and opened opportunities in the most unexpected of places

Steven Spartinos | Kiron Interactive

What comes next?

Although the sharp positive curves seen in March, April and May have gradually tapered with the return of live sports, volumes are still much higher than pre-pandemic levels. Players who tried out virtual alternatives while live tournaments and competitions were paused have continued to engage with the content, demonstrating that there is longevity in the current pace of growth. The vertical has successfully shaken off the label of 'filler content' over the last six months to be recognised as a standalone product vertical that deserves attention and we're committed to maintaining this status.

Looking ahead to a world where we are no longer subject to the pandemic limitations, the next chal-



Challenges on the horizon are likely to be regulatory. Mature markets are increasingly moving to curb the online gaming industry through tough rules. Virtuals may well be caught in the crossfire. The changing regulatory landscape presents opportunity too, however, with a growing number of markets opening up to virtual sports and online sports betting. The US promises to be a goliath in the global virtuals market if state legalisation moves in the right direction, and there are still ample untapped opportunities in emerging markets from East to West.

In many of these territories, however, there are still infrastructure and connectivity challenges. Online virtuals present a more cost-effective option in the long run, with operating expenses that come in far lower than those of a retail outlet. But there are other elements which can hamper growth. Where access to data is limited and streaming is expensive, virtual suppliers find that they are having to adapt their technology to accommodate these challenges by offering lighter versions of their products. The same goes for content too, with operators requiring tailored portfolios to suit varied player preferences of individual countries. These two factors combined demand significant investment in

new games and formats as well as infrastructure.

The outlook for the online virtuals market is far brighter since the Covid-19 pandemic hit, but turning forecasts into reality requires a lot of effort. The trick will be maintaining the current levels of growth. Kiron has been working hard over the past months to release a number of portfolio enhancements, including the introduction of new betting options and an increased variety of games, to continue to build on our offering and widen its appeal. We are also working hard with operators to provide additional promotional tools to market games better to their players and maximise the acquisition and retention.

Even with the shift to online, retail will still have a central role to play, yet it is important that we learn from the challenges of this year and not forget the importance of product variety if and when we return to the life we knew before March 2020. Securing the long-term success of both channels requires innovation. We believe that with continual advancement of the quality and diversity of products, the virtual market is set for a strong future on an equal footing with its sports betting and gaming counterparts. ♦

PINNACLE SOLUTION

Our expertise, your sportsbook.

THE RISK MANAGEMENT EXPERTS



MARKET MAKERS

We lead the way, others can only follow.



CONTROLLED RISK

Everything managed by our trading experts.



CUSTOMER FIRST

Unique algorithms delivering more lifetime value.



BESPOKE SERVICE

Liquidity pool tech manages risk based on your needs.

Through years of successful, high value, low margin trading, we've mastered risk management, enabling your sportsbook to take advantage of the best service around.



Risk Management



API



Esports

Drawing on 20 years' experience as the world's leading oddsmaker, Pinnacle Solution guarantees success.

Get in contact: b2b@pinnaclesolution.com

Featuring: *Pinnacle*

Why this is just the beginning for esports betting

Ben Cronin of Pinnacle outlines the even brighter future of the esports betting marketplace

You would be hard pushed to find anything in the history of sports or entertainment that has experienced the growth that we have seen from esports in recent years. There really is nothing like it, and while the changes we've seen in the last five years in particular have been nothing short of incredible, there is still even more to come. Esports betting is only one small segment of what is now such a huge industry, yet it has still proven to be very fruitful lands for operators.

Pinnacle – widely recognised as the pioneer of esports betting – paved the way by offering odds on Starcraft 2 in 2010, and from 2015 onwards the majority of major names in the industry started to follow suit. Most operators will now offer odds for major esports events, at the very least.

Can we really expect more growth?

Esports betting has had plenty of doubters over the years. It is only natural that something that was initially so alien to many, and thought to be aimed at a younger audience, would be dismissed as a 'flash in the pan', when there were apparently more stable options for operators to focus on. It is interesting to note that esports has only really reached mainstream status in the last couple of years, and some people believe it's already reached its ceiling. However, the signs are clear that this is very much just the beginning.

The global esports audience was 120 million just five years ago; already it's surpassed 500 million with even more room to grow. Grand View Research has also published an estimated market value for esports of \$1.48bn with forecasts suggesting it will nearly quadruple in size to \$6.81bn by 2027. Media rights, sponsorships and advertising are the key

drivers behind this growth, but it is the work done by the game publishers and tournament organisers that have sparked such interest from fans that has ultimately led to global companies getting involved.

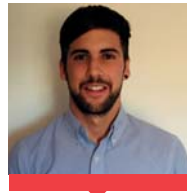
The cycle of audience growth that leads to investor interest continues to spin at such a rate, thanks to publishers like Valve (CS:GO and Dota 2), Riot (League of Legends) and many more, who are reinvesting into the development of games, competitions and the community in general. The fact that there were 90 major esports tournaments (competitions with a prize pool in excess of \$150,000) in 2016 and well over 200 in 2020 is evidence that there is a product that the audience can engage with and which can keep pace with their appetite. More importantly, the quality of that product has grown at an even faster rate. Events have progressed from conference room-type setups, with a couple of teams taking part, to 18+ teams competing in 90,000+ seater stadiums in under a decade.

There is a constant conveyor belt of esports fans getting their first taste of this unique experience. There is more money than ever being pumped into the industry and there is a clear commitment from those within the industry to reinvest in enhancing the esports experience. If ever there was a recipe for success and even more growth, this is it.

The question is: how far can it go and how can operators best take advantage of it?

The ability to thrive when others struggle

This year has been dominated by the Covid-19 global pandemic. Many industries have struggled due to various lockdown restrictions across almost every country in the world. While it has been a difficult time for many, it has also thrust esports even further into the limelight. In a time when all elite sports were put on hold for months and hundreds of major sporting events were cancelled, esports was able to continue largely unaffected and even thrived as the global population sought out a



Ben Cronin

◆ *Head of inbound marketing*
◆ *Pinnacle*

Ben Cronin, head of inbound marketing, is in his fifth year of working for Pinnacle. Previous experience within a creative agency has been the key to his efforts in helping to modernise the Pinnacle brand, while positioning the online bookmaker as the leader in educational betting content. A driving force behind the launch of Pinnacle's betting resources, esports hub and Pinnacle podcast, Cronin has combined a passion for betting with his well-rounded marketing expertise to ensure Pinnacle delivers on its promise of empowering bettors to become more knowledgeable.

Featuring: Pinnacle



new form of entertainment. According to the same Grand View Research data, only 8% of land-based esports events were actually cancelled this year, 26% were postponed and a massive 53% were able to move to take place solely online. An option that isn't open to almost every other sport.

Covid-19 might be the obvious example that people turn to when they analyse why esports has been able to continue to grow in such difficult times. However, there are many other reasons why esports has thrived when other industries have struggled. One such reason is that as things quickly change in the digital age, esports is able to keep pace with the latest technological developments, instead of standing still and relying on traditional forms of engagement like other sports.

While things like virtual reality aren't yet embedded into the viewing experience for any sport, it is clearly something that esports is already prepared to lead the way with. Translating this into a betting context, when customers can enjoy the real-life experience of an event and place a bet at the same time from the comfort of home, once again highlights why there is even more scope for growth.

Additionally, esports can easily adapt to suit the now constantly changing demands of its audience. Fans and, more importantly for operators, customers will only give your product so much time before dismissing it and moving onto the next. If some-

one isn't interested in a soccer match, for example, it can be very hard to convince them to stick with it. Esports, on the other hand, has such a wide range of genres to choose from, various different events running at the same time and a constant stream of online content to engage with.

The ability to seamlessly work with technology, offer so much choice and cater to such a wide audience means it is unlikely that esports is ever going to find itself in a situation where the audience begins to drop away. As a point of comparison, this is an issue that horseracing is right in the midst of – a much older demographic that far outweighs the younger audience coming in, with experiences and advertising opportunities limited by traditional forms of media. That's not to say horseracing can't recover, but it'll be a challenge to overcome these constraints.

The developing relationship between esports and betting

Since Pinnacle first started offering esports betting back in 2010, the betting industry has become much more closely connected to esports as a whole. Pinnacle has partnered with major events such as BLAST, Esports Championship Series and Flashpoint, as well as the Danish CS:GO team North. Many other operators, including Betway and Unibet, have also invested heavily in team and event partnerships in an effort to get closer to the esports community.

Initially there was some resistance from decision-makers within the industry as a whole as to the impact more involvement from betting companies might have, but relationships have since thrived and proven to be incredibly valuable to developers, tournament organisers, teams, players and fans.

These partnerships are not only a great way to connect with the untapped potential for new esports bettors, but are also a way for brands to help the industry continue to develop. A word of warning for those looking to leverage partnerships as a means to get their brand and product in front of the esports audience: there is an expectation within the community that operators must be authentic and must also have a vested interest in taking the teams, events and overall esports experience to the next level.

There is still plenty of potential in the esports industry for operators, but only to those who are willing to immerse themselves in it and truly understand who the audience is, and what they want. ♦

Online gaming industry intelligence and networking community, accessible wherever you are.

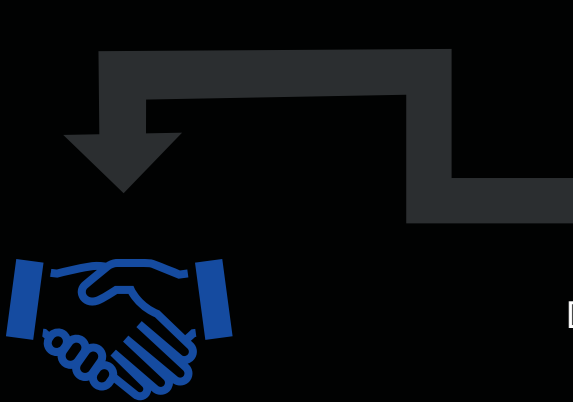
EGR is the leading intelligence and networking community dedicated to the online gaming industry. Whatever your role and its challenges, our specialist networks will give you the tools to improve customer acquisition and retention, benchmark against peers, comply with regulations and guide decision making.



Print and Digital Publications



Breaking news delivered to your email every day



Exclusive access to EGR events in North and South America, Europe and Asia



Data and performance and statistics



Market & Competitor Analysis



EBR Intel