

# THE HITCHHIKER'S GUIDE TO THE GAMING GALAXY

An introduction to the gaming market

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The views reflect those of the author only, not necessarily those of TPI, its Board of Directors, or its donors.

## KEY TAKEAWAYS

This paper explores the supply and demand sides of the video games market, and looks at how trends in time spent on gaming could possibly affect the advertising market. Below is a summary of highlights.

- » 2.5 billion people per year play games worldwide.  
On average, people who play games spent just over seven hours per week playing in 2019.
- » Viewers watched 12.3 billion hours of game streaming content in 2019.<sup>1</sup>  
The most popular platform, Twitch, accounted for 9.3 billion hours.<sup>2</sup>
- » Time spent on gaming increased for all age groups from 2018-2019.  
The largest increases were in the 26-35 and 36-45 year old populations.<sup>3</sup>
- » If people are instead spending their time playing games or viewing game streams, there is less time to spend on traditional content.  
Companies that rely on traditional content, therefore, may see less advertising revenue.<sup>4</sup>
- » Gaming reaches valuable audiences.  
This includes men in the 18-34 year age range, who engage less with traditional media content.<sup>5</sup> Advertisers may have to shift their strategies away from traditional content if they wish to reach those audiences.

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1. "StreamElements & Arsenal.gg Present State of the Stream 2019," pg. 2. <https://cdn.streamelements.com/static/State-of-Stream-2019.pdf>

2. Ibid, pg. 3.

3. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>

4. John W. Schoen, "How do cable companies make their money?" CNBC, April 20, 2015. <https://www.cnbc.com/2015/04/20/how-do-cable-companies-make-their-money.html>

5. "The Men, The Myths, The Legends: Why Millennial "Dudes" Might Be More Receptive to Marketing Than We Thought," Nielsen Insights, December 10, 2014. <https://www.nielsen.com/us/en/insights/article/2014/the-men-the-myths-the-legends-why-millennial-dudes-might-be-more-receptive-to-marketing/>

# INTRODUCTION: PLAY TIME IS CHANGING

For many, the term “gaming” conjures up the image of a teenage boy sitting in a basement choosing to battle imaginary creatures on TV rather than get a good night’s sleep. Unfortunately, this stereotype undermines the robust and prolific nature of the gaming industry. In reality, gaming is far more widespread than that stereotype implies, with an estimated 2.5 billion people per year playing games worldwide (not just teenage boys).<sup>6</sup> This paper explores the growing and evolving video games market, including how trends in time spent on gaming could affect the advertising market.

On average, people around the world who play games spent just over seven hours per week engaged in gaming activities in 2019 (up from about 6 hours per week in 2018). Time spent on gaming increased for all age groups from 2018-2019, with the largest increases in the 26-35 and 36-45 year old populations.<sup>7</sup>

Availability of games across platforms has increased accessibility and allowed players to connect with friends more easily. Esports, or the collection of activities associated with competitive gaming, offers professional and amateur competition and tournaments, creating a reason to hone skills and spend time studying games. Consistent year over year increases in prize pool money available at tournaments is a motivating factor to become talented at eSports. Programs to train players have begun at a small scale in high schools and colleges across the country.

More people are also watching others play games. Streaming offers viewers a way to engage with their favorite games without the attention required to play. Last year, viewers watched 12.3 billion hours of video across four major platforms.<sup>8</sup> Twitch, the most popular streaming platform, accounted for 9.3 billion, a 20% increase from the 7.7 billion hours in 2018.<sup>9</sup>

The increase in time spent on gaming means there is less leisure time to spend on other activities. This change could therefore lead to decreased revenues for advertising-driven services such as television or other streaming services. Gaming also reaches valuable and traditionally difficult-to-reach audiences, such as men in the 18-35 age range.<sup>10</sup>

This paper only scratches the surface on the world of gaming. There is much more to study about how the shift in time spent on gaming impacts other markets. The end of the paper is devoted to possible research questions that we’ll be looking into in the future.

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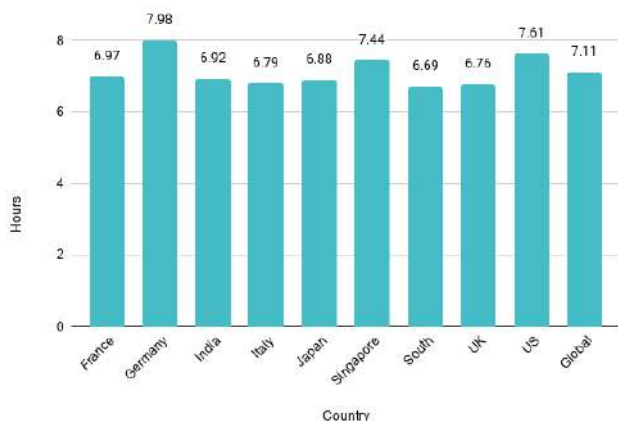
6. “2020 Video Game Industry Statistics, Trends & Data,” WePC, January 2020. <https://www.wepc.com/news/video-game-statistics/>  
7. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>  
8. “StreamElements & Arsenal.gg Present State of the Stream 2019,” pg. 2. <https://cdn.streamelements.com/static/State-of-Stream-2019.pdf>  
9. Ibid, pg. 3.  
10. “The Men, The Myths, The Legends: Why Millennial “Dudes” Might Be More Receptive to Marketing Than We Thought,” Nielsen Insights.

# HOW MUCH TIME ARE PEOPLE SPENDING ON GAMING?

## GLOBAL TRENDS: GAMING ACROSS THE WORLD

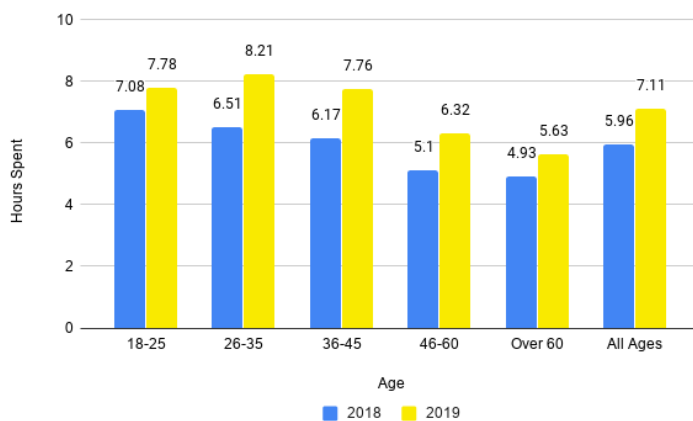
Global estimates suggest that people who play video games spend roughly one hour per day playing, including console, PC, and mobile variations. The weekly average time spent on gaming in 2019 was 7.11 hours, a 19% increase from the 2018 average of about 6 hours per week,<sup>11</sup> with little variation across countries.

**Figure 1. Hours per week spent playing games, by country**<sup>12</sup>



People under 45 tend to play more than people over 45. Millennials spend the most time gaming, with people ages 26-35 averaging over eight hours of play per week in 2019. Time spent gaming increased from 2018 to 2019 for all age groups, but increased the most at 26% for people between ages 26 and 45.

**Figure 2. Hours played per week by age**<sup>13, 14</sup>



11. "The State of Online Gaming 2019," Limelight Networks, 2019. [https://img03.en25.com/Web/LLNW/%7B02ca9602-173c-43a4-9ee1-b8980c1ea459%7D\\_SOOG2019\\_MR\\_8.5x11.pdf](https://img03.en25.com/Web/LLNW/%7B02ca9602-173c-43a4-9ee1-b8980c1ea459%7D_SOOG2019_MR_8.5x11.pdf)

12. Ibid.

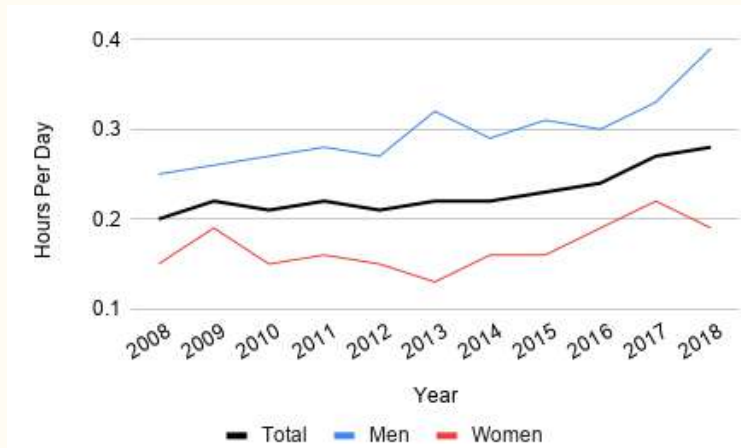
13. Ibid.

14. This does not include gamers under the age of 18. Most games do not have a required minimum age, however it is rightfully difficult to collect survey data from minors.

## TRENDS IN THE U.S.

The American Time Use Survey (ATUS) reveals a long-term trend of increased time spent on gaming in the US over the ten-year time period from 2008 to 2018.<sup>15</sup>

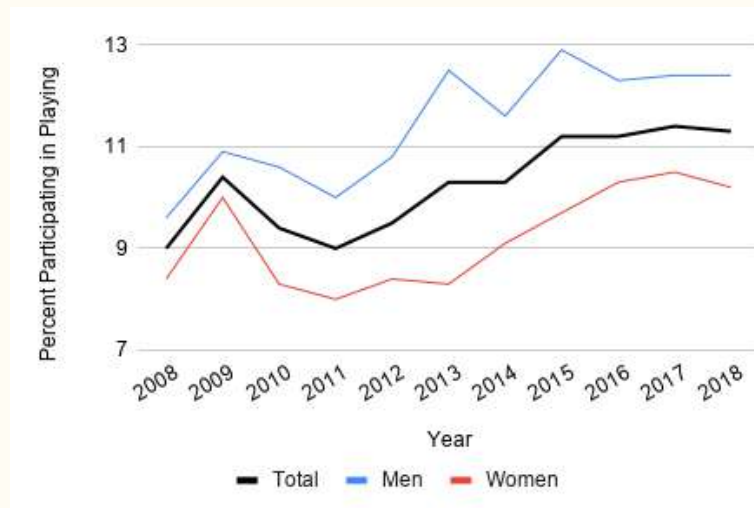
**Figure 3. Average Time Spent Gaming, Age 18 and Older<sup>16</sup>**



The ATUS shows increased time spent gaming in the past year across the entire over 18 population.<sup>17</sup> A 40% increase from 0.20 hours per day per person in 2008 to 0.28 hours per day per person in 2018 is a significant change when extrapolated to the entire population of the U.S., as it means an increase of 66 million hours spent gaming in 2008 to 92 million hours in 2018.<sup>18</sup>

Part of the reason for the increase in the average is an increase in the share of people participating.

**Figure 4. Share of People Participating in Gaming, Age 18 and Older<sup>19</sup>**



15. The survey records the "Playing Games" answer as both board games and videogames. For the purpose of this analysis, we can assume that at least a large share of the time is videogames (especially based on their popularity worldwide and the trends we see there).

16. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>

17. Ibid.

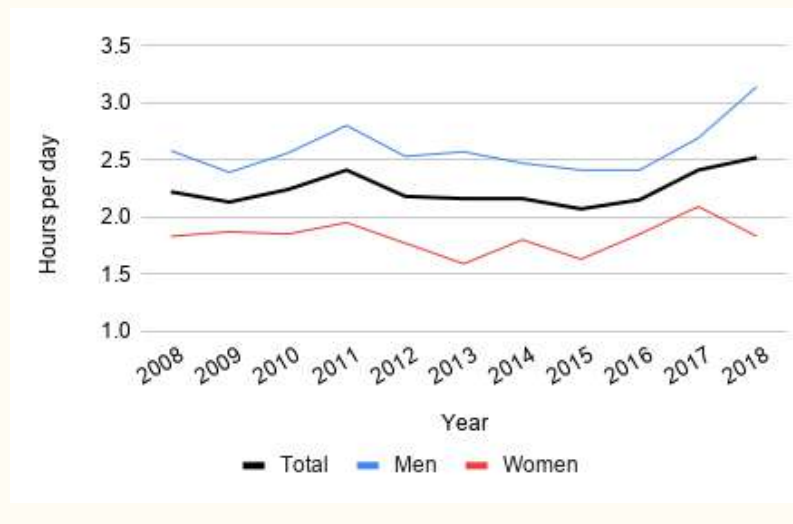
18. "American Time Use Survey User's Guide," Bureau of Labor Statistics: pg. 12. June

2019. <https://www.bls.gov/tus/atususersguide.pdf>.

19. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>

Through 2015, while the share of the population participating has increased, the amount of time gamers spent playing games remained relatively constant. Since 2015, however, people who game seem to be spending even more time gaming.

**Figure 5. Average Time Spent Gaming for People who Play Games<sup>20</sup>**



The figures show interesting differences across genders. Women are less likely to game than are men, but the trends showed similar increases until 2017. From 2017 to 2018, women’s participation in gaming declined while men’s interest continued to climb. It is unclear why 2018 showed such different changes for men and women in 2018. 2019 data will help reveal whether this change is an actual trend.

## WHAT GAMES ARE PEOPLE PLAYING?

Games offer many styles, storylines, characters, and other elements that build an experience for the player. There are three main gaming platforms: console, PC, and mobile. People access games on consoles primarily by disc, but also by download through online games stores created by the console developer. Playstation and Xbox consoles have some exclusivity for certain games, but many games are developed for both consoles and can be accessed by purchasing the disc that matches the console. Nintendo games are developed only for Nintendo consoles and cannot be played on any device that is not made by Ninetendo. PC games are available for download through developer game stores and physical discs. Mobile games are downloaded through app stores.











Games can be played online or offline, depending on the game. Games are typically made, created, and released by development companies. Some platforms not owned by major developers allow people to independently create and upload games. The main platform for independent or at-home developers is Steam (owned by Valve Corporation), where users can upload games, play games (both free and paid), exchange game items, and complete transactions, among other activities.

20. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>



Within the gaming world, diverse options attract different audiences. The table below lists and describes the five most popular games in 2019.

**Table 1. Five Most Popular Games of 2019**<sup>21</sup>

Game	Developer	Number of Accounts	Description
 Minecraft	 Mojang	480 million (as of Nov 2019)	The world requires people to explore, gather resources, and participate in battles. People may spend years creating an entire world within Minecraft, and it is less competitive than most traditional video games. It is often listed as the most popular videogame of all time. <sup>23</sup> It is also popular across devices.
 Fortnite	 Epic Games	250 million (as of Mar 2019)	This is an online, third-person shooter survival game. Fortnite offers three different play modes. Battle Royale mode is by far the most popular. Players join an online 100-person arena drawn from people across the world and engage in a survival mission to outlast others to become the last one standing. Players can participate on consoles or through a mobile app.
 Grand Theft Auto V	 Rockstar Games	71 million (as of Dec 2018)	The Grand Theft Auto (GTA) franchise is an action-adventure video game in which the player survives by committing thefts, gaining street cred, and evading arresting officials. GTA can be played on consoles or PCs.
 Tom Clancy's Rainbow Siege Six	 Ubisoft	50 million (as of Sept 2019)	This is a tactical, first-person shooter game with different gameplay modes which allow the player to be either an attacker or defender with a specific goal such as rescuing a hostage or defusing a bomb. It is available on PC or console.
 Super Smash Bros: Ultimate	 Nintendo	N/A. Nintendo games are played through registered accounts.	This is a crossover game, meaning characters in different games in the Nintendo universe are united inside this game. Players choose a character and fight against other characters in the game. The objective is to be the last one standing. This game can be played on Nintendo devices.

21. Matt McIntyre, "The 20 Most Popular Video Games Right Now (2020)," Wealthy Gorilla. <https://wealthygorilla.com/most-popular-video-games-now/>

22. "List of most-played video games by player count," Wikipedia, [https://en.wikipedia.org/wiki/List\\_of\\_most-played\\_video\\_games\\_by\\_player\\_count](https://en.wikipedia.org/wiki/List_of_most-played_video_games_by_player_count).

23. McIntyre, "The 20 Most Popular Video Games Right Now (2020)."

A few other games are worth mentioning for their global dominance and professional leagues:

- League of Legends (LoL): Developed by Riot. This is an online battle arena game. Players choose a “champion” and take their champion through a series of battles to eventually destroy an enemy.<sup>24</sup> LoL is one of the few games that has professional players and teams who compete in tournaments. It has a dedicated following, boasting over 100 million unique viewers of its 2019 World Championship.
- Overwatch: Developed by Blizzard games. Overwatch is a team-based, first-person shooter game in which players must work together to eliminate all other teams. Overwatch is notable for the Overwatch League (OWL) which has professional teams and competitions across the U.S. and China. OWL follows a more traditional professional sports model.
- Dota 2: Developed by Valve Corporation. Dota 2 is a multiplayer, online battle arena game, in which two teams of five players each battle to be the last one standing. Dota 2 is notable for its prize pools, which are the largest in all professional competitions.<sup>25</sup>
- Call of Duty (CoD): Developed by Activision. This is a first person shooter game in which players participate in combat modeled after real wars and attempt to defeat enemies. The CoD franchise is very successful in terms of revenue and popularity. Iterations of the game have been the best selling game of the year for seven out of the past ten years.<sup>26</sup>

This summary represents a small portion of the variation in both game developers and types of games themselves. Consumer preference is diverse, with a large number of developers trying to satisfy those preferences. Developers can continue creating for different pockets of demand, and perhaps find a large enough audience to make their game profitable.

## WHY ARE PEOPLE PLAYING GAMES?

### GENERAL COGNITIVE REASONS

Psychological research explains some motivations for people to play games:

- Achievement: they want to improve their performance, learn the game, and compete.<sup>27</sup>
- Forming social connections or a community with others through games.
- Immersion/escapism from the real world.
- Entertainment, enjoyment, and relaxation.<sup>28</sup>

The social and immersion components appear to be especially important for continuance of play. The draw of all these factors has led to gaming as a tool for educators, healthcare professionals, and more.<sup>29</sup>

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24. “League of Legends,” Wikipedia. [https://en.wikipedia.org/wiki/League\\_of\\_Legends](https://en.wikipedia.org/wiki/League_of_Legends)

25. “Largest Overall Prize Pools in Esports,” Esports Earnings. <https://www.esportsearnings.com/tournaments>

26. Chris Morris, “Here are the best selling video games of the past 25 years,” Fortune Magazine. <https://fortune.com/2020/01/17/best-selling-video-games-past-25-years/>

27. Nick Yee, “Motivations of Play in Online Games,” Stanford University, pg. 5.

28. Hui-Jie Tone, Hao-Rui Zhao, Wan-Seng Yan, “The attraction of online games: An important factor for Internet Addiction,” Computers in Human Behavior 30, pg. 322.

29. Nick Yee, “Motivations of Play in Online Games.”



## IT'S EASIER TO GAME NOW

There was once a time when Xbox games were incompatible with PlayStation and vice versa. Now it is possible to download games straight onto a device with an internet connection, and play with other players across devices. Games are agnostic and can be played across platforms. Mobile gaming gives people access to games at all times. People have nearly constant access to gaming across different devices and platforms.

## ESPORTS AND COMPETITIVE GAMING

“Esports” refers to the entire ecosystem associated with competitive online gaming, including playing, watching, streaming, and all other elements that feed into this market. Players decide to compete at esports for many reasons: prize pools, social objectives, the way any given game will differ just by virtue of who is playing at that moment, opportunities to play against professionals and influencers, or to join their friends in a competition online. The global esports community is also enticing to players. According to ESTNN, an online esports news organization, people flock to esports for the personalities, the teams, the stories (upsets between teams, millionaires made by tournaments), and of course, for the love of the game.<sup>30</sup>

Social connection and achievement are key reasons why people play video games. It is no surprise that esports has enthralled audiences given its link to those two factors. The introduction of Fortnite in 2017 changed the gaming space. User adoption escalated, hitting 250 million monthly active users.<sup>31</sup> As a free-to-play game that can be accessed across platforms and through mobile devices, it quickly became one of the most widely played games in the previous three years.<sup>32</sup> Gamers could play with their friends across platforms and connect with random strangers, including popular figures in gaming communities.

Fortnite became one of the earliest faces of esports. New content, including new challenges and rewards, released in “seasons,” enticed players by introducing new achievements. Fun costumes and rewards attracted younger audiences, and Fortnite streamers became celebrities due to the success of the game.<sup>33</sup> Fortnite helped expand esports’ presence to new audiences.

The popularity of esports has led to its development as a varsity program at some high schools<sup>34</sup> and a scholarship opportunity at colleges<sup>35</sup> across the country. Younger people can participate in sanctioned competitions, hone their skills, get coaching, and be part of teams. Esports follow the model of traditional sports, where feeder leagues begin at a young age and players work their way up to professional leagues. There is an important distinction: players are allowed to keep prize money, which is a contrast to other high school and college sports. A 16 year old player won a \$3 million prize for winning the Fortnite World Cup Finals tournament in July of 2019.<sup>36</sup>

30. Corey Pollack, “The Top 4 Reasons People Love Esports,” ESTNN, September 28, 2018. <https://estnn.com/top-4-reasons-why-people-love-esports/>

31. “Number of registered users of Fortnite worldwide from August 2017 to March 2019,” Statista. <https://www.statista.com/statistics/746230/fortnite-players/>

32. Nick Statt, “How Fortnite is transforming the gaming industry,” The Verge, June 12, 2018. <https://www.theverge.com/2018/6/12/17442602/fortnite-battle-royale-trend-e3-2018-epic-games-e-sports-tournament>

33. Gene Park, “Fortnite was the biggest pop culture phenomenon of 2018,” December 27, 2018.

<https://www.washingtonpost.com/technology/2018/12/27/fortnite-was-biggest-pop-culture-phenomenon/>

34. Calvin Hennick, “Esports Programs Start to Pop Up in K–12 Schools,” EdTech Magazine, January 11, 2019.

<https://edtechmagazine.com/k12/article/2019/01/esports-programs-start-pop-k-12-schools>

35. “List of Colleges with Varsity Esports Programs,” Next College Student Athlete. <https://www.ncsasports.org/college-esports-scholarships/varsity-esports>

36. Mary Hanbury, “This 16-year-old gamer is \$3 million richer after winning the Fortnite World Cup,” Business Insider, July 29, 2019. <https://www.businessinsider.com/16-year-old-kyle-giersdorf-wins-3-million-in-fortnite-world-cup-2019-7>

## PRIZE POOLS ARE GROWING

Prize pools in gaming tournaments are increasing and available to all age levels. In a five-year span, the amount of prize pool money available has increased from \$35 million to an expected \$200 million for 2019. The explosive growth indicates that there is more opportunity to win money, and more interest in funding prize pools for tournaments.



## GAME STREAMING: PEOPLE WATCH OTHER PEOPLE PLAY GAMES

People who are interested in gaming also watch other people play games, just as people watch elite amateurs and professionals play physical sports like basketball that they like to play for leisure.

Streaming services allow consumers to watch professional and amateur players through a live stream. Typically, streamers have two cameras: one that casts their screen to capture what is happening in game and another camera that shows them actually playing the game. Viewers have the option to watch game streams, individual streamers, teams, specific games (live or archived) or game channels. People watching can interact with the streamer and each other through chat windows and send streamers small payments if they wish to reward the streamer for the content the viewer is watching.<sup>38</sup>

The next section looks at major streaming platforms, viewing trends, how streamers monetize, and reasons why people choose to spend their time streaming.

37. Laura Martin, Dan Medina, "Esports: High Impact and Investable," Needham & Company Report, pg 4.

38. Twitch allows users to send payments to streamers through "reactions." A user can purchase reactions and then send them to the streamer through the chat window. It's unclear how much of each microtransactions actually go to streamers. For more, see: <https://www.forbes.com/sites/davidthier/2016/06/28/twitchs-has-an-odd-new-microtransaction-system/#6c5fc69f74e7>

## MAJOR STREAMING PLATFORMS

Four major platforms dominate the streaming space: Twitch, YouTube Gaming, Facebook Gaming, and Mixer. Of the four, Twitch is by far the most popular, capturing 73% of the platform market share when measured by hours watched in 2019.<sup>39</sup> Every major platform has seen a year-over-year growth from 2018 to 2019.

**Table 2. Hours Watched by Platform**<sup>40</sup>

Platform	Owner	2018	2019	Growth
 Twitch	 Amazon	7.8b	9.3b	↑20%
 YouTube Gaming	 Google (Alphabet)	2.3b	2.7b	↑16%
 Facebook Gaming	 Facebook	114m	356m	↑210%
 Mixer	 Microsoft	142m	354m	↑149%
<b>Totals</b>		<b>10.2b</b>	<b>12.7b</b>	

## GLOBAL VIEWING TRENDS

Game watching is becoming more popular. Enthusiasts watched 9.3 billion hours of video streaming on Twitch in 2019, a 20% increase from 7.8 billion in 2018. YouTube Gaming, Facebook Gaming, and Mixer also experienced large growth in hours watched from 2018-2019. The four major platforms hosted 12.3 billion total hours of watching worldwide in 2019.<sup>41</sup>

### TRENDS FROM TWITCH

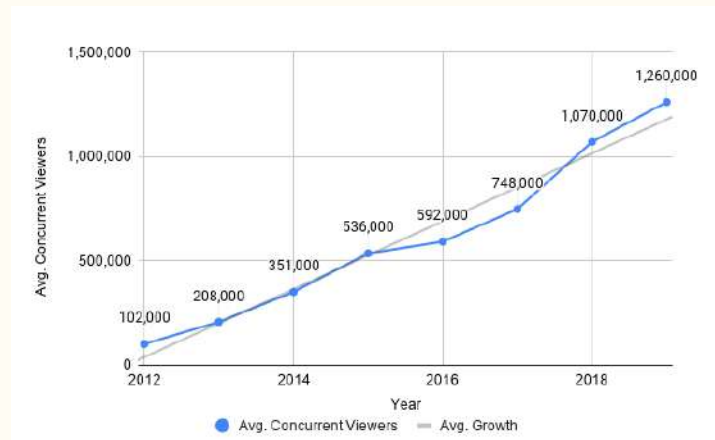
Twitch accounts for most of the time spent on streaming. The audience of concurrent viewers on Twitch has grown from an average of 102,000 in 2012 to 1.29 million in 2019, a growth of over a million viewers.

39. "StreamElements & Arsenal.gg Present State of the Stream 2019," pg. 2. <https://cdn.streamelements.com/static/State-of-Stream-2019.pdf>

40. Ibid, pg. 2-3

41. Ibid, pg. 3

Figure 8. Average Concurrent Viewers of Twitch by Year<sup>42</sup>



League of Legends accounted for nearly 11% of total Twitch viewing in 2019. “Just Chatting,” a channel where streamers “just chat” with their audience either in between gameplay or when a streamer is done playing games for the day.<sup>43</sup> People stream their favorite games and watch their favorite personalities.<sup>44</sup>

Platform	2018	2019	Yearly Change
League of Legends	930m	990m	↑7%
Fortnite	1.2b	885m	↓-28%
Just Chatting	458m	651m	↑42%
Grand Theft Auto V	139m	523m	↑277%
Dota 2	452m	458m	↑1%
CounterStrike: Global Offensive	380m	398m	↑5%
World of Warcraft	241m	372m	↑55%
Apex Legends	-	295m	New release
Overwatch	264m	248m	↓-6%
Hearthstone	350m	218m	↓-38%
<b>Total Hours Watched</b>	<b>4.9b</b>	<b>5b</b>	<b>↑3.7%</b>

42. Chart Title: “Avg Concurrent Viewers,” Twitchtracker.com. <https://twitchtracker.com/statistics>

43. “StreamElements & Arsenal.gg Present State of the Stream 2019,” pg. 4. <https://cdn.streamelements.com/static/State-of-Stream-2019.pdf>

44. Kevin Westcott, Jeff Loucks, David Ciampa, Shashank Srivastava, “Video gaming goes mainstream,” Deloitte Insights, June 10, 2019. <https://www2.deloitte.com/us/en/insights/industry/technology/digital-media-trends-consumption-habits-survey/trends-in-gaming-esports.html>

## WHY DO PEOPLE WATCH?

Watching live streams is a way to stay engaged with less effort than required for playing. It's more active than watching archived content because of the live interactions, but less strenuous than playing games, which require focus and attention.<sup>45</sup> Streamed gaming content blends three mediums: broadcast media, games, and interaction. The experience is "more passive than playing games, but at the same time more active than consuming traditional television content."<sup>46</sup>

For game companies, the more relaxed viewing experience allows people to stay engaged with their games even when they tire of playing or do not want to play at all. An estimated 42% of esports viewers in North America don't play the game they watch, meaning that they are able to enjoy watching a game and learn the nuances without needing the skills to play while enjoying a higher level of engagement.<sup>47</sup>

Viewing engagement length is driven by some of the same factors<sup>48</sup> as why people play: tension relief, entertainment, belonging to a community, interest improving/learning more, and social interaction.<sup>49</sup>

Tension relief was seen as the strongest positive predictor of how many hours viewers spend watching streams. Perhaps this is due in part to people who are seeking a diversion will spend longer time switching between streamers, channels, and games.<sup>50</sup> Entertainment was also an important motivating factor. There is a positive association between watching for entertainment and the number of hours watched. This is consistent with other research on platforms with similar engagement styles, like YouTube and social media.<sup>51</sup>

## GAMING IS GREAT, BUT WHY DOES IT MATTER?

The previous sections provide an overview of what is happening in the industry. This section discusses why it's worth talking about in the first place.

### GAMING TAKES AWAY VALUABLE TIME

Displacement of time into video games and esports means it is taken from other industries, including traditional media and other content providers. The media industry has taken notice. As Netflix wrote in its 2017 shareholders report, it "compete[s] with (and lose[s] to) Fortnite more than HBO."<sup>52</sup>

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45. Max Sjoblom, Juho Hamari, "Why do people watch others play video games? An empirical study on the motivations of Twitch users," ScienceDirect, Computers in Human Behavior: 1-2, 2016.

46. Ibid, pg. 1.

47. Jurre Pannekeet, "esports, a Franchise Perspective..."

48. "Why do people watch others play video games? An empirical study on the motivations of Twitch users," pg. 3

49. In the study, social interaction was found to have a potential negative effect or zero effect. However, it is still listed as a potential motivation. The magnitude of the effect may be negative, which means it does have an impact on viewing hours. We don't know exactly what that impact is.

50. "Why do people watch others play video games? An empirical study on the motivations of Twitch users," pg. 6-7.

51. Ibid, pg. 7.

52. Netflix Shareholder Report, 2017, pg. 5.

[https://s22.q4cdn.com/959853165/files/doc\\_financials/quarterly\\_reports/2018/q4/FINAL-Q418-Shareholder-Letter.pdf](https://s22.q4cdn.com/959853165/files/doc_financials/quarterly_reports/2018/q4/FINAL-Q418-Shareholder-Letter.pdf)

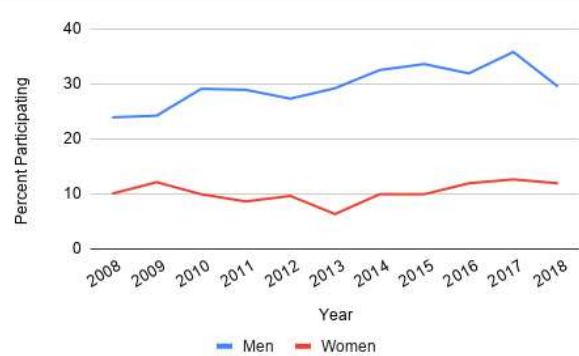


If esports and gaming are eating into the time consumers could be spending on other platforms, then other industries are competing for less available time than they had in the past. Content providers rely on advertisement as a main stream of revenue, and successful advertisement means viewers tuning in to content.<sup>53</sup> If viewers are instead spending their time playing games or viewing video streams, there is less time to spend on traditional content. The same is true for content providers that rely on subscription-based services. Streaming content is especially comparable. Viewing streams is an extremely popular pastime and goes beyond the traditional broadcast experience through interactions with viewers.<sup>54</sup>

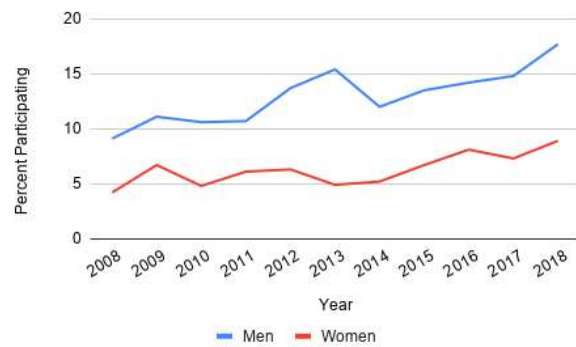
## VALUABLE AUDIENCES PARTICIPATE IN GAMING

The time takeaway is key for traditional content providers, especially advertising driven services, given who is participating in these activities. The most valuable audiences to advertisers are people ages 21-34.<sup>55</sup> Men in that age range are “a group notoriously difficult to advertise to due to their lack of engagement with traditional media.”<sup>56</sup> According to the ATUS, the participation rates for playing games for both men and women in these age groups is rising in the US.

**Figure 8. Average Concurrent Viewers of Twitch by Year<sup>57</sup>**  
**Age 15-24**



**Age 25-34**



While participation rates for men and women in the 15-24 age group remain more stagnant, the rate for men has been at least 30% for the past four survey periods. Participation rates for both men and women have risen among the 25-34 audience, with men climbing to higher rates than women. Advertisers may have to shift their strategies if this number continues to climb.

53. John W. Schoen, “How do cable companies make their money?” CNBC, April 20, 2015.

<https://www.cnbc.com/2015/04/20/how-do-cable-companies-make-their-money.html>

54. “Why do people watch others play video games? An empirical study on the motivations of Twitch users” pg. 6

55. Heather Taylor, “The world’s most valuable audience for digital marketers,” Eco Consultancy, April 17, 2013.

<https://econsultancy.com/the-world-s-most-valuable-audience-for-digital-marketers/>

56. Andrew J. Curley, Mark Nausha, John Slocum, and Doug Lombardi, “What Motivates Esports Fans? A Data-Driven Approach to Business and Development Strategy” pg 2.

57. American Time Use Survey Data Files, Bureau of Labor Statistics. <https://www.bls.gov/tus/>

## WHERE DO WE GO FROM HERE?

Beyond the limits of this paper, many questions about gaming remain. A few that I'll be looking into:

- Who should be worried about losing revenues to gaming, and how are they reacting?
- What is gaming culture, and how has it changed the way people communicate, spend free time, and connect with each other?
- Will gaming companies ever face large scale regulation? What would they be regulated on?
- How do streamers monetize their platform, and what kind of market is growing as a result?

There is a lot to unpack in this industry, and only recently have analyses begun to study it. More work is needed to figure out what the potential impacts are from the gaming industry and how it fits into the global economy.