Exploring the eSports environment

A marketing-oriented analysis of the biggest unnoticed sponsoring channel

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Abstract

Professional video gaming, or "eSports", has evolved from a leisure activity for nerds to a billion-dollar sport with global reach. This change was unnoticed for years. Now brands are increasingly utilizing professional gaming as a marketing channel and encounter the different rules of gaming culture.

The aim of this thesis is to provide a comprehensive overview of the current eSports market and its marketing operations for readers without previous knowledge of gaming. To do this, the thesis begins with an introduction to video games and eSports. The results of theoretical research work are presented in a stakeholder analysis to explain the eSports landscape. Afterwards, a discussion of the current revenue streams and composition of the marketing environment follows. The subsequent guidelines for successful promotion in this industry are supplemented by current examples of excellent campaigns.

Supporting data was provided by empirical research in the form of an interview with an expert from the industry and an exemplary market analysis of the world's biggest eSports title, based on Michael Porter's Five Forces. Finally, the results of the theoretical and empirical research are brought together in a discussion about the attractiveness and future of the eSports market.

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1   Introduction

Sports are a big part of many people´s daily life. Doing sports as a free time activity or watching your favourite team compete in weekly football matches is as normal as it gets. Sports contests are undoubtedly tied to human culture since the ancient Olympic games in ancient Greece in 776 BC (The International Olympic Committee, 2020) – more than 2500 years ago. Compared to these ancient beginnings, professional sport competitions today are huge events that connect people around the whole world. For instance, the Fifa football world cup final 2018 in Russia was seen live by 1.12 billion people. The whole tournament even managed to reach over half (3.572 billion, 51.3 %) of the global population. (FIFA, 2018, p. 4)

Just as all other fields of human society, traditional sports have been subject to a huge change that has been occurring in the last decades: Digitalization. Typewriters and handmade notices made way for computers and laptops, communication is primarily done by smartphone and people "google" answers instead of searching for them in books at the public library. Together with the invention of the first video games, digitalization laid the foundation for the rise and growth of "Electronic sports" (eSports). In fact, one of the first scientific papers on the eSports topic by Michael G. Wagner views its emergence as the logical evolution from an industrial to a digital civilization (Wagner, 2006, p. 3). eSports is competitive video gaming as a spectator sport. eSport athletes compete for prizes in the millions globally in different games (disciplines) in professional leagues, teams, and tournaments. Even though it is a relatively new medium, it is a magnet for viewers with almost half a billion fans around the globe. Consequently, this industry garners more and more public attention. By now, even originally traditional sport broadcasters such as ESPN feature an own news sections dedicated to the digital spectator sport and offer live coverage of big events and leagues (ESPN, 2020). Continuing improvements in professionalization and fan growth have led to eSports becoming a promising platform for marketing purposes. This particularly includes sponsoring which so far was practiced mostly in traditional sports. Companies like Adidas, Puma or Nike are already a common sight in those. For instance, the latter pays football superstar Christiano Ronaldo €162 million over the span of ten years for exclusive sponsoring rights (Jennen, 2019). While eSports athletes are still far away from contracts in that dimensions, companies and their brands are starting to take the marketing possibilities of eSports seriously. One reason is to reach young people such as generations Z and Y on a global scale. Specifically brands that are not traditionally tied to gaming itself (non-endemic) such as – for instance - Toyota have been raising their marketing investments in eSports (Taylor Strategy, 2019). This should be a sign for everyone that eSports is getting more and more relevant.

For many avid gamers, it is important on a personal level. A large number of young adults grew up with video games – me included. For us, it was always more than just a way of spending our free time. Rather, it was like a passion for something you love doing. After decades of gamers being labelled the strange "nerd" by other teens and overwhelmingly negative press, with gaming suspected to be the source for mass shootings, it finally became mainstream. It is a joy for us gamers who watched eSports slowly grow to finally see it getting the positive public and

business attention it deserves. I grew up playing video games, played professionally during my teens and am passionate about it to this day. Hence, this thesis is much more than just another paper to achieve the bachelor´s degree – it is a personal expression of gratitude and fascination. Competitive gaming is here to stay, and its booming industry will most likely continue to grow. In all likelihood, it is only a matter of time until it will be fully established as one of the big marketing channels. Hence, it is a great opportunity for companies to join the current "gold rush" and establish a foothold. Tobias Sherman, CEO of Foundry IV and former global head of esports at WME-IMG already stated 3 years ago: "If you are a CMO and you are not in esports in 2017, you are going to risk getting fired" (Schultz, 2017).

1.1 Purpose and goal of this thesis

Over the years, traditional sports have proven to be very lucrative for branding communication. The companies involved usually employ a marketing mix of sponsoring, product placement or advertisements to generate awareness of their products among sports enthusiasts and occasional viewers. This leads to the creation of value for the customer, which can in turn be captured by the company to create profits and costumer equity (Kotler & Armstrong, 2014, p. 50). In theory, this can be easily applied to the eSports market as well as it appears to be similar in its organization and modus operandi. Hence, this market is highly interesting to enter for future ad investment. However, it is not that easy of a task. While digital sports can certainly be compared to the traditional ones to a certain extent, it does have its own intricate culture and structures that are often not understood or underestimated by marketers (especially by older ones that have no experience in the topic at all). The market and its customers are not as easy to reach as companies tend to think, especially when they expect to be able to use "proven" concepts from traditional sports. This quickly leads to a big branding/PR disaster due to a lack of understanding of internet culture and results in failure to reach the desired target group. Diving into eSports is not as simple as "doing some social media marketing". That is possibly one of the big reasons why marketing in eSports is only starting to take off. Nevertheless, if companies understand, which mistakes to avoid and how to interact with the eSports value chain, they would have the opportunity to get involved with their potential customers on a whole different and authentic level. Therefore, the main purpose of this thesis is to help interested professionals understand this market and to point out the risks and avoidable problems one might run into – without any previous gaming knowledge.

Another purpose of this work is to contribute to eSports research. Competitive gaming is evolving just as quickly as the underlying video game industry, which makes it hard for marketers to keep up with the trends. This appears to be a serious entry barrier for people that are new to gaming. Even if they wanted to get new insights on the eSports environment, there is not much literature or research on the topic to be found. If one eventually manages to find something, chances are it is already outdated. So, another purpose of this thesis is to contribute to eSport research and publicity.

These purposes lead to these specific goals:

- Explain the gaming environment and eSports history
- Provide a comprehensive overview of the current eSports market
- Create a guide for successful eSports marketing for professionals that are new to this topic

1.2 Research Questions

The purpose and goal of the thesis have been established. Now, the research questions are listed here to display which topics will be answered with the help of theoretical and empirical research. The actual inquiries have been structured (and answered) in a logical funnel-like sequence. This means, that the questions and topics within this thesis follow a "red thread". They start with common and broad knowledge by explaining gaming and continue to get more and more specific as the thesis progresses. That way, even someone without any previous knowledge on gaming can comprehend this work. The main research questions are:

1. What is eSports and where does it come from?

Answering this question is a precondition for any further discussion of the eSports topic. Therefore, it will be answered first. Chapter 2 portrays the underlying video game medium from its early beginnings until its current state. Afterwards, chapters 3.1 & 3.2 answer the question "What is eSports and where does it come from?".

2. What does the current eSports market look like?

Subsequently, chapters 3.3, 4.1 and 4.2 disclose what the eSports market looks like right now. These chapters cover the current stakeholders, revenue streams and marketing landscape.

3. How to successfully use eSports as a marketing channel?

The last research question is answered in chapters 4.3 & 5 – the guidelines for successful eSports marketing and case study.

1.3 Methodology

This thesis is based on two research methods (theoretical and empirical) and is divided into correlating chapters: The theoretical research is based on studying and evaluating primary sources. Also, a stakeholder analysis (Freeman & Reed, 1983, p. 89) was conducted to map out the eSports environment for chapter 3.3. The relevant business topics in this thesis are eSports, Gaming, Marketing and Sponsoring. For research on those, sources included international expert literature, newspaper articles, reports and articles from consulting agencies, yearly reports from gaming/eSports companies and statistical data from renown analytical agencies or public institutions. Depending on its relevance, a lot of emphasis was put on using recent

literature sources. This decision was made due to the modern nature of the topic. The ever-changing character of professional gaming leads to literature being outdated very quickly. Thus, usage of old books and articles would have been detrimental to the goal of this thesis – providing a current state market overview. It also needs to be noted that the procurement of books was severely obstructed by the COVID-19 pandemic in early 2020. On top of that, there is a general lack of scientific work on the eSports subject (Rogers, 2019, p. 67): The first real white paper that took eSports seriously was by (Wagner, 2006) –6 years after eSports commenced to be broadcasted 24/7 on dedicated television channels to millions of homes in South Korea (O´Keefe, 2018). Therefore, online sources were the preferred choice. All numbers were depicted in the American decimal system. This choice was made as all sources and figures are based on that numbering system. The results of the theory-based research make up chapters 2 to 4.

In order to support the theoretical research with additional data, empirical research and work was conducted. A case study on evaluating an exemplary game title for marketing operations was done with the help of Porter´s (1979) Five Forces model in chapter 5. Furthermore, an interview of an industry expert provided more insights. The person interviewed was Mr. Felix Kaukiainen, founder of the eSport company "ENHANCED". The questions were set up to cover all relevant parts of the theoretical research such as eSports, audience, environment, and marketing and thus provided another perspective and input on competitive gaming. Permission to use his name and company name was given on 20.04.2020 by email.

1.4 Delimitations

eSports is growing and a large business. However, to avoid a thesis that goes beyond the scope of what is expected of a bachelor´s degree, some delimitations had to be set up:

- This paper deals with the eSports market from a marketing perspective. Within these boundaries, it focuses on sponsoring. It does not discuss other business-related profit opportunities such as financial investment.
- Theory on advertising and sponsoring is be kept to a minimum. The focus of this work is to explain the eSports market to interested professionals.
- Research and discussion on video games in general is only done in case of it being relevant to the thesis topic.
- The theoretical chapters do not talk about every single eSport title, as the amount is too large. Instead, an overview is of the main games to keep an eye on is provided. As a representative example of the whole industry, "League of Legends" by Riot Games is the game mostly used as it is currently the most popular eSport title with the most sophisticated competitive environment. (EsportsCharts.com, 2020)
- This thesis does not deal with how to create a suiting marketing mix for a specific campaign
- The stakeholder analysis in chapter 3 portrays all stakeholders but does not explain all of them thoroughly. Exclusively relevant parties to the thesis topic are examined.

- The case study in chapter 5 utilizes Michael Porter´s Five Forces model. The tool itself could provide enough content for a whole bachelor thesis if analysis goes very deep. Within this thesis, it is supposed to support the theoretical research chapters by wrapping everything up and demonstrating how the forces would look like for a specific game title. Therefore, it is kept relatively short.

1.5 Structure

The introduction will be concluded with an overview of the general structure of this thesis.

Chapter 2 – Video Gaming: The second part of this paper marks the start of the theoretical research results. This chapter introduces the reader to the underlying medium of eSports: Video Games. A short history of gaming is supplemented by facts on the current state of market and predictions on further developments.

Chapter 3 – The elements of eSports: This chapter´s purpose is to create a solid base of knowledge for people without any previous knowledge on eSports. Therefore, the landscape of professional gaming is explained with the help of results from a stakeholder analysis. It provides the reader with deep knowledge on the eSports market and its connections to other industries and the public. This chapter is the core of this thesis.

Chapter 4 – Marketing in eSports: This part sheds light on the business side of professional gaming. It includes revenue streams and the current marketing environment. Also, the potential sources of problems are discussed. The guidelines for successful eSports marketing close the theoretical research chapters.

Chapter 5 – Current Market Analysis Case Study: This chapter marks the beginning of the empirical part. It conducts an exemplary case study which analyses and evaluates the current market of the eSports title "League of Legends" with the premise of commencing marketing operations in there. For this endeavour, Michael E. Porter´s Five Forces Model is adopted, which is explained at the start of the chapter.

Chapter 6 – Interview: The empirical part is supplemented by an interview. This chapter includes the interview setup and its results with the industry expert.

Chapter 7 – Final Discussion This chapter brings together theoretical and empirical part. It discusses the findings, provides a final result and includes a future outlook.

Chapter 8 – Closing remarks: These final thoughts include a reflection on the thesis writing process and possibilities of improvement.

2 Explaining video games - From a PhD. degree thesis to entertainment giant

In order to analyse and understand the current eSports marketing possibilities, it is essential to know about the underlying videogame medium. This expertise requirement is also present in other sports: For instance, a company first needs knowledge about the basic rules of football in order to produce a spot that can be aired at the world championship finals and also resonates with its fans. It is undoubtedly a big part of popular culture, but surprisingly lacks a clear definition. Even these days, articles are written on how to define video games and why it is important to do so (Arjoranta, 2019, p. 109). Bergonse (2017, p. 239) argues that the medium itself is so diversified with different genres, that few attempts of a clear definition have been made. This argumentation is comprehensible to say the least. Video games span from simple programs such as "Snake" on old Nokia mobile phones to huge interactive digital worlds with thousands of players. While Arjoranta (2019, p. 118) comes to the conclusion that new definitions of games are needed all the time because "Even if our games do not change, our perspective on games keeps changing as the culture around them changes", a simple definition of the Cambridge Dictionary says it is "a game in which the player controls moving pictures on a screen by pressing buttons" (Cambridge Dictionary, 2020). Although there are more intricate definitions, this one is sufficient for the purpose of this thesis.

For eSports to even exist, a medium was necessary. This necessity is analogous to a ball being required first to come up with football as a sport. The invention of the "ball" in this case was the fully functional stored-program computer EDSAC (Electronic Delay Storage Automatic Computer). It was the first computer built for general use by the University of Cambridge and ran its first program on 6th of May, 1949 (Goddard, 2019). With this machine, the foundation for video games was set. Humans are playful by nature, the basic idea of playing games for joy is tightly connected to culture. Huizinga (1949) calls it "Homo Ludens" – the playing man. Consequently, it is not a huge surprise that only three years later, Alexandro Shafto Douglas arguably created the first video game for EDSAC in 1952: Noughts and Crosses (The History Channel, 2019; The Strong - National Museum of Play, 2020). It was a very simple version of the game "Tic-Tac-Toe" and was part of Douglas´s PhD dissertation about Human-Computer interaction. It was the first real graphical computer game (Donovan, 2010) which was played on EDSAC´s small control terminal. It never got popular as it was only programmed for that specific computer. After "OXO", it took 20 more years for the world´s first home console to be constructed by Magnavox, the Odyssey. That was the first device people could connect to their television at home in order to play video games and featured 28 games (The History Channel, 2019).

One of these games was the inspiration for video game producer Atari´s "Pong". Atari released an own home version of it in 1975 which became extremely popular (Wolf, 2008, p. 54). Pong is considered by many to be the first real video game as it marks the start of the commercial video game industry. From there on out, Video games continued to grow alongside the rapid technological progress. While the first games were mostly based on already existing games (Noughts and Crosses was tic-tac-toe, "Pong" is basically a tennis game for two players), new

genres of games were born thanks to the creative possibilities of ever evolving technology (Lee, Karlova, Clarke, Thornton, & Petri, 2014, pp. 126 - 127). The consumer numbers grew extremely over the last five decades (Arjoranta, 2019, p. 109). This led to the surging relevance of video games as an entertainment platform. By now, it is among the favourite recreational activities as 65% of American adults play video games (Entertainment Software Association, 2019). Here are a few facts about the 2019/2020 market:

- Video games were a $152.1 billion (Figure 1) market (NewZoo , 2019) at the end of 2019. That is almost four times the size of global cinema box office´s $42.5 billion (McClintock, 2020).
- With a 45% share, mobile games for smartphones make up the biggest portion of the market. Consoles follow closely with 32% while the PC trails the systems with 23% (Figure 1) (NewZoo , 2019)
- In total, 2,5 billion gamers exist across the world. (Wijman, 2019)
- Rockstar Games´s "Grand Theft Auto 5" is the most financially successful media title of all time. No movie or music song comes close to it: After being released in 2013, it sold 90 million copies by 2018 resulting in a total revenue of more than $6 billion (Cherney, 2018). To put this into relation, the highest lifetime grossing movie to this date is Disney´s/Marvel´s Avengers: Endgame with $2.7897 billion (Rubin, 2019). "GTA 5" shows no signs of slowing down with 120 million copies sold by the end of 2019 (Tassi, 2020)
- The total video game market will continue to grow at high rates. Data Analytics and consulting experts GlobalData state that it will most likely become a $300 billion + industry by 2025 (GlobalData, 2019; Lainer, 2019).
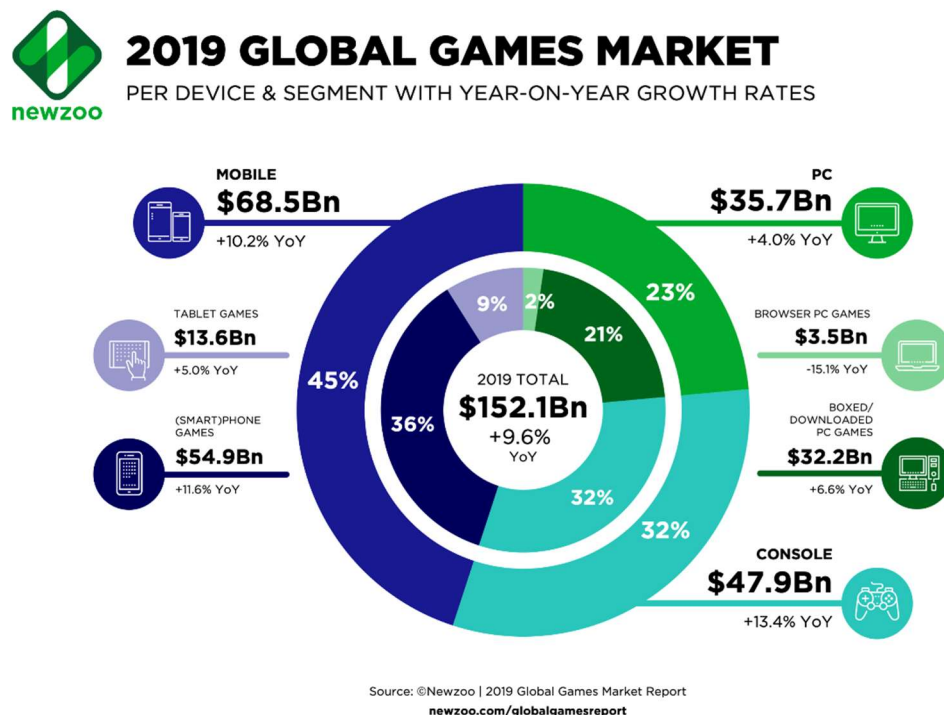

Figure 1 - 2019 Global Games Market Revenue (NewZoo , 2019)

3 The elements of eSports

eSports is not anymore about nerds playing video games in their mother´s basements. The numbers speak for themselves: This sector´s total value is projected to reach $1.1 billion in revenue in 2020, a +15.7% growth compared to last year. The worldwide regular eSports audience will reach 495 million (NewZoo, 2020, p. 27). In comparison: Only 6 years ago, global eSports revenue was at $194 million with an audience of 114 million people (NewZoo, 2016). In order to do business in professional gaming, it is crucial to understand what exactly eSports is, where it originated and who is invested in it. To provide a clear insight on this promising market, this chapter will disclose the elements of eSports.

3.1 What is eSports? – a definition

First, a clear definition is necessary for the continued discussion about eSports. The oldest formulation of a definition on it was done by Wagner (2006, p. 3) and sounds similar to how traditional sports would be outlined:

> "eSports is an area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies"
>
> *– Michael Wagner, Danube University of Krems*

This definition is commonly used to describe eSports. However, it lacks a few important parts of the phenomenon such as the different platforms it is conducted on or the unique eSports culture which includes "language, jargon, behaviours and shared passion in gaming" (Rogers, 2019, p. 4). Especially this lack of incorporation of gaming culture in Wagner´s approach is often criticised by experts and researchers (Taylor, 2012; Taylor & Witkowski, 2010). Phrasing a simple definition that is universally accepted seems to be challenging. Phrasing one that is understood by non-endemic people is even harder. Experts agree that this is -again- due to the lack of qualitative research (Adams, et al., 2019, pp. 5-6). As of now, the easiest method to understand eSports might be a combination of academic definitions and practical examples. This means to get a "feeling" for the community, how eSports got to be in the spot is it right now and what is played. Additionally, definitions by non-academics such as New York Times journalist David Segal help to grasp the topic (Segal, 2014):

> […] the odds are good that you have never heard of e-sports, a catchall term for games that resemble conventional sports insofar as they have superstars, playoffs, fans, uniforms, comebacks and upsets. But all the action in e-sports occurs online, and the contestants hardly move.
>
> – David Segal, The New York Times

The crucial elements to comprehend are that eSports is inherently rooted in gaming, which the Cambridge Dictionary (2020) describes as "the activity of playing games on computers and other electronic devices". Around this leisure activity, competitive communities formed. These communities developed their own distinct identity and culture over the time. The professional aspect that evolved led to eSports as a term of competitive gaming.

eSports is an umbrella term for a magnitude of different disciplines similar to how "sports" describe football, basketball etc. (Scholz, 2019, p. 8). Consequently, the term "eSports" does not describe a single game. The disciplines under that "umbrella" can be divided in various ways. For the purpose of this thesis, differentiation was kept to a minimum. Therefore, the disciplines have been divided into 4 genres. The (currently) predominant eSports genres are (Shaan, 2018; EsportsCharts.com, 2020):

- Sport Games: These games are based on real-life sports like football. They also include fighting games and racing games. Video Games have started with this genre (see chapter 2). Players usually compete one versus one.
- First-Person-Shooter (FPS): One of the most popular video game genres and also one of the most important ones for eSports. The basic thought behind the concept is that the player sees the game world through the eyes of the game´s protagonist (First person). Gamers usually only see a gun. When playing against other people, the objective is often to eliminate the opposing team (that is the shooter part). The first FPS was the 1993 released "DOOM" by ID software. It and ID software´s second big FPS "Quake" (1996) are often labelled as the games that started eSports in Europe and USA due to their multiplayer components (Kushner, 2004).
- Real-Time-Strategy (RTS): In RTS, strategy is the main skill required. Players assume command of big armies while they need to build up cities and gather resources. They view the playing field – also called the map – from an isometric top-down perspective. In other strategy games players take turns to make their moves like in chess. Here, they fight each other over resources and areas. Popular examples are "StarCraft" and "Warcraft 3" by Blizzard Entertainment. The former was the progenitor for the Asian eSports scene (Huhh, 2008).
- Multiplayer-Online-Battle-Arena (MOBA): MOBA is the newest genre on the list and has taken the whole eSports scene by storm. The genre is a subgenre of RTS as it stems from a modification* for Blizzard Entertainment´s popular Warcraft 3 named "Defence of the Ancients" (DotA). The difference to the RTS is that players control a single character with specific abilities. The genre is built as a team game: Usually, matches are played in 5v5 setups. The main goal is to destroy the opposing team´s main structure. These games often feature more than 100 characters to choose from – each with its own set of skills. Teams need to formulate strategies and work together as a team to win. This genre is by far the most popular in eSports (EsportsCharts.com, 2020).

*A "modification" (Mod) is a conversion of an existing video game using the games assets. These mods can range from small tweaks to how the game looks or plays up to huge total conversions that basically are a new game in game (Poor, 2013, p. 1249).

3.2 Where did eSports come from and where is it now?

It is important to know where eSports originated to understand its structures and community. Just as any other industry, it evolved over time. The only difference is that it evolves faster – this can be seen in how eSports is structured. Even though it is getting more and more professionalised with huge stadiums being filled only to watch a final tournament game, its core concepts and procedures are the same as in its conception years.

3.2.1 The early beginnings (1958 – 1990)

Along the line of the remarkable evolution of video games, a few technological and creative innovations had to take place to make the appearance of eSports possible. The creation of video games was already discussed in chapter 2. The next important step was "Multiplayer", as it introduced the competitive factor. This describes the possibility to not only play alone (Single Player), but also against another person. The first electronic multiplayer game where people could compete against each other was William Higginbotham's "Tennis for Two" (Scholz, 2019, p. 19) , which was released on Oct. 18th, 1958. Originally he created it as a lab experiment to "liven up the place" at the (Brookhaven National Laboratory) in Upton, New York. Even back then, the competitive aspect of the game was alluring to viewers: People got together and lined up in queues to get to play and watch the tennis game on a small oscilloscope screen. (Kalning, 2008)

The thought of competing against other players continued after 1958. This led to another important stepstone on the way to eSports: Tournaments. The first video game tournament was held on October 19th 1972 at the Stanford Artificial Intelligence Lab in Los Altos, California (Taylor, 2012). The contenders played a game called "Spacewar" and the winner would receive a subscription to the "Rolling Stone" magazine. (Baker, 2016)

The ways of competition became fundamentally different in the arcade halls of the 1980s. Avid players did not face off directly in the game, but rather challenged each other in reaching new high scores on arcade machines. This resulted in the first big competition in 1980. Atari hosted the national "Space Invaders" championship in New York. This event made it into the newspapers as it attracted more than ten thousand participants (Hope, 2014). The arcade model did not work out in the end, but still helped gaming and eSports by creating gaming culture and establishing the first video game companies and franchises. (Borowy, et al., 2013)

3.2.2 First big growth (1990 – 2010)

The dynamic technological progress of the late 80s & 90s was a key development for the further development of competitive gaming (Hartmann & Klimmt, 2006). Major console manufacturers ,which are still relevant today, joined the market. For instance, Nintendo released its "Super Nintendo Entertainment System" in 1990 which proceeded to sell 46 million units in its lifetime. Sony even overwhelmed that number with its 1994 introduced "PlayStation". It managed to find its way to 100 million homes (Pachter, 2014, p. 59). These consoles managed

to attract a plethora of new gamers to the medium, which fuelled the popularity of games overall. Nevertheless, the big spark for eSports was the domestic arrival of the Personal Computer (PC) and the emergence of the internet. The increasingly easy access to PCs led to an increased computer literacy which (along with the rising popularity of games) was another key development in eSports history (Hartmann & Klimmt, 2006). The possibilities provided by internet connectivity on these PCs made it possible to compete against other players from home. Another option was to connect computers directly to each other via LAN (Local Area Network). Thanks to these developments, dedicated multiplayer games were created by developers. Especially the before mentioned FPS games such as "DOOM" and "Quake" (see 3.1) were pioneers on that field and enabled people to fight each other virtually (Kushner, 2004). Those games led to huge "LAN-Parties" where enthusiasts would bring their computers with them and gather with other gamers (Ackermann, 2011, p. 13). These "offline" competitions were preferred due to technical limitations of the internet back then. There, they were competing against each other day and night. Also, this is where gamers had a chance to meet likeminded people – a new social aspect to gaming (Ackermann, 2011, pp. 94 - 98). Gaming culture, which is crucial to understand for eSports marketing, originated there. A notable example is the "Dreamhack". It started in November 1994 when two friends held a LAN-Party in their school cafeteria in the small city of Malung in Sweden (DreamHack, 2016). Over the years it evolved to be the largest digital lifestyle festival spread across 11 countries – the gamers and their LAN event are still the core. (DreamHack, 2019).

At the centre of these events were the gamers and – of course – the video games. And exactly these video games diversified a lot in the 90s. New genres were being developed at a rapid pace. With the emergence of team-based games, players gathered together and founded "clans" (Seo, 2013, p. 1545). These clans are what evolved into the professional eSports teams of today. Also, gamers started using "Nicknames" instead of their real name in gaming. Instead, everyone chose his or hers own pseudonym to be identifiable but still anonymous. Often, players choose their name based on something they like such a character from a movie, or some name they were called by their friends in real life (Riot Games, 2013). In order to represent or identify their clan within a game, members also used a "clantag". That is a small abbreviation in front of the gamers in-game name. For instance: If a gamer nickname/tag was "Mobius" in a game and joined a clan that called itself "Rage Community", he would change his in-game name from "Mobius" to "RCom.Mobius". Many of the first companies that engaged in sponsoring activities demanded their company name to be displayed in the tag. So, if Logitech was a sponsor for the "RCom" clan, their in-game tag would be "Logitech/RCom.Mobius" (or any other combination of signs and Logitech).

With clans emerging, it did not take long until the first professional and semi-professional leagues on national levels started to appear at the end of the 90s (Wagner, 2006, p. 1; Seo, 2013, p. 1545). These grew in popularity amongst enthusiast gamers and grew to the point where international competitions were held. In 2000, both the World Cyber Games (WCG) and the Electronic Sports World Cup (ESWC) were launched (Edwards, 2013). These were the first big international competitions (Syrota, 2011). Asia was the first market to fully embrace eSports which supported further spread of the medium. South Korea fell into an eSport craze after Blizzard Entertainment released its Real-Time-Strategy title "StarCraft" in 1998. From this

moment on, Asia was the prime market for RTS eSports (Huhh, 2008). It was broadcasted on multiple television channels 24/7 and was targeted at a young audience (Peichi, 2008). The result was that some players became superstars akin to athletes in traditional sports (Wagner, 2007, p. 184). The KeSPA (Korean eSports Association) was the first official state eSport association when it was founded in 2000 (Wagner, 2007). This, in turn led to the creation of similar associations in other countries. In contrast to the RTS preference in Asia, Europe and the USA, preferred the FPS genre (Wagner, 2007; Witkowski, 2012).

3.2.3 Exponential growth and state of market (2011 - ?)

The last hurdles that had to be overcome for eSports to explode in popularity were the accessibility as a spectator and a financial incentive for people to pick it up as a profession. The former was a problem as there was no convenient way to spectate games or have a commentary while watching it. The second one led to gamers still seeing eSports as a hobby, as prize money was low and not a lot of gamers were able to participate. Both of these problems were solved by 2011. Thanks to technological leaps in internet bandwidth, streaming became easy. Twitch.com launched in 2011 and suddenly enabled easy broadcasting of eSports directly to the viewers at home (Scholz, 2019, p. 30). The platform became so popular amongst gamers that Amazon decided to buy it in 2014 for approximately $970 million (Amazon, 2014). The second problem was no issue anymore after game developer Valve decided to unveil their game "DotA 2" within the framework of video game expo "Gamescom" 2011 in Cologne, Germany (Miozzi, 2011). The twist: Professional teams of the predecessor, "Defense of the Ancients (DotA)" were invited in secret to try out the game months before the official announcement. Valve then kicklaunched their game immediately with a live tournament on Gamescom. The participants fought over a total prize pool of $1.6 million. Ukrainian team "Na´Vi" won the tournament and $1 million (Valve, 2011). Needless to say, the promotion eSports got thanks to that event was huge. Starting from there, several gaming companies dedicated big budgets on building up their eSports presence. On a yearly basis, more and bigger events followed with revenue growing in the double-digit percentage rates YoY (NewZoo, 2020; Statista, 2018). At the forefront, there is Riot Games with their hit title "League of Legends" (LoL). Their investment paid off : Currently, it is by far the biggest eSports title (EsportsCharts.com, 2020). Professional gaming has arrived in mainstream and the biggest companies use it to promote their products.

3.3 Understanding the eSport landscape – A stakeholder analysis

In order to get a better grasp of the multi-layered structure and landscape of the eSports market, a stakeholder analysis was conducted. Stakeholders are all persons, groups or institutions, that have some kind of interest in the success or failure of a company´s business activities (or can affect or are affected by it) (Lock, 2007, pp. 9 - 10). The reason behind this analysis is that it provides a better visualization of who is invested in eSports. Knowing who is acting in eSports is crucial to keep in mind when entering the market – also in terms of legal concerns and for knowledge on how the industry is evolving in future. This analysis identifies the key primary and secondary stakeholders that are the reason that the industry keeps running (Freeman & Reed, 1983, p. 89). According to Scholz (2019, p. 44), the eSports environment is special in the case that the connections between the stakeholders are highly complex and interwoven. They are dependent on each other: Without game developers, there would be no video games, without video games no eSports etc. The intricacies of this market have been decrypted in this chapter by the help of the following analysis (Fig. 2):
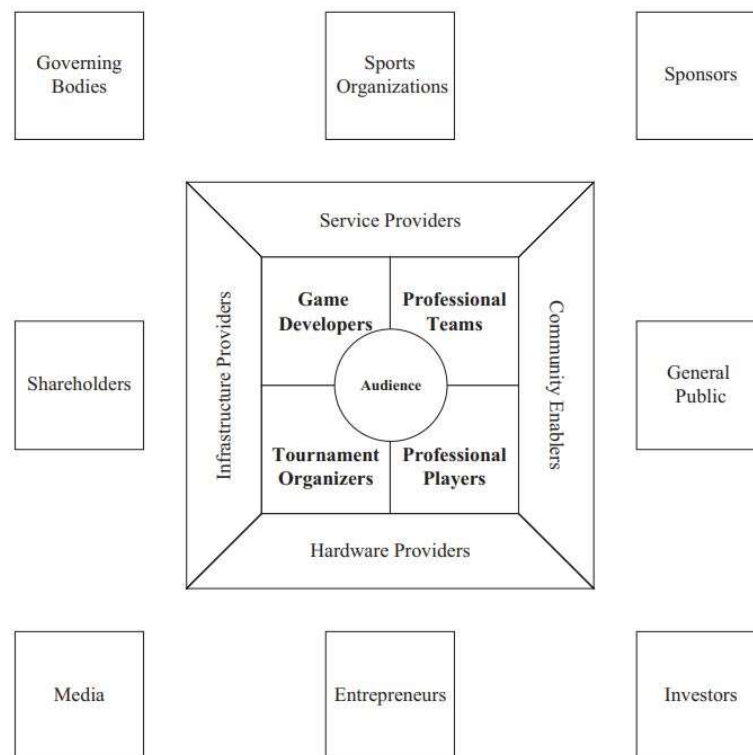
Figure 2 - The eSports industry stakeholders (Scholz, 2019)

The primary stakeholders are the groups in the middle of figure 2. They are capable of directly influencing the eSports market as they are connected to the core value chain. The secondary stakeholders are the eight groups around the core. In contrast to the primaries, these are only able to influence the market passively. However, it is in the interest of the primary stakeholders to keep these satisfied and classify them correctly according to their power (Eesley & Lennox, 2006). For instance, investors are an important source of capital and the governing bodies could introduce regulations against eSports. As mentioned in the delimitations chapter 1.4, only the

stakeholders relevant for the thesis context of marketing were discussed deeper. The results of the analysis are listed in the following six sub-chapters. The first five will explain the primary stakeholders, number six all secondary ones.

3.3.1 The audience

The key stakeholder in eSports is the audience – the gamers. Every party in this industry competes over the audience in order to profit. Without gamers, there would be no eSports market:

> "Once you get past the raw passion and the massive numbers, you have to understand that this whole ecosystem runs on one thing: the players."
>
> -Brett Lautenbach, eSports Agent at WME-IMG in (Sparks & Honey, 2015, p. 53)

What are the statistics on the eSport audience? First off, every gamer is a potential eSports consumer – around 20% of them are eSports enthusiasts (Wijman, 2019; NewZoo, 2020). However, not every consumer of a specific eSports title necessarily spends time playing the title. Around 40% of the audience does not actively play the games themselves (different from title to title) – they enjoy eSports only as a spectator sport (NewZoo, 2019; Sparks & Honey, 2015, p. 27). 31% of overall internet users aged 16 to 34 watch eSports tournaments (Global Web Index, 2019, p. 28). The average eSports fan is a male (75%) member of generations Y or Z, so between 13 and 40 years old with the average age being 25. 75% of that group is made up of millennials aged between 18 and 34. In there, Generation Z (16-24) is the segment with the highest growth numbers. The global audience numbers in that group went up by 60% between 2018 and 2019 (Kemp, 2019). Further statistical data shows that members of generation Z are more likely to watch non-traditional sports such as eSports (Business Insider, 2018) and are less likely to consume classic television (Newman, et al., 2019, pp. 54-55). Still, 42% of eSports fans actively follow football (Taylor Strategy, 2019, p. 6). 73% have finished higher education such as college (Sparks & Honey, 2015, p. 28). The average household income of eSport fans in the US is (depending on source) varies between $58.9 thousand and $75 thousand (Nielsen Global, 2018; Sparks & Honey, 2015, p. 28) .

In 2020, the global audience size is projected to reach 495 million, a +11.7% growth compared to 2019 (NewZoo, 2020, p. 27). Since 2011 (see chapter 3.2.3), yearly growth rates have consistently maintained double-digit values (Statista, 2018)(Figure 3). Predictions for the upcoming years show no sign of declining rates. However, Singer & Chi (2019) state that the measurement options are (still) imprecise, which means that an accurate segmentation of the viewers is impossible.
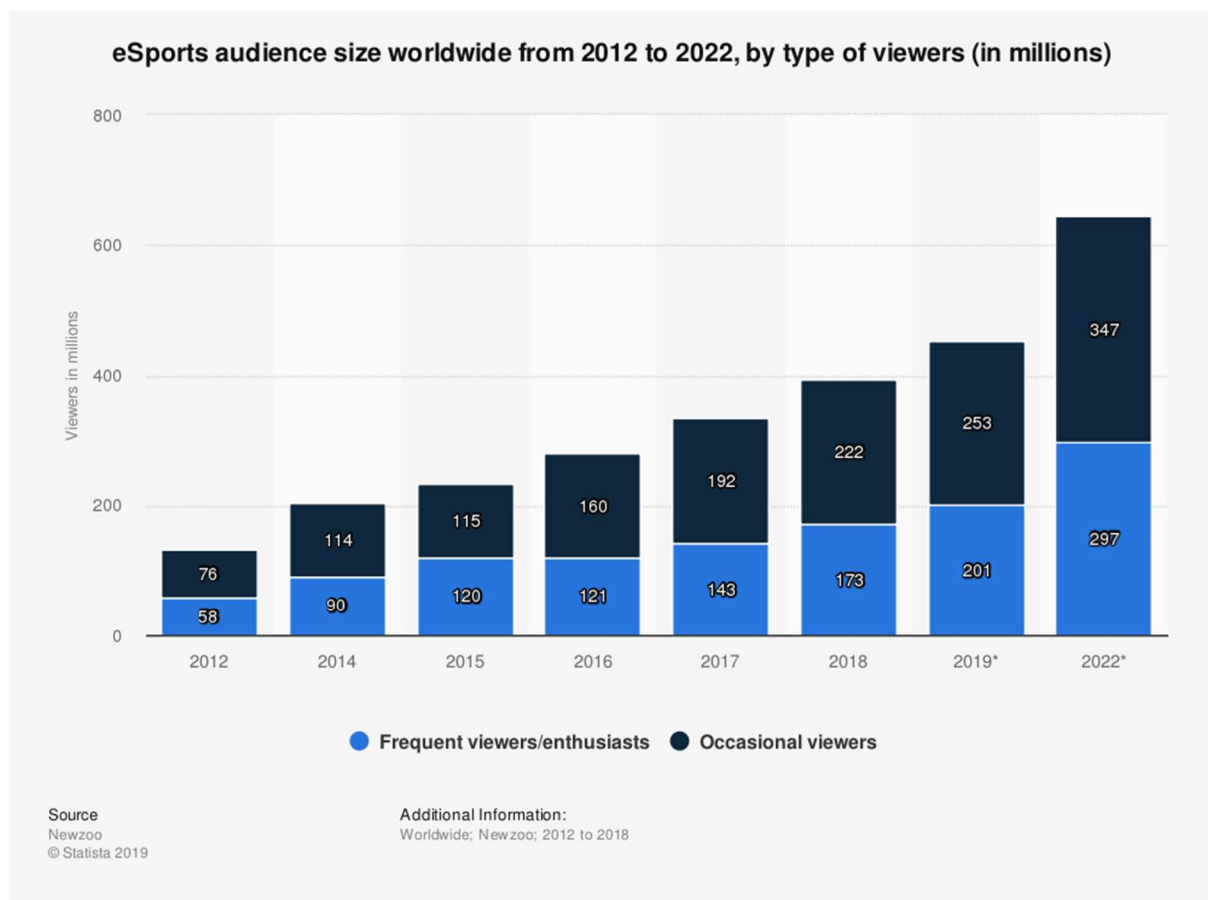
eSports audience size worldwide from 2012 to 2022, by type of viewers (in millions)

Figure 3 - eSports audience size worldwide 2012 to 2022 (Statista, 2018)

Apart from the raw statistical data, gamer culture is a big part of eSports fandom. The audience shares a huge passion for video games (Weststar, 2015, p. 1244). Traditional sports league broadcasters and football crews that were invited to eSports event were overwhelmed by the present immersion and engagement of the fans (Sparks & Honey, 2015, p. 19).

The impact the audience has on eSports was even showcased in an advertisement by "Lion Cereales", the French division of Nestle´s "Lion" candy bar: In their 29-second clip, they record a typical eSports scene from the League of Legends European Championship finals – but without the audience. The clip is almost comical as commentators try to light up the crowd as they usually do, but without any response. The slogan of the campaign gets blended in at the end: "No fan, no hype" (Céréales LION, 2019). This shows that the core of eSports is its fans. The question why eSports enthusiasts are that passionate about their events arises. The reasons for that are clear:

These athletes are playing exactly the same game the fans love to play in their free time themselves. Also, they can meet like-minded people at events like these (a call-back to the old LAN-parties), creating an atmosphere of camaraderie. They attend events "to be part of the community, watch their favourite players and teams, to connect with friends they played with and met online, to meet the pro players" (Eventbrite, 2015, p. 3). It is crucial to keep in mind that eSports is an umbrella term for a lot of different games (see chapter 3.1). This leads to the

circumstance of the audience being fragmented in a similar fashion. Fans of a specific eSports title usually only watch and support that title. Even though there are audiences that overlap, the overwhelming majority watches only one title. A 2019 study by NewZoo (2019) revealed that 71% exclusively watch one of the big franchises. Only 6% watch all three of the biggest titles. Consequently, the communities that form around these eSports titles naturally evolved their own culture, which they identify with (Scholz, 2019, p. 86). People have inside jokes and specific lingo, which is often based on expressions out of their game or gameplay. One can certainly feel very lost the first time at an event like this. Also, there often is a sense of competition or even hostility towards other games and fanbases. The closest comparison would be the feud of two different football clubs or fans of football discussing with fans of American football which is the "real" one. For instance, there exists a rivalry between fans of the MOBA titles "DotA 2" and "League of Legends".

In conclusion, the eSports audience is mostly made up of young, educated high-income individuals that are very passionate about their hobby. Professional gaming manages to reach a target group that traditional media and entertainment businesses such as the television industry increasingly struggle to reach. Due to the umbrella nature of eSports, the audience cannot be considered as one homogenous group, but rather separate fanbases based on the title. Each of those has their own culture and inside jokes.

3.3.2 Game developers and their titles

eSports is peculiar in the sense that it is industry-driven and therefore dependent on game developers (Scholz, 2019, p. 5). It is dependent on the developers as they need to create a game that might turn into an eSports title first. It is industry driven because the audience and gamers need to enjoy the game enough to compete against each other. In that sense, the eSport market is pull-based, so based on the demand of the customers (Sparks & Honey, 2015, p. 29). Companies might try to push out a title that is conceptually built around eSports. That, however, does not guarantee that the game ends up as a competitive title. On the contrary, there are many titles that failed not long after release and eventually had to cease online services. One failed example is the 2019 released FPS "Battleborn" by Gearbox Software (McWhertor, 2019). The game was quickly taken off all digital retailers. As soon as demand for eSports leagues in a successful game is big enough, the developer has the chance to set up championships themselves or even franchise them, which secures both direct influence and revenue for the developer. A successful example for doing that is Riot Games, the creators of "League of Legends" (Scholz, 2019, p. 55).

Just like any other sports, the games are built around certain rules and regulations. If football is taken as a metaphor, rules would be the agreement on when a play is considered offside and regulations would be how big a goal has to be. The same thought applies to eSports titles. Games need to be fair for all contending parties while staying fun to play. To uphold and improve the "balance" is the task of the game developers (Scholz, 2019, p. 53). A "balanced" game is one that is fair without a specific way to play (usage of a special item, picking a special character) which is overly more powerful or successful than others. Additionally, the games can be expanded by adding new characters, maps, weapons etc. This way, the game stays fresh

and teams have to come up with new strategies all the time. This guarantees an engaging and dynamic viewer experience for the audience – no two games are the same. Apart from all of that, the developers have to keep up the online infrastructure of the games to even enable the possibility to compete. Of course, this reveals the high volatility of this scene. As soon as the developer goes bankrupt or has any other reason to discontinue his game, he could plug out everything and instantly kill the eSports scene for that title (Scholz, 2019, p. 5). This is way less likely to happen for the big titles that generate a reliable stream of revenue. For smaller titles, this has already happened quite often. A prime example was "H1Z1" by Daybreak Game Company. The shooter's first eSports league "H1Z1 Pro League" got shut down half a year after its start in 2018 (Dietrich, 2018). The reason: Audience and gamers lost their interest in the game which resulted in declining revenue. As a consequence, the developer could keep up payments of the promised $6 million, which were supposed to be split between the fifteen competing teams (Good, 2018). The running eSports season was cancelled and any sponsorship investment that was previously made lost.

After explanation of the developer's role in the eSports machine, it is time to have a look into the current landscape of eSports titles. This (Figure 4) were the most popular eSports games in 2019 based on hours watched:

Figure 4 - Most popular eSports games in 2019 (EsportsCharts.com, 2020)

A bit more information on the top 3 games:

1. <u>League of Legends (LoL) by Riot Games:</u> League of Legends is the biggest eSports title in the world (EsportsCharts.com, 2020). Riot Games released its five vs. five team based MOBA on October 27th, 2009 as a "Free to Play" (f2p) title (Crecente, 2019). This means, players could play the game without having to pay any money. Instead, interested users can spend money on in-game cosmetics and ease-of-life features. That way, there was no entry barrier to play the game which greatly improved its accessibility

and therefore contributed to its growth (League of Legends Origins, 2019). Still, the f2p model turned out to be one of the most profitable revenue models (Koskal, 2019). 22 million people play the game on a daily basis (League of Legends Origins, 2019). According to SuperData (2019, p. 11), Riot achieved $1.5 billion in revenue last year. LoL has a competition and eSports streaming system built directly into the game client which – thanks to ease of access - helped their player base getting interested into the competitive side of the game. Based on that, a complex system of regional competitive leagues has formed where teams can rise up to the highest league. In the USA, Riot even has introduced a highly developed college league, the "College League of Legends" (uLoL) (Prescott & Eisele-Dyrli, 2019, pp. 5-6). All leagues resulted in League of Legends´s biggest eSports event yet: The Worlds Championship Finals 2019 in the sold-out Accor Hotels Arena in Paris, France. The finals were broadcast in 16 languages via 20 platforms and managed to reach 44 million peak concurrent and over 100 million unique viewers (Webb, 2019). This viewer count is higher than the 2019 Superbowl finals, which reached 98,2 million fans (Handley, 2019; Pei, 2019). In total, the World Championship series spanned over 36 cities on 5 continents with 60 unique events (Riot Games, 2019). The winning team, Chinese based "FunPlus Phoenix" (FPX) won more than $2.5 million. Compared to the Worlds 2016, the viewership increase is +146% (EsportsCharts.com, 2019). The history of League of Legends and its contributions to eSports have been turned into a documentary by academy award nominated Director Leslie Iwerks in 2019 (League of Legends Origins, 2019).

2. <u>Counter-Strike Global Offensive (CS:GO) by Valve:</u> The second title on the list is a FPS and was released on 21st August 2012 (Valve, 2020). Counter-Strike is one of the oldest and most beloved shooter franchises on the PC. CS:GO is the last iteration of that venerable series. The general advantage of shooters such as CS is the watchability. The learning curve for spectators is relatively easy as the game concept is very straightforward and easy to grasp: Two teams fight against each other, the "Terrorists" and "Counter-Terrorists". Teams win by either eliminating every player on the opposition or by completing the objective (Valve, 2020). Objectives are based on the map that is played. Terrorists have to carry a bomb to a designated target, plant it and defend it until detonation to win. If the Counter-Terrorists manage to defuse the bomb, they win. Another possible objective is to rescue hostages from the terrorists and escort them to safety.

3. <u>Defense of the Ancients 2 (DotA 2) by Valve:</u> Another title by Valve, DotA 2 is the successor of "DotA", which was the game that made the MOBA genre popular (see chapter 3.1). DotA 2 played a huge part in helping eSports growth thanks to huge prize pools and its reveal tournament on the Gamescom 2011 (see chapter 3.2.3). DotA 2 still holds the record for highest prize pool: $33,039,566.00 at "The International 9" in 2019. (Webb, 2019)

Games are played on different "platforms". These platforms are divided into three sub-categories: Consoles such as the Sony PlayStation 4, PC and Mobile devices. The biggest eSports titles are all played mainly on PC. Nintendo consoles traditionally feature the very

popular "Super Smash Bros." series, which is a fighting game. On Sony´s PlayStation 4, FPS "Call of Duty" is popular while Microsoft tries to grow the competitive scenes for its Xbox games Halo (FPS), Gears of War (3rd person shooter) and Forza (Racing game) (Pan, 2018). Mobile eSports is the market that grows the most thanks to a very strong Asian market and titles like "Pubg Mobile" (NewZoo, 2020, p. 23). "Arena of Valor" (spot five in Figure 4) is currently the most watched smartphone-only title and very similar to LoL. Limelight Market Research (2020) discovered that (regular non-eSport) gamers between 18 and 60 years spend most of their time playing on mobile, with PC coming in on the second place followed by consoles and tablets. For gamers aged 26-35, console is the prime choice.

It is important to understand that every game has a limited lifespan. Therefore, game developers are always creating new titles in hope to reach the number one eSports title spot. Lately, they are also expanding to new platforms such as mobile. This is important knowledge for all stakeholders as new titles might change the whole market landscape. Riot games happens to be an excellent example for market changing developments as they are currently investing in new game titles to extend their product portfolio. They utilize their existing name and LoL universe to ensure that fans of it will try out their new titles. A hot topic right now is their upcoming FPS "Valorant", which could be described as a CS:GO in the League of Legends universe. The game is developed around competitive gaming and will most likely become one of the most played eSports titles (Riot Games, 2020). This is indicated by two facts: Although it is currently in a testing phase with limited access , it is already close to breaking viewership records on twitch (Erzberger, 2020). Furthermore, it has the advantage of being able to be incorporated into the existing LoL eSports environment and can count on an existing infrastructure. Riot also tries to extend their success to the mobile segment by offering several titles soon. They will release "Legends of Runeterra" at the end of April (Riot Games, 2020), which is card game based on the LoL-universe for mobile devices and PC. Also, a portable version of League of Legends labelled "Wild Rift" will be released for smartphones this year which is sure to open up the game to an even bigger audience (Riot Games, 2020). Riot is even working on a full animated series, which will be based on the LoL universe and most likely feature characters from the game (Prescott & Messner, 2019). All of these products will help to promote the brand even further and result in more players and mainstream publicity.

While it is highly unlikely that Riot games will desert LoL in favour of Valorant, marketers should keep an eye on that title as it has high chances of being next big eSports title. A significant strategic advantage might be achieved by joining in on the sponsorship market for it as soon as an eSport scene is forming around it. Also, it engages in direct competition with Valve´s CS:GO due to being an FPS with similar game modes and gameplay. Companies that were planning on committing to long-term CS:GO sponsoring strategy might want to re-evaluate that and wait how the market evolves. Depending on which of the two titles emerges as the bigger eSports game, marketers might want to switch their focus. It is clearly visible on this example why it is crucial that all stakeholders are always up to date with their information on game titles. Needless to say, all of these titles are huge, uncontested marketing possibilities.

In conclusion of this chapter, game developers are necessary to create and maintain games or even improve them. Games get played on different platforms with PC being the biggest choice.

However, mobile gaming is quickly catching up. New titles are being developed all the time, which means that stakeholders have to keep their eyes open instead of settling on one of the big titles.

3.3.3   Tournament organizers

Tournament organizers are one of the main drivers of eSports. Without tournaments and leagues, eSports would not exist. Nevertheless, there is a peculiar situation when it comes to competitive video gaming events: The "discipline" (game) is legally owned by a company. This means that the developer has the monopoly on every aspect of their game – this includes tournament rights. Consequently, interested organizers usually must buy a license to feature the title at events. This is a huge difference to traditional sports: If someone wants to open a league in ice hockey, no one is stopping that person from doing so.

Different developers chose different approaches in terms of eSports licensing: A few companies go the way of cooperation with existing professional tournament organizers. This is especially the case with new titles where the developer does not have the resources or resolve to set up a league on their own. Instead, they use a "piggyback" strategy where they use established networks to grow their game´s eSport scene (Scholz, 2019, pp. 58 - 59). For instance, FPS "PlayerUnknownsBattleground" (PUBG) struck a deal with South Korean eSports network OGN (Pei, 2018) for them to create their league system.

Other developers choose to be stricter and keep exclusive rights to themselves. This poses another problem: eSports is built on tournaments. Strict monopolization by the developer often leads to less viewership growth because not enough competitive content can be delivered. After all, the developer often does not have the resources necessary to focus on setting up tournaments or leagues all year (Scholz, 2019, pp. 56 - 57). Nevertheless, the upsides to this system are that they can stay in full control over their title and do not have to share revenue. This happens to a certain extend with Blizzard Entertainment and their FPS "Overwatch". The game is popular but fails to grow as Blizzard is refusing to hand out licenses to many eSports organisations (Adomnica, 2017).

Big titles like League of Legends depend on a franchising system. The game´s developer Riot games founded championship series like the LCS (League Championship Series) for North America together with eSport organisations. Professional Teams have to buy into the league to get a spot among the 10 teams that have the privilege of taking part (Yim, 2019). According to insider info, a place that recently got vacated by team "Echo Fox" was bought by "Evil Geniusses" for $33 million. Echo Fox paid $10 million for that spot in 2017, which translates into a 230% value growth for it in a little over 2 years (Yim, 2019). The rights for exclusively broadcasting the games are also sold by the franchise owners. For instance, Chinese live streaming platform "Bilibili" has acquired the exclusive rights to broadcast the "Worlds" tournament in China for three years for 800 million yuan (~$110 million) (Fitch, 2019). Currently, the revenue generated by LCS is split threefold: 32.5 % go directly to the teams, 32.5 % goes to Riot Games and at least 35 % end up in the players pockets. (Yim, 2019)

3.3.4 Professional Gamers and Teams

One of the most important primary stakeholders in the eSports industry are the professional gamers and their teams. The average professional gamer is working in a field where the lines between work and play are becoming very blurry. This led to the concept of "playbour" – a mix of play and labour (Kücklich, 2005; Scholz, 2019, p. 69). Every eSports star started out passionately playing a game of their choice and devoted a lot of time to it – play became work. They often went through with their career choice much to the dismay of their parents and relatives. According to an anonymous questioning of 33 LoL professionals by ESPN, only 27 percent say that their parents approve of their career. 61 percent said that they approve of it now, but not at the start (ESPN, 2017). The arguments every gamer gets to hear are the same: Supposedly, they are anti-social, waste their time on something useless and should rather focus on a real hobby or job. These arguments are mostly stereotypic – and eSports stars are the best example to prove there is nothing true about these allegations. Nowadays, professional gamers can live from it and are celebrated by fans all around the globe. In 2018, the average salary per year for a professional LoL player was $80,000 in Europe and $105,000 in North America (Scholz, 2019, p. 68). Today, superstars like Lee Sang-Hyeok get offered deals of $10 million per year (Çakır, 2020). The top list of overall eSports earnings is spearheaded by Danish DotA 2 player Johan "N0tail" Sundstein. The total prize money he amassed in his professional career amount to $6,890,591.79 (eSports Earnings, 2020). After the end of their gaming career, many professional gamers become trainers , pick up work as a caster (live commentator) (League of Legends Origins, 2019) or continue playing games as a streamer (Shanley, 2019; Scholz & Stein, 2017). According to Counter Logic Gaming (CLG) owner George "HotShotGG" Georgallidis, the average length of a professional gaming career is around two years and by the age of 23, one is considered to be old (Liao, 2016).

Even though they earn a lot of money, the eSports athlete is still rooted in the nerdy history of early eSports days. For instance, more than 90 % of fans would not know who previously mentioned "Lee Sang-Hyeok" is. However, if his in game name "Faker" comes up, millions of people know immediately who he is: The superstar considered to be the eSports player of the decade (Sturak, 2019). Every gamer has his own pseudonym or "nickname" (see chapter 3.2.2). The pros are no exception to that rule and that tradition also shows no signs of disappearing. In eSports analysis, casting and even official team roster pictures, the real names of players are never displayed. The same applies to the team names. This system is still based on the clan names of eSport history (see chapter 3.2.2). For instance, Chinese team "Invictus Gaming" is mostly referred to by their clantag, "IG". Some of the teams are as old as eSports itself and created a brand of their own. SK Gaming was founded in 1997 and is still one of the most important organisations in the scene (Scholz, 2019, p. 63). Other than that, professional eSports teams are not that different to teams of traditional sports. They compete for top players, coaches and offer benefits to those that join their ranks. Players often enjoy stable income, health insurance and pension funds (Scholz, 2019, p. 63). One of the major differences is that the teams often employ multiple teams for different games. And that pays off very well: Clans like "Cloud 9" (C9) are worth well over $300 million (Ozanian & Settimi, 2018).

The skillset required to be able to join one of the famous teams is very different to the one stars of traditional sports need. A 2017 study by Himmelstein (2017) identified the eight most important traits to become a successful player:

1. "Great knowledge about the video game (specialize in one game)"
2. "Strategic thinking and fast/smart decision making"
3. "Motivation to keep moving forward"
4. "The ability to separate daily life from performance"
5. "Avoidance of distractions and staying focused"
6. "Cope adaptively with harassment"
7. "Maintain a growth mindset (i.e. positive attitude)"
8. "Warm up before performance either physically and/or mentally"

To achieve a level of optimal performance, players have to: Adapt to opponents, communicate properly with teammates and trust their skills, develop themselves and their team and set clear short/long-term goals (Bányai, et al., 2018, p. 358). To acquire these skills, they train day in day out. As the physical restraints in eSports are only based on sleep, training sessions often take 10 hours or more. The training is necessary to stay on top of their game, as potential successors are plentiful. This places a huge psychological pressure on them (League of Legends Origins, 2019). Potential eSports induced harms include collapsed lung due to poor posture and inactive lifestyle, poor nutrition and lack of exercise as well as mental fatigue and early burnout (Prescott & Eisele-Dyrli, 2019, p. 31) . For these reasons, many eSport teams have placed an increased importance on exercise training. Extensive physical training such as gym workout and yoga has been included in daily team routines (Independent News, 2019). Still, eSports athletes (usually) do not have the body of a NFL quarterback.

However, that leads to another positive attribute of esports. They are genuine and reachable for their fans. The community sees the gamers on stage and they can identify with them – they are just like themselves. They see gamers, nerds and not unreachable superstars: "Hey this is a guy just like me" is a thought that often circulates on big eSports events (League of Legends Origins, 2019). Furthermore, fans can get into direct contact with their idols. Many pros livestream their training where the community can watch them and interact with them via live chat. They can meet them in the games and play with them. All that makes the community feel more connected with the professionals (League of Legends Origins, 2019). Playing a casual game of football or interacting with them on that level is not possible with the likes of Lionel Messi or Christiano Ronaldo.

So, how does one become an eSports star? More than a third of all young gamers aspire to become professional gamers (Limelight Market Research, 2020). The problem is, there are a lot of gamers overall. Getting to professional level might therefore even be harder than in traditional sports (Scholz, 2019, p. 67). Also, specialization in a specific game title is important, but most gamers enjoy playing more games. Usually, people climb the leagues through matchmaking etc. and then get scouted. Sometimes, they make a name at amateur or semi-professional tournaments. By now, universities offer professional teams, leagues and scholarships for students (Prescott & Eisele-Dyrli, 2019, pp. 5-6 & 18). With gamer numbers

rising and universities giving incentives to pick up professional gaming, a supply of future generations of eSports superstars is secured.

3.3.5   The others

The other primary stakeholders (Infrastructure Providers, Service Providers, Community Enablers and Hardware Providers) are of huge importance for the eSports economy, but less relevant for the topic of this thesis. Therefore, the remaining stakeholders will only be discussed briefly. All of them fall under the supportive category: They provide necessary support activities that help creating a product for the audience.

Infrastructure providers offer the audience the possibility to consumer eSports content in the first place. For the online experience, streaming platforms are the major infrastructure providers. As explained in chapter 3.2.3, streaming platform Twitch.tv contributed greatly to eSports growth and still is one of the major companies in the scene. Over the years, Youtube also set up a live streaming option, which helped reach an even bigger audience (Scholz, 2019, p. 71; Sparks & Honey, 2015, p. 27). For the offline experience, tournament organizers use existing infrastructure like sports arenas or concert halls. Additionally, many sports-bars are starting to embrace themed eSports nights, where customers can watch games. Also, eSports themed cafes and bars are opening up around the world which are fully dedicated to all things gaming (Scholz, 2019, p. 71). For instance, the "Meltdown" bar franchise already has 22 locations around the globe with more opening up every year (Meltdown, 2020).

Service providers offer additional content and service around eSports. This includes the journalistic coverage, reports and consulting agencies. Along with companies that provide legal counsel, talent agencies that scout promising players for the big teams are a normal sight. A darker side of the service is eSports gambling and betting. With the rising popularity of eSports, it did not take a lot of time until sites surfaced that offered these services (Andrews, 2020). The virtual environment also saw the rise of gambling for in-game items or virtual game currency (eSportsjunkie.com, 2020; Hippeau, 2018). According to Hippeau (2018), eSports gamblers will wage up to $7 billion in 2020. The gambling scene might be a less glorious aspect to eSports.

The hardware providers are essential for professional gaming as they provide the machines to play games. By now, they also create gaming-specific hardware that caters to the needs of eSports athletes. They have a high interest in a thriving eSports market as they are generating a lot of revenue with its audience. Hardware manufacturer Logitech reported a 60 percent growth in eSports related products in Q1 2018 (Gurdus, 2018). They have been the first industry to support the growth of eSports and probably see its potential the best. Logitech CEO Bracken Darrell stated that "Gaming will be a bigger sport than soccer and could feature in the Olympics" (Schwär, 2018). Wherever eSports might go in the future, one can be sure that the hardware providers will follow.

Lastly, the community enablers are persons or institutions that bring the community together and further interconnection between fans. These can be streamers or student clubs that set up eSports events and viewing parties (Scholz, 2019, p. 72). These are important for the growth and to keep the fascination behind professional gaming alive. Bars like the already mentioned "Meltdown" also fall into this category.

3.3.6   Secondary Stakeholders

The secondary stakeholders only possess the ability to influence the eSports market passively. There are eight in total, the first one being the "governing bodies". This is relatively easy to explain in the eSports scenario as there is no overarching governing body (Scholz, 2019, p. 74). Because eSports is merely an umbrella term for many games, there is no single authority for regulations. It is also hard to establish a federation such as the "FIFA" in football as the legal rights for each game are in the hands of the developers (see chapter 3.3.3). They also change their games often to offer new content or balance it, which would make it even harder for a governing body to regulate anything. This is one of the big problems eSports has. This would be a necessity in order to get recognized by the Olympic committee as a sport. They particularly demand "a governing organization that would guarantee compliance "with the rules and regulations of the Olympic movement" (Grohmann & Radnedge, 2017). There are federations trying to fill that gap such as the "International eSports Federation" (IeSF) which was founded in 2008 (International eSports Federation, 2020). However, they are not yet on a level of universal recognition.

In some way, regulation comes from state and country governments. For instance, they have set up "age rating" agencies such as the Pan-European-Game-Information (PEGI) that test and evaluate entertainment content for age group ratings (PEGI, 2020). With these ratings, they passively influence the eSports market as a very violent eSports title would be rated (e.g.) PEGI 18, which in turn would exclude gamers under that age from playing that game. Consequently, a game with a low rating is catering to a bigger audience. Newer titles such as the upcoming Valorant (see chapter 3.3.2) implement settings in their games that lowers the amount of "violent content" such as blood. That way, the title can be broadcasted to a bigger audience (Metro, 2020). Governments can influence the eSports scene by laws. For instance, the United States government recognized eSports players as professional athletes in 2013. That way, professional gamers from other countries are eligible for the P1 visa. This opened up the North American eSports scene for foreign players and is considered to be one of the biggest breakthroughs in eSports history (Tassi, 2013; League of Legends Origins, 2019).

Another secondary stakeholder are sports organizations. Apart from the ongoing discussion if eSports should be officially regarded as a "real sport" (Cunningham, et al., 2018), sport organizations are getting more and more interested in eSports. This manifests in the increasing number of traditional sport organizations establishing a presence in eSports. For instance, traditional German football club "FC Schalke 04" bought itself into the League of Legends European Championship franchise by purchasing team "Elements" in 2016 (Wolf, 2016). They renamed the team to "Schalke 04". At that time, the German football club was the second sports

organisation to acquire a League of Legends team after Turkish Besiktas Istanbul in 2015 (Gamepedia, 2020). Their eSports team wear the same traditional colours and logo as their football team. In 2015, the number of clubs investing in eSports teams was less than 10. At the end of 2018, their total number already exceeded 200 (Scholz, 2019, p. 78). The reason for this is simple: Traditional clubs want to extend their business and reach a bigger, younger audience. eSports offers that.

The general public is a stakeholder because it heavily influences the public perception of eSports (Scholz, 2019, pp. 83-84). A good public perception will in turn lead to it becoming more attractive to businesses and marketeers as no company wants to be associated with an industry that is frowned upon. The public therefore is also a risk factor. Topics like addiction, alleged misogyny or the influence of video games on violent behaviours are always relevant to the public. For example, video games are often brought up as a possible cause of incidents such as school shootings, even though there is no scientific proof of that (Whitten, 2019). However, it does not matter if they truly are the cause of such events. If politicians claim they are the source of such tragic occurrences, there will be a portion in the general public that believes it. Consequently, this might fall back on eSports as some of these "violent video games" are the disciplines players compete against each other in. The general public is the stakeholder that passively influences the common reputation of professional gaming the most. The remaining secondary stakeholders (Sponsors, Investors, Entrepreneurs, Media and Shareholders) are all more or less invested in eSports due to the profitability and growth or people that strongly believe in eSports having huge potential. These groups are necessary for much needed capital and reach/publicity which helps the further evolution of the market. This, in turn will attract even more willing investors.

4   Marketing in eSports

Apart from the passion and enthusiasm of the Sports fandom, there are valid reasons why investors and marketers should be aware of the eSports market. From 2011 on, eSports continued to grow exponentially (Statista, 2018). In 2020, revenue is projected to reach $1.1 billion (NewZoo, 2020). This growth (Figure 5) has been remarkable to say the least and is one of the reasons why more and more companies are eager to invest in eSports.
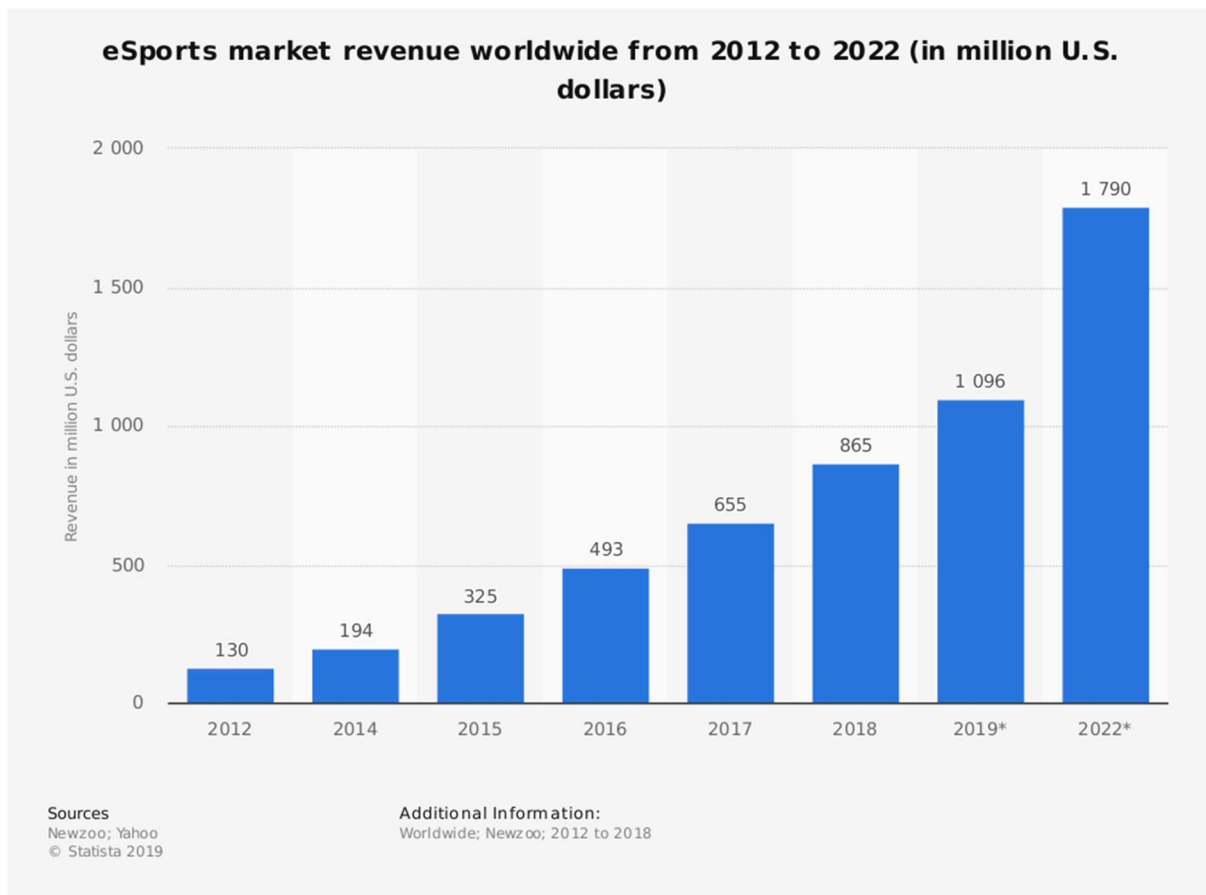
Figure 5 - eSports market revenue 2012 – 2022 (NewZoo, 2020)

4.1   The eSports revenue

In order to have a simple comparable performance index of this market, a small Compound Annual Growth Rate (CAGR) calculation helps. CAGR is often used by investors to evaluate investing alternatives. In short, CAGR "is the mean annual growth rate of an investment over a specified period of time longer than one year" (Wayman, 2019). The formula for CAGR calculation is (Murphy, 2019):

$$CAGR = (\frac{Ending\ Balance}{Beginning\ Balance})^{\frac{1}{Number\ of\ Years}} - 1$$

Adding the projected numbers for 2020 and number for 2012 over a period of 8 years leads to the following calculation:

$$CAGR = (\frac{\$1,100,000,000}{\$130,000,000})^{\frac{1}{8\,Years}} - 1 = 0.3059 = 30.59\%$$

So, from 2012 till 2020, the eSports market maintained a Compound Annual Growth Rate (CAGR) of 30.59%. For a relevant comparison, the CAGR of the commercial revenue of the English football premier league between 2004 and 2018 was examined. According to the "Annual Review of Football Finance 2019" by Deloitte Analysis, that CAGR lies at 10% and is the highest value of the "big five" football leagues (Barnard, et al., 2019, p. 34). As these values are not based on the same timeframe, the rates should only be considered as an approximate trend estimation rather than an accurate depiction of reality. However, even this loose comparison paints a clear picture: eSports is growing extremely fast compared to traditional sports. This professional gaming revenue consists of the following individual streams (Figure 6) (NewZoo, 2020):
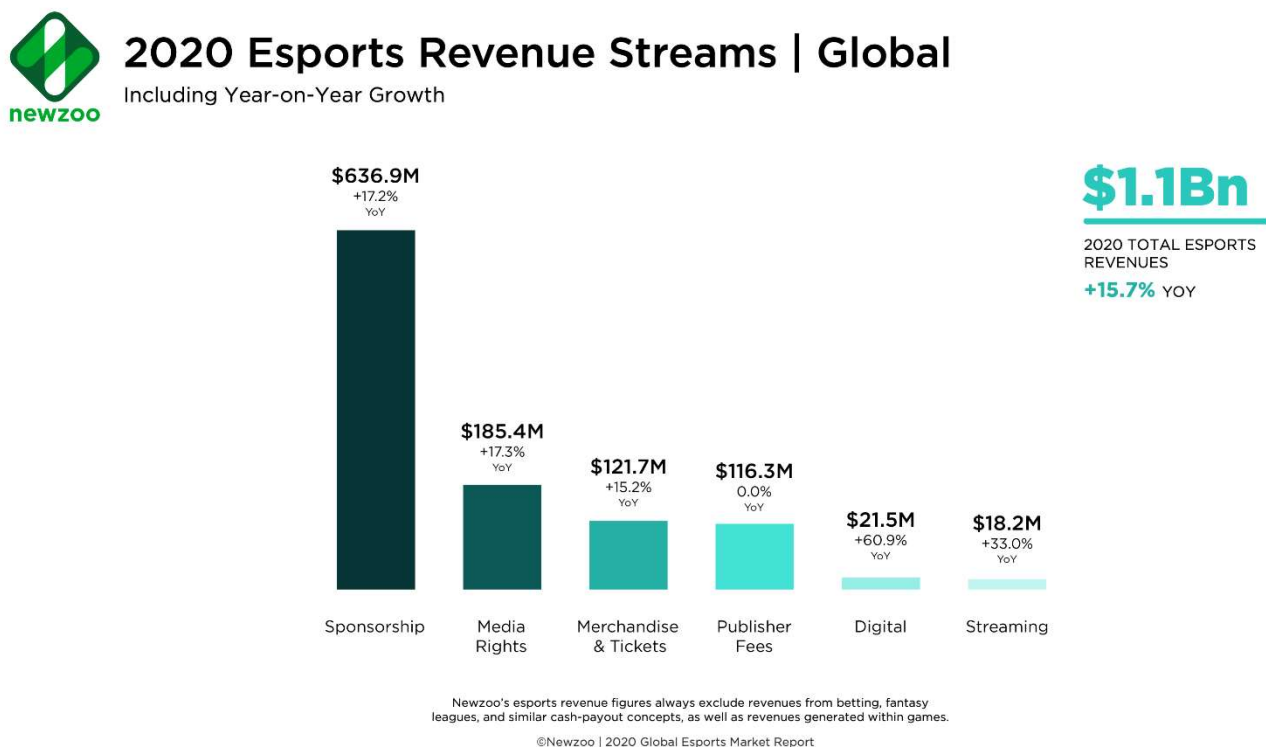
Figure 6 - 2020 eSports Revenue Streams (NewZoo, 2020)

The largest portion of revenue is made of Sponsorship Deals with $636.9 million and +17.2% YoY growth rate. This means that that large parts of the eSports industry are reliant on some sort of sponsorship. Prior to a deeper examination of eSports marketing, a definition of advertising and sponsorship is required. Advertising is defined by Kotler & Armstrong (2014, pp. 428-429) to be "any paid form of nonpersonal presentation and promotion of ideas, goods or services by an identified sponsor". It is a component of the "promotion mix". Another, more

known expression for the promotion mix is the marketing communications mix. Sleight (1989) defines sponsorship as "a business relationship between a provider of funds, resources or services and an individual event or organisation which offers in return some rights and association that may be used for commercial advantage". Consequently, the eSports sponsorship revenue shows the money generated by organizers and professional team due to sponsorship partnerships. Apart from event sponsoring and product placement, this also includes traditional advertising and payments made by brands to acquire rights to use team, event or game-specific IP rights (NewZoo, 2020, p. 19). Advertisement spots in between games have been increasing in the last years. This will eventually make it easier for traditional advertisers to enter the market (Piacenza, 2018). Similar to traditional sports, sponsorship deals in eSports can come in various forms. Companies have the choice between sponsoring events, teams, single players, leagues, buy a team on their own team or engage in affiliate marketing with eSports streamers (Gannon-Pitts, 2019).

4.2   eSports as a marketing channel

eSports marketing is growing and changing very quickly. In the early days of professional gaming, only companies endemic to gaming were ready to offer sponsorship deals (Nordmark, 2018). However, those often only consisted of free hardware as they did not have sufficient marketing budgets dedicated to eSports. Still, they understood the audience the best, for they have been involved with computers for a long time (Scholz, 2019, p. 82). To professional gaming, an "endemic" company is a company that is "highly associated with eSports due to the use of ,or integration of their products and services into eSports activities" (Lindberg, 2018). Consequently, the first sponsors were Intel, Razer, Logitech and other hardware manufacturers. At that point in time, the likes of Nike or Coca-Cola would have never even thought that fans would pay money to see nerds play computer games. A remembrance of 20-year eSports veteran and owner of comPlexity gaming, Jason Lake, recollects that (Nordmark, 2018) :

> "The thought of competitive video gaming made some advertisers laugh and others roll their eyes. It was hard going in the early days…"
>
> - Jason Lake, owner of comPlexity gaming

This changed quickly with surging audience numbers and improved methods of tracking the important key figures to assess marketing success (e.g. twitch.tv viewership numbers). After all, advertising companies need to verify the success of their operations. Usually, these campaigns include long-term strategic goals such as improving the company´s public image and "create value for customers in order to capture value from customers in return" (Kotler & Armstrong, 2014, pp. 16-17). The ultimate goal is increased customer attraction. The success or failure of the operation is often evaluated with the marketing return on investment (ROI). The ROI is the net return from a marketing investment in relation to the costs it caused. Of

course, it is hard to connect each dollar spent on eSports sponsoring to a specific dollar in sales. This is also a reason why some experts believe that eSports is a huge bubble that might burst soon (Baker, 2019). The big problem is a lack of reliable measurement methods of viewers, which is inherent to digital media. A measurement method that is missing is "ad viewability". This refers to "whether or not an ad was viewed by human eyes". For instance, the "front cover" of a magazine has a high ad viewability (Brown, et al., 2016, pp. 292-293) . The nature of the internet entails a high uncertainty in that regard as marketers can never be sure if users see an ad or even are human. After all, the supposed viewers might be "bots" (artificial viewers to inflate viewing numbers) or fake accounts (Singer & Chi, 2019). Another common criticism is how analyst companies such as Nielsen gather their data. According to a Kotaku.com article by D´Anastasio (2019) on a potential eSports bubble, a Superbowl viewer was required to watch at least 6 minutes to be counted as a part of the audience. For eSports, even a short glimpse into a livestream would count towards the statistics – that would lead to inflated numbers. The whole industry is built around sponsorship investments which rely on these audience numbers. It does not generate much revenue on its own. Should these amounts really be inflated, companies will start to realize that there is no value behind the marketing efforts and pull the plug which would make the eSport bubble burst (D´Anastasio, 2019).

Still, brands are eager to invest in eSports marketing due to that global reach to a young, technologically interested target group (Singer & Chi, 2019), which is increasingly hard to communicate with through other media channels such as television (see chapter 3.3.1). Britta Seeger, member of the Daimler AG Board of Management and responsible for Mercedes-Benz Cars Marketing and Sales summed up the reasons for why brands are interested in eSports. (Daimler AG, 2018):

> "As a global brand, we want to open ourselves up to new target groups. Esports gets us into a dialogue with young people, especially those with an affinity to technology. We are pleased to be part of the rapidly growing gaming community and support the ESL in further advancing this action-packed and thrilling sport."
>
> – Britta Seeger, Daimler AG

This statement was made within the announcement of Mercedes-Benz´s renewed eSports partnership until the end of 2020 (Daimler AG, 2018). This is what the current sponsorship landscape in eSports looks like: Increasingly non-endemic and quickly expanding. According to a study by IEG in 2018, 47% of sponsors are from a non-endemic industry. The most active sectors are still consumer electronics and IT, with clothing and office furniture sharing a surprising third place (figure 7) (Lindberg, 2018).
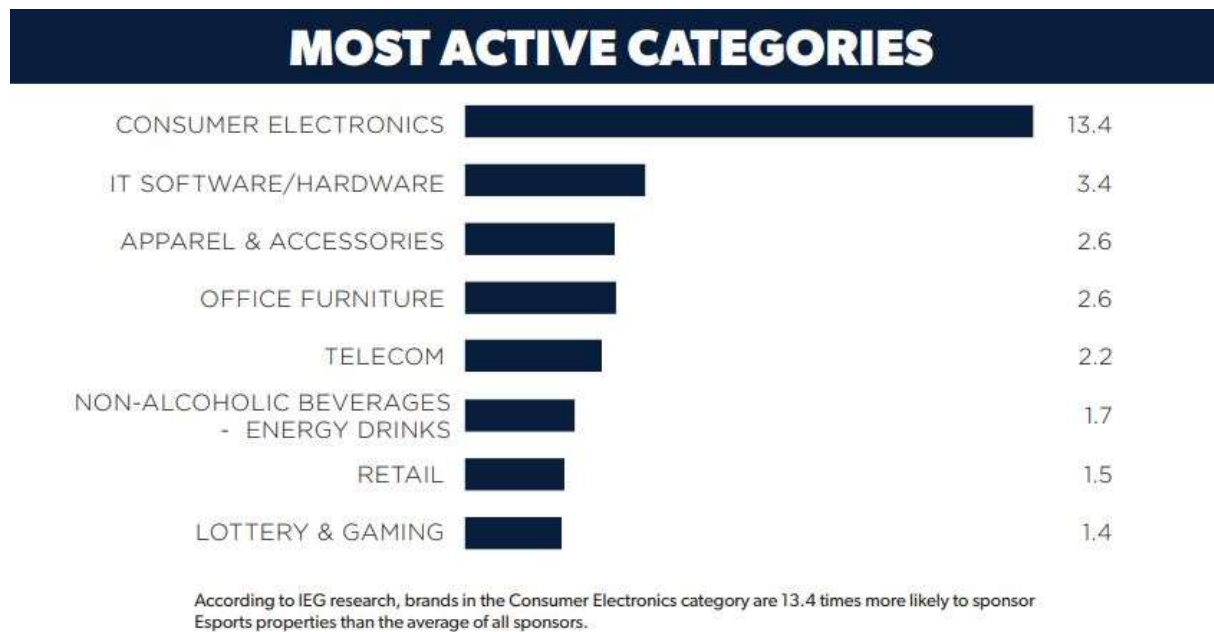
MOST ACTIVE CATEGORIES

CONSUMER ELECTRONICS	13.4
IT SOFTWARE/HARDWARE	3.4
APPAREL & ACCESSORIES	2.6
OFFICE FURNITURE	2.6
TELECOM	2.2
NON-ALCOHOLIC BEVERAGES - ENERGY DRINKS	1.7
RETAIL	1.5
LOTTERY & GAMING	1.4

According to IEG research, brands in the Consumer Electronics category are 13.4 times more likely to sponsor Esports properties than the average of all sponsors.

Figure 7 - Most attractive categories in eSports Sponsoring (Lindberg, 2018)

By now, a magnitude of brand from all sorts of different industries have invested in eSports. Among many others, the automobile sector has big names in eSports like Mercedes-Benz (2020) or Honda , which uses the young eSports audience to specifically target first-time car buyers (Novy-Williams, 2019). Clothing industry giants like Adidas, Nike (2019) and Luis Vuitton have engaged in sponsorships as well (George-Parkin, 2020). Disney has decided to team up with Team Liquid (2020) to promote their "Marvel" universe and also had a collaboration with the very popular title "Fortnite" to advertise their upcoming movie "Avengers: Infinity War" in 2018. In the time limited event, players could play as the movie´s villain "Thanos" (Romano, 2018). Many more sectors and sponsors could be listed now (Olivia, 2019), as more than 300 brands from 40 industry categories have decided to invest by the end of 2018 (Lindberg, 2018). The type of investment is often new, creative and tied to pop-culture in order to reach the young target group. The investment often pays off: According to The Nielsen Company (2019, pp. 18-19), clothing company Puma achieved 73% positive social media sentiment following their sponsorship deal with eSports team "Cloud 9" (C9). This is a value 700% higher than average in traditional sports. In fact, C9 fans are now 22% more likely than eSports fans of other teams to say clothing brands and eSports fit together well (The Nielsen Company, 2019, p. 18). However, in order to be successful with the eSports audience, marketers have to adapt.

4.3 Guidelines for successful eSports marketing

The eSports market is home to a very special customer base: The gamers of generation Y and Z. Exactly that target group is one of the big reasons why companies want to promote their products and services on the platform. However, marketers need to be aware that the wrong approach will lead to more damage than good. To avoid these mistakes from happening, this

chapter provides some guidelines to keep in mind as well as examples of well-done sponsoring in eSports.

Authenticity

Arguably the most important trait to have in eSports marketing is authenticity (Scholz, 2019, p. 83). Branded content without it will immediately turn off gamers (Sparks & Honey, 2015, p. 32; Schultz, 2017; Takahashi , 2015). Within this community, authenticity should be regarded as finding common ground with the enthusiasts: eSports fans are passionate about professional gaming and want to see it grow (Taylor Strategy, 2019). In order establish a dialogue and get through to them, the brand needs to be genuinely passionate about gaming as well (Patel, 2017). This means, the communication between brand and gamers needs to deviate from the classic company/customer relationship and evolve into something that resembles a conversation these gamers have amongst themselves. To achieve that, it is crucial that brands adopt storytelling that is natural to the audience (Sparks & Honey, 2015, p. 48). This means to tailor the content to the demand and culture of eSports fans. The precondition for doing so is knowledge: Knowledge about their games, what they like, their struggles, gaming culture and their language. Companies must know how the clantags and gamer names work, know what a "camper" or a "gank" is. For instance, if a gamer states he is a "jungler", it does not mean that he lives in the rain forest, but that he prefers to play a specific role in MOBA games. Having a broad understanding of this is necessary to get through to the audience (Hultgren, 2020). This is the reason why knowledge on the origins of eSports and gaming are beneficial. Lacking research and a resulting faked authenticity is predestined to end in huge failure (Scholz, 2019, p. 83). Like dogs are said to smell fear, the eSports community quickly realizes if a company is trying exploit their beloved culture for profits (Takahashi , 2015). If that happens, they are unforgiving, and that company will be mocked in memes on platforms the victim has never even heard about. This would severely damage the brand´s reputation in the digital community. As Mark Wolf, head of Global Gaming at Coca-Cola, explained it at the GamesBeat 2015 conference, the eSports fan environment "can be a very toxic place if you are not careful, but if you build things that are meaningful, that have value, they´re also incredibly rewarding and loyal." (Takahashi , 2015). A genuine, authentic approach will build up credibility within the gamer community and leads to the brand being seen as "one of them" – someone that wants to elevate eSports to the next level.

There are a few brands that had extraordinary campaigns which serve as perfect examples on how to do authenticity right. KIA Motors is one of the main sponsors of the League of Legends European Championship Series (Kia Motors, 2020). They founded a music band together with six of the league´s "shoutcasters" (live commentators) to promote their "Niro EV" automobile (Hyundai Motor Group, 2020). This band "LECtronic" released the track "I Want the LEC back!" together with KIA motors in January 2020 to generate hype for the upcoming professional season (Hore, 2020). Of course, none of the band members is a professional musician and mostly fake their playing on the instruments. Also, the lyrics include language and culture elements that every active LoL fan can relate to. "I want the LEC back so I can spam in the chat" or "I want to talk about who threw, I want to flame on Reddit" resonates with the fans just as well as the fact that it is fun and they don´t take themselves seriously. The video

itself features the casters doing dance moves together with other known LEC members and a lot of KIA product placement (KIA Motors x LECtronic, 2020). As the community loved the video, certain scenes of it have been turned into memes by them. They now share them over and over and create new versions of it based on the template from the video. This shows that if brands manage to achieve that level of authenticity, the community will create and spread content for them (Sparks & Honey, 2015, p. 75) .

United States based fast-food chain "Arby´s" managed to produce a similar video. As part of their sponsorship of the "ELeague" in 2016, they released a video of their trademark sandwiches replacing the bomb in "Counter-Strike: Global Offensive" (Schultz, 2017). It included many inside references to the game. The result: eSports fans started chanting "Arby´s" at the finals event. Jeff Baker, the chain´s VP-brand advertising and content, connects the campaign´s success to authenticity: "People appreciated that we got the game and created stuff with the game in mind" (Schultz, 2017).

Another excellent case of good authenticity is a clip by sports betting company "Unibet" and CS:GO team "Astralis". The clip is titled "I have an idea" and excels at putting eSports on the same level as traditional sports. The ad starts with three industrial workers sitting at their lunch break when one of them asks if they had "seen the game last night". Scenes of a Counter Strike Global Offensive match are shown. The three colleagues continue discussions about the tactics their favourite team had to do in order to win while drawing a tactical map with straws, chips and mustard. The clip ends with an Astralis player putting mayonnaise on his break meal the same way as the three colleagues used the mustard. He utters "I have an idea", and the clip cuts to the slogan "Be the sixth man". (Astralis, 2019) This marketing is perfect as it shows that normal industrial workers can be eSports fans too and that one can talk about it the same way as someone would talk about "last night´s football game". It assures that there is no difference in fan passion between CS:GO and Football, which again validates eSports as something to be taken seriously. Furthermore, it urges the fans to be a part of the team, "the sixth man", so a +1. This again acknowledges how important the audience is. Also, the Unibet´s name is nowhere to be seen, not even in the title of the video. The only evidence of their involvement is at the end of the clip, where their logo is displayed. The focus is on the team, the fan culture and the audience.

The last example is German car manufacturer Mercedes-Benz, which is promoting its automobiles within the framework of a sponsorship deal with the Electronic Sports League (ESL) (Daimler AG, 2018). Their eSports sponsorship campaign is excellent as it clears up with outdated prejudices that gamers still get to hear (see chapter 3.3.4) and directly tackles public aversion towards eSports. The spot "Grow Up in eSports w/ Mercedes-Benz" is based on a narrator reciting very conservative rules, which are then contrasted by relevant eSports related scenes. They show that professional gaming fits these rules as well and needs to be taken seriously. For instance, the rule "Get a real job" is spoken together with a player competing in front of his computer. "Spend time with family" is shown with scenes of fans cheering. (Mercedes-Benz, 2018). With this, Daimler communicates that they know the audience, the struggles they had and are "on their side".

All of these examples have a something in common: They do not put the brand into the spotlight.

Contribution to fan experience

eSports marketing must add to the fan´s eSports experience and not focus on the product sold. Companies need to engage in communication that does not revolve around the statement "Please buy my product!". Statistical data by GMR Marketing supports this claim. 43 % of gamers always appreciate branding efforts in eSports, and state that they "might even be more likely to purchase from [the companies] in the future". On the contrary, 42 % of them say that "it has to be done properly, anything overly branded or corporate is a turn-off" (GMR Marketing, 2016). The goal is to sell together with the fan audience, not to it. This means: The less the brand tries to establish itself as the protagonist, the better (Patel, 2017). Nathan Lindberg from Twitch.tv gave the marketing and media magazine ad age a similar advice (Schultz, 2017):

> "What gamers care about is altruism and they want to see brands doing something that benefits the space, not just the brand."
>
> – Nathan Lindberg, Twitch

Good examples of this are (again) Kia Motors and designer label Louis Vuitton. The former sponsors the "Mic Check" for the League of Legends LEC (Kia #LEC Mic Check, 2020). That is a weekly recording compilation of the team´s sound communication before or during matches. These highlight videos give the audience additional insight on how their favourite teams joke, banter and communicate with each other. They are produced in a way that serious, tactical situations are alternated with funny moments. The label of the South-Korean car manufacturer is only displayed at the start and the end of the videos as "Official Partner". Each of these weekly videos manage to reach around 150.000 viewers on Youtube (Kia #LEC Mic Check, 2020). Other projects to deepen Kia brand integration in professional LoL are the "Kia Player of the Game", "All-Pro Team Award" and the "Kia Split MVP Award". All of these are branded eSports segments where LEC experts review and reward good gaming plays - similar to a traditional sports analysis (Hyundai Motor Group, 2020). These marketing initiatives show the audience that Kia is continuing support of eSports without urging the fan to buy a car.

Louis Vuitton joined the eSports sponsorship with the 2019 League of Legends World Championship finals in Paris, France. They designed a whole collection of LoL- themed clothing and handbags as well as prestige in-game "skins" (George-Parkin, 2020). Skins are digital items in video games that change the way a character or an item looks like (Australian Institute of Games, 2020). Many free-to-play titles such as LoL offer these skins to players that want to have a more unique look for their favourite characters. These can usually be bought with real money or sometimes in-game currency that gamers earn for actively playing.

Therefore, a skin created by Louis Vuitton is a huge step to bring real-life brands into digital environments. In addition to the clothing and digital items, they designed a travel case for the "Summoner´s Cup" (Louis Vuitton, 2019), which is the trophy awarded to the winning team of the World Championships. This case was a first-of-its kind blend of "Traditional Louis Vuitton savoir-faire along with cutting-edge, high tech elements inspired by the League of Legends universe" (Louis Vuitton, 2019). With this design, LV managed to communicate authenticity to the gaming world and -above all- generated a lot of attention for the sport.

Employment of experts or industry partnerships

For a higher chance of success in sponsoring within eSports, companies should hire gamers or engage in partnerships with teams. The knowledge required for effective market communication and authenticity might be too much to learn in a short amount of time for a marketer that was never involved in gaming. A simpler solution is to hire an eSports partner as they know the channel better than anyone else (Sparks & Honey, 2015, p. 75) and are eager to further competitive gaming. (Taylor Strategy, 2019, p. 7) argues that talents from the eSport industry offer the perfect set of skills and possess the necessary experience to create an engaging marketing mix across multiple touchpoints. Alternatively, companies should think about promotion with a partner. Sponsoring an eSports team certainly helps the marketing department to quickly learn the intricacies of the gaming market. For that, open discourse is necessary. It is imperative to not be generally opposed to ideas from the partner (Schultz, 2017) within the industry and rather embrace them – even if they might not adhere to typical procedures. As in every other Emily Ketchen, head of Americas marketing at Hewlett Packard also highlights the advantages of utilizing partnerships (Hultgren, 2020):

> "Related to meaningful interactions and connections for consumers is choosing the right partnership – with a team, a league, or perhaps a player – and maintaining an authentic presence there as well.[…] Then, though that partner, you can communicate authentically with a new audience and begin to form these relationships within the eSports community."
>
> – Emily Ketchen, head of Americas marketing, Hewlett Packard

An additional advantage from hiring experts or partnering up with teams is keeping up with the newest trends. This can be information on how to advertise on relevant streaming platforms or gain inside information on the newest gaming title that might become the next big eSports discipline like Valorant (see chapter 3.3.2). This will give any brand a competitive advantage over its competition.

A company that testified in favour of that strategy is German sports clothing company "Puma". Matt Shaw, team head of digital Marketing for the sports-ware giant stated in a Q&A with (The Nielsen Company, 2019, p. 19) that they realized they needed help in establishing credibility and demonstrating their commitment as a non-endemic brand. Therefore, a high-profile partnership was necessary to overcome their deficiencies in eSports knowledge.

5   League of Legends as a marketing channel – Case Study

To provide an example that shows how the knowledge up to this point is translated into a real game title, a case study was conducted and marks the start of the empirical chapters. The premise for it was that a company is planning to launch eSports marketing operations using Riot Game´s "League of Legends" as the platform. Before a strategy can be formulated, the target market needs to be analysed. Therefore, Michael Porter´s "Five Forces Analysis" (Porter, 1979) was adopted and modified to fit eSports. Michael E. Porter is an economist at Harvard Business School and a well-recognized expert on market competition and company strategy (Harvard Business School, 2020). His original model (Figure 8) is commonly used to identify the structure of an industry and helps companies to formulate an adequate strategy before entering it. Essentially, it is a tool to analyse a market and evaluate how attractive it is.
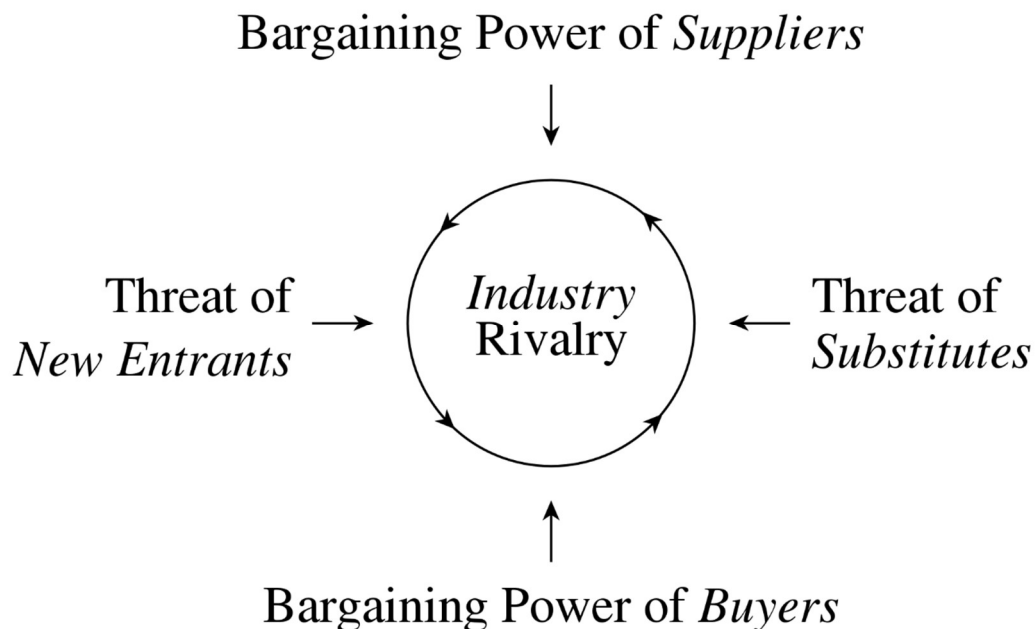

Figure 8 - Porter´s Five Forces Model (1979)

The theory suggests that each industrial market is defined by competitive pressure. This pressure is represented by five forces. If a company wants to enter a new market, they need to analyse these forces and rank them from low to high. By doing this, a company strategist can map out the biggest threats that come with a market entry and prepare countermeasures accordingly – or deem the market to be too competitive to enter (Porter, 1979).

The basic thought of the model is excellent albeit unfitting for the eSports topic due to its age (1979). Also, the original was meant to be utilized in producing industries and left open a lot of room for interpretation of the individual forces. For that reason, slight changes were made for it to be suitable to the present case. The changes are discussed at the start of each of the sub-chapters for the individual forces.

5.1   Power of Suppliers

In the original five forces model, this force describes the power suppliers have on production companies by raising or lowering prices or quality of delivered goods (Porter, 1979). Suppliers are powerful if there are only a few of them present and are more condensed than the industry they supply. Furthermore, they are considered to be strong, if they do not have to compete with other similar products or are not a customer of the supplied industry themselves. (Harvard Business School)

In the case of a company wanting to conduct marketing in League of Legends, the product the company offers represents the supplied material. The "material" that is needed for that is a channel or platform to promote on. Consequently, the "suppliers" in this case are two primary stakeholder groups: Professional teams and Riot Games as they are the possible sponsorship partners. Depending on the approach of eSports licensing, tournament organizers could be considered a supplier as well. However, Riot games chose the franchising approach for LoL, which means that they ultimately have the monopoly on the professional environment (see chapter 3.3.4) to the point where "tournament organizers" and "game developers" can be seen as one entity for this force.

The base of all LoL related supplier power is the continuing rise in viewership numbers and resulting increase in revenue which secures Riot the leading spot of all eSport titles (see chapter 3.3.2). League of Legends is by far the biggest eSports title by viewed hours (EsportsCharts.com, 2020) – and therefore also the title with the highest reach. It is played by 80 million monthly active users and up to 22 million gamers that check in daily (League of Legends Origins, 2019). This is the biggest argument that speaks for Riot and translates into a high supplier power as both for reach and mainstream publicity, Riot has no competition on their level as of now. LoL is named in every news article about eSports viewership records. The result is that LoL´s developer can be considered as the only supplier that offers a platform of that quality and magnitude. This means, they are currently not obliged to directly contend with other developers in that field. Riot games is not that dependant on sponsors as they generate high amounts of revenue -$ 1.5 billion in 2019 (SuperData, 2019, p. 19) - with their game and have been growing steadily prior to mass media and sponsor support (League of Legends Origins, 2019). Another factor to keep in mind is that Riot games could (in theory) turn off the servers and kill the whole eSports scene overnight. For sponsorship of a league, LoL itself or even buying a team, Riot has the best bargaining position as they have the exclusive rights to the franchise (Yim, 2019). A few years ago, the situation would have been completely different as Riot needed every publicity and sponsorship deal available in order to push League of Legends. All of these facts put Riot Games in a place of high power.

Professional teams are the second part of this force and are relatively independent in their choice of sponsorship partners (as long as they adhere to Riot sponsorship regulations). Since Riot games switched the league system to franchising (Scholz, 2019, p. 31), the number of high-level teams is set at 10 per league (League of Legends Origins, 2019). Currently, there are 4 "top tier" franchise leagues: LEC (Europe), LCS (North America), LCK (South Korea), LPL (China). This results in 40 teams with around 200 players (League of Legends Origins, 2019).

In total, there are 12 professional leagues all around the globe (Leaguepedia, 2020) with new ones being created all the time. For instance, the foundation of a Nordic League of Legends league was announced on April 15, 2020 in a partnership with Swedish phone contractor Telia (2020). These new leagues often represent new possibilities to enter sponsorship deals with promising teams, which is why it is so important to stay updated (see chapter 4.3). Still, the four "top tier" leagues are considered to be the core of LoL eSports and therefore the primary market. Their attractiveness as a potential marketing partner stems from LoL´s continuing success. In turn, this also means that the game and its teams become more popular as a marketing platform. Consequently, an increasing number of non-endemic sponsors want to enter the market, such as Louis Vuitton or Kia (see chapter 4.3). This means that currently, professional teams in League of Legends have the choice of picking their partners. So, a company that searches for a sponsorship partner in LoL needs to take into account a higher cost and more competition compared to other titles. Therefore, the supplier power of professional shall be classified as "mid-high". They are still dependent on the publicity of high-profile sponsorship partners to be profitable. As a result, they cannot be completely labelled as high power.

Streamers on twitch and youtubers could be seen as "secondary suppliers" of eSports services. They are regarded as such because they do not host these tournaments or develop LoL. Instead, they provide additional game-related content and often report on eSports events (but not exclusively). For this case study, they will be considered as second choice rather than the preferred method of marketing. Their range can start from the low 100s and reach up to hundreds of thousands depending on which streamer one might pick for marketing. Sponsorship of streamers and youtubers is often done by direct promotion or product placements (Perry, 2019). Also, streaming pages like Twitch pays for media rights (Partin, 2018). These individuals could be considered a cheaper alternative to direct sponsorship deals with teams or leagues. That is because there are many streamers with varying audience sizes and all of them are happy to strike a deal with a sponsor for additional income. Their power will be regarded as low.

 So, taking all points into consideration, the total power of the supplier side is "high", with Riot Games being the biggest factor by far.

5.2 Power of Buyers

The force "Power of Buyers" is related to the power of suppliers as they also exert pressure on the market and can force prices down or demand more quality (Porter, 1979). The buyers in the case of eSports marketing are the consumers of eSports. They are the group that both the growth and success of eSports is reliant upon. At the same time, they are the source of value for company´s marketing purposes. The massive consumer base of LoL (see chapter 5.1) results in the most attractive eSports marketing channel to date. Players have been playing this game since 2009 and are extremely passionate about it. They fill massive stadiums, dress up as their favourite champions and spend large amounts of money on in-game items. This means that they have a high power by default. Marketing failures because of a lack of authenticity leads to more damage than in any other game due to the tech-savvy nature of the audience and the huge global

fanbase (see chapter 4.2 & 4.3). The fanbase´s high standards of authentic marketing can be seen as the "demand of more quality" as Porter (1979) phrased it. It works just as in producing industries: If the demand requirements are not met, the fans will move to another provider than can offer it. The audience is the core stakeholder and the main group one needs to satisfy in order to see a positive ROI. Consequently, as with other spectator sports, the audience has a naturally high power.

5.3 Threat of Substitutes

According to the original model by Porter (1979), this force describes the threat of a product being replaced or substituted by another product. This can be due to technological or price progression. No big changes had to be made to this definition of this force. In eSports, there are three different factors to consider when discussing substitution: Replacement of Sponsors, of the game itself or of eSports. Fixed sponsorship contracts are the common industry practice in eSports and League of Legends (see Mercedes-Benz in chapter 4.2). As long as an existing sponsorship contract is valid, a company does not have to worry about an infringement. The threat of a substitution of existing partnerships is therefore low. However, due to the extreme growth of the title, an extension of existing contracts is most likely tied to higher costs as new entrants might offer more money to take over the sponsorship of a team or a league. This results in a higher threat of substitution in the cases of sponsorship extension. For those, it shall be considered medium, as the threat of a newcomer with more marketing budget exists.

The second substitution threat is that of League of Legends being substituted by a different game. While companies should always be updated on news and possible new eSports titles, the chances of LoL being replaced converge to zero. It is by far the biggest title with the highest viewership (as explained in 5.1 & 5.2). The title is constantly updated and improved by Riot to stay technologically relevant. Still, long-term marketing efforts might need to be re-evaluated if League of Legends exhibits signs of decreasing viewership numbers. This can happen really quickly as seen on the example of Blizzard Entertainment´s RTS "StarCraft 2". After having been the prime eSports title in South Korea and the rest of the world in the early 2010s, it quickly lost its attractiveness by the end of 2013 (Partin, 2018). It managed to recover in 2018 but is nowhere near being the most watched title again. The announcement of LoL´s mobile version "Wild Rift" (Riot Games, 2020), will certainly open up the game to an even broader audience and lead to an increased interest in the PC version. At this moment, the threat of the platform LoL to be substituted is low.

The last threat is that eSports as a whole might lose its attractiveness and die. A vanishing interest in eSports would lead to sponsors stopping investing money in LoL. Marketing without a potential customer for the brand is nonsense. Again, the statistics on eSports audience paint a clear picture with double digit growth in the last years and no signs of regression (Statista, 2018). This threat should also be categorized as low. In total, threat of substitution for League of Legends as a marketing channel is low.

5.4 Threat of New Entrants

The "Threat of New Entrants" force describes the barriers, problems and threats a new competitor needs to expect or overcome when entering the market. The severity of this force is mainly dependant on the present barriers and reaction of existing competitors (Porter, 1979). The actual force is made up of economies of scale, product differentiation, capital requirements, access to distribution networks and government policies (Harvard Business School). However, not all of these factors play a role in eSports marketing. No bigger changes had to be made to this force apart from the exemption of unfitting threats.

When it comes to this force in a marketing context for League of Legends, capital requirements, new competitors, government policies and public relations play a role. In order to enter the market as a LoL sponsor, spending capital is inevitable. Sponsoring one of the big league´s teams entails a considerable amount of money necessary. The price for an own team to enter the North American LCS currently lies around $30 million, which is three time the price the spot was worth three years ago (Yim, 2019). Based on the growing popularity of League of Legends, these prices will continue to go up and a spot can only be obtained if a vacancy occurs. Even more funds are required to be the sponsor of an event like the World Championships, which so far only MasterCard has done on a global level (Stalzer, 2018). Still, smaller sponsorship deals such as a brand´s logo on the player´s jerseys most likely come at a lower price point and a lot of teams are still looking for sponsors from time to time. If the company decides to attempt another approach, or if the marketing budget is not that considerable, a sponsorship deal with a LoL streamer or youtuber could be a cheaper option (see chapter 5.1). The lower cost of market entry comes with less audience reach. As there are many options for all budgets, this force will be considered medium. It is not considered low because the prices will continue to go up as long as League of Legends stay relevant as an eSports title.

Government regulations are no issue whatsoever in professional LoL and should be considered to be a low force. The biggest threat to new entrants is a deeply flawed marketing strategy and failure to connect to the audience. The most likely case this would occur in is if the company fails to be authentic. This is – especially for non-experts – the biggest threat to a new entrant as a LoL sponsor and shall therefore be deemed high.

In total, this force needs to be considered as medium in pressure. Still, it can´t be stressed enough how important the correct marketing mix and authenticity is. Failure to do so will result in big financial loss and damage to the company´s image.

5.5 Rivalry in the Industry

The last force is the competition in the industry. This force refers to the number of competitors and their individual prowess. According to (Harvard Business School) and Porter (1979), a market with a strong rivalry force is causing prices to go down while the costs of competing go up. Further relevant indicators are slow industry growth, numerous competitors with similar

size and companies being heavily invested in the industry. For eSports, the rivalry force can largely be taken over the way it is defined by Porter. Competitors are other companies that already are -or plan to- sponsor LoL eSports. There is a small difference that needs to be adjusted in price development. In a sponsorship dominated marketing environment such as LoL, a high rivalry will cause the prices (money paid by sponsors) to go up as companies try to get the deal with one of the few teams available (10 per league). A few years ago, this situation would have been reversed as teams were desperately looking for ways to finance themselves. In some way, this is still the case for smaller streamers and youtubers, where companies usually have the better bargaining position. Big players in LoL sponsorship are Mastercard, which are the official partner for the world championships since 2018 (Stalzer, 2018), KIA in the LEC (Hyundai Motor Group, 2020), State Farm in the LCS (Riot Games, 2019), Nike in the LpL (Chen, 2019) and Logitech in the LCK (Kwon & Jang, 2020). Endemic brands like Intel, always been and will continue to have a strong but non-endemic such as Coca Cola and Louis Vuitton are extending their market share presence (see chapter 4.2). Car manufacturers such as BMW, Audi, and Honda entered the stage and further stimulate rivalry. Riot games themselves encourages more non-endemic brands to join the market (Eisenband, 2019). 4 years ago, the rivalry force would have been classified as low. Now, it is at the fringe of medium stepping into high. And that will certainly reach high within the next 2-3 years at most.

5.6   Case Study Conclusion

To conclude the case study on League of Legends as a marketing channel, all five forces need to be examined next to each other and put into relation (Table 1). By doing that, the critical forces can be identified. For improved readability, the force's relative strength is also indicated by colours. Red indicates a high power as that means that the marketing strategy needs to consider those the most. Green stands for a low, yellow for medium power.

Table 1 . Overview of the 5 Forces for League of Legends

Name of the force	Power of Suppliers	Power of Buyers	Threat of Substitution	Threat of New Entrants	Rivalry in the industry
Classification	High	High	Low	Medium	Medium

Taking all forces into account, League of Legends is a very attractive market for sponsors. This is mainly due to the large audience and sophisticated eSports environment. The high supplier power is inherent to eSports as it is reliant on developers to create games. Riot is probably the most powerful supplier in eSports right now. This is because the main bargaining object for attraction of sponsors is reach – and LoL is the biggest title right now. Also, Riot´s franchising system and exclusive rights means that they "are the natural gatekeepers" (Scholz, 2019, p. 50) to any business related to LoL esports. As in all other eSports disciplines, companies need to be wary of the audience, which is represented by the "Power of Buyers". Their high force comes

from them being what leads to LoL´s high reach. Also, the fans are the foundation the whole League of Legends scene is built on. Their demand for authentic marketing is the highest threat for new entrants. Therefore, a marketing strategy in League of Legends needs to be built around the needs of the audience. Still, the absence of any other big threats and availability of many sponsorship options lead to an overall medium "Threat of New Entrants" force. The rivalry in the LoL industry is close to be labelled "high" as more and more brands are entering the market together with the continuing growth of Riot´s title. This means that companies interested in commencing marketing should enter it as long as the "Rivalry in the Industry" force can be considered as "medium". David Pucik, Vice President games and digital strategy at research firm Magid stated on "marketing dive" that "The window for non-endemic brands to enter the space and get a strategic advantage is closing" (Schick, 2019).

Overall, League of Legends is currently the best title to invest in – which might not come as a surprise considering the amount of revenue it generates. It combines all the benefits of eSports such as the digital accessibility thanks to the free to play model (see chapter 3.3.2) while possessing the biggest professional gaming audience in the world. Their global reach is the biggest selling point for interested marketers, as they can be sure that their brand is engaging with the Generation Z and Y target group. On top of that, Riot´s franchise league system gives investors more long-term sponsorship safety compared to other games that don´t employ that system (Torres, 2019). All of these benefits come without the threat of substitution that other titles might have. Still, it is crucial to keep an eye on the market and possible new marketing channels.

6   Insights from Enhanced eSports

The empirical part of this thesis is further supported by an expert interview with Mr. Felix Kaukiainen, founder of eSports organisation "Enhanced". Enhanced was created in 2018 in Turku, Finland in order to set up a gateway for new semi-professional eSports teams (Kaukiainen, 2019). Today Enhanced is home to 15 different eSport athletes and actively contributes to local and Finnish national eSport scene by contesting European top teams (Kaukiainen, 2019). In the stakeholder landscape, Felix falls under the primary stakeholder category of "professional team" as manager. Within this function, he engaged in sponsorship partnerships with Finnish and international high-profile companies such as "Turun Seudun Osuuspankki" (Banking sector, part pf OP-Pohjola financial group – one of Finland´s biggest financial institutions) (OP - Pohjola, 2020), ED Energy Drink (ED Energy Drink, 2020) and TeamSpeak (Software sector, endemic to eSports as it is often used as a tool for spoken communication in gaming) (TeamSpeak Systems, Inc., 2020). (Kaukiainen, 2019) The interview was set up to gather additional data on the current situation of eSports, its struggles and future on a global and local scene. Another goal was to get some inside information on the sponsorship process and degree of company knowledge.

6.1 Interview Setup and answers from Felix Kaukiainen

The total interview questionnaire consisted of 22 questions that were designed to follow the topics of this thesis. The questions were separated into categories 1 & 2:

- 1 - "General questions on eSports, audience and environment" (8) and
- 2 - "Questions on the sponsorship and advertisement side" (14)

The final questionnaire´s content will be listed with Kaukiainen´s respective answers:

1: General questions on eSports, audience and environment:

1. How did you get into gaming?

Kaukiainen: "I started playing Online games early in my youth on PlayStation 2 and PC. I don't exactly know what specific event got me into gaming, but we had internet connection at home very early, which I used to discover and play online games, such as RuneScape and Wolfenstein: Enemy Territory and enjoyed it a lot!"

2. When and how did you hear of eSports the first time?

Kaukiainen: "I think that it was year 2012 when Twitch was introduced for me, that I started to understand the concept and followed the new Counter-Strike: Global Offensive scene."

3. What do you think draws the people to eSports? / What is the fascination of it?

Kaukiainen: "It's the competitive side of gaming that people who are competitive enjoy. Esports is easily accessible for everyone to try out (different levels from "matchmaking" to professional teams, franchises and tournaments). The age of digitalisation has enabled esports to strive and for people to find interesting content to either enjoy playing or just watching other compete in your favourite games. High quality studio broadcasts available to follow on your mobile, grand live events, hyper-interactive content between brands and consumers etc. makes it very interesting and fascinating from a business perspective."

4. What do you love about eSports?

Kaukiainen: "The community."

5. How do you think the public image of eSports is right now? How did it change in the last years? (audience, public attention, media, business/marketing)

Kaukiainen: "Right now it's better than ever. The beginning of 2010 and onwards has been a struggle for esports to "clean its name" from being something the geeky, energy drinking LAN gamer does on weekends at his friend's house to show the mainstream how professional athletes in live events and create breath-taking, chilling moments, with a lot of emotions and traction between the crowd and players competing for million-dollar prize pools.

In Finland, we've developed a more positive attitude towards esports in general, and the mainstream has a better understanding and accepts the modern day esports enthusiast better than before. We have education, training programs and professional organisations who work towards a healthier business."

6. <u>How would you categorize the typical eSports fan?</u>

Kaukiainen: "The typical esports fan is called an esports enthusiast and is usually a young male adult between the age of 17-24. Typical esports enthusiasts have created their passion through playing or competing themselves in a specific game making it interesting to follow professional teams and players playing the game. It's been studied that typical esports enthusiasts follow the specific esports title in order for them to improve and discover "tips & tricks" they can implement in their own game (Newzoo, 2018)"

7. <u>Where do you see the reason for eSports growth?</u>

Kaukiainen: "The obvious reason of successful YoY -growth is due to digitalisation and mobile connectivity. More content is being easily available and it's easy to follow teams, leagues and players through various platforms and social media. The esports enthusiast demographic also gives advertisers a very specific target group for endemic brands to cash in on, which fuels the sponsorship money that leagues, teams and players live off."

8. <u>Do you think there is a rivalry between different disciplines (games)?</u>

Kaukiainen: "Of course there is rivalry of being the #1 esports title in your own category (FPS/MOBA/RTS), because esports enthusiasts are willing to spend real money in game via micro transactions to purchases skins, unlock extra content and attend live events etc. This is proven to generate most of the games revenue for the game developer (Fortnite, CS: GO etc.) – not the amount of copies being sold (today most games are launched as free to play)."

2: Questions on the sponsorship and advertisement side

1. <u>What does your company do in eSports?</u>

Kaukiainen: "We are an established esports organisation competing in leagues and tournaments in CS: GO and FIFA20. We are much like a traditional sports organisation, having teams competing in divisions in multiple sports. We provide players a sense of belonging to something bigger by creating social media presence and engagements between the team and esports enthusiasts. We have our own Twitch.tv where our games are shown and casted by our streamers. We attend live events with the teams as well as plan bootcamps together with the team.
We're also developing a teamroom with FBC Turku in their stadium for our teams. The long-term goal is to engage the members of FBC Turku with esports and have junior activity/coaching sessions in the teamroom for beginners and develop a new amateur team."

2. Which partnerships and sponsors do you have?

Kaukiainen: "At this moment we have established multiple partnerships, which are continuous. The most significant partners/sponsors we have is Turun Seudun Osuuspankki, FBC Turku, Esportal, Hartwall, L33T Gaming, Teamspeak and BRANG.

3. Do companies take eSports seriously?

Kaukiainen: "They do, but non-endemic brands in Finland are yet to see potential in sponsoring or engaging in partnerships with smaller organisations"

4. Do they actively approach you for sponsorship deals? How is it for bigger eSport institutions?

Kaukiainen: "Unfortunately no, not actively. At this stage we are quite a small actor outside Finland. I can't say for others."

5. Any other positive or negative experiences you had with companies regarding eSports?

Kaukiainen: "There are many different companies involved in esports at different levels. There's a variety of interesting partnerships seen taking place in esports, with Luis Vuitton designing the League of Legends World Championship trophy, for instance. Of course I'd like to point out the different gambling operators who are a significant financer in esports sponsorships and advertisement."

6. What motives and goals do you think companies have to invest in eSports? (marketing, advertising, sponsorship) Maybe also question about young and specific target group?

Kaukiainen: "In my opinion, there are two types of partnerships seen in esports. The short-term "tests" to just see what the fuzz is about, without any bigger plans to convert customers, but to gain a little brand awareness in a space where esports enthusiasts are likely to support your brand because you're supporting their cause/hobby. The other type of investments is way more significant, such as purchasing a long-term league spot in a franchise league or media rights in streaming esports content in the believe of esports continuing its growth and generating revenue."

7. Where do you see the biggest hurdles and risks/pitfalls for companies that look to invest in eSports? (PR, gamer culture?)

Kaukiainen: "The culture is quite specific and requires a lot of planning and research in order to develop successful campaigns or advertisements, which gamers find interesting and want to interact with. Hashtags, memes and esport figures/stars should be used correctly. There is a risk

that having a wrong approach might cause a huge lash back from the community which generates negative attitude towards the brand,"

8. <u>Where do you see the opportunities the eSports market provides for interested sponsors/marketeers?</u>

Kaukiainen: "Stated earlier in 1.3."

9. <u>So far, marketing in eSports was mostly done through sponsoring. Lately more and more traditional ads can be observed at events. Do you think eSports is coming closer to traditional sports in terms of monetization?</u>

Kaukiainen: "Yes, I believe esports follows the business model of traditional sports BUT it also offers new layers of monetization for organisations, leagues and broadcasting companies. I also think esports creates new business models traditional sports leagues/teams can adapt to."

10. <u>Where do you see the differences – advantages and disadvantages – of esports compared to traditional sports or entertainment?</u>

Kaukiainen: "I think one of the main advantages is that esports is that it's easily accessible for anyone in the world in many different levels. You can follow amateur leagues by streams, where one might play himself, creating a much more engaging scene and network. Also esports teams, players organisations etc. are A LOT better in creating new and interesting content evolving the scene and engaging with its community on social medias. It's a lot harder to follow your local Finnish football team, because you have to buy tickets and go to the field to watch them play."

11. <u>How do you see the role of publishers? Do you think the relationship between publisher-game-esports is good or bad for marketing?</u>

Kaukiainen: "Do you mean game publishers? The role of publishers are of course significant in order to create the hype around the new esports title they are publishing, for example the hot topic right now is Valorant by Riot Games."

12. <u>Where do you see the eSports market in the future?</u>

Kaukiainen: "I see a global franchise leagues for top esports titles, with multiple divisions and top dollar professionals competing in live arenas or studios. More interesting activities and partnerships will emerge, and a more regulated market will emerge."

13. <u>What are future risks for eSport?</u>

Kaukiainen: "Game publishers not caring for opinions of professional players. Fortnite has killed its own game, Valve is tip-toeing around with Counter-Strike trying to "balance" things of with new updates breaking the meta, which might be a good thing but can also be a risk."

14. <u>Do you think eSports might be replaced?</u>

Kaukiainen: "No."

The Questions were devised and formulated in a way to gather additional data on existing thesis chapters as well as all new insights on the eSports topic. A deeper explanation on the specific thought behind the questions follows subsequently:

- Questions 1.1, 1.2 as well as 2.1 & 2.2 were set up to gather additional information on the eSports background and confirm the proficiency of the interviewed.
- 2.3, 2.4 and 2.5 aim to gather insights on the small-scale sponsorship interest of companies
- Questions 2.12, 2.13 and 2.14 are present to gain an expert´s opinion on the future and risks of professional gaming
- The remaining inquiries were conceived to provide further data on the current eSports situation. These questions refer to the stakeholder analysis and case study on local/national level.

6.2   Analysis of the interview results

Due to the global COVID-19 pandemic, the interview could not be conducted in person. Instead, the interview was set up in the form of questionnaire which Mr. Kaukiainen answered on April 8th , 2020 (Kaukiainen, 2020). Considering these circumstances, the data collected through the inquiry is more than satisfying. In this analysis of the interview results, the answers given by Felix will be referenced in brackets without any further labelling. For instance, (2.3) means that the source for the statement is answer 2.3 of the interviewed.

6.2.1   General perspective on eSports

Felix´s answers show a typical progression from casual gamer to eSports enthusiast and follow the red thread of this thesis surprisingly tightly. His story on how he got into eSports reflects the steps that were necessary for it to become big in the first place: Technological progress in form of the internet and twitch.tv (see chapters 3.2.1 to 3.2.3). Felix started gaming on consoles and the PC in his early youth and only got into online gaming as soon as his household had access to an internet connection. Afterwards, he discovered eSports and the CS:GO scene

thanks to streaming service twitch.tv (1.1, 1.2). When it comes to passion, he himself confirms the theory in chapter 3.3.1. For him, the community is the biggest positive aspect of the sport (1.4), but he also emphasises that the audience loves following interactive content and watching others competing in their favourite game (1.3). He adds that eSports´s accessibility is one of the main points why it is loved by many and also one of the biggest reasons for its growth (1.3, 1.7). These points coincide with the theoretical research results in 3.2.3. While the theory also stated in chapter 3.2.2 that the new monetization model ”free to play” helped games both with the revenue as well as the growth due to improved accessibility, he only confirms the former fact in (1.8).

In the first set of questions, some of the answers disclosed completely new thoughts. One of the new insights Felix talks about is the fact that many enthusiasts follow a specific game title in order to improve their own performance in said game (1.6). This supports the notion in chapter 3.3.4, that more than a third of all eSports fans aspires to become a professional gamer too (Limelight Market Research, 2020). They apparently use eSports as a template to improve their own game. He made another new point in regards of the public image of eSports. He states that the old image of "geeky, energy drinking LAN gamer" (1.5) had to be cleared from 2010 onwards in order to get to the current state of a more professional image, which correlates with the theoretical findings in chapters 1, 3 and 3.3.5. However, Finland has developed a better mainstream understanding and acceptance with training programs and professional organisations supporting the industry (1.5). This means that Finland, and probably the Nordic countries in general are more sophisticated than other countries in their opinion of eSports. This shows in the public´s positive attitude towards it as Felix confirmed it and the fact that one of the oldest and biggest gaming events, the Dreamhack (see chapter 3.2.2) originated in Sweden (DreamHack, 2019). This circumstance might have evolved thanks to the early widespread internet connectivity and infrastructure in these countries. In fact, Finland was the first country in the world to declare internet a legal right for every citizen (Murnane, 2016).

6.2.2   Business enivronment

On the business aspects of eSports, he also provided data which mostly confirm the theoretical research results. A rather large deviation from the findings in the theoretical research is his view on the attractiveness of sponsorship in eSports and the future risks. According to (Kaukiainen, 2020), Finnish companies are aware of eSports by now (1.3), but neither do they (yet) see the potential of it or actively approach smaller professional gaming organizers for sponsorship deals (2.3,2.4). This means, that companies on a local level have an entirely different position regarding eSports marketing than the sponsors that were listed in theory chapter 4. This is interesting to see as on an international level of gaming such as the LoL LEC, sponsors are the ones that have to take the initiative to score lucrative deals as seen in chapter 5.5. Also, the revenue figures in chapter 4.1 would suggest a completely different situation. Apparently, the local sponsoring environment in eSports seems to be more similar to that of regional traditional sports sponsoring. Small clubs in regional leagues also have to search for willing sponsors themselves. This fact means that it might be difficult for smaller teams to score lucrative deals on a regional scale and consequently might lead to fewer young professional gamers. The second risk he sees are the game publishers (2.13). He states that Fortnite had killed its own

game and Valve is breaking the "meta" of its game CS:GO in an attempt to balance it. Both of these cases need some explaining in order to be understood. "Fortnite" is a third-person shooter by Epic Games, which became a huge commercial success on every platform available (Scholz, 2019, p. 36). The title managed to attract an especially young, large player base which resulted in an attempt at eSports. Fortnite is part of the recently created "Battle Royale" genre, which typically puts 100 players against each other in one game. The one player that manages to survive to the end wins the game. The first year of Fortnite tournaments in 2018 was promoted with a $100 million prize pool by Epic Games (Donnelly, 2018). Epic decided to implement several changes which led to the eSports community and famous streamers like "Ninja" complaining about the game (George, 2020). That is the reason why Felix stated that it had "killed its own game". On the second case, Valve is attempting to "balance" (explanation in chapter 3.3.2) CS:GO. However, he thinks that they are changing the "meta" too much too often (2.13). "Meta" has many different meanings depending on which type of game is played. In this case, it refers to how the game is usually played. Often it is also referred to as "Most Effective Tactic Available", meaning players figured out what works best to win the game (Ticak, 2017) and train that strategy or playing style to perfection. If the game developer is changing how the game is played or changes it to a point where years of practice are rendered useless, people get upset and leave it. These two points that (Kaukiainen, 2020) makes pose a threat to individual eSports titles and coincide with the high power of suppliers in chapter 5.1 and explanations on the influence of game developers in chapter 3.3.2. They often have less effect on the non-professional side and therefore profitability of the game as regular video gamers are less affected by these changes.

6.2.3   Marketing practices

On the highest level of professional gaming, Felix agrees that there are a lot of marketing opportunities. Especially the large events and the digital possibilities of interaction with the audience (1.3, 2.8) lead to two types of partnerships: Short-term "testing" sponsorships which want to build a little brand awareness among the target group and "long-term" investments in franchise leagues and media rights. He thinks that these are way more significant for eSports, as it shows a belief in its continuing growth (2.6). Louis Vuitton´s LoL contribution that are also discussed in chapter 4.3 was an example of a positive development in eSports but the eSports gambling scene was not (2.5). While the long-term investments were thoroughly discussed in chapter 4, the short-term "test runs" he described have not really been talked about directly. The closest to those are examples on how to not do marketing in the guidelines for successful eSports marketing in chapter 4.3 – marketing campaigns that only serve as a quick cash-grab. In that chapter, this was deemed to be a sure way to a marketing disaster, but Felix does not give more insights on the profitability of that tactic. Therefore, it should be noted that this strategy appears to still be in practice, albeit not recommended in this thesis. According to Felix, eSports is especially attractive to marketers because of its desirable target group and size of young enthusiasts (1.6,1.7). To reach that target group, he stresses that understanding eSports culture is essential and a lot of research needs to be done prior to entering the market (2.7). Furthermore, he confirms that "a wrong approach might cause a huge back lash" (1.7). This correlates with the statements in the provided guidelines in chapters 4.3 and 5.4 on the importance of authenticity and it being one of the biggest dangers to new entrants.

His answers on eSports marketing trends (2.9) correlate with the findings in chapter 4.1, which stated that traditional advertisements are surging in eSports. In this way, professional gaming would follow the business models of traditional sports. However, he thinks that eSports has its advantages over the old sport scene such as easier accessibility as enthusiasts can tune into a stream that covers important games on their mobile phones without trouble. For a football game, fans still have to buy a ticket. On top of that, eSports displays superior content creation and audience interaction (2.10). Furthermore, he thinks that eSports surpassed traditional sports in other fields like innovative monetization methods that old sports could adapt for themselves (Kaukiainen, 2020). The comparison to traditional sports has not been discussed that deeply in the theoretical part of the thesis. Still, Mr. Kaukiainen´s perspective on it resembles the overall picture of eSports in comparison to them. It is modern, fresh and innovative. The result is that eSports events are growing their viewership numbers every year and manage to surpass some of the biggest basketball or football competitions in the world (Pei, 2019; Webb, 2019) . Experts such as the Logitech CEO Bracken Darrell predict that an Olympic eSports discipline is inevitable and it might take over football´s place as the number one sport in the world (Schwär, 2018). So, Felix´s notion that traditional sports could and maybe should learn from eSports needs to be taken seriously. Change seems to be necessary for venerable sports to stay relevant in future, because the growth numbers for eSports show no sign of receding. (Kaukiainen, 2020) also paints a bright future for professional gaming as he is sure that it will not be replaced in future (2.14) but rather continue to be expand with more global franchise leagues and market regulation (2.12). If his latter prediction turns out to be true, the biggest point of criticism the Olympic committee has against accepting eSports as a featured sport on the Olympic games (see chapter 3.3.6) would vanish. Being a recognized sport at the Olympic games would elevate eSports to the highest level.

6.2.4   Conclusion

Overall, the empirical data gathering confirmed most findings of the theoretical research and offered another perspective on the market. Especially the explanations about the eSports audience, business related topics on marketing, the importance of authenticity and the game developer´s role align with the previous chapter´s results. His other points also add to the thesis´s argumentation by opening up a new perspective. His own experience with Finnish companies has shown that the sponsorship/team relationship is reversed on a regional level and potential sponsors do not see the potential yet.

7   Final Discussion

eSports should be considered by all professionals as one of the most attractive new marketing channels after examination of the theoretical and empirical research conducted in this thesis. The market and community exhibit an exceptional history and growth in the last 70 years of videogames. This remarkable journey has led to professional gaming reaching more than a billion dollars in revenue with double-digit growth rates over the last years. The resulting CAGR of around 30% over the last 8 years outpaces even the likes of traditional football leagues. The most important figure for marketing purposes, however, is the viewership number and demographic. Chapter 3.3.1 displayed that the global eSports audience is projected to reach almost half a billion in 2020 with similar growth rates to the revenue it generates. As shown in the stakeholder analysis in chapter 3.3, the fans are what keeps eSports together, what every important player tournament organizers and developers cater to. Furthermore, that viewership is made up of a very specific target group of young, highly educated individuals that traditional media increasingly struggles to reach. Both the theoretical and empirical results suggest that the ability to directly address Generations Y and Z on an international level is the biggest strength of and should make every company excited about the future marketing possibilities.

Even more than in other marketing channels, that audience needs a unique communication approach. The interviewed expert Felix Kaukiainen, chapter 4.2 & 4.3 conclude that authenticity is the key to building up a connection to the eSports enthusiasts. If marketers succeed in this, they have the possibility to utilize the strengths and advantages eSports has over other channels. This opens up many opportunities: A genuine campaign that speaks their language will lead to them using their digital connectivity and creativity to amplify a promotion´s reach through sharing and the creation of memes. The preconditions for the creation of content that resonates with these gamers are discussed in the guidelines for successful eSports marketing in chapter 4.3 and the interview: Knowledge, genuine interest and respect for the community and its games. The foundation for that know-how is what this thesis represents and supports with the given examples. However, additional in-depth expertise in the specific game title a company wants to use as a platform is necessary as eSports is merely an umbrella term for many games and fandoms. One result of the case study is that these knowledge and authenticity requirements pose the biggest threat for interested companies. Both the empirical and theoretical research conclude that a failure to cater to this demography in that way will inevitably lead to a huge backlash. Enthusiasts are too passionate about the scene and, according to Mr. Kaukiainen, about improving their own performance through spectating to accept selling-focused marketing.

Companies must keep an eye on the game developers. They can be a threat as well as the source for marketing success. They constantly work on improving their existing titles or bringing out new games to create the new eSports hit. An early investment on upcoming new titles like Riot Game´s "Valorant" might lead to a strategic advantage in case of the game´s success or to a huge loss of money if the title fails to take off. A game might also lose its eSports appeal if the developer changes it and its "balance" too much, as Mr Kaukiainen stated with the example of Epic Games´ title "Fortnite". Consequently, the choice of game title to sponsor needs to be

evaluated thoroughly. On the one hand, it is important to partner up with a title and game developer that shares the same ethics and values as the company for PR reasons. Companies would not want to be brought in connection with a developing team that advertises e.g. racism. On the other hand, the developer has the monopoly of power on its game title and is therefore a force to be reckoned with. The circumstance that a game creator is able to shut down a game over night if it does not generate enough revenue needs to be kept in mind when making the investment decision. A deal with a small, new game might be less of a cost factor but has a considerably higher threat of being substituted by another title, not finding a large enough fanbase to be economically viable or being shut down. A safer bet are the big players like the case study´s League of Legends. Chapter 5´s result clearly indicates that Riot game´s title provides a stable environment with big reach for long-term marketing strategies that come at a higher cost and extremely powerful developer.

The eSports market does not only have positive aspects. As shown in chapter 4.2, some experts have their doubts about the volatility of the eSports market. Marketers need to keep in mind that viewership numbers might be inflated due to various reasons. However, this is a problem that is natural to all digital marketing. Also, the true effectiveness of marketing in the eSports field has yet to be confirmed on a broad scale. Individual accounts on the success of companies such as Puma and Mercedes-Benz so far only apply to the biggest eSports titles and cannot be taken for granted in the whole eSports industry. According to Mr Kaukiainen, other problems of the environment include a lack of understanding and initiative of non-endemic brands on a local and national level. Small teams have to do educational work and often search for sponsorship opportunities. This might lead to a lack of new players on the semi-professional level as smaller teams have slimmer chances of scoring deals and earn money.

Still, the future for eSports looks promising. Developers such as Riot Games seize the opportunity of the quickly growing mobile market to release titles on there. eSports on mobile is one of the fastest growing sectors and will further the reach and popularity of eSports. In the empirical research, Felix Kaukiainen regards the accessibility of eSports as one of the main reasons for its success. This will improve even further with eSports coming to mobile. Not even a console or PC will be required to enjoy both watching and playing. Nevertheless, especially PC eSports will continue to thrive. All of the statistical data on predicted growth rates for video games and eSports point to that. New professional gamers will have easier accessibility in terms of entering the competitive field with more and more universities offering dedicated courses, leagues and scholarships. The interviewed expert is sure that more global franchise leagues will emerge, the market be more regulated and new partnerships emerge. The theoretical research supports that with the announcement of the Telia League of Legends Nordic League. With new leagues and more players, the public awareness and interest in eSports will continue to rise. The result is that more non-endemic brands will enter the market.
All of the points discussed in this thesis lead to the conclusion that eSports as a marketing channel is not only feasible, but highly recommended if the desired target group fits the company strategy. Companies should employ experts from the field or gather the knowledge required and secure a foothold in this industry as soon as possible. Whether as a long-term investment or – as Mr. Kaukiainen has phrased it- a "short-term test to just see what the fuzz is about" - all big brand names will enter sooner rather than later. If future entrants study the

knowledge and apply the rules and examples of good eSports marketing this thesis provides, they can secure a spot on the eSports phenomenon too.

8   Closing remarks

Overall, it was a joy to write this thesis. This is due to my personal passion for the topic. However, this also proved to be counterproductive at times. While writing, specific topics and ideas often came into my mind that I thought would fit well or I would simply like to have there. Also, I often realized it would make more sense or make it easier to understand for someone with no knowledge whatsoever to write the thesis in a different way. That is why the core focus of the whole thesis was moved from chapter 5 to 3. For the original goal of providing an easy to grasp guideline on how to promote in esports, it was more important to show what the esports landscape looks like and show the guidelines/examples of good marketing in chapter 4.3. This led to a lot of restructuring and deviation from the research plan. Consequently, the thesis took me longer to write and became a larger text overall. In the end, everything turned out fine.

A relatively big problem was the outbreak of COVID-19 and its influence on the research and writing process. Even though the nature of eSports entails less written literature and more digital works, it still would have been easier with access to a library. Especially literature on non-eSports topics such as digital marketing, sponsoring, even sports-sponsoring or sociology on the target generations would have been a useful addition. Also, it would have been helpful to find figures on what these sponsorship deals usually cost the companies. With that, I could have put the different entry modes into perspective and even compare the costs with other marketing channels. However, CEO´s tend to not disclose these numbers which is certainly understandable.

Considering these circumstances, I was lucky in finding my interview partner thanks to my supervisor Helena Nordström. The results I got were excellent and supported most of the theory. The points that Felix made which I have not talked about or new points such as the sponsorship environment on regional level ultimately added more facets to my thesis. In fact, his descriptions of the struggles smaller teams face on a local level fuelled my determination to write a good quality, comprehensive thesis. I think that I succeeded in fulfilling the purpose and goals I set at the start of the writing process. Therefore, I hope that works like this actually contribute to the education of companies and helps them recognize the huge marketing potential eSports has a spectator sport. In the end, both the sport and the brands will profit from mutual interest. I will stay in contact with Felix and keep track of how the local scene evolves. The mid-April announcement that Telia opens a League of Legends franchise league in the Nordic countries is a huge step for eSports in this region. It will be exciting to see when the first big LoL games are hosted in Turku.

 In hindsight, there are three things I would change about the questionnaire next time:

1.   Formulate the questions more clearly, as the question about the publisher 2.11 was answered in a different way than I expected.

2. 2: Avoid repetition of questions. At question 2.8, he just referred to answer 1.3 as he had understood it in a way that he would answer it in the same way.

3. Conduct a real face to face interview. Both previous problems would have solved itself in a conversation as I would have understood that he got the question wrong and then could have rephrased them on the fly. Furthermore, it would have given me the possibility to ask follow-up questions to get more explanations on answers. One particular answer that comes to mind is 2.13, where I would have liked a more thorough explanation on why he thinks Valve was sabotaging CS:GO. Unfortunately, that point was not in my hands due to COVID-19. I still think it was a good experience to see the flaws of a written interview first-hand.

Still, the writing process was an excellent experience which helped me to learn even more than I already knew about that topic. It helped me to combine something that was so far only a personal hobby of mine with actual business. The Stakeholder analysis and current market analysis according to Porter´s Five Forces were particularly helpful in expanding my knowledge and connecting the dots. Ultimately, I think that I succeeded in fulfilling the purpose of this thesis and am convinced that the knowledge from this thesis can be helpful in building a successful eSports marketing campaign. I put much emphasis on the reliability and validity of the sources. This means that literature research was used where possible and online sources checked for their professional trustworthiness. Therefore, the main search channel for online research was google scholar to find scientific articles. For the online sources, I tried to stick to reputable pages such as the New York Times and known gaming journals. Even though I am passionate about the topic, I approached this thesis with the necessary objectivity to evaluate the results according to good scientific practice.

Personally, I think eSports will get huge – and as a passionate gamer I am optimistically looking forward to that.

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