



# The Adrenaline Economy

By John Kosner and J Moses

Last month, we watched the Academy Awards and were not surprised by the historically low TV viewership.

Were you?

Oscar's 9.85 million viewers (down from 43.7M in 2014)?

*No Mojo.*

Today, we live in the *Adrenaline Economy*. Fans want action, involvement, real-time engagement. Entertainment options providing that electrical current are thriving; those that don't are falling behind. Many, like the once mighty TV, music and movie awards programs, are suffering mightily.

The pandemic is a driving force here and has changed culture. During COVID, Taylor Swift recorded and released *three* albums. She engaged her fans, including 157 Million on Instagram alone. As entrepreneur and former Ticketmaster CEO Nathan Hubbard said in a podcast interview with Ben Thompson:

*"Nora [Princiotti from The Ringer] and I did a song draft, 10 songs, she gave her first pick and we went back and forth and we drafted, we have hundreds and hundreds and hundreds and hundreds of people tweeting at us, texting us, DM-ing us, their individual drafts. People are dressing up and doing song draft parties. This fan base is just electric ..."*

Taylor's all in. So is her audience. Taylor's got adrenaline.

TikTok has adrenaline and, as a result, an astonishing 689M worldwide monthly users; making it "The World's Fastest Growing Game."

r/WallStreetBets, Crypto, Tinder, NFT's, wagering — adrenaline! Financial platforms are now trading at a fraction of a second — co-locating at the exchanges and limited only by computing processing speeds. At the May 1 Berkshire Hathaway shareholder meeting, Warren Buffett lamented the rise of Robinhood, dubbing it "a very significant part of the casino aspect" of investing today. Guess what? The casino aspect is the point.

The games business is *built* on adrenaline. According to Grin Gaming founder Nick Bucheleres, the future of entertainment revolves around it. Free to play. Virtual goods. Creator Economy. Mobile. Global. Last year, people spent over a *trillion* hours watching

and interacting with other people playing games! Valve's Steam platform (including CS:GO and Dota 2) regularly exceeds *25M concurrent users*.

And just wait until 5G hits. Our children will be able to play "World of Warcraft" on the subway — *with no download or WiFi necessary*. And they will have "wherever you are" geolocation — enabling them to integrate the people and things in the subway into their Roblox and Minecraft worlds in real-time! That's adrenaline.

Sports, paradoxically, lacks adrenaline. Over Easter weekend, UCLA lost to undefeated, top-ranked Gonzaga in a thrilling Final Four overtime game, one of the best college basketball games we've ever seen. Yet, the Bruins' epic loss drew just 14.9M viewers, *the lowest ever* for the prime time NCAA national semifinal on broadcast TV. *Watching* a thrilling game was once a amazingly exciting communal activity; now for many, it's *passive viewing*.

Today, we have more people, in more households, with more money, better technology, and more screens than any time in history — yet the most popular sporting events and live awards show telecasts are attracting fewer and fewer viewers than ever before.

## **Why?**

This is the fourth in a series of 2021 pieces about why games are ascendant in culture, especially among young people, and what those of us in Sports, Media, Investment ... *all of us in business* ... can learn from games. In our [third installment](#), published on NCAA Basketball Selection Sunday, March 14, 2021, we noted that the massive virtual goods business in games worth *\$79B* annually is coming to sports, *finally*, with the advent of "NFTs," non-fungible tokens. Today, we look at what's driving the younger generation's move to interactive entertainment and how games are leading the way.

We are in the midst of a content revolution. The two of us grew up in an era of media scarcity, but now abundance rules. We all enjoy an ever-expanding menu of entertainment options — *free* and more and more of them are made and distributed *by us*. Besides TikTok and Instagram, there's YouTube, Twitch, Snap, Twitter, Reddit, Discord, DraftKings and FanDuel to name just ten, *free* platforms commanding sports

fans' attention. These are places where the actual activity and energy of sports fans is the point.

On the pay side, most everyone subscribes to Netflix and Amazon Prime. They offer an awesome array of content to scroll through, select and watch on demand but these are not adrenaline choices. The Switch, Xbox Series X, and PlayStation 5 are — and they all sold out not coincidentally.

Games are what's now and next. While TV networks blamed Nielsen for the ratings slump, the same research authority revealed that 55% of all Americans played games during COVID. In addition:

- Twitch set a new record with over 2.1 Billion hours watched in April (29% year over year growth);
- YouTube Gaming had its biggest year in 2020—100 B watch-time hours across 40 million active gaming channels. Per Pew Research, 95% of U.S. 18- to 29-year-olds use YouTube;

Games generate adrenaline, here's how:

- **Choice.** We can watch, play and pay for what we want, when we want it, wherever we want, and on whichever device we choose. The experience is always *LIVE to us*.
- **Persona.** In games, we can be ourselves or we can adopt an avatar; and, coming soon, there are a host of new virtual identities we can assume.
- **The Audience Both Creates Content ...** Running the gamut from producing videos, podcasts, live shows, essays, comments, memes, tips, song drafts ... *redefining engagement ... and actually...*
- **Impacts ...** Games, TikTok, etc. in real-time. Our behavior matters!
- **Purpose.** As Marcus Ticotin, a longtime games executive and now CEO of Abandon Entertainment and college classmate of John's, says, "we have a goal, *an activity*, when we play."

- **Place.** Games take us to other worlds and situations and it's all ...
- **Global.** Content is produced — and viewers can access it — from *everywhere* making the addressable and relevant audiences much, much bigger and dynamic.

Now, contrast all of those developments with watching sporting events and live awards shows on traditional linear TV. Our experience is plainly inferior. For one thing, we have little to no choice. We pay handsomely to see the games on traditional pay TV channels. And, for the sports industry, *beware what you wish for*. It has been so *successful* in building its moat (generating outsize broadcasting and related rights payments) that Sports has essentially isolated itself on its own island and it's hard to get there. Sports is *not* available for the most part on the platforms that most young people use. That's a problem, says Yannick Manual Ramcke, the OTT lead at OneFootball in Berlin, because "if it's not happening on the platforms where you are, you don't know about it *and you don't care*."

And the viewing experience hasn't changed much since we were teenagers. Compared to playing games, live sports is full of dead spots — one-sided basketball games can get boring fast, not to mention the pace of baseball and football, especially with all the commercial breaks. There's no swipe left or right. Do younger people appreciate the nuanced beauty that crops up unpredictably in big-time sports? Or has it in fact become too complex, lumbering and time-consuming to scale?

**Meanwhile, in sports viewing, we cannot create or share content.**

Yes, on a second screen, we can follow and be heard (to a certain extent) on Twitter but we can't distribute NFL highlights on TikTok, we can't access live games on Instagram or Snap. We can't simulate the game experience of watching and playing together in real-time anywhere.

Because sports broadcasts are largely not personalized, they don't recognize or reward the persona we bring as fans. They *do* take us to another place; but, once there, we serve little purpose other than as people watching passively. *We don't impact anything*.

To change the current viewership declines, Sports leagues and organizations must get their games and highlights in front of far more people. More personalization would help. They need to update the playbook and rethink and rework their rights agreements. Networks need to make their broadcasts available to more devices in more geographies. We need an end to blackouts and video latency and an emphasis on the urgency and exciting communal serendipity of live events.

Most of all, *we love the action* and sports needs to give it to us. Compare watching this year's Kentucky Derby (audience down 12% from its last May date in 2019) with digital, virtual horse racing <https://www.nytimes.com/2021/05/01/style/zed-run-horse-racing.html> [No drug testing necessary!]. Fans on TikTok must be able to create and share content that includes real-time league highlights. Fans can also lead behavior — as baseball fans are doing now @wallstreetbets-style with No Runs First Inning.

A ray of light arrives tonight with the NBA Play-In Tournament — a brilliant addition by the League (sorry, LeBron!) that has simultaneously expanded and shrunk the Playoff lineup simultaneously, adding drama while eliminating “tanking” talk. Adrenaline. And more: Sports and the NBA are actually leading the current NFT explosion.

It is illustrative to both of us that our teenage sons are happy to come watch a few minutes of any live sporting event with us but they then quickly retreat into their bedrooms to play games with their friends — leaving our traditional media “pipe” for their “metaverse” — the topic of our next column.

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