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# Phenomenon of eSports

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## Abstract

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This research explores the world of eSports, a rapidly growing industry that has emerged at the intersection of video games, sports, and entertainment. The eSports industry is something that people often do not recognize or think about it the wrong way. The purpose of the research is to look through the main parts of the industry, define what eSports is, and find the reasons for the constant growth of eSports.

The paper provides a historical overview of eSports development, including its definition and the key figures who have shaped the industry over time. Spacewars developed in 1962 became the starting point for competitive gaming, introducing to the world the first possibility for individuals to compete against each other, not against computers. Since then, eSports became the world's phenomenon conquering the entertainment market and growing in every single aspect.

The research found that strengths and opportunities of the industry outnumber weaknesses and threats. With the successful cooperation of eSports' stakeholders, industry was able significant increase its audience, revenue, awareness, and potential. The paper highlights the importance of stakeholders and their interactions in creating a successful business model network. The monetization of the audience is a driving force, and the interconnection of stakeholders increases profitability throughout the system. Moreover, the paper discusses the exponential growth of the eSports industry and how it is expanding into new markets. The factors that could accelerate the growth of the eSports market are listed in the paper, including attracting more young audiences, growing sponsorship, and the creation of new disciplines and franchises.

Keywords: Esports, Entertainment, Competitive Gaming, Phenomenon, Growth.

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## **Glossary**

BR	Battle Royal. The genre of video games where many participants fight each other until only one participant remains alive.
FPS	First-Person Shooter. The type of video games in which players assume the role of the character and experience the game from the character's perspective.
LAN	Local Area Network. Group of computers of other devices that are connected to the same communication line or wireless link to a server within a distinct geographic area.
MOBA	Multiplayer Online Battle Arena. Sub-genre of real-time strategy which involves two teams with each member controlling a certain character with unique abilities.
RTS	Real-Time Strategy. Sub-genre of strategy video games that allows all players to play simultaneously.

# 1 Introduction

Back in the 50s video games were only a concept. Today the whole industry has grown to have multiple world tournaments with the prize of millions of dollars. After the first video game competition in 1980, people never thought that competitive gaming could grow to be one of the most significant part of the 21st-century entertainment industry (Larch, 2023). Something that was only a hobby, is today full-time employment with all the same benefits as other defined jobs around the world. By opening and expanding the gaming competition, its attractiveness is constantly growing. Nowadays, eSports is centralizing around itself not only gamers but companies, business units, and occasional people who like the competitive spirit.

Esports is an important and relevant topic. Even though eSports is a relatively new segment of entertainment viewers' growth was a surprisingly fast and successful journey. Initially, competitive gaming was based on enthusiasts who were involved within the gaming industry but already in 2019, the number of occasional viewers was higher by 3 million people. In 2021 this number doubled, and it is estimated to grow even further (Howarth, 2023). Moreover, revenue growth is significant and there is increasing sponsorship activity every year. It took about 30 years for competitive gaming to become what is called today eSports and it has increased revenue from nothing to 1,38 billion dollars in 2022 (Ruby, 2023).

The reasons for the following research are to look at the eSports phenomenon from the business side perspective and to understand the topic in more detail. Regardless of how popular the topic is, there are not many articles that cover the business side. Many people still wonder what eSports is.

Usually, people take eSports as something fun to watch. However, eSports is not only about games and the game industry but also about people around it, competitiveness, and the most important part of today's world is business. The industry is progressively expanding in terms of professionals attracted to its

development. For example, implementing all the necessary actions to get the events running could be compared to launching a new product line. Analytics, promotion, marketing, finances, and organization are just some parts of the final product.

## **2 Scope of research**

The focus of the research is to look at eSports from a business perspective. The main research questions that will be raised are; what is esports and what is its impact on the global market and business in general. The very concept of eSports, although not known to everyone, is already known to a large number of the population. Nevertheless, not all people really understand what it is and that this is not only about how some people play games. It is also worth revealing the topic of the great influence of eSports on every business field by taking a closer look at various aspects such as marketing, sales, finances, and management. Thus, the following chapters are not going to cover the entertainment and competitive side of the topic. Nevertheless, the paper consists of two essential parts.

Before going to dive deep into business, the first part of the research is conducted to expand the eSport term by providing the reader with a clear definition of the topic. For people who are not familiar with the gaming industry it could be hard to define eSports and moreover name the differences between the gaming communities. Following this its history, revealing the journey that video games had to go through to make such an impact on the entertainment industry. Closing the section with a review of major industry figures. Since eSport is beloved not only around the gaming community and treated as any other sport it has its own crucial parts that it could not exist without. The objective is to improve the understanding of the topic and avoid further unnecessary questions related to eSports origins or evolution. Additionally, one of the main research questions that this part will answer is “How did eSports achieve such a success?”.

The second part of the paper will answer two main questions:

- Why is eSports constantly growing?
- What are the prospects of eSports?

This part of the research is primarily aimed to sort through esports as a business unit. Describing main business figures and providing the reader with the most appropriate information on how well eSports could be for not video games relatable organizations. On the one hand, esports was created so that players could compete with each other for a certain reward and at the same time entertain the viewer. On the other hand, today it will be difficult to deny the fact that esports is becoming a business in which it is profitable to invest and support. Equally, as in many other parts of our life, esports would not exist without money. The objective of this section is to describe the main activities from a business perspective to make all the mechanisms of esports run.

### **3 Methodology**

To help in answering questions raised in Chapter 2, the needed secondary data was collected and analysed, to make sure that most of the sources are up to date and accurate enough to conduct a conclusion to the topic. As Kothari (2004:95) states: “The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process”.

Most of the data for this research was found online. Articles, studies, news, and analyses could be identified as an online source. Moreover, websites of industry leaders and gaming organisations provide information of the most recently active events. The reason for using online sources is that most of the books related to topic are outdated and have no value for the research. Information founded on the internet is more recent, relevant and gives an accurate view of

the state of industry and its movement. The industry changes rapidly and the use of online sources is more effective.

Nonetheless, regardless of whether the internet and online sources are the main information sources, as mentioned before, the paper is divided into two parts. Since the first part consists mostly of the definition of esports, it would be reasonable to also use books. In that case, books are used as approved sources of information and could provide a clearer and more qualitative picture of the origins and evolution of eSports.

## **4 eSports**

### **4.1 Definition**

ESports is defined by Yong (2010:62) as “a computer game played in professional competition, especially when it is watched by fans and broadcast on the internet or television”. On the other hand, Wagner (2006) refers to eSports as “area of sports activities in which people develop and train mental or physical abilities in the use of information and communication technologies”. There are two completely different definitions. However, none of them is right or wrong. Looking through various literature it is obvious that even today there is no one concrete definition of eSports. Among regular users, esports is viewed from an entertainment point of view. eSports is a form of competitive gaming in which teams compete against each other for the ultimate prize. People watch esports like football, something fun to watch. At the same time, Wagner (2006) represented eSports from the action perspective what people should follow, to be called professional players, referencing mental and physical abilities. Whereas Yong (2010) built his definition based on key elements such as game, players, translation, viewers. It is believed that there are even more alternatives that could be used to define eSports and it all depends on which way we look at it. Scholz (2019) writes that it is possible due to the fact that “Esports is an umbrella term for competitive gaming and a whole industry comprising various actors”.

However, when Wagner (2006) defines eSports, he leaves a question of the differences between eSports and traditional sports unsolved. Since the definition could be used for describing an activity that is present in traditional sports as well. As Hamari and Sjöblom (2017) findings indicate, many aspects of the current sport are computer-assisted or computer-mediated (Witkowski, 2012). Thus, it is important to clarify the difference since Wagner's definition (2006) could be too narrow in terms of the complexity of both physical and electronic aspects in eSports. Hamari and Sjöblom (2017) argue that "the main difference between a sport and an eSport comes down to where the player or team activities that determine the outcomes of the sport/play are manifested". Table 1 references the outcome of the event happening either in "real world" or in "virtual world".

Table 1. Conceptualizing the difference between sports and eSports (Hamari & Sjöblom, 2017).

What space does the athlete occupy?	What sporting equipment do the athletes primarily use?	Where do the outcome-defining events happen?
eSports The "real world"	Human-computer interface (Human input: mouse, keyboard, microphone, motion sensors. Computer output: display, devices, audio devices.	Within electronic system.
Sports The "real world"	Human-physical object interface or no sporting equipment required.	In the "real world"

Based on the outcome differences it is possible to conduct one more definition of the eSports stated by Hamari and Sjöblom (2017) as "a form of sports where the primary aspects of the sport are facilitated by electronic systems; the input

of players and teams as well as the output of the eSports system are mediated by human-computer interfaces”.

#### 4.1.1 Types of tournaments

The competition could be conducted with two different approaches:

- Online events – “Events are help with players connecting over the internet to a server in another location” (Pinnacle 2020). Thus, it is not obligatory for players/teams to be in one place, and they can participate from any place convenient for them. This format of tournament facilitates the tasks of the organizers, since they do not have to come to look for an arena for the event, and this reduces the cost of holding the event. However, this type of competition is harder to control. There may be cases when players are late or simply can use prohibited programs, in other words, cheat.
- LAN events – “LAN stands for Local Area Network, referring to the fact that everyone participating is playing on the same local network” (Daniels, 2021). Unlike online tournaments, these types of tournaments usually take place in large arenas in front of a live audience. Thus, all players and teams are forced to relocate to participate in the tournament. Usually, LAN tournaments are the biggest championships of the year. However, there are times when the tournament can be divided into two parts. The first part, the so-called group bracket, is held as part of an online tournament, while the second part, the playoff, takes place as part of a LAN tournament.

#### 4.1.2 Esports Genres

To conduct the event on the stage or online there is no particular need to build a team of five people. Depending on what genre of the game person is aiming for it is possible to compete alone in a 1vs1 format of tournaments or in teams of three to five persons per team. First Person Shooter (FPS), Multiplayer Online

Battle Arena (MOBA), and Battle Royal (BR) are the genres that are usually played in teams of three to five people since these genres are strongly reliant on teamwork and communication. Real-Time Strategy (RTS), fighting, and card games are usually played in the format of 1vs1 since these genres are sharpened by individual mechanics.

- FPS – First Person Shooter. “Genre of action video game that is played from the point of view of the protagonist ... providing a view of what an actual person would see and do in the game” (Rouse, 2011). In eSports, two teams are playing against each other with the goal to win the rounds by eliminating the enemy team or by using alternative ways depending on the game. The most popular games are Counter-Strike, Valorant, and Overwatch.
- MOBA – Multiplayer Online Battle Arena. A genre of games that have a different point of view but uses the same principle as two teams compete head-to-head with the goals of protecting their home base, however, the way to earn a win is by destroying the structures of the opposing team (Zhou, 2020). Every member of the team has his own character with unique abilities to influence the overall team’s strategy. The most popular games are League of Legends and Dota 2.
- BR – Battle Royal. In other words, could be referred to as the last man standing. Usually played in teams from 2 to 4 players. The genre collects such aspects as exploration, survival, and shooting. Games are played on a large map with up to 100 players at the same time. The only way to get the win is to survive until the last minute and be the last alive on the map. The most popular games are P.U.B.G, Apex Legends and Warzone.
- RTS – Real Time Strategy. “RTS refers to a time-based video game that centers around using resources to build units and defeat an opponent” (Rouse, 2015). The format of tournaments is 1vs1. Collect resources,

build a base, attack and destroy the enemy's base. Starcraft 2 is the only game that still active on the scene.

- Others – card games, sports games, and fighting games are using the same principles by just defeating your opponents in a certain way. Using the best possible combination of cards, overtaking your opponent or defeating him in a virtual brawl using various characters. The possible examples are Hearthstone as card game, FIFA as sports game and Mortal Combat as fighting.

## 4.2 History

Esports gained popularity relatively recently when technological progress made gaming more accessible. However, it all started back in the late 50s, “as the first game, Tennis for Two from William Higinbotham in 1958, already had a competitive gaming element” (Scholz 2019:19). Previously, first released games and their concepts did not give the opportunity to play against each other. The only possible way to play was to compete with the computer by choosing the starting side. (Larch, 2023) Tennis for Two was the only game that had a competitive element, but it was only a concept of eSports. This concept gave birth to esports as people saw an opportunity for competitive gaming.

In 1962 Spacewar was introduced to the world.

“Spacewar consists of two, humans, two sets of control buttons or joysticks, one TV-like display and one computer. Two spaceships are displayed in motion on the screen, controllable for thrust, yaw, pitch and the firing of torpedoes. Whenever a spaceship and torpedo meet, they disappear in an attractive explosion” (Brand 1972).

The first competitive event named “Intergalactic Spacewar Olympics” was organized in October 1972, with 24 students participating to have a chance to win a year's subscription to the “Rolling Stone” magazine. (Brand 1972)

The Spacewar event is considered as the first LAN competition. Nevertheless, one of the most popular recorded competitive gaming events was Atari's Space Invaders tournament in 1980. An incredible number of participants (10,000 entrants) were reaching for the highest score to win the event (British Esports 2016). Expectedly, encouraged by the success of the last tournament, ATARI decided to announce the World Championship next year with a \$50,000 prize pool. The organizers expected to see 3,000 - 10,000 participants, but only 174 turned up for the event itself. Participants and spectators had to finance the entire trip themselves, which ultimately led to poor attendance and therefore the failure of the entire championship. (Scholz, 2019:20)

Further growth in competitive gaming was seen in the 90s. As Wagner (2006) associated growth with the formation of online teams "Clans" and certain game releases:

- "Doom" released in 1993 by GT Interactive
- Release of the game "Warcraft" by Blizzard Entertainment in 1994
- "Quake" released by id Software in 1996
- Release of "Counter Strike" in 1999 by Valve

Among that, Roland (2017:15) mentions the creation of the first major and one of the most noticeable and influential US video game leagues "Cyberathlete Professional League" founded in 1997 by Angel Munoz.

The whole industry began to grow at a fast pace. Technological progress influenced computer technologies to grow which in turn provoked the gaming industry to explode with novelties. Gaming spread and became accessible, which in turn led to the interest of large developers in scaling up gaming events. Table 2 shows significant events happening in the history of eSports.

Table 2. History of eSports (Devil 2011).

June 1997: Red Annihilation Quake tournament sponsored by Microsoft with the main prize being the Ferrari 328 GTS Cabriolet.
April 2000: The Razer CPL Event. Quake 3 tournament with a prize pool of 100,000\$.
December 2001: The World Cyber Games. The event included few different games with a prize pool of 300,000\$. Sponsored by Samsung event involved 430 players.
August 2002: ESL Pro Series launches its first season in Germany. First Online league with LAN finals.
July 2003: First Electronic Sports World Cup (ESWC). Prize pool of 156,000\$ split between different disciplines. The event stated as one of the most important events of the year. First event to include female team discipline.
May 2004: First player transfer will occur. Team Noa paid the transfer fee to SK Gaming.
November 2005: Turtle Entertainment (parent company for ESL) influence German TV and half year later launch IPTV channel GIGA 2 which is focused on broadcasting eSports.
October 2006: MLG secures \$25 million more in funding and become one of the biggest leagues in eSports in 2006.
January 2007: Start of Championship Gaming Series broadcasted on TV. Global league with the prize money of 1,000,000\$.

August 2008: Foundation of the International eSports Federation.
March 2009: The first political debate in Germany considering ban of violent games. Based on the tragedy in small village where 16 people were killed. Later Turtle Entertainment co-organizes an educational LAN party at the German parliament.
August 2010: GOV TV announces the Global StarCraft 2 League in South Korea, being the biggest event series in StarCraft 2.
August 2011: Introduction of two MOBA games to a big stage. League of Legends and Dota 2 make their mark in eSports being the most viewed championship in eSports history so far.

The term esports itself was first used in a press release about the creation of the Online Gamers Association (OGA) in 1999. At the same time attempts emerged to compare eSports to traditional sports (Wagner 2006). Even though competitive events were launched in 1980 with the launch of Spacewar, only in the 2000's did eSports move towards the professional side. The birth of the first pro-gaming organizations, the creation of professional leagues such as World Cyber Games (WCG) in 2000, Major League Gaming (MLG) and ESL Pro Series in 2002, and Intel Extreme Masters (IEM) took place in 2006 (Devil 2011). Established almost 20 years ago, IEM and ESL are still one of the most recognized and prestigious leagues in eSports.

### 4.3 Key Figures

Every significant field could be divided into different stakeholders and eSports is not an exception. The nature of eSports dictates the involvement of various stakeholders in order to create and support the industry. Esports cannot be successful without certain actors (Hayday, 2022:11). Esports is a complicated mechanism, and every part of that mechanism plays an important role to ensure

effective functioning. Table 3 summarizes the primary stakeholders and their effect within the industry.

Table 3. Core stakeholder groups of the eSports industry (Hayday, 2022:12).

<i>Stakeholder Groups</i>	<i>Examples</i>	<i>Definition</i>
Game Publishers and Developers	EA Sports Sony Interactive Riot Games Inc	Companies that have created or published games. Own the intellectual property of video games.
Tournaments and Event Organisers	Dreamhack ESL Blast	Organisations that are responsible for organising and hosting eSports event and tournaments.
Leagues	EMEA Championship ESEA Call of Duty League	The competitive structures in which teams compete with each other to collect points for the better stance in the tournament bracket or to even a have chance to participate in world championships. Usually divided by several tier levels.
Teams and Franchises	G2 Esports Teal Liquid SKT T1	A group of players who have been chosen to be a part of a team to compete in specific leagues and tournaments. Could be in amount from 2 up to 6 active players per team.

<i>Stakeholder Groups</i>	<i>Examples</i>	<i>Definition</i>
Federations and Associations	International Esports Federation (IESF)  British Esports Association  World Esports Association (WESA)	Could be referred to as eSports authorities that develop, establish and regulate rules within the industry. Often have limited control or power. Thus, act as an influencing actor to encourage everyone to follow and improve regulation. Most likely non-profitable organisations.
Players	Lee Sang-hyeok (Faker) Oleksandr Kostyliiev (S1mple) Johan Sundstein (N0tail)	Individuals that compete on professional or semi-professional level being part of a team or individually
Sponsors	Audi Intel Mountain Dew	Main investors in the eSports industry. Various brands involved in return for access to the rights, to achieve the specific objectives relevant to their brand strategy. Could be applied on multiple levels. It could be sponsorship of tournaments, specific teams, leagues or even through the endorsement of eSports athletes themselves.
Fans		Any person who follows the tournaments, esports titles,

<i>Stakeholder Groups</i>	<i>Examples</i>	<i>Definition</i>
		leagues, or even specific teams. Occasional viewers who do not participate or individuals who other participate themselves in the same or another esports title.
Media Platforms	YouTube Twitch Twitter	Includes traditional broadcasting as well as streaming services and additional content for fans. Could be used by tournament organisations to announce and broadcast the event for anyone at home. Also often used by professional players to promote themselves and get more audience for their team.

None of the above groups could make eSports live by its own. Every actor is interdependent and should trust and rely on each other to reach success for the industry and themselves. Players could not play the game if game developers did not introduce it to the world. Fans could not attend and watch the tournaments without event organizers. Leagues could not be formed without teams and players. Tournaments and teams could not be organized without sponsorship. Furthermore, sponsorship could not be effective for brands without a built fanbase and audience. Thus, eSports is a living organism that could not grow and live long without any of the above-mentioned stakeholder groups.

## 5 Business of eSports

### 5.1 Esports Business Model

The eSports industry has been developed around its various stakeholder groups, each of which relies on the others for success and growth. Unlike other industries, esports has always been driven by technological advancement. Esports organizations opposed existing business models, which in turn led to evolution. Combining innovative technologies and the creative minds of people, the industry made attempts to exploit technology to the maximum possible extent.

“Technology has always been a driver for change rather than a barrier to conquer; however, this strong momentum, pushing the limits, created an environment in which pre-existing business models could not be used for eSports, and it had to find its own way to build a business, sometimes in an environment where an organization did not know that a specific area of its work could become a thriving business model” (Scholz, 2019:118).

Thus, the eSports industry relies on a network of stakeholders who must interact with each other's business models. The monetization of the audience is a crucial driving force for every business model, and the interconnection of stakeholders increases profitability throughout the system.

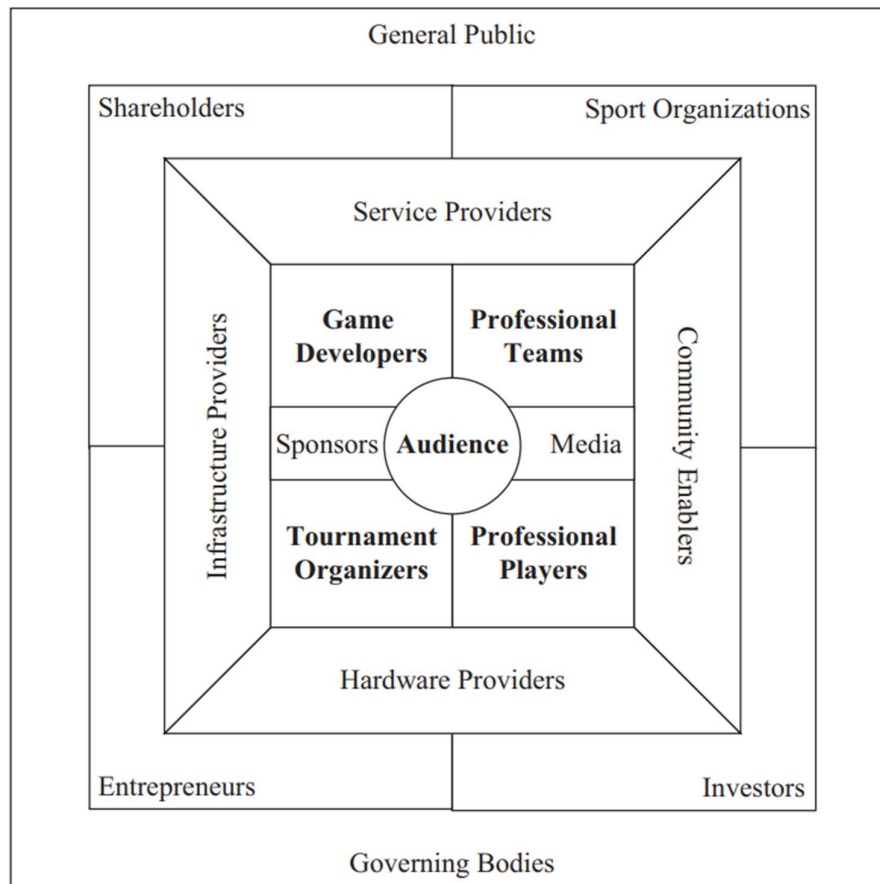


Figure 1. Ongoing evolution of the stakeholder network, highlighting the importance of the business model network (Scholz, 2019:119).

Scholz (2019) highlights that a network has its own threats such as new entries, buyer power, supplier power, a risk of substitution, and competitive rivalry, but to utilize the synergies, the network should focus on value integration and cooperation. Thus, competitors could cooperate with each other in a market where they do not compete but only complement one another to get the strategic benefits. Moreover, Table 4 presents the main rules that Scholz (2019) outlines for the existence of a successful eSports business model network.

Table 4. Three Cs as Simple Rules (Scholz, 2019).

	Driving force of the eSports industry. Bengtsson and Kock (1999) describe cooperation as “a situation where competitors simultaneously cooperate and compete with each other”.
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Cooperation	<p>Cooperation is an essential aspect of eSports that has been driving the whole industry and helped innovative ideas. Even though eSports stakeholders have to compete with each other in order to gain more audience, at the same time they have to cooperate with each other to foster growth. The cooperation exists in other markets as well.</p>
Co-destiny	<p>Cooperation shows the benefits of cooperating with other stakeholders, but the main goal is the creation of a business model which will help the stakeholder to grow and profit. Sharing the same long-term goals and understanding short-term sacrifices ultimately help stakeholders. There is no governing body in eSport to create a shared vision, but eSports is driven by a certain co-destiny. Involved people want eSports to grow and it is required to build trust between eSports companies and stakeholders. From the very beginning eSports was built on the trust of every involved side within the industry. Everything was based on the principle of trial and error. There is no such thing as own interest at the expense of eSports. An informal code of conduct was established by the whole community dictates rules to be followed and creates a shared vision of eSports.</p>
Convergence	<p>The convergence trend is also taking place in esports. The main goal is the audience and the growth of the industry; however, convergence is necessary to create successful concepts and ideas. Sharing cooperation and co-destiny will eventually lead for stakeholders to become similar over time. Championship Gaming Series introduced a disruption that may have led to short-term divergence, but it turned out that a situation like this can contribute to an overall convergence in the industry. On one hand, the convergence enables individual stakeholders to thrive to contribute to the</p>

	<p>exponential growth of eSports. On the other hand, a massive number of newcomers entered the scene as a result of creating new divergence by introducing a variety of divergent forces.</p>
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The business model of eSports is a network consisting of various business models for each stakeholder. Furthermore, several business model networks could be connected. Based on the eSports title business model and network could differ. “The role of the game developer in Overwatch is exceptionally dominant, but the part of the game developer in Counter-Strike is not dominant at all” (Scholz, 2019). The interdependent business models of games within the industry have a significant impact on the overall business model network of eSports.

Cooperation, co-destiny, and convergence are all essentials of the eSports business model network. The business model of event organizers and the business model of game developers should cooperate, have the same long-term goals, and create one business model network to succeed together. The cooperation exists in other markets as well. As an example, let’s look at Samsung and Apple. Even though these companies compete in the same market, for some time now Samsung has been a major supplier of OLED displays for Apple. Samsung supplies over 70% of all displays for the iPhone 14 series (Naresh, 2022).

## 5.2 More than just games

Esports itself was never only about games. Games were developed to entertain people, give them emotions, and have a fun way to spend their time. As time goes by and technology progress developed, people found a way to compete with each other, expanding the gaming industry by investing time and money into the competitive side of video games. It opened the prospect for individuals

and organizations to get the value out of it and then turn the whole industry into one large business unit making tremendous revenues.

Something similar at some point happened to every single sport we know. In football, for example, the sport's history was much longer and more complicated than in eSports. "The first known examples of team game involving a ball, which was made out of a rock, occurred in old Mesoamerican cultures for over 3,000 years ago" (FootballHistory 2014). However, even though football was originally invented as a competitive sport it turned out that it has the same outcome as eSports expanding all over the world and becoming something more than just entertainment for the British working class (FootballHistory 2014). Nowadays, football is a massive business involving investments in players, stadiums, customer service, etc., and a return from ticker prices, sponsorship, and merchandise (OpenLearn 2020).

Claiming that eSports is a business does not mean that it only generates money. Obviously, this is the big thing when it comes to maintaining the functions of the whole industry. Nevertheless, eSports creates a wide range of opportunities for people interested in competitive gaming.

"As esports gains more popularity among young people, it's a no brainer that schools can adopt this trend to leverage its benefits to facilitate learning and boost students' academic or career performance... As esports start to be considered as high-potential career option, it's imperative to understand the importance of building up a pipeline for self-development (or career development) for student players on campus. By creating an esports-focused community in schools, students can connect their passion with their academic and personal goals" (Chou, 2021).

For people not familiar with the industry it may sound crazy that individuals spend years to become a professional player and it seems that this is the only way to break into eSports. Moreover, no one can compete forever and at some point, every professional player should retire and move somewhere else. It sounds like an end, but it only depends from person to person on how their career will be moving further.

Former pro player and YouTube creator Matt “NaDeShot” Haag is an example of a career in eSports. Being a pro player in the game Call of Duty, Matt was considered one of the biggest personalities in eSports at the time. His entrepreneurial mindset, competitive career, and creative approach to social media led him to establish an eSports organization 100 Thieves. Starting from name and logo creation 100 Thieves became a multimillion-dollar eSports organization and synonymous with some of the biggest names in gaming, music, and fashion (Dominguez, 2022).

On the other hand, it is understandable that not everyone would have such a career, and the reality, however, is that not many passionate players will actually make it to become a professional (Dominguez, 2022). Figure 2 points out multiple ways individuals could work within the eSports industry. For those who could not be a pro gamer for any of the reasons but would like to have an effort in the industry, there are actually numerous ways to go.

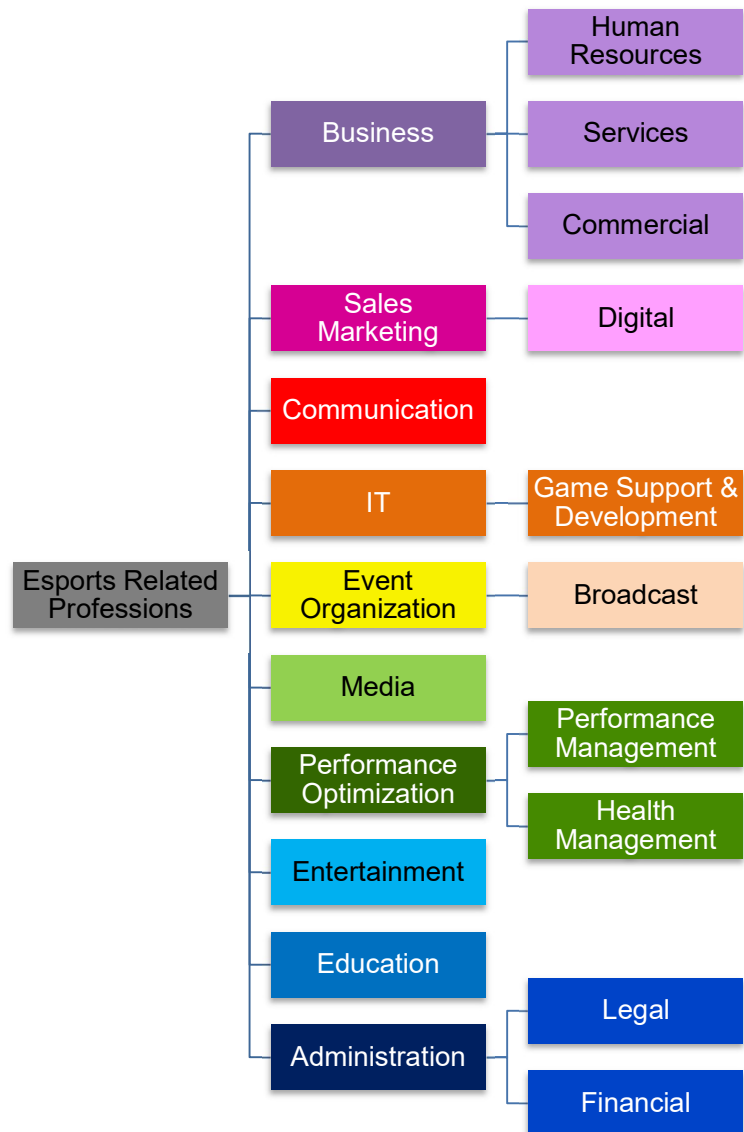


Figure 2. Esports related professions (Besombes, 2019).

Journalist, Streamer, Financial Analyst, Brand Manager, and Network Technician. These are only a few examples of eSports-related professions. A wide broad of opportunities from different fields could contribute to the growth and functioning of eSports. Many former pro-players moved from gaming to become on-stage hosts, shout casters for the same discipline they competed in themselves, become coaches for teams, content creators, or even had a chance to influence the organizations on administrative role.

### 5.3 SWOT Analysis of eSports

Esports is taking over among young individuals. In the latest years, it became a phenomenon in the entertainment industry. Experts valued the global eSports market at 2 billion dollars in 2021 with the expectation it to grow with a compound annual growth rate of 21.9% from 2022 to 2030 (Grand View Research 2022). Nevertheless, what are the reasons for eSports to become immensely popular? Why more and more people are getting drawn into the industry?

The best way to analyse eSports is to use the SWOT analysis since looking at eSports from that perspective could help to understand every side of the industry. Kenton (2022) states that SWOT analysis is a strategic planning technique that is designed to identify the core strengths, weaknesses, opportunities, and threats of the company or industry. Figure 3 highlights, in a short form, the main point of every analysis side of the eSports industry.



Figure 3. SWOT analysis of eSports industry.

Data from the analysis could guide businesses, investors or competitors towards better decision-making and understanding if industry might be strong or weak and why.

### 5.3.1 Strengths

- Market Share

The video game industry usually could be divided into a few groups of gamers. “Casual gamer is a player who enjoys any video game without investing significant time in it, playing it spontaneously, irregularly, or infrequently” (Computer Hope 2022). Casual gaming is the most popular and takes the largest share around 50% of the gaming market size in 2021 (Global Data 2022). However, pro gaming is not far behind that with a market share of 20% in 2021 taking into consideration only professional video game players who train to improve their gaming skills in order to participate in leagues and tournaments (Global Data 2022).

- Easy to Access

People can play any game they want on any of the platforms from computers and smartphones to tablets and consoles. Choose a device, pick the game, and launch it to become a part of the community (Shankar, 2021). Easier than ever anyone could pave the way into eSports. Whether a person would like to become a professional player, build a career in esports, or just become part of the community, watching the industry, following teams, players, and leagues.

All you need is the internet connection. Observe by joining any ongoing event through the online streaming platform such as YouTube and Twitch by accessing it on your smartphone or computer (Momin, 2022).

- Building Community

“The gaming community is arguably just big as the sporting community now” (Shankar, 2021). The outcome is the same. People organize fan clubs to support some of the teams. They connect to play games and spend time with each other, often becoming friends or even finding love during the process (Momin, 2022). Anyone from anywhere in the world could be a part of those communities. People like to share emotions and experiences with each other and eSports or just gaming is the place where everyone could find that. Organizing local social events for fans of the particular game, traveling abroad together to watch and support the team in the championships. Since eSports are not as physically demanding as regular sports are, it makes sense to spend hours talking to your teammates and other players while practicing your skills (Stern, 2022).

- Diversity

Everyone’s taste is different and whether individuals prefer multiplayer online battle arena games, first-person shooter games, or something more like traditional sports as FIFA, there is something for everyone to follow (Momin, 2022). Moreover, a person has the option to choose not only from the genre but also from games within the genre. “The number of eSports one can choose from is seemingly endless” (Stern, 2022). Watching, playing, or even betting on some of the eSports titles, it does not matter since the industry offers an opportunity to find something that suits everyone’s style.

- A Great Entertainment

People love watching eSports as any other sport. It has a huge following all around the world increasing its viewer numbers to more than 500 million in 2022 (statista 2022). Furthermore, the best side of eSports as an entertaining platform is that it does not matter if you like to spectate or actively participate, eSports include everything to be entertaining for everyone involved. As it was mentioned before, people can access broadcasts and games from almost everywhere at any convenient time. Nowadays, you can watch tournaments and

root for some of the teams, play a competitive title from your own platform, find connections throughout the process to build friendships, use various services to even place a bet on your favorites, and last but not least, sign up for a competition by yourself or with a team to test your skills against other participants (The Jerusalem Post 2022).

- Cognitive Benefits

It is to believe that gaming, especially participating in competitive title games, could improve your cognitive abilities. Perfect hand-eye coordination is the key to success in competitive play. For example, use of the personal computer requires gamers to be able to do different actions with each hand simultaneously. Using a mouse requires gamers to move hand from side to side, at the same time usage of keyboard is completely different action by pressing numerous keys at every specific moment but both must be perfectly coordinated (Cyber Athletiks 2020).

Critical thinking and problem solving are the most useful benefits of eSports. Some eSports titles have endless unique situations for gamers to use their skills. To make a solution for the best move in certain situation it takes in a mass amount of information going on at the time, process, analyze it and make split-second decision. It happens a hundred times during one session. Cyber Athletiks (2020) use one of the best ways to describe the process by standing “Gaming requires you to think about what your opponent is thinking about, and even to think about what you think your opponent is thinking that you are thinking about.”

### 5.3.2 Weaknesses

- Standardization

Given that eSports is a relatively new industry, it is not surprising that issues related to standardization exist. Salaries for players depend mostly on the organization they are performing for no matter what were the results for the

recent time. Novice or immediate-level players could be getting remarkably low salaries despite their necessary involvement in the tournament (Votion 2018). Moreover, as Votion (2018) states, “the lack of standardization in this industry also means that there are constant issues that arise with players, teams, tournaments, and their advertising, sponsorship or contracts”. Thus, poorly crafted contracts with organizations or sponsor brands could often lead to problems such as lawsuit which in turn negatively impacts all parties involved.

- Stability

Esports is truly unstable. Most of the business models are built up to provide the stability for people working around the industry. At the same time, the eSports scene could be crashed in a month. “It is a lot like investing in the stock market since you have to accept the fact that you may lose your investment” (Shelly S, 2022). Leaders of the pro scenes change often; players leave teams and there is no such thing as stable dominance for a long time. Thus, investing in a specific team or player must be strategically considered, taking into account all the risks.

- Cheating

The major issue of the industry is that people tend to look for an easier way to outstand their competitors and get promoted. In other words, people are willing to use any sort of cheats just to get better results or pretend that they are good enough to become pro gamer. Some individuals are even had an opportunity to cheat during tournaments left unnoticed for a while. Therefore, players who get caught are facing career ending consequences. Getting banned from the tournament or league is the less that can happen since in some cases players received ban from a game publisher to restrict a person from playing the game entirely (Besharaty 2022).

- Health Risks

At the same time as gaming could improve cognitive abilities of gamers, it could lead to a several problems with health such as mental, physical, and social issues. Addiction could immerse if person is spending uncontrollable amount of time only playing games. This disorder could become so inherent to obsessed gaming that people let it take over their entire lives and even ruin families and careers (Momin, 2022). Overweight is one of the possible issues since people who tend to play for a long period of time completely forget about physical activity which is essential component of healthy health (Famwart 2019). Consuming any sort of fast food just to fill the stomach and spend as much as possible little time on preparing food. Injuries could be a part of competitive gaming as well with one of the popular is Capral Tunnel Syndrome (CTS). “Carpal tunnel syndrome is a common neurological disorder that occurs when the median nerve, which runs from your forearm into the pal of the hand, becomes pressed or squeezed at the wrist” (National Institute of Neurological Disorders and Stroke 2023). The syndrome occurs in gaming for the reason of having poor wrist position in extension for long periods of time.

### 5.3.3 Opportunities

- Constant Growth

Esports is a relatively new industry, and it is not done growing yet. There are still plenty of opportunities for entering the market and adding to the industry. Only for the last few years, a year-on-year growth of audience and revenue was +8.7% and 14.5% for 2019 (Newzoo, 2021). It is estimated to grow even further with the involvement of more organizations and sponsors.

Talking about the possible growth of the industry it is worth mentioning that despite that eSports being mostly focused on PC or consoles, the future of eSports could be expanding even greater with better mobile technologies. China is one of the first countries to establish a mobile eSports scene, and it is estimated that the mobile gaming segment could make up 45% of the total global games market this year (Insider Intelligence 2022).

- Sponsorship

“The backbone of many marketing strategies, sponsorships with eSports event, teams, or brands are intended to bring about the same benefits as sponsorships of other sporting or cultural events” (Capgemini, 2021). Esports could be a great place to create partnerships or marketing campaigns for businesses whose products are mainly aimed to reach out to the young audience from 18 to 30 years old. The internet makes it less complicated for customizing the campaign elements since much of the activity is taking place online during broadcasts, social media, and streaming platforms.

- Job Market

As it was described in Chapter 5.1, the growth of eSports brings to the table not only raw pleasure and numbers but also more opportunities for new graduates from an extensively wide range of industries to be a part of such a history. Any eSports enthusiast could find a way to participate within the industry using the strengths of his/her personality.

- Professionalism

Since eSports was now considered a sport for a long time in society, some people involved within the industry were not acting professionally during live events or streams. Nevertheless, this issue just a few years ago started being raised as an issue within the eSports ecosystem. Organizations should be using educational programs to avoid any incompetencies from players and employees. Disposing of unprofessional behavior would lead to an acknowledgment of the industry and bring more opportunities for all of the eSports ecosystem (Boyd, 2018).

#### 5.3.4 Threats

- Lack of Data

Esports has one of the biggest weaknesses but at the same time, it could be one of the biggest strengths. Going through the industry people often seemingly overestimate revenue completely forgetting about expenses. Riccio M. (2020) states that “Esports has the lack of historical revenue channels to base reliable budgeting and therefore reliable expense management”. However, Riccio M. (2020) mentions in the same article that the lack of historical revenue channels could lead to the possibility of adjusting the industry, for specific factors, faster and at potentially less cost. Comparing the case with any other traditional sports. Since having a strongly built legacy makes it difficult to turn into another direction of innovation.

- Monetary concerns

Even though with the rise of technology eSports become more accessible in terms of online production, there are monetary concerns to consider. Prices for consoles are getting higher with the price of 500 dollars for a PlayStation 5 (Explore PlayStation, 2023). PCs are getting even further since it is a more complicated platform with an average price of one or two thousand dollars for a gaming PC (Verkkokauppa.com, 2023). Taking into consideration that users of PC should have decent devices (mouse, keyboard, headphones) for participating in eSports titles which in turn add an extra cost. Moreover, Famwat (2019) specifies that subscription services, expansion packs, and micro-purchases could also contribute to the total price.

- Discrimination

Esports is a heavily male-dominated industry. Looking at the pro scene it is possible to see that there are not that many women league out there. The popular misconception that men are better players generates discrimination in terms of salaries and popularity, and the worst part is toxicity. During online competitive matches, it is often to see women harassed by the community in a way of swatting, doxing, flaming, grieving, botting, hate speech, and online voice chat abuse by saying “Get back to the kitchen” (Intenta Digital 2022).

## 5.4 Growth

### 5.4.1 Audience

Despite the fact that with the arrival of the COVID-19 pandemic eSports suffered due to cancellation of major LAN events, eSports were able to find a way to engage more people and opportunity to expand the market where there had been little activity. People were required to stay at home during the lockdown and it turned out that livestreaming became one of the main options to spend time which in turn helped to reach new people and increase livestreaming audience (Geysler, 2022).

The Audience of the eSports was increasing even before the pandemic but nowadays it is getting further. As Newzoo (2022) presents in their findings, the number of audience is predicted to grow from 532 millions of viewers in 2022 up to 640.8 millions of viewers in 2025.

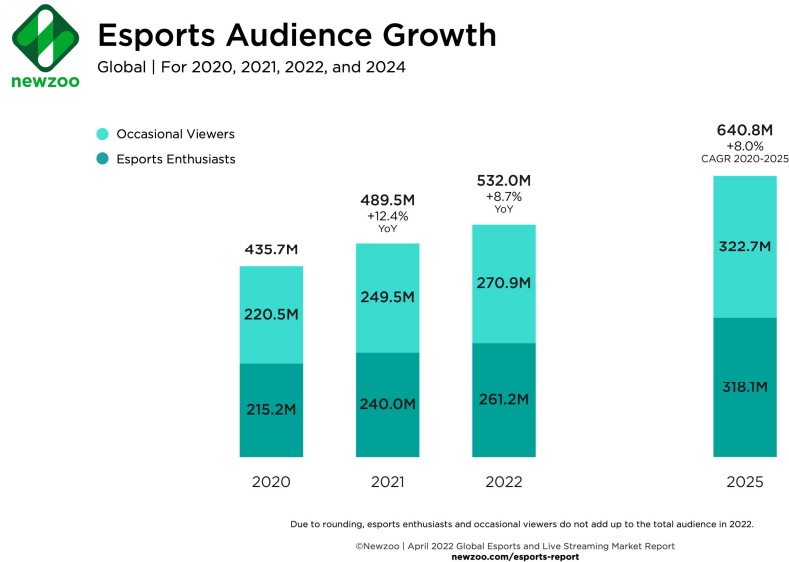


Figure 4. Esports Audience Growth (Newzoo, 2022).

The whole audience could be divided into two sectors:

- Occasional viewers - those people who watch the scene by chance if they have an opportunity, time, and interest. Generally, less than once a month (Newzoo, 2022).
- Esports enthusiasts – people who follow the eSports pro scene regularly, chanting for teams or players. Often participating by their own in eSports titles and watching eSports more than once a month (Newzoo, 2022).

As it is possible to see from Figure 4, occasional viewers were ahead of eSports enthusiasts by number of viewers. Moreover, we could see the year on year percentage of growth for 2021 was 12.4% with 249.5 million occasional viewers and 240 million eSports enthusiasts. In the following year 2022 it is noticeable that year on year percentage had dropped to 8.7% but the audience growth is still present with adding of 21,4 million occasional viewers and 21,2 million eSports enthusiasts. As it predicted the audience should keep growing with the approximate Compound Annual Growth Rate (CAGR) of 8% from 2020 to 2025 leading to 108 million viewers increase in 3 years.

Newzoo (2022) stand out the main drivers behind eSports audience growth as:

- “The rise of esports in growth market across the Southeast Asia, Latin America, and the Middle East and Africa”
- “Mobile esports’ expansion with regional leagues like Mobile Legends: Bang Bang and League of Legends: Wild Rift”
- “Popular new esports franchises such as Valorant, which build on Riot’s previous successes and experience from League of Legends”

Bringing up the success of Riot’s game League of Legends it is worth mentioning that the League of Legends World Championship in 2022 was one of the most-watched eSports events in history, with 5.1 million viewers at its peak (Simic, 2022).

The audience growth of eSports becoming even more obvious if we take a look at an example with Counter-Strike: Global Offensive (CS:GO). A game that was released in April 2012 is on the market for more than 10 years now and it is still standing strong.

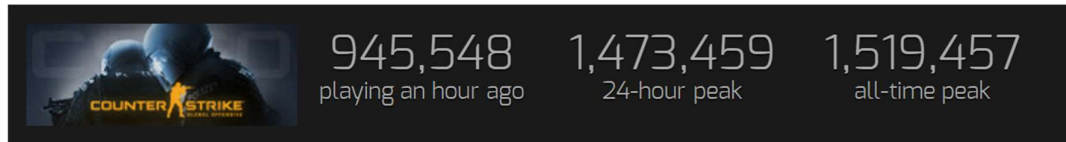


Figure 5. An ongoing analysis of Steam's concurrent players (Steam Charts 2023)

Despite all the limitations and issues, CS:GO managed to set up the record of concurrent players with a number of 1,519,457 (an all-time peak). Breaking the previous record in April 2020 with 1,305,714 concurrent players (Steam Charts 2023).

#### 5.4.2 Revenue

The industry is going through an impressive increase in revenue in recent years since with the understanding of the potential of the eSports market, brands have made significant marketing investments (Geysler, 2022). Already in 2021, the eSports industry managed to break the point of 1 billion in revenue with year-on-year growth of 14.1%, and it continuously increasing (Newzoo, 2022).

Esports was on track also in 2022 and by the end of the year generated almost 1.4 billion in revenue with year-on-year growth of 21,8% (Newzoo, 2022). Asia and North America are the biggest markets for eSports. Only China generated 403.1 million (Kharpal, 2022). Furthermore, the esports industry is poised for even further growth due to the diversification of revenue streams, the emergence of new markets, and the rise of mobile esports.

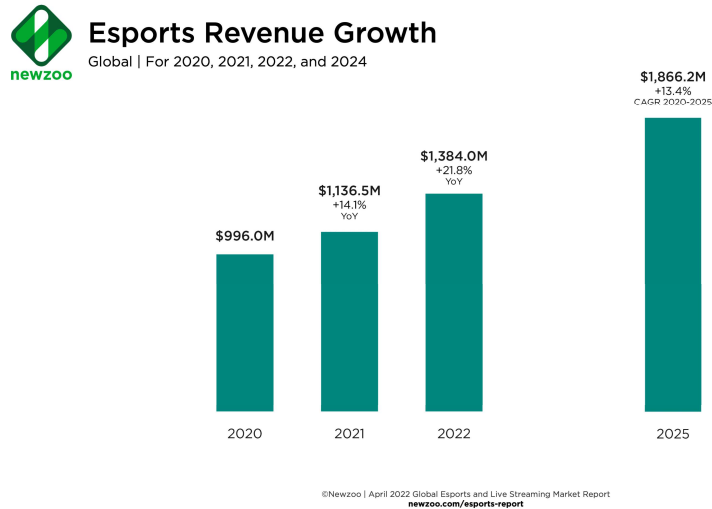


Figure 6. Esports Revenue Growth (Newzoo, 2022).

The building of industry was founded based mostly on sponsorships. Either it was prize money, either event place or anything else. Esports would be hard to exist with help of the sponsors and it is not a surprise that it continues to be the highest-grossing revenue stream, with 837.3 million of generated revenue taking over nearly 60% of the entire market (Newzoo, 2022).

### Esports Revenue Streams

Global | 2022

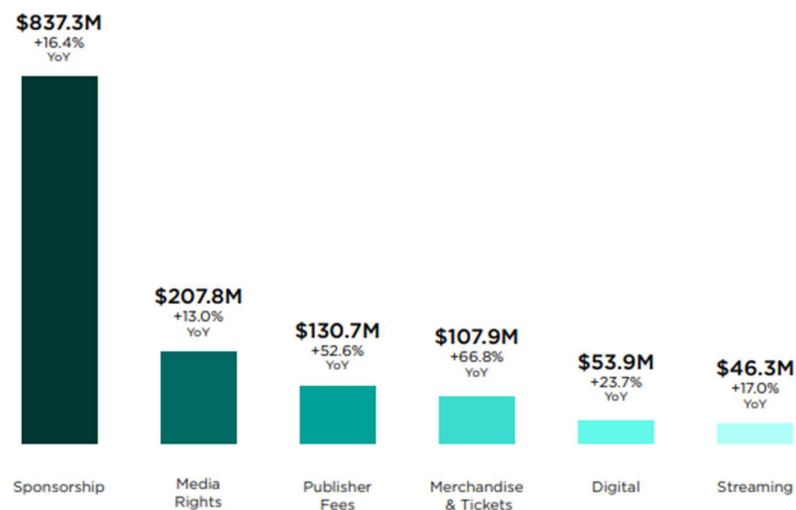


Figure 7. Esports Revenue Streams (Newzoo, 2022).

Newzoo's eSports revenue streams in 2022 is made up as follows:

- Sponsorship – 61% of the market. Brands invest high numbers into teams and tournaments to reach the audience. Brands could choose the team that they would like to support and usually, teams or players would have a big following to attract more people to sponsor (ProSettings.net).
- Media Rights – 15% of the market. Event organizations or even gaming companies are selling the opportunity for broadcasting channels or television to broadcast any esports tournaments.
- Publisher Fees – 9%. Publishers sell rights to use their intellectual property, such as games for tournaments and leagues. Game publishers have total control over their eSports title and could shut down any tournament, event, or league that utilizes their game or theoretically create a monopoly allowing only who they want to use their game (Hasan, 2021).
- Merchandise & Tickets – 8%. Esports teams and event organizers sell merchandise to fans during live tournaments. Usage of the retailers could also increase exposure for the sponsors, “If you have merchandise in retail because it's affordable enough for retailers to buy, then you're getting the exposure for your sponsors. Consequently, they're more likely to engage and pay more” (Hyrlikova cited Romer, 2022).
- Digital and Streaming – 4% and 3%. According to Newzoo (2022), these are the two fastest-growing revenue streams with 2020-2025 CAGRs of +27.2% and 24.8% respectively. The emergence of NFTs with popular trends in the gaming industry is likely to increase investments and fan interest in in-game items of eSports titles. Streaming could be an extremely important part of brand strategy with the increased popularity of diversification of content.

### 5.4.3 Awareness

Based on the above-mentioned information it is possible to conduct the conclusion that one of the main reasons for the growth of audience and revenue is increased awareness of the industry. Since 2015 there has been an incredible increase in people who learned about the existence of eSports. Back then in 2015, the number of people who heard about eSports was only 802 million, but the following year changed by breaking through the billion mark with the number of 1,1 billion people. Since then, growth did not stop and by the end of 2017, it reached 1,28 billion before reaching 1.43 billion in 2018 and 1.8 billion in 2019 (Geysler, 2022). Moreover, as Ruby (2023) states the numbers are already over 2 billion in 2023.

Even though eSports is a considerably fresh industry, Figure 8 outlines aging groups that not only know about eSports but also follow it on some occasions. It is a general assumption that eSports is more popular among young people, and it is true, but it is worth mentioning that despite all assumptions there are 26% of eSports enthusiasts and 29% of occasional viewers are between ages 36-65.

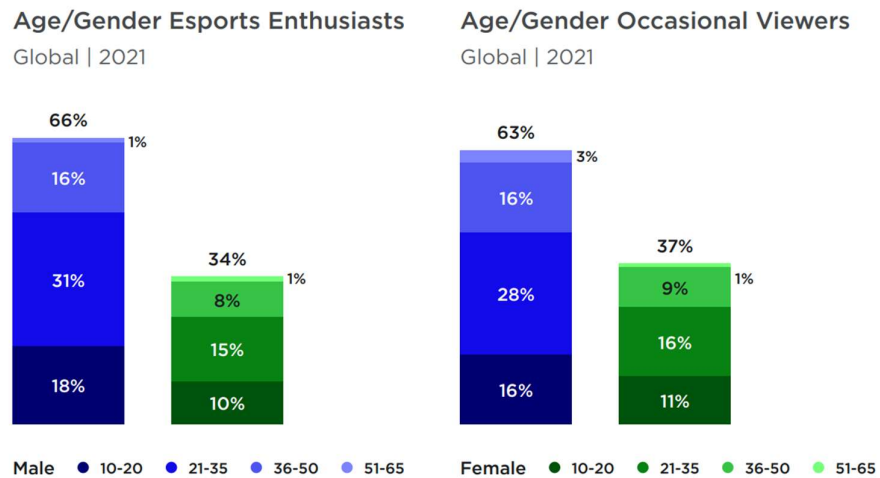


Figure 8. Age/Gender Esports Enthusiasts and Occasional Viewers (Newzoo, 2022).

Despite the fact that eSports is considered a male-dominant industry it is possible to see that the percentage of women interested in eSports in 2021

accounted for 34% of eSports enthusiasts and 37% of occasional viewers. Of female eSports enthusiasts, 24% are between the ages of 21 and 65, with only 10% between the ages of 10 and 20.

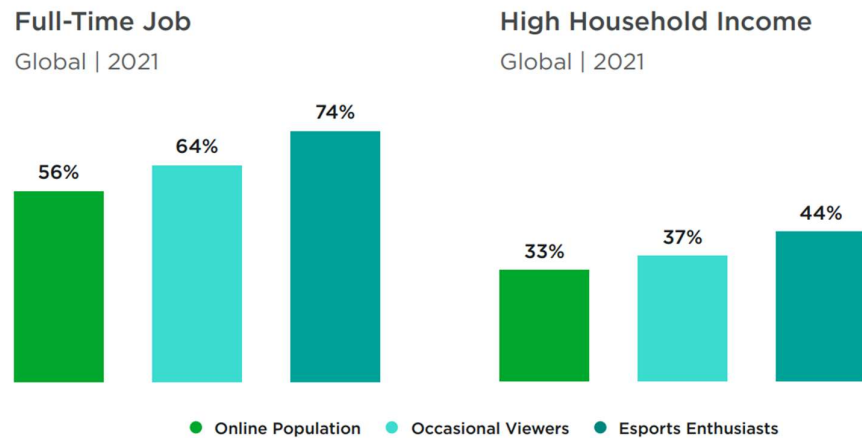


Figure 9. Demographics. Full-time employment and high household income (Newzoo, 2022).

Figure 9 represents reliability in terms of income, so consumer brands could understand the potentiality of each sector in the possible return of the investment. Comparing full-time employees by sectors eSports enthusiasts stand out with the results, overtaking the online population by 18% and occasional viewers by 10%, and become the most attractive sector for consumer brands to reach out to. The same results follow the high-income bracket. Esports enthusiasts reach the point of 44% compared to 33% of the general online population.

The awareness growth of eSports is a result of marketing activities. In eSports, customers are looking for service and performance values, in other words, valuable experience both as users and as buyers (Torres, 2022). Each stakeholder could increase the awareness of eSports. Esports has gained more similarities with traditional sports. Gamers refer to professional athletes and organizations of various leagues in different disciplines with well-organized teams and sponsorships. All of the above make people see eSports as an entertaining alternative to traditional sports. The increase in awareness

happened mainly due to the growth and popularization of social media and platforms like YouTube and Twitch. Social media were also used as a strong tool to penetrate the various layers of the audience. The audience follows media influencers which in turn could advertise the eSports title in a different way. Special events, sponsorships, and merchandising were also used as a promotion of eSports and eSports titles (Torres, 2022).

#### 5.4.4 Sponsorship

Sponsorship is the biggest revenue stream for eSports, and it is not a surprise that it only keeps growing every year. Figure 10 describes the esports ecosystem through which we can trace one of the reasons for sponsor attraction. One of the main reasons for investing resources in esports is to increase brand exposure. Brand exposure is “the action taken to ensure a brand is seen, noticed, and recognized by consumers and audiences” (Outbrain, n.d.). The principle is simple, an increase in brand exposure helps to grow brand awareness, brand equity, and customer base, and as a result increase in a revenue.

Sponsorship in eSports from the beginning consisted mostly of hardware and game companies. Intel and Tencent are the greatest examples. Intel provide their hardware to event organizations to conduct better live events and players improve player experience. Tencent owns Riot Games and takes part in other game development companies. Nevertheless, with the growth of the industry more non-eSports organizations are getting involved. Coca-cola, Red Bull, Audi, Airbus are taking part in sponsorship of various teams, event organizers and players (Meola, 2023). Sponsors do provide their partners with product and different benefits but still maintaining the same goal to increase brand exposure. Even companies such as A Good Company that focus on sustainability found a way to participate on the market. Traditional sport leagues looking for collaborations as well with the example of National Football League (NFL) collaborating with FaZe Clan. Companies come up with an idea to host flag-

football showmatch between FaZe Clan members and NFL talents and continue to create a co-branded content on social media (Hyrlikova, 2022).

The whole circuit starts with the audience, or in other words, customers. One part of the audience follows certain social networks and platforms that provide the opportunity to follow tournaments or individual events. At the same time, another part of the audience follows media influencers and professional players who, in turn, generate various kinds of content related to eSports on the same social networks and streaming platforms. Just like individual players, professional teams and tournament organizers create content for the same social platforms. This content catches the eye of the entire audience. Moreover, both sides of the interested audience have the opportunity to purchase merchandise from professional teams or tournament organizers. Ultimately, everything leads to sponsors getting brand exposure through advertising. Advertising reaches the user from all possible channels, merchandise, and the advertising of sponsors at tournaments during the commercial breaks, through the content created by the organizers/teams/players/influencers. The amount and type of advertising depend on the negotiated contract between both parties.

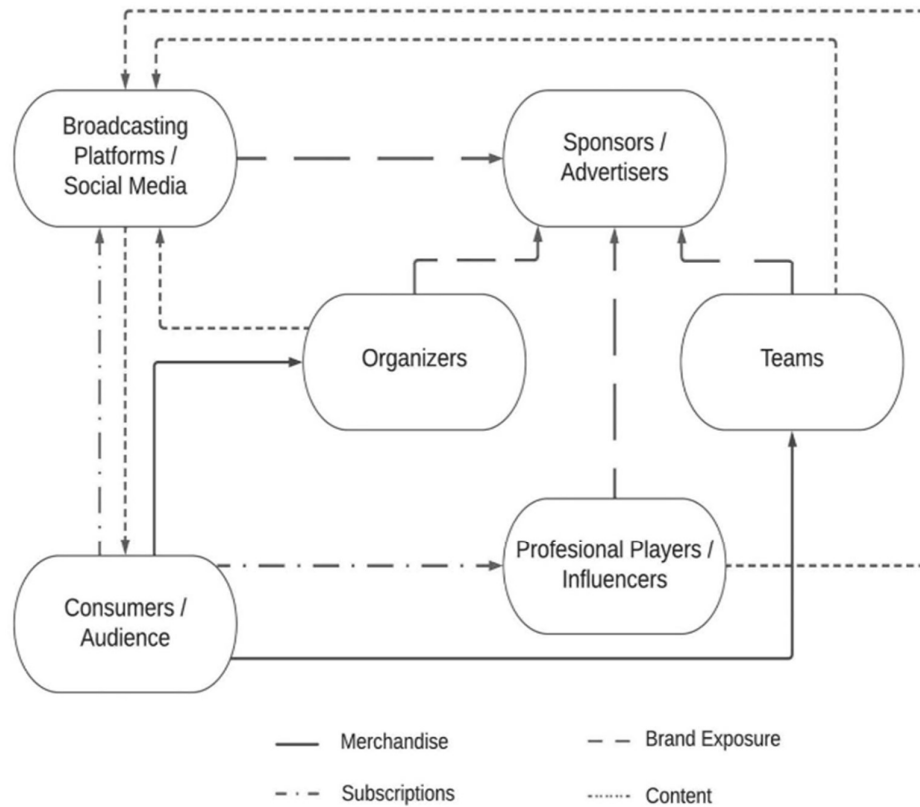


Figure 10. Esports ecosystem (Torres, 2022).

Feshari (2022) outlines the main reasons why esports makes for a great sponsorship opportunity; (1) huge viewership with rapid growth; (2) esports audiences are good potential customers; (3) it could represent a niche and wide demographic at the same time; (4) flexibility in marketing opportunities; (5) creation of multiple parallel markets; (6) players are influential characters to sponsors. Basically, everything that has been done on the esports scene nowadays is centralized around sponsors which helps brands to penetrate new markets and get a young audience that they would not have reached by other means.

#### 5.4.5 Earnings

An increase in sponsorship and overall exposure of esports generate growth in terms of earnings. Back in the day prize money for tournaments was not that

impressive. In 1998 the total amount of prize money was 117,000 dollars with a total tournament of 9. However, the industry was growing fast, and already in 2005 numbers increased tremendously achieving more than 4 million in total prize money with 395 total tournaments. Time passed and the growth of the industry only gained momentum, in 6 years, in 2011 total prize money broke the point of 10 million with total tournaments of 1699. This was only the beginning of growth because in just 10 years, eSports manages to increase the total prize money to almost 250 million and organize almost 6000 tournaments in different disciplines (Esports Earnings n.d.).

With the growth of prize money, it is possible to mark the teams that managed to earn the largest total prize money in the history of eSports. (1) Team Liquid opens the list with over 43 million in prize money. This is followed by (2) OG with 37.6 million; (3) Evil Geniuses – with 26.6 million; (4) Team Spirit – with 21.8 million; (5) Natus Vincere – 20.3 million; (6) Team Secret – 19.7 million; (7) Fnatic – 19.3 million; (8) Paris Saint-Germain Esports – 18.5 million; (9) Virtus.pro – 18.4; (10) FaZe Clan 16 million (Esports Earnings n.d.). However, the amount of prize money won says not enough information about how valuable an organization is. “A business valuation, also known as a company valuation, is the process of determining the economic value of a business” (Hayes, 2023). Market capitalization, times revenue methods, earnings multipliers, or book values could be used to evaluate business values.

Rank	Team	Valuation	% Change since 2020
#1	TSM	\$540 million.	+32%
#2	100 Thieves	\$460 million.	+142%
#3	Team Liquid	\$440 million.	+42%
#4	Faze Clan	\$400 million.	+31%
#5	Cloud9	\$380 million.	+9%
#6	G2 Esports	\$340 million.	+94%
#7	Fnatic	\$260 million.	N/A
#8	Gen.G	\$250 million.	+35%
#9	NRG	\$240 million.	+55%
#10	T1	\$220 million.	+47%

Figure 11. Most valuable e-sports teams (Ruby, 2023).

The valuation of each team says about the worth of the organization with all aspects of business evaluated. Company evaluation determines the fair value of a business for a variety of reasons, including sale value, establishing partner ownership, and taxation (Hayes, 2023).

#### 5.4.6 Broadcasting

The development of technology has led not only to the development of the gaming industry but also to the development of various tools for reporting events. One such example was the development of streaming platforms. Broadcasts of gaming tournaments, events, or individual performances of any person in real-time. Nowadays, anyone can open a streaming channel and broadcast gameplay on it, or simply communicate with people. It doesn't matter if the individual wants to become a streamer or just a spectator, it is absolutely free.

Twitch is one of the main platforms used by individuals and companies. World's leading social streaming platforms for the video game industry. "Twitch is a live

streaming service that originally catered to gaming but has now expanded into other categories, including music and entertainment” (Stream Scheme, 2022). Based on statistics from Twitchtracker (2023) it is possible to underline the growth in viewership. In 2019 the average viewership reached 1.34 million viewers but in two years, in 2021 it managed to break the point of 3 million concurrent viewers on average. Justin.tv was the original platform that Twitch took an example from. So-called spin-off of Justin.tv was established in 2011 and three years later in 2014, Twitch was bought by Amazon for 970 million dollars (Kim, 2014). Later in 2016, Twitch expanded the possibility to support streamers by purchasing Bits and donating them to the content makers. Before 2016 streamers would have a partnership program with Twitch which allowed them to increase monetization through subscriptions. Moreover, later that year they introduced Prime Gaming, which gives exclusive chat emotes and awards subscribers with various in-game loot (Stream Scheme, 2022).

Established in 2015, second big streaming platform was YouTube Gaming. Separate YouTube app aimed at gamers and creator of game-related content (Failory, 2019). The service works on similar principles as Twitch with one major difference. YouTube Gaming allows the user to rewind a live broadcast in real time to rewatch any segment of the stream, unlike Twitch where you have to separately watch the recording published later on the channel.

These platforms are the biggest streaming services on the market. Twitch being the most watched live streaming platform with 73% of the market share among the live-streaming industry (Stream Scheme, 2022). Both above-mentioned platforms make their revenues mostly by advertising and subscriptions.

## 5.5 Potential

“Continual and exponential growth is the best way to characteristic the speed at which the esports industry has originated, evolved, and is starting to stabilise” (Hayday, 2022). The eSports market is attracting both individuals and organizations. New segments are opening and the industry expanding into new

markets. Mobile gaming is reaching a new level. A huge number of available games appear in the mobile gaming market, and the giants of the industry also do not miss the opportunity to expand. Game publisher Riot known for one of the most popular eSports title League of Legends, announced development plans for their mobile version of League of Legends named Wild Rift and organized the first eSports event already in April 2021 within the Southeast Asia region (Sacco, 2021). More game developers are entering the mobile gaming market allowing fans to play their games not only on PC but also on their phones. This strategy could increase the reach of eSports through mobile and offer more commercial revenue, since mobile gaming comprises around 45% of the total gaming market (Hayday, 2022).

Table 5. Factors that can accelerate esports market growth (Newzoo, 2022).

1. Esports attracts more young audience, which sparks interest from platforms and other media companies. New competition for media rights could arise since prices for the rights to esports content rise. This could become a price driver for content.
2. Sponsorship attractiveness could be growing with emerging of new channels to broadcast and watch eSports. Esports becomes a core part of a non-endemic brand marketing strategy. Thus, eSports teams and event organizers would get higher-value sponsorship deals.
3. Digital content as NFT hype helps normalize in-game purchases. Fans are interested and some publishers have good offers for NFT to increase in-game content purchasing.
4. The creating of new disciplines and eSports franchises increase growing ticket sales revenue. Teams and event organizers are interested in occurring more LAN events since it helps to boost their merchandise sales.

5. Publisher fees increase as more publishers become involved in eSports. New publishers who entered eSports market must compete with existing titles and try to attract the best organizers and teams.
6. Streamers' rosters are expanded since event organizers transitioned to lifestyle brands. It helped to attract new variety of streamers and allow to negotiate better terms between streamer and platforms.

As Table 5 refers to market growth, there are still markets to conquer. North America is still under development in terms of eSports engagement. Some championships had empty seats in the arena even though North America is one of the leading markets in the gaming industry. Europe has a better situation but still working on the monetization of the audience and involvement of females to participate in the professional circuit. Japan could be the next market to conquer. Nevertheless, although the world-famous companies, Nintendo and Sony were born in Japan and became giants in the video game industry, there is still a lack of thriving to eSports (Scholz 2019:143).

Based on the findings from Goldman Sachs (2018) YouTube Gaming and Twitch are already overcome all the main entertainment platforms such as HBO, Spotify, Netflix, etc. While the size of the audience for eSports is comparable to that of traditional sports, the former has a more global and digital audience as most of the eSports events take place online. Moreover, eSports is getting over some of the professional sports leagues in viewership. Outrunning Major League Baseball (MLB) and the National Hockey League (NHL) in audience numbers in 2017 (Goldman Sachs, 2018).

Inclusion in the Olympics could be one of the possibilities for eSports future growth. International Olympic Committee (IOC) was distrustful of the eSports industry since eSports had some odds with the value-based ethos underpinning sport (Hayday, 2022). Nonetheless, IOC recognized the commercial prospects and popularity of eSports today and outlined their plans for Olympic Virtual

Series (OVS) (IOC, 2018). The partnership between five International Sports Federations and game publishers strengthens the IOC's digital offerings by the possibility of reaching new audiences and enhancing their relevance in the digital world. Moreover, this partnership makes OVS the first Olympic licensed event including physical and non-physical virtual sports (Hayday, 2022). The world could already see how gaming culture was part of the Tokyo 2020 Olympic Games when soundtracks from several video games were used at the opening ceremony during the parade of countries (Euronews, 2021).

The eSports industry is experiencing rapid growth, attracting a growing number of individuals and organizations interested in joining the market. However, given the current landscape, it's essential to have a robust strategic management approach in place. The current business model situation is the factor that could lead to constant instability. The growth of the industry is the reason why none of the existing business models will fit and magically create a profit that may lead to a return on investment (Scholz, 2019:136). Esports is lagging in audience monetization compared to traditional sports. There is a risk of creating a dangerous bubble due to money flowing within the industry. There is no discussion about the potential risks for eSports, however, it is obvious that increased money flow could lead to increased costs. Not everyone could survive the growth since there is no control over the eSports title. More eSports titles are coming, and it is questionable if any of them could survive the competition within the industry.

## **6 Conclusion**

The relatively young industry with a constantly growing bright future. Based on the findings collected on the research it is possible to conclude that as technological progress and digitalization are developing, the eSports industry is taking over all the advantages to guarantee the best possible outcomes for every participating party.

The research showed that eSports has its roots in the video game industry but has grown to become a significant force in the entertainment and sports worlds. The best way to think about eSports is to take it as Scholz (2019) refers to it as an umbrella term. Esports was never only about games and gamers. The term eSports was first mentioned more than 15 years after the first gaming competition. Esports could not exist then and now without the support of various actors. Examination of the key figures who have enhanced to shape the industry, from early stages to the current situation represents the main actors and their role within the industry. From beginning to end a bunch of stakeholders had to work together to make the product look good and create value. Even though people like to compare esports to traditional sports and often think that esports is not a sport, there is no denying the fact that esports is not lagging traditional sports in development. The esports audience is already catching up and even overtaking the most famous sports leagues. Athletes from various leagues also support this movement and often take part in the development of eSports themselves.

The umbrella term is even more relevant in terms of business models. The research found that in order to establish a successful business model, eSports and all industry participants need to build a business model network. A network consists of various business models of each stakeholder and sometimes it includes another business model network. Cooperation with co-destiny and convergence are the rules that stakeholders follow to achieve more success. Having the same goal, desires and principles are the leading factors for better cooperation among stakeholders. Since eSports is keep growing in every aspect it is the responsibility of each party to manage their duties and provide the scene with superb results.

Examination of eSports History and the Use of SWOT Analysis supported the research by showing the reasons for the success of eSports and the constant growth of attractiveness of the industry. The history of eSports revealed the origins of the industry and gave more insight into how eSports was tainted and why. In turn, the strengths and opportunities of the industry, such as market

share, diversity, accessibility, job market, and professionalism, pointed to the main reasons for the attractiveness of eSports.

Through the research, we have seen that eSports has rapidly become a global phenomenon, with a rapidly growing fan base and significant revenue potential. Even though sponsorship is the leading power in terms of revenue for the industry it is important to understand that without other stakeholders it would not have such an influence. One of the main misconceptions that was disproved in the study was the idea that in order to become a part of the industry, everyone has only a few opportunities and it is almost impossible. However, chapter 5.2 shows examples that any interested individual can choose to become part of an emerging industry. Thus, we can conclude that the growth of the industry lies not only in the growth of numbers but also in the impact on the economy by creating more jobs and opportunities for young professionals.

Esports has an interesting history and definitely has a huge impact on the entertainment industry. The potential of esports is limitless, and looking at esports from different angles, you can notice its potential to disrupt traditional sports and entertainment industries, as well as its potential to drive innovation and technological advancements. Generations change and each subsequent generation of people becomes more and more digitalized. Digitalization is the key factor to reaching more numbers in every aspect and the industry actors know about that by penetrating new markets. Since the industry is still relatively young, it will face challenges and risks. This study was not intended to portray esports as the future of the entertainment industry because most of the information about the industry consists of the predictions and expectations of people who are looking for profit. Thus, it is undeniable that the information may not be completely accurate and that eSports have risks that will have to be dealt with. While there are still many challenges to be overcome, the author of this research strongly believes that eSports has the potential to become a major force in the entertainment and sports worlds in the years to come.

Esports represents a unique and exciting opportunity for individuals and businesses to alike. By continuing to explore and develop this industry, it is possible to unlock its full potential and create a brighter future for all those involved.

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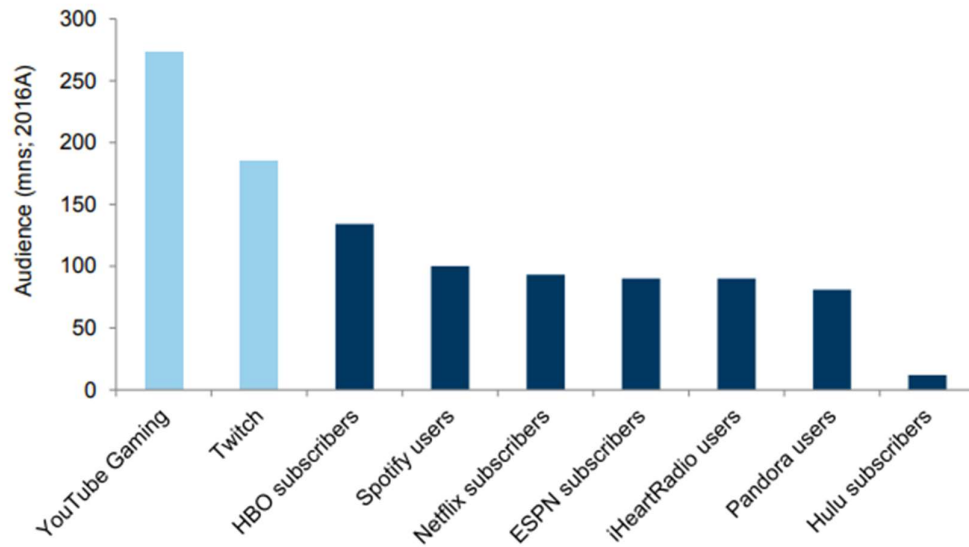
**Appendix 1. The audience size by platforms and sports league****Exhibit 2: Twitch and YouTube Gaming have a larger audience than many entertainment platforms**

Figure A1.1. Twitch and YouTube Gaming have a larger audience than many entertainment platforms (Goldman Sachs, 2018).

### Exhibit 3: The eSports audience is similar to the average of large professional sports leagues

Audience size by sports league (2017A)

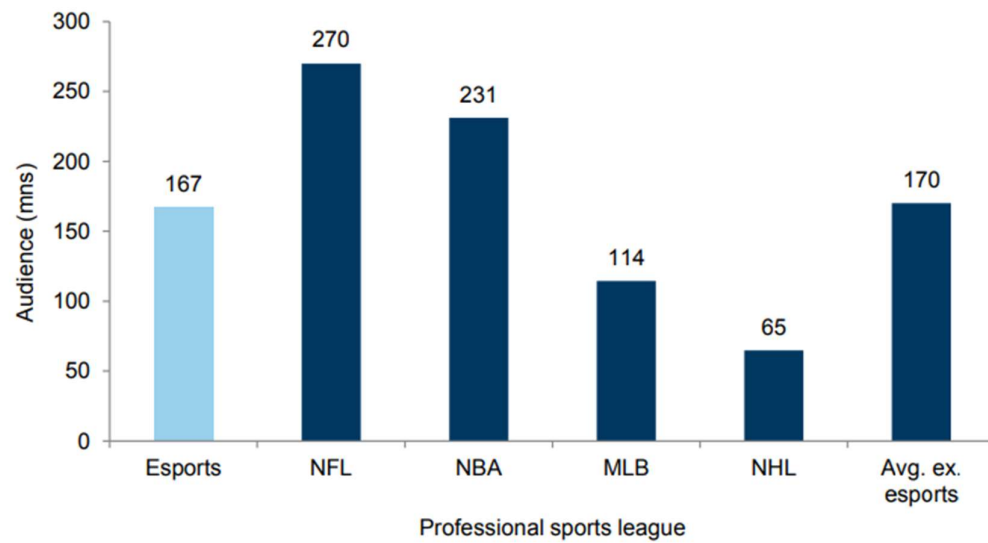


Figure A1.2. The eSports audience is similar to the average of large professional sports leagues (Goldman Sachs, 2018).

## Appendix 2. Esports Ecosystem and Landscape

# THE ESPORTS ECOSYSTEM

## DECENTRALIZED TOURNAMENT MODEL

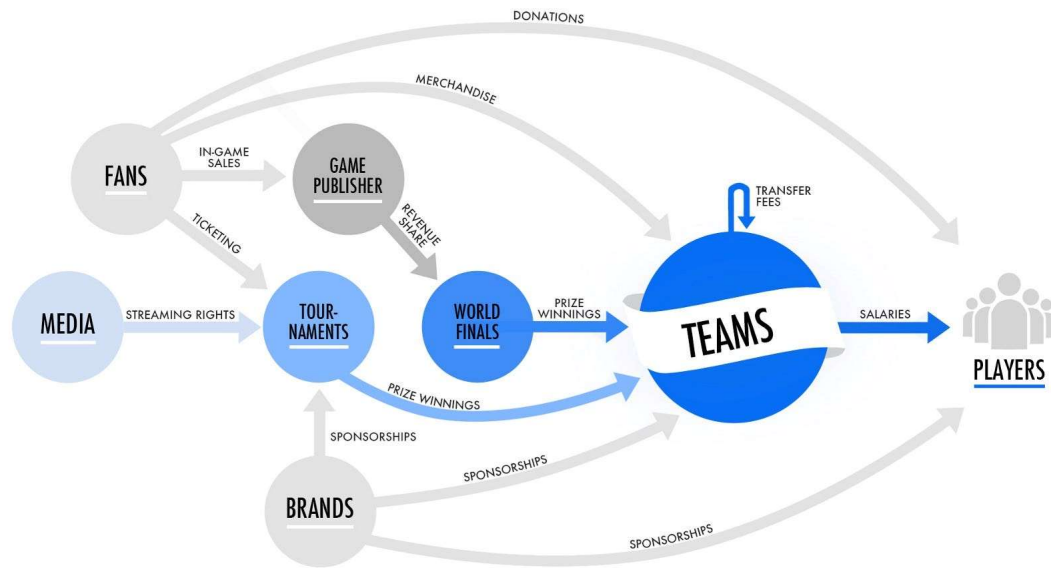


Figure A2.2. Decentralized tournament model (Besombes, 2019).

# THE ESPORTS ECOSYSTEM

## CENTRAL LEAGUE MODEL

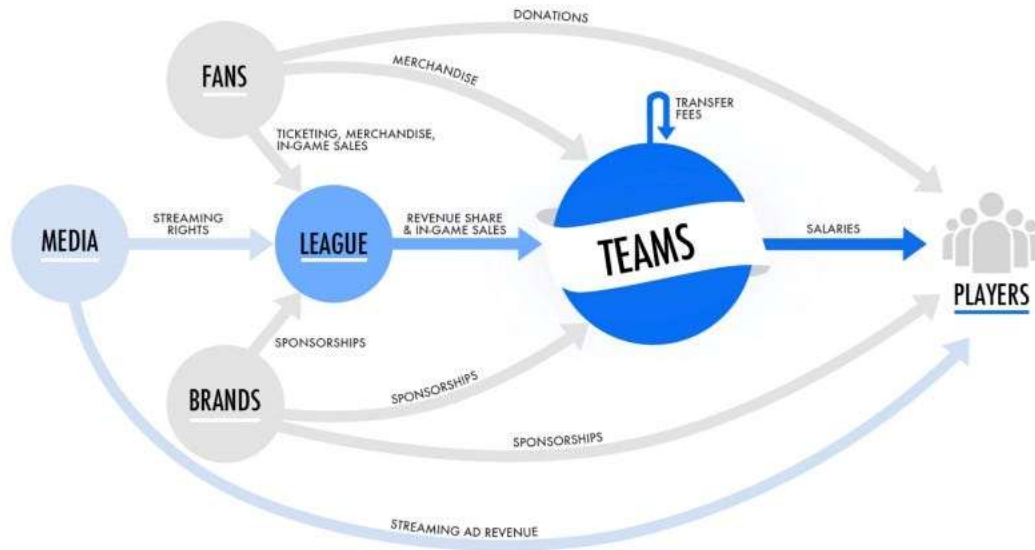


Figure A2.2. Central league model (Besombes, 2019).