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Esport Business Models in Finland

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Thesis Abstract

This thesis examines the evolution of esports business models, highlighting factors contributing to their success and the challenges they face. Through a theoretical framework and qualitative research, we explore various business models and obstacles hindering sustainable growth in the Finnish esports industry. The thesis dives into the different ages of esports, which reveals the history and current situation in the industry locally and globally.

A SWOT analysis of the literature review uncovers the strengths, weaknesses, opportunities, and threats posed on the industry. Interviews with two different Finnish esports companies allowed the study to peek behind the curtains and share vital information on how to become successful in such a small country. The Conclusions chapter points out the findings of the thesis and ties them together.

SEINÄJOEN AMMATTIKORKEAKOULU OY

Tiivistelmä

Tämä opinnäytetyö tutkii e-urheilun liiketoimintamallien kehitystä ja korostaa sen menestykseen vaikuttavia tekijöitä sekä haasteita matkan varrella. Teoreettisen taustatutkimuksen ja laadullisen tutkimuksen avulla tutkittiin erilaisia liiketoimintamalleja sekä kestävän kasvun esteitä Suomen e-urheilun alalla. Opinnäytetyö syventyy e-urheilun eri aikakausiin, paljastaen alan historian ja nykytilanteen niin paikallisesti kuin maailmanlaajuisesti.

Kirjallisuuskatsauksen SWOT-analyysi paljastaa e-urheilumarkkinoiden vahvuudet, heikkoudet, mahdollisuudet ja uhat. Kahden eri suomalaisen e-urheiluyrityksen haastattelu mahdollistaa kurkistuksen kulissien taakse ja jakaa oleellista tietoa menestyksekkääseen toimintaan näin pienessä maassa. Johtopäätösosio nostaa esiin opinnäytetyön löydökset ja yhdistää ne yhdeksi kokonaisuudeksi lukijalle.

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Terms and Abbreviations

Esports   Esports transforms video gaming into a spectator sport, simulating the thrill of watching a professional athletic competition. Instead of observing a physical contest, audiences tune in to witness skilled video gamers compete against each other.

HAVU   HAVU is a professional gaming organisation, established in 2017 by multiple esports and marketing professionals. Headquarters located in Helsinki, Finland.

CS:GO   CS:GO, which stands for Counter-Strike: Global Offensive, is a multiplayer tactical first-person shooter game that was released in 2012. It is commonly played in the esports industry as a 5 versus 5 team game. The two teams, Terrorists and Counter-Terrorists, compete against each other in various game modes.

SeAMK   Seinäjoki University of Applied Sciences also known as SeAMK. The university of SeAMK places a strong emphasis on innovation and entrepreneurship. Located in southern Ostrobothnia, Finland.

VISU   VISU GAMING is a company that operates in the esports industry. It is based in Helsinki, Finland and provides services such as marketing, content creation, and apparel design to esports influencers and brands.

1   INTRODUCTION

1.1   Purpose of the thesis

Esports is a promising form of business with enormous potential for future growth and development. Despite its growing popularity, it is still an understudied field that needs more research. The fundamental goal of this thesis is to investigate the various aspects that contribute to esports' financial success and the procedures by which its value is derived. This research tries to shed light on why esports has gathered such widespread popularity and why it continues to expand at an unparalleled rate by examining the commercial aspects of esports beyond the bright lights and attracting action.

1.2   Goals of the thesis

The primary objective of this thesis is to expand our understanding of esports as a business by conducting an in-depth analysis of local Finnish industry and looking into the global industry. By engaging in interviews with individuals who work in esports companies, this study seeks to gain insights into the practical operations of these organizations. Data gathering and analyzing results which will give answers why esports is noticeably growing industry, which remains rather unsearched. With the help of interviewing individuals from the Finnish esports industry, we will gain valuable insights into the evolving gaming culture and the innovative strategies that will shape the future of competitive gaming.

1.3   Structure of the thesis

The first part of the thesis provides a detailed explanation of what esports are, covering their history, rapid growth, game theory, key participants, and their significant impact on the global and local scene. This section sets the foundation for further discussions in the following parts of the thesis. This part serves as an introduction to the theoretical framework utilized in the thesis. The second part of the thesis revolves around the business models and the process of value co-creation within the esports industry. This section explores the diverse ways in which esports organizations generate revenue, establish partnerships, and engage with their audience to create value. By examining these aspects, a comprehensive understanding of

the intricate dynamics of the esports business ecosystem is attained, shedding light on the strategies employed for sustainable growth and success.

In the third part of the thesis, the previous theoretical framework is produced and analyzed through the lens of a SWOT analysis. This comprehensive examination combines the knowledge gained from the exploration of esports and the understanding of various business models and value co-creation processes. By applying the SWOT analysis, the strengths, weaknesses, opportunities, and threats within the esports industry are identified and evaluated, providing valuable insights into the competitive landscape and potential strategies for future success. Following the last part includes the conclusions of the thesis. All the data gathered from the research combined and analyzed as one.

1.4   Commissioner of the thesis

Seinäjoki University of Applied Sciences, also known as SeAMK, is a forward-thinking institution located in Seinäjoki, Finland. With a focus on practical learning and research, SeAMK offers a diverse range of degree programs across multiple fields including technology, business, social sciences, health care, and culture. The university prioritizes innovation and entrepreneurship, encouraging students to develop their own business ideas and startups.

SeAMK has a particular interest in esports as a business and career opportunity and is actively seeking to expand research and knowledge in this field. As part of this effort, SeAMK has commissioned a thesis on the topic, which will be used as learning material for students interested in esports. The university has a vibrant international community, with students and staff from over 60 countries, and is actively engaged in exchange programs and collaborations with international partners.

The thesis on esports as a business or career opportunity aligns with SeAMK's overall mission to provide students with the skills and knowledge necessary to succeed in their chosen professions. Through its practical and research-oriented approach, SeAMK aims to equip students with the tools to become innovators and entrepreneurs in their respective fields, including the rapidly growing field of esports. By prioritizing the latest developments and opportunities in emerging industries like esports, SeAMK is preparing its students to be leaders in the industries of tomorrow.

2   WHAT ARE ESPORTS?

2.1   Introduction

Esports, also known as electronic sports, refers to competitive video gaming where professional players and teams compete against each other in various video game titles. Examples of well-known esports games across the globe would be games like Dota 2, League of Legends, World of Warcraft and Counter-Strike: Global Offensive. Esports involves organized tournaments, high-level gameplay, and a dedicated fanbase. According to Rogers (2019, pp. 3–10) esports differ from normal sports by its closeness with "mediated nature" which can be easily noticed. This can also lead to people suspecting that playing esports aren't really an exercise or have nothing to do with sports at all. Professional gaming is very demanding, and it will take a much time to learn specific set of skills which are needed in various games. Developing precise hand-eye coordination and mastering complex motoric skills is crucial in the world of esports. Pro-players practice actively, sweat after intense gameplays and make fast decisions during games, just like in any other sports. Only factor that differs the most is that esports are played usually on chair, hands on table and face towards a monitor. As stated by Rogers (pp. 3–10) the esports industry is growing phenomenon which remains rather unsearched. General public worries about people mixing virtual world with the real world rather when games are a great place to escape and make new friends.
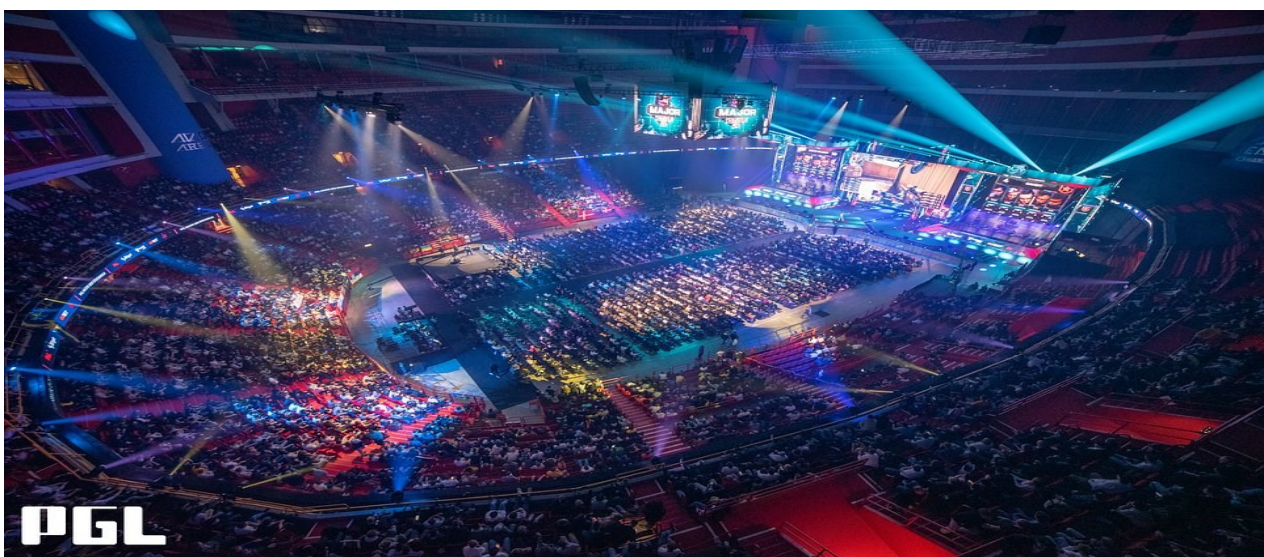
Picture 1. Avicii Arena was the home of Counter-Strike for 4 days (PGL Major Stockholm, 2021).

2.2   Game theory

Wagner (2006, p. 5) states that eSports has a connection between classical game theory and the emerging field of computer game theory, as both focus on competitive gameplay. Despite the significant impact of game theory on economics, it has received limited attention in the realm of computer game studies. By adopting theoretic approach to eSports, it becomes possible to recognize the potential of competitive computer games to cultivate "high-speed strategic decision making" in management training.

According to Wagner (2006, p. 5), a typical round of Counter-Strike can make it easier to understand this theory. The scenario involves reducing the team size from five to two players, eliminating the time limit, and disregarding victory conditions other than eliminating the opposing team. The central decision for each team in this strategic-form game is whether to split up and search independently or stay together and search as a team.

As detailed by Wagner (2006, p. 5), in order to find a solution, referred to as the "Nash equilibrium", a game matrix must be constructed. This matrix comprises the individual payoffs or outcomes that each team obtains from selecting a particular strategy. The desired outcome, winning the match, can be measured by considering the probability of a team's victory. Since players possess diverse strengths and weaknesses, these factors must be considered. For instance, a player's "fitness" could be measured by their probability of winning a one-on-one match against a random opponent, while a team's fitness could be assessed by their probability of winning a match against a random opponent.

Wagner (2006, p. 5) states that if presented additional complexities, such as increasing the number of players per team, amplifies the intricacy of the game. However, the virtual environment inherent in the game allows for game theoretic analysis. This not only presents an unusual approach to eSports coaching but also suggests that teams training in eSports disciplines can enhance their proficiency in making rapid and complex strategic decisions.

2.3   Early history of esports

According to Hiltscher and Scholz (2015, pp. 9–10), everything began on October 19th, 1972. A Spacewar tournament was hosted by Stanford University and the people who were invited to participate were students. Events name was "Intergalactic Spacewar Olympics" and the

winner of would receive a subscription of a 1 year to Rolling Stone magazine. This was the start of history of esports. Referring to Hiltscher and Scholz (pp. 9–10), this is so called Generation 1 of esports also known as early history of esports or the "Offline Origins". The timeline of this part goes from 1971 to 1989.

After 8 years, Atari introduced a tournament for 10 000 contestants within a game called Space Invaders. As stated by Hiltscher and Scholz (2015, pp. 9–10), the 1970s and 1980s was a period during which esports players and tournaments were marketized for the first time, in magazines like Life and Time. Tournaments were different back in the days, players didn't compete simultaneously rather after one another. In the present day most of the games completed are played online or at the same time against each other.

2.4 Rise of esports

According to Hiltscher and Scholz (2015, pp. 9–10), Generation 2 founding father was Netrek which was called "the first online sports game" by magazine WIRED. Between 1990–1999 Nintendo started to rise in popularity, and it held numerous LAN tournaments played on Super Nintendo Entertainment System. This was commonly known as the Nintendo-era, which also influenced in born of multiple TV shows were children played against each other on Nintendos.

2000–2013 were the years when esports started to grow rapidly. Technological advancement in console and PC development and internet becoming more and more part of the society gave esports an opportunity to show its real potential. According to Hiltscher and Scholz (2015, pp. 10–14) the tournament prizes started go up at the same time when there were over 2000 tournaments arranged. World Championships became more common in games like League of Legends, Dota 2, CS:GO, StarCraft 2, World of Warcraft and Call of Duty. Biggest prize pools were in Dota 2 (10,000,000€ in The International 2014) and League of Legends (2,130,000€ in 2014 LoL WC).

2.5 Esports winter and the current situation

Since 2013 esports market reached its all-time highs. The esports scene worldwide has had a massive growth during pandemic while people stayed at home and discovered the gamer

inside of them. Now, 2023, the situation has changed when the COVID-19 era is starting to fade across the globe. People call this phenomenon a "esports winter". This so-called winter refers to the world's situation with current recession (The Bridge Desk, 2023, p. 1), leading to significant transformations in the management of esports companies and brands.

The esports and gaming industry is experiencing the impact of layoffs, beginning with The Guard, a US-based company. This esports giant has recently made the decision to terminate the employment of all their staff members (The Bridge Desk, 2023, p. 1), including teams responsible for social media, content creation, talent management, and creative endeavors. FaZeClan also known as FaZe has also gotten rid of 20% of their employees and the list of companies goes on. In this tweet by Keeg, who is esports director and Valorant manager for FinalFormEnt, we can notice how this so-called winter has impacted the esports industry. The tweet below contains the core meaning of esports winter.

Keeg
@KeegMGMT · **Follow**

Esports in 2023:
@TheGuard dead
@eUnited dead
@TorrentHQ dead
@FaZeClan 20% staff laid off, stock down 60%
@100Thieves 15% staff laid off
@OpTic staff cuts
@Immortals staff cuts
@TeamLiquid staff cuts
@nerdstreet financial trouble and 25% staff cut
@riotgames 46 jobs cut

3:23 AM · Feb 23, 2023

11K   Reply   Share

Read 134 replies
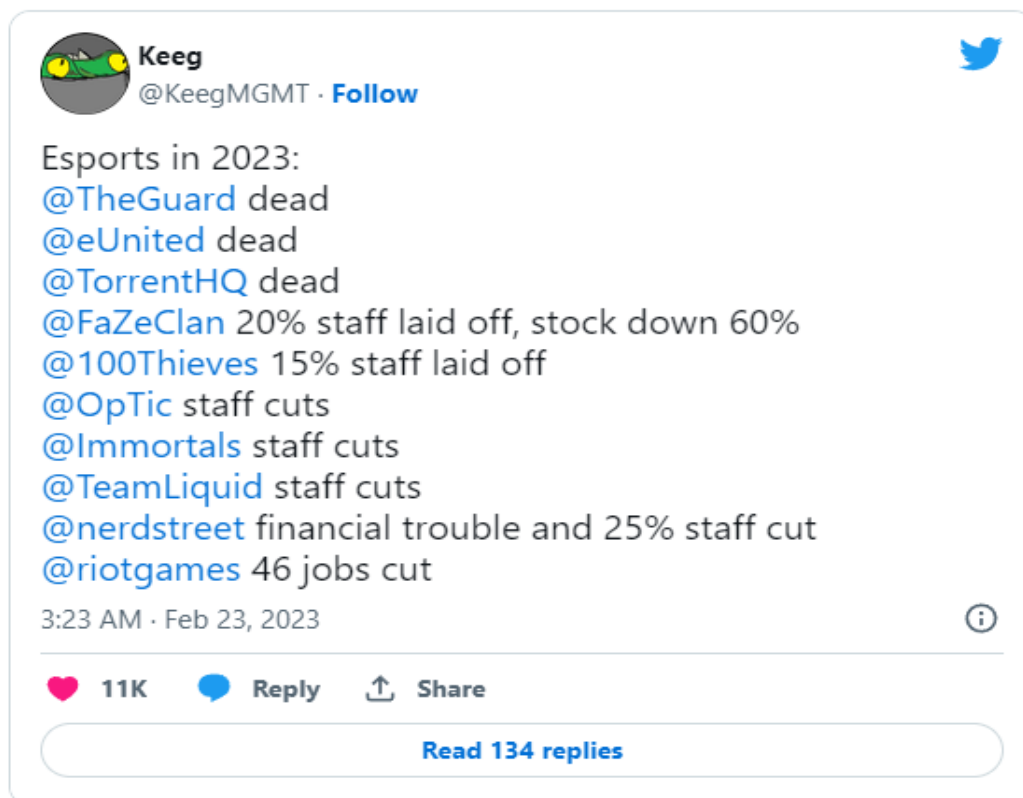
Picture 2. Esports in 2023 (Twitter 2023).

According to Thompson (2023), esports as a career choice is a risky move and might not be able to provide the income you need. In his article he mentions there is a lot of different ways to support your career for example, starting a YouTube channel or invest in merchandise sales to give fans a chance to support your profession multiple ways. As stated by

Thompson, esports hasn't reached all its glory which he thinks can be downfall or the free-dom of choice where esports could be in the future. It all depends on the professionals who are working in the field. As said by Thompson, he still believes there is a lot to wait for and yet many great things ahead in the future of esports.

2.6   Esports in Finland

Esports in Finland is a relatively small industry compared to other countries (T. Kaskinen, personal communication, July 2, 2023). However, there is major breakthroughs made in mul-tiple different gaming genres like FPS, RTS and MOBA. Successful Finnish companies like HAVU Gaming, ENCE and VISU Gaming have made name not only locally but have gained attention worldwide. According to Kaskinen, there are some limitations related to population and the number of paying customers in the esports industry. Therefore, a lot of optimizations must be made before entering the Finnish industry to gain solid income for the company.

Esports is a tough industry to provide players and teams enough amount of support with only playing tournaments and competing. Especially in Finland where the number of sponsors and viewers is much smaller compared for example European or Asian industry. There must be multiple ways to support the income to maintain proper salaries for the players. Streaming and other content creation have been found successful to increase profitability of esports as a career in Finland. Fan merchandise sales not only contribute to the financial flow but also bring fans closer to the brand and players (P. Sulonen, personal communication, July 3, 2023). By offering a range of merchandise options, fans can support their favorite teams and feel a stronger connection. Wearing team apparel and displaying branded items promotes pride and creates opportunities for fans to connect with others. Additionally, it strengthens the bond between fans and players, making them feel more invested in their success. Overall, fan merchandise sales enhance the fan experience and generate revenue for the brand.

Finland has become a prominent player in the esports industry, providing comprehensive ed-ucational opportunities at various levels (SEUL, 2019). These study opportunities consist of second-degree studies, adult training and even universities. University of HAMK offers an es-ports business management-line for its applicants. Their studies involve game developing, visual planning and 3D-modeling.

2.7   Esports globally

According to Block and Haack (2021), gaming across various platforms like consoles, computers, smartphones, and other devices has experienced rapid growth and gained significant acceptance in recent years, with mobile gaming emerging as the largest platform. The increasing awareness of esports, with billions of people recognizing its presence, along with the growing audience and projections for future growth, indicates that esports can no longer be considered a niche, given the substantial numbers it commands.

The outbreak of the coronavirus in Wuhan, China, in late 2019 led to a global fight against the virus, causing traditional sports to come to a halt for several months. Similarly, esports faced its own challenges, with many events being cancelled or moved online. However, the digital nature of esports proved advantageous during this time, allowing events to be easily transitioned to online formats. Streaming and gaming experienced significant growth, and traditional sports leagues also ventured into esports (Block & Haack, 2021), hosting virtual tournaments and leagues to provide entertainment during the pandemic. Examples include the Formula 1 eSports League and the virtual tournament organized by the German Bundesliga in FIFA 2020, involving professional soccer players and various clubs.

According to Block and Haack (2021), companies like Twitch, known for transforming esports into a spectator sport and Valve renowned for crowd-funding gigantic prize pools continuously innovate the market and drive industry development. The global esports revenue grows rapidly, surpassing the $1 billion mark annually. However, there is still untapped potential in merchandising, which could become a significant source of stable income in the future. It would be interesting to examine the effectiveness of merchandising in traditional sports compared to esports and determine its current profitability. While the debate on whether esports is a sport persists, researchers have identified the esports market, with a 23.82% CAGR, as a vital growth factor for the traditional sports market, which experiences a 4.3% CAGR.

2.8   The author's career in esports

A personal experience in esports was as a professional player for VISU Gaming, specifically playing Call of Duty: Warzone. Our team comprised of four players, and tournaments we competed in had prize pools of 150e–1000e. Our team achieved impressive results, winning

nine out of twelve tournaments in Finland, and being runners up in the other three. We also won the Sweden vs Finland Squad tournament.

Since those days, I transitioned to streaming and content creation, due to the evolution of the Warzone community, which eventually fell apart due to the game developers not listening to community feedback and delivering disappointing updates. Although the prize pool money was not substantial, the experience gained was invaluable, and I am grateful for the opportunity to have worked in esports. Nowadays, CS:GO has starting to get more interesting, since Valve has announced the launch of CS2 which might be next move for the career.

3 BUSINESS MODELS AND VALUE CO-CREATION IN ESPORTS

3.1 Business models in esports

The world of esports redefines the common structures of business models completely. As seen in the illustration below there are many moving parts and bits coming together forming a solid income forming a as risk free as possible future. According to Scholz (2019, pp. 64–65) a gaming organization called Fnatic has always wanted to be independent and focus on internal money flow rather than depending on external investors. This choice led them into a financial issues almost crashing their whole brand, but they found a way to monetize themselves through the support of their fans and the name they had made. In 2015, they launched their own gaming hardware line with their own logo called Fnatic Gear, this led to survival of the organization. According to the words of Scholz (pp. 65–66), Fnatic's main focus in still on competitive esports and keeping up within the ever-changing esports industry.

Picture 3. Fnatic gaming headset (Fnatic, 2023).

When creating a business model for a company, there are many things to take in consideration. Esports industry one of the biggest fear factors are the divided general public's opinion. According to Scholz (2019, pp. 83–84), this creates an issue of how to build a successful business model. Sponsors and advertisers are vital when forming organization to provide income for stakeholders, selling merchandise supports the money flow and winning prize pools boost the brand. To get to the point where you even can get sponsors, merchandise sales or win prizes is a long road for every new company.

Many companies fail in losses because they have not built a structured plan for themselves (Scholz, 2019, pp. 117–120). Business models that succeed in the industry have integrated their value around their audience, according to Scholz (pp. 117–118). In the figure table provided by Scholz (p. 127) we can notice that there are five key models with different characteristics. The esports-driven, entrepreneur-driven, media-driven, sports-driven and investor driven business model. This table has listed carefully all the different ingredients of a successful esport business model.

Table 1. Different types of business models and their key attributes (Scholz, 2019, p. 127)

	Value proposition	Value chain	Cost and profit	Value network	Competitive strategy	Coopetition/co-destiny
Esports-driven	Enthusiastic esports experience	Based on the existing esports value chain	Modest profit in order to achieve sustainability	Embedded in the network and knowledge	"Gaming is believing"	Understands the co-destiny and Esports tradition
Entrepreneur-driven	Innovation and change through technology	Adapting to existing esports value chain	High cost at the beginning, hope for profit in the far future	Acting as outsider searching for a place in the network	Be innovative and jump on the bandwagon	Coopetition as long as necessary but no co-destiny
Media-driven	Professional media coverage	Integration into existing media value chain	Moderate and fearful investment	Acting as outsider searching for a place in the network	Better media coverage based on experience	Understands the need for coopetition and co-destiny
Sports-driven	Professional and traditional sports experience	Integration into existing sports value chain	High initial cost, profit seemingly irrelevant	Acting as outsider, mostly ignoring existing network	Supplying experience on how to organize sports	Focus on competition as practiced in sports
Investor-driven	Supplying capital for growth	Adapting to the existing esports value chain	High initial cost, profit in the near future	Acting as outsider, buying into the existing network	Winner takes it all	Cooperation is only relevant if essential for profit

3.1.1 Coopetition

The word *coopetition* comes from the combination of terms competition and cooperation. As stated by Scholz (2019, pp. 120–121) like many experienced stakeholders have noticed, that to survive esports industry there must be some sort of cooperation within the competition. This sort of working together but competing at the same time can lead to value creation and innovations within the industry. Scholz (pp. 121–122) used an example of Apple and Samsung and their coopetition in a way, that Samsung works as subcontractor for Apple at the same time when they compete in their industry. Leading goal of coopetition is to form a solid business model that grows and profits the stakeholders.

3.1.2 Co-destiny

According to Scholz (2019, pp. 121–122), co-destiny is the idea of stakeholders in an industry sharing a common vision and future by focusing on collaboration despite the competition and aiming to achieve mutual growth and success. This mentality among competing companies and stakeholders will make the esports industry bloom even more in the future.

3.1.3 Convergence

As stated by Scholz (2019, p. 123), convergence in the context of esports industry implies to the tendency of organizations and stakeholders to become as one over time due to shared goals of coopetition and co-destiny. This phenomenon helps the industry to grow and build trust within one another. New stakeholders and sudden changes could alter this and lead to temporary divergences.

3.2 Value co-creation

As stated by Kunz et al., (2022), value co-creation is a process where customers and companies work together towards creating mutual value. According to Scholz (2019, pp. 86–87) the key to success is monetizing the audience in ways that benefits the stakeholders the most. Scholz (pp. 86–87) refers that the audience is a shared target, which implies that all professional gamers, viewers and even commentators create value all together. This phenomenon differs in various ways from traditional sports or cultural integrations.

Investors, entrepreneurs, media and shareholders have taken esports as a new curiosity. All that they have in common is that they rather follow and go by the flow rather than trying to change esports as it is. Focus is on making profit and creating value to all parties involved. (Scholz, 2019, pp. 84–85) Well-known company Amazon has shown that being greedy and taking risky investment can lead to struggle. As stated by Scholz (pp. 85–86) the company lead by Jeffrey Bezos took challenge by making Twitch more profitable platform for investors and shareholders. The issues have formed a massive workload for Amazon and even losing paying customers from Twitch.

3.2.1 Primary stakeholders

According to Scholz (2019, pp. 49–51), the most important stakeholders are the game developers. They are creators of what could possible be a game title with esports abilities. There are many popular games with competitive modes which are ready for esports. These games are for example: League of Legends, Fortnite, CS:GO and Call of Duty. Scholz (pp. 49–51) emphasizes the importance of game developer co-operation with their community. Ignoring your customers can lead to losing them to other games or even ruining your company's whole reputation. Game developers try to keep their games updated and add new content for the players to enjoy (Scholz, pp. 50–55), this is a great way to make more income and even lure new players to join the game. Updates can also ruin the gaming experience and lead into bugs which are not viewed well in esports competitions. This happened to the author as well with Call of Duty: Warzone, when they changed game almost completely.

Another major stakeholder are tournament organizers. According to Scholz (2019, pp. 58–60), the game developers are the kings in this kingdom, but they still rather choose to cooperate with tournament organizers like PUBG is with StarLadder and OGN with Rainbow Six Siege. Organizers are the working force to create more value (Scholz, pp. 58–60), continuity and popularity to games with esports competitive mentality.

Next up is the professional teams that are the walls when building a house. As stated by Scholz (2019, pp. 62–63), organizations creating teams are crucial for the competitions on the very top levels. These professional teams tend to have coaches (Scholz, pp. 62–63), training facilities or even gaming houses where they can train to become even better. Esports from this point of view is like a traditional sport in professional levels.

As stated by Scholz (2019, pp. 67–68), to become a person who successfully provides for himself while gaming professionally for prize pools and fame is harder than in any other traditional sports. There is a lot of competition between amateur players, who is the one to breakthrough and become a professional. These professional players might be the most important stakeholders that there is. According to Scholz (pp. 67–68), the life of professional player is opportunistic and mentally challenging because if you don't succeed your career could be over very quickly.

According to Scholz (2019, pp. 70–72), all these parts of primary stakeholders need glue in between them and that is providers and communities. They are the maximisers of the possible money flow towards the industry and companies. The communities are for example: Twitch and YouTube.

3.2.2 Secondary stakeholders

As stated by Scholz (2019, pp. 73–75), esports industry is a "Wild West", which means that there is not enough governance and regulation. Unlike esports, the traditional sports have Olympic Committee and many other governing organizations that make the rules and overwatch them. Esports is in a desperate need of these governing bodies.

As referred by Scholz (2019, pp. 77–80), the traditional sports organizations are losing their grasp of viewers due to incapability to access younger audiences. There is still a lot of unfound potential with traditional sports combining esports together. This would lead to wider audience and possibly more income towards their organizations. Some organizations have taken the opportunity and presented esports teams under their name. According to Scholz (pp. 78–79), there were only ten companies in 2015 with esports teams within their traditional sports team but in 2018 there were more than 200. These number are still growing today, and COVID-19 had a fair part of spike increase of esports related cooperations.

Sponsors and advertising might be annoying for the viewers, but they are almost 60% responsible for the revenues towards esports industry. With this data Scholz (pp. 81–83), implies that sponsors and advertisers were and still are the backbone of the whole industry. Intel, Logitech and Nvidia are the most well-known sponsors know in the esports community and following them are Red Bull and Monster Energy. Without these labels esports industry's

return on investment (ROI) would have been impossible to answer and they have had their impact on the growth of the whole esports saga (op cit., pp. 82–83).

There has always been communication about gaming is bad for your health or that it will ruin your mental health in some way. This is the part where general public's opinion should be proven wrong. As stated by Scholz (2019, pp. 83–84), studies have shown that gaming is beneficial for your hand-eye coordination and reflexes etc. Authors personal experience of gaming has brought many close friends and great memories throughout the years.

4   SWOT ANALYSIS OF ESPORT INDUSTRY

Strengths, weaknesses, opportunities and threats, shortly known as SWOT, is a commonly used tool in businesses around the world. According to Helms and Nixon (2010), SWOT analysis can be used to recognize your company's strong and weak sides. Simple and effective way of pointing out complex matters for easier understanding. Drawing from the previous theoretical framework foundations, this section presents the SWOT analysis, providing a comprehensive assessment within the esports industry.

Picture 4. SWOT analysis of the esports industry.

4.1   Strengths

As stated by Block and Haack (2021), esports strengths lay in its accessibility within global reach. You can play games almost wherever you want. Growing market and diverse revenue streams makes it strong business industry among others. According to Block and Haack, in 2012, the global market revenue generated by the industry was a modest $130 million, which significantly increased to $865 million by 2018. This indicates that there has been a major growth in esports industry.

4.2   Weaknesses

Esports faces a lack of acceptance due to misconceptions. It demands skill, strategy and dedication like traditional sports. Embracing its true essence can connect the gap and grant esports the recognition it deserves (Franks & King, 2023), but traditional medias are still learning how to deal with esports, and they are lacking improvements towards this rising phenomenon.

In a personal communication on July 2, 2023, Tom Kaskinen stated that there are challenges with building and maintaining reliable gaming venues, online platforms and networks that can handle the increasing needs of players and fans. He emphasized that these infrastructural issues are visible also in Finland. Based on a personal communication with Patrik Sulonen on July 3, 2023, he mentioned that the esports industry makes money from various sources. But, because of this diversity it becomes tough for both new and old companies to survive in the rapidly changing market.

4.3   Opportunities

The esports industry offers a wide range of opportunities, including sponsorships, untapped potential for future development, the emerging market of esports gambling and betting, as well as the growing demand for esports merchandise. According to Cerqueira et al. (2020), gambling is also a threat that needs to be noted. At the same time, it is an opportunity for the industry and threat. This opportunity could be, if not legislated correctly "a gambling disorder" for many players. Currently there are only effects in minor groups of gamers.

According to Macey et al. (2021), the ongoing growth of the esports industry, the increasing size of prize pools, and the expanding audience, it is expected that the existing gambling market will further expand. There has already been made improvements focusing on finding better solutions for gamers to gamble safely. According to Young (2019), a company called Valve, which is developer of CS:GO, announced a new way to gamble. CS:GO loot boxes which you can open with real money to gather skins for weapons used in-game. Originally loot boxes could be opened when buying a key for the crate. To be specific the change of what Young (2019) is talking about is that they made it different in France. France's gambling legislation didn't allow the current state of loot boxes to stay. As stated by Young (2019), Valve implemented X-Ray scanner which allows player to see the contents of the loot box

before buying it. In order to keep opening cases you will have to open the previously scanned box, which is basically a sale of buying a weapon skin you see and avoid the gamble legislation. This is either a workaround for the company Valve to make money or improvement towards "safer gambling". Many companies make part of their income from selling fan merchandise and other apparel with their company's logo. This offers a lot of opportunities for collaboration between companies even from different industries (P. Sulonen, personal communication, March 7, 2023).

Picture 5. CS:GO Loot Boxes (Gamerant 2019).

4.4   Threats

The market of esports industry is heavily volatile, and this could lead to sudden surprises for companies (Grayson, 2015). Relying solely on sponsorship and advertising income can be a threat to a company due to its unpredictability and vulnerability to sponsor changes. Diversifying the revenue streams is crucial for long-term stability. Cheating is an issue in every sport, whenever there is competition and money people will try to abuse the system. On August 20, 2014, a CS:GO team called iBUYPOWER had a match against NetCodeGuides. Players from iBUYPOWER bet against themselves on a gambling site and played purposefully bad in that matchup. Later, when they were caught by the officials, Valve decided to ban all the players involved. Among the players of iBUYPOWER they banned the founder of NetCodeGuides Casey Foster.

5 RESEARCH

5.1 Objectives and goals

The primary goals of this study are to examine the various business models used by esports organizations and companies and to identify the reasons behind their selection of a particular model or combination of models. By investigating the factors that influence the adoption of specific business models, this research aims to provide insights into the efficiency and effectiveness of each approach. Furthermore, this study seeks to enhance our understanding of the esports industry by exploring the underlying principles that govern its operations and growth.

- To understand which model fits the best to various businesses
- Get answers to questions for my personal career
- Discover useful data for SeAMK to be used as study material
- Study how Finnish esports business are structured

5.2 Author experience

Over the course of four years, I have acquired expertise in the esports domain. This period includes my participation as a professional player of Call of Duty: Warzone with the VISU Gaming team from 2020 to 2023. At present, my focus is on content creation and marketing, and I hold the distinction of being a Twitch partner with a streaming record of over 4000 hours. Additionally, I have developed my esports abilities through exposure to diverse esports events and tournaments. Twitch Assembly is held twice a year in Finland, once every summer and winter. 2022 Summer I was streaming there in the Iltalehti Streaming Corner and this time not Warzone but CS:GO. With the help of personal experience and wide contact network the research process will be greatly improved.

Picture 6.The author streaming at Assembly Summer 2022.

5.3 Qualitative research

According to Streefkerk (2023), qualitative research focuses on "words and meanings" and quantitative research focuses on numbers and statistics when collecting and analyzing data. Both approaches are valuable for acquiring distinct forms of knowledge, therefore mixed approach is commonly used by combining both research methods together.

As stated by Streefkerk (2023), qualitative research method focuses on few respondents with open-ended questions. Interview would be a great example of qualitative research method. Interviews helps understanding a phenomenon by asking questions from the respondents. Through a conversation theories and ideas can be shared more descriptively to understand complex matters.

5.4 Chosen method

Interviewing people will improve changes of getting proper understanding of how companies and organizations make money with their business model in the field of esports. According to

Streefkerk (2023) qualitative method is the way to go with this because it gives in-depths in-sights and clearer understanding to the concept. Basically, it means quality over quantity when referring to quantitative data collection method which provides different and broader kind of information. Interviewing is also a way to gather experiences what esports profession-als think of their current way of business. Conducting an interview with esports organization manager will be a challenge because their line of work includes a busy schedule. When choosing qualitative research methods over quantitative ones may raise concerns regarding limited generalizability, potential subjectivity and bias and the need to carefully analyze and interpret the data collected (McCombes, 2023). To simplify, there is more room for mistakes when using quantitative data collection method.

5.5   Interview and criteria

The research will involve conducting interviews with two individuals from different Finnish es-ports companies, Tom Kaskinen from HAVU and Patrik Sulonen from VISU GAMING. The primary goal of the interviews is to gain insights into the practical operations of esports com-panies and the factors that contribute to their success as businesses. By interviewing repre-sentatives from two different companies, this study aims to facilitate cross-comparisons be-tween different approaches to business operations and management. The interview ques-tions will cover a range of topics, including the interviewees' personal experiences in the es-ports industry, their companies' business models and structures, their opinions on the growth and potential of the esports industry, and their companies' strengths, weaknesses, and limita-tions. By engaging in these interviews, this research aims to provide a comprehensive view of the esports industry and its operations from the perspective of industry insiders.

The main focuses of the interview are

- Business models
- Money flow
- Progress
- Future of their company
- Esports as a job

6 INTERVIEW ANALYSIS

6.1 Goals

The goal of the interview is to gather valuable insights from two different Finnish esports organizations HAVU and VISU Gaming. By asking specific questions related to the subgoals of the thesis research, we aim to gain a deeper understanding of the esports industry, its business models, growth factors, organizational structures, strengths, limitations, and success factors. Through the interview analysis, we hope to uncover key trends and patterns in the industry and draw meaningful conclusions that contribute to the overall knowledge of esports as a growing business field.

Picture 7. DreamHack Open Rotterdam in 2019 (HAVU 2019).

6.2 HAVU Gaming

HAVU Gaming is a Finnish professional esports organization that competes in various video game tournaments at national and international levels. Founded in 2017, HAVU Gaming has quickly become one of the most successful esports organizations in Finland, known for its strong teams and impressive performances in games such as Counter-Strike: Global Offensive, Dota 2, and Rainbow Six Siege (HAVU Gaming, n.d.).

HAVU has been gaining popularity and recognition in recent years, both locally in Finland and worldwide (T. Kaskinen, personal communication, March 1, 2023). As a result, HAVU Gaming has emerged as a key player in the esports ecosystem, offering support, training, and resources to their teams and players, enabling them to achieve success on the global stage.

6.2.1 Tom Kaskinen HAVU

Tom Kaskinen is an experienced esports professional who has been working in the industry for several years. He is currently employed by HAVU, a successful esports organization based in Finland. Tom's role at HAVU involves managing the company's operations and ensuring the team's success in competitive esports events. With his expertise and experience, Tom brings a valuable perspective to the esports industry and provides insight into the inner workings of an esports organization.

6.2.2 Interview with Tom

Tom Kaskinen is the marketing and project manager for HAVU, an esports organization based in Finland. He has been working in esports since 2019 and was previously the CEO of KOVA Esports, which unfortunately went bankrupt last year. He has also worked in content creation and social media in the past.

Tom believes that esports is still growing, although there are signs of growth slowing down, at least in Finland. He feels that the lack of recent success in the Finnish esports scene has made it a bit stale. However, he also notes that organizations in Finland have taken leaps in terms of sales and cooperation with partners, both in terms of financial and quality aspects.

HAVU's business model is like a regular company, with departments for sales, content creation, marketing, and finance. However, what sets them apart is their professional players, who they pay a salary to play. These players (and content creators) act as the product for their operation, which they sell and create content around. The company's revenue comes almost entirely from their partners, who pay for their services, including social media campaigns and live events. HAVU promotes itself by showcasing their players and influencers on social media and by attending conventions and events in the business world. They believe

that telling their players' and influencers' stories on a regular basis is the best way to grow their platforms.

HAVU's greatest strength is its people, who are invested in the company and willing to take the extra step to get things rolling. However, Tom notes that committed people in esports still need to work way too many hours for way too little in return. This lack of balance can be a weakness for the company. Overall, the major key to HAVU's success is its crew, who work overtime on a regular basis. Tom acknowledges that there are financial limits to what they can do and that they would like to hire more people to do things bigger and better. However, they are on a great journey towards reaching their goals and making their dream of making HAVU a success a reality.

6.3 VISU Gaming

VISU Gaming is a Finnish company that has been making waves in the esports industry. With its headquarters located in Helsinki (P. Sulonen, personal communication, March 7, 2023). VISU Gaming offers a range of services to esports influencers and brands, including marketing, content creation, and apparel design. The company's focus currently lies in the areas of social influencers and content creation, which account for approximately 70% of its business. This emphasis is reflected in the company's roster of creators, which includes well-known names such as Basu, GargeFPS, JenniJanina, imN3O, Kliffa, Arska, Nino, and others. The popularity of esports has been steadily rising in recent years, and VISU Gaming has positioned itself at the forefront of this trend. By leveraging the talents of its creators and connecting them with brands and audiences in the esports industry, VISU Gaming has quickly become a major player in the space. The company's partnerships with professional players and teams in games such as Fortnite, Call of Duty: Warzone, Rocket League, NBA2K, and CSGO have also helped to cement its reputation as a key player in the esports ecosystem. Overall, VISU Gaming's innovative approach to esports marketing and content creation has helped to establish it as a leading player in the industry. With its focus on social influencers and content creation, the company is well-positioned to continue capitalizing on the growing popularity of esports and the increasing demand for high-quality esports content.

6.3.1 Patrik Sulonen VISU

Patrik Sulonen is the CEO of VISU GAMING, the largest esports and influencer organization in Finland. He has been working in this role since 2019, bringing his expertise in economics to the company's management and growth strategies. As the head of VISU GAMING, Sulonen plays a crucial role in shaping the future of esports and influencing the industry's development in Finland and beyond.

Picture 8. Patrik Sulonen with VISU Gaming's influencers (VISU 2022).

6.3.2 Interview with Patrik

Patrik Sulonen is the 27-year-old CEO of VISU, a Finnish company that operates in the esports industry. In the interview, Patrik shared some insights about his company, the current state of esports in Finland and globally, the marketing strategies they use, and the keys to success in this industry. Patrik revealed that he has been playing esports for about four years now, and while he used to play regularly, he doesn't have as much time for it anymore. However, he still follows major tournaments and keeps himself updated on the latest trends in the industry. When asked about the current state of esports in Finland and globally, Patrik admitted that the industry is currently in a downturn. He attributed this to the COVID-19 pandemic, which saw esports reach new heights of popularity as people were forced to stay home. Patrik, however, believes that the situation will normalize in a few years.

Patrik also shared that VISU's operations are divided into three main areas: marketing, content creation, and a clothing brand. The company has a large office in Helsinki, which serves as a base of operations for influencers. Interestingly, all production workers in VISU are self-employed, and the company's operating costs are kept to a minimum, only being incurred as needed.

Patrik stated that VISU has grown rapidly since its inception, going from having no followers to becoming the most popular esports company in Finland. He credits their success to having a wide community, a strong influence, visibility, and the ability to react quickly to changes in the industry. However, he also admitted that their haphazard expansion has resulted in too many small events and projects, leading to problems that can quickly become large issues.

In terms of marketing, Patrik highlighted TikTok as the most effective platform, although he acknowledged that YouTube is still an important tool. When it comes to keys to success in esports, Patrik emphasized the importance of having a good team, trusting oneself, learning from mistakes, adapting to changing circumstances, and reacting quickly to them. Overall, Patrik's insights provide a glimpse into the world of esports and the opportunities and challenges that companies face in this rapidly growing industry.

6.4 Comparison analysis

Tom and Patrik's answers provide interesting insights into the world of esports and its current situation. While both individuals have different roles in the industry, their answers shed light on various aspects of esports, such as its popularity, marketing strategies, and potential for growth.

In terms of their age and involvement in esports, Tom is relatively young and has been involved in esports for about 4 years as a casual player and a content creator. On the other hand, Patrik is 27 years old and the CEO of VISU, a company that operates in the esports industry. While Tom's experience is more focused on the content creation side of esports, Patrik has a broader perspective on the industry, given his position as the CEO of an esports company. Regarding the state of esports, both Tom and Patrik agree that the COVID-19 pandemic has had a significant impact on the industry. Tom notes that the pandemic has led to an increase in the number of people playing and watching esports, while Patrik mentions that

esports experienced a peak during the pandemic but has since declined. They both suggest that the industry will eventually return to normal, but Patrik believes it may take a few years.

When it comes to marketing strategies, both individuals have different approaches. Tom mentions that HAVU primarily uses social media platforms, such as Twitch and Twitter, to promote their players and creators. Patrik, on the other hand, explains that VISU's marketing strategy is focused on events and imported products for customers but they also make content on Twitch and are active on Twitter. He also notes that TikTok is the most effective platform for marketing, while YouTube is also becoming increasingly important.

In terms of strengths and weaknesses, Patrik mentions that VISU's strengths lie in its wide community, strong influence, visibility, and fast growth. However, he also recognizes that the company's weakness is its tendency to spread itself too thin, resulting in many small issues that can quickly escalate into significant problems. Tom, on the other hand, focuses on the importance of teamwork, personal confidence, and the ability to learn from mistakes as keys to success in esports.

Overall, while Tom and Patrik's roles and experiences in esports differ, their answers provide valuable insights into the industry. Tom's focus on personal branding and social media marketing highlights the importance of individual players in esports, while Patrik's insights into the operations of a company like VISU shed light on the broader industry trends and potential for growth.

7 SOURCE EVALUTION

In the process of constructing a thesis, the use of valid and reliable sources holds central significance. Therefore, this section aims to carefully evaluate the sources used in the conducted research and written work. By critically assessing the sources' quality, relevance, and trustworthiness, we establish a solid foundation for the thesis. Esports is rather new topic in the world of business, which makes it difficult to find specific sources that are peer-reviewed or published by reputable business-related publishers or academic publishers. Luckily SeAMK has library system which gives students access to newest verified articles, books, newsletters etc.

The sources were mostly published recently; the oldest source from 2006 is related to history of esports which is not relevant to be fresh source. Almost all the others were from years 2021–2023, which points that the sources are up to date. Most of the articles and other works were peer-reviewed which solids the ground under the used sources.

Regarding the experience of the authors of the sources, in this work there were two interviewed individuals who are professionals in their line of work. They have lived and breathed esports most of their adult life so I would recon these are good or even excellent sources of information. Some of the written sources' authors were professors studying their point of view towards esports and other journalists with reputation or entertainment writers and students etc. Overall, it seems that there are genuine and reliable sources, but there is also sources which don't posses all the same qualities as the best ones. Sources were searched by using SeAMK FINNA, Google Scholar and Theseus. This means that sources are accurate and researched and can be verified accordingly.

8   CONCLUSIONS

The esports industry poses significant challenges due to its highly competitive nature. However, it also offers numerous avenues to achieve success, allowing companies to thrive through a diverse range of business models. There are many risk factors which need to be taking in consideration when forming a business plan and model for your company. The industry faces a lot of changes every now and then, that is why a company must be prepared to evolve always when necessary and even before.

There are many successful business models created by professionals and veterans in the industry, but without proper research company could choose the wrong one for themselves and end up in ruins, but with right team everything is possible and that's the spirit in esports industry.

An interview with two individuals in the Finnish esports industry, Tom and Patrik, provides valuable insights into the current state of the industry. Both of them agree, that the COVID-19 pandemic had a significant impact on the industry, with an increase in the number of people playing and watching esports. However, Patrik notes that the industry has since declined, and it may take a few years for it to return to normal. The interviewees provide different perspectives on marketing strategies, highlighting personal branding and social media marketing, as well as the importance of events and imported products for customers. The interview results show that there can be completely different business models in the same industry and still be successful. The research also proves, that there is a rising esports industry in Finland.

The thesis findings provide valuable insights into the esports industry, highlighting its potential for growth and the challenges that need to be addressed for sustainable development. Additional investigation is necessary to gain a comprehensive understanding of the influence of the esports industry on society, governance and regulation.

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APPENDICES

Appendix 1. Interview questions

Appendix 1. Interview questions

- Your name and age? Who do you work for and your current status in the company?
- How long have you been working in esports? Do play any games yourself then?
- Why you think esports is a growing field of business? Which part especially?
- Which kind of business model your company has? Is it the best for you?
- Where did your company start and where are you now? Are you satisfied in the current state?
- Which part of your business provides most income to your company? Why?
- How do you promote your company? What have been most efficient way?
- What are your company´s weaknesses and strengths? Do you have any limitations?
- Which things were the key to your success? Did you encounter difficulties? If yes, what kind?
- Do you enjoy working in this field of business? What is best about esports?