DEVELOPMENT OF DIGITAL MARKETING IN ESPORTS

Case Company: ForZe esports

Abstract

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Denisov Vladimir	Bachelor's thesis	Autumn 2020
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Abstract

Electronic sports or esports nowadays is a billion-dollar industry with a multimillion audience rapidly growing worldwide. Esports industry is reaching its momentum during the past few decades and expected to become the most financially lucrative entertainment market on the planet.

The aim of this research is to analyze the esports ecosystem and define possible ways of brand promotion based on the esports industry. On an example of one the most prominent and recognizable esports organization in CIS region – ForZe esports, the author will analyze main marketing strategies applied in esports sphere and how does a professional esports team engage the audience and attract new sponsors.

CONTENTS

1 INTRODUCTION

In this chapter the author will present the background of the study and the overview of the thesis framework. In the beginning the thesis background will be introduced to the reader, followed with main objective and research question of the study. Furthermore this chapter clarifies the theoretical framework and defines main research methods and data collection tools used during project research.

1.1 Research Background

Currently, the entertainment industry, that recently could not even claim the right to be called as an independent branch of the economy continues its rapid development forming new separate markets inside.

In addition to already consolidated entertainment industries such as media and internet resources, the film and music industry, more and more investors become interested in professional sports, in particular sports clubs and major competitions. The rising costs of TV rights mainly drive commercial success in those industries.

At the intersection of sports and entertainment, esports is gaining momentum, reaching more and more audience worldwide. Esports is an industry that is considered not as a part of the sports industry, but as a separate part of an entertainment industry that might overcome a majority of entertainment industries in terms of revenue and spectators worldwide due to its unique structure.

1.2 Objective and Research question of the study

In this project the author examines esports as an economic phenomen, analyze industry's structure and stakeholders and define the main income sources in esports. Based on existing researchs by the authors worldwide, followed with statistical analyses of the industry, the author will define the industry's target audience and the main ways of brand promotion on the base of esports.

On example of a case company – ForZe Esports, leading esports organization in CIS region, the author will analyze their marketing channels and reveal the main ways of sponsors and audience engagement for an esports team.

1.3   Theoretical Framework

The theoretical part of the project is divided into five parts logically. In the beginning, there is an introduction chapter where the author explains why esports is unique and deserve more awareness, as well as defining main research questions of this study and research methods used to answer them. Since the research topic relates to a relatively new industry, in the second chapter reader will get its brief history and a detailed explanation about every stakeholder involved in the industry and how they interact with each other. The third chapter is dedicated to the main marketing tools and channels used in esports and explains why more and more companies prefer to promote their brand based on esports. The last chapter of this work is a research of a case company to give the reader an precise understanding on the organizational structure of esports professional team, how it attracts new sponsors and engage the audience on an example of one of the oldest esports brand from CIS region – ForZe Esports.

1.4   Research methods & Data collection

In this project author will use both qualitative and quantitative methods of research. Qualitative data collected from the content analysis of a case company's webpages in social media and a case study of their digital marketing plan. The author will use quantitative method of research to supplement the data obtained via qualitative research of the study.

Primary data will be collected through utilizing electronic articles since the field of research is new and no up-to-date information exist in paper. Electronic articles will be chosen wisely from reliable sources, followed up by qualitative data from the most trusted esports source for analytics and market research.

2 ESPORTS

"Esports is a digital sport for a digital future. You need to look here the puck is going not where it has been. Videogaming is chosen entertainment for this generation. Love it or hate it, esports is here" – Jason Lake (CEO of compLexity Gaming, premier esports organization in the USA)

Esports is an area of sports activities in which people develop and train mental and physical abilities it the use of information and communication technologies. (Wagner 2006.)

All esports disciplines are divided into several main classes, distinguished by the gameplay, models and developing game skills of esports players. The most common competitive game genres are:

- MOBA (Multiplayer online battle arena) – most popular game genre in esports with the highest prize pool in tournaments. Example of games is League of Legends and Dota 2.
- FPS (First-person shooter) – the most growing discipline over the past few years with the highest number of tournaments and leagues worldwide. Example of the game is Counter-Strike: Global Offensive(CS:GO), Valorant, Overwatch
- RTS (Real-time strategy) – the most common genre in Korea. The example game is StarCraft II
- CCG (Collectible card games) – a combination of card and board games with elements of strategy and randomness. The example game is Hearthstone
- Sports simulators – simulators of traditional sports games. Example games are FIFA, NFL and NHL
- Battle Royale – the newest and game-changing genre in esports firstly introduced in 2017 with the release of PUBG game. Currently, this genre takes a leading place in a number of players and viewers worldwide after the introduction of a game called Fortnite

Over the past decade, the game industry has already grown to a multibillion industry, where esports plays a significant role in attracting new investors and keeping the audience worldwide engaged. Variety of game disciplines, a different type of tournaments and leagues with prize pools reaching $40M mark, millions of fans worldwide – this is what esports currently is.

2.1 History of esports

Competitive gaming dates back to the first computer and arcade games in the 1970s. Even then, at the very start, there was tough competition. Even though there were a few players, the competition was very high.

The first well-known esports event took place in 1972 at Stanford University. There on the tournament 24 players fought for a subscription to the Rolling Stone magazine, which sponsored the event.

In the 1990s, esports began to grow exponentially when the seeds of today's most popular games were planted. In that time a lot of competitive console games were released, such as Doom, which boomed an industry with vast interest and growth among players. Doom was the first FPS game to host LAN tournaments. (Wagner 2006.)

While the competitive gaming was developing rather slowly at the beginning of the decade, the release of Quake in the mid-90s rejuvenated the video game community, and Dennis "Thresh" Fong and Jonathan "Fatal1ty" Wendel became first stars of esports by winning first big tournaments and being featured in famous newspapers, including Rolling Stone. (Sholz 2019, 11.) Nevertheless, only after StarCraft release in 1998 esports first went mainstream worldwide.

StarCraft's popularity stems from the difference in style and skill required to become successful. In first-person shooters, quick reflexes were more required, while StarCraft was more like chess, requiring strategy and logical thinking. With various minions and troops unique to each race, the strategic potential in this game was endless. At that time, South Korea became one of the main hubs for esports and spawned the vast majority of talented players. (Lee 2011.)

In 1997, the Cyberathlet Professional League (CPL) was launched and became one of the pioneers of esports. Until 2008, it hosted many tournaments with a total prize pool of about $3M. Quake was the league's main game at the time, and Jonathan "Fatal1ty" Wendel earned over half a million dollars in prize money in his career before signing sponsorship deals.

In 1999, the first-person shooter genre continued to evolve: Counter-Strike was released. Originally a Half-Life mod, Counter-Strike has always been at the top of esports till present times.

In the 2000s, there was a massive spread of the Internet and personal computers and because of this competition increased. Tournament leagues World Cyber Games (WCG)

and Esports World Convention (ESWC) were launched in 2000 and brought many gamers together on regularly hosted events with massive prize pools.

In 2002 Major League Gaming (MLG) was created - one of the most successful esports leagues. In 2006 they hosted their first North American television broadcast of a Halo 2 tournament. MLG, known for its Call of Duty tournaments, was acquired by Activision Blizzard* in 2016 for $46M. (Scholz 2019.)

At the same time, DreamHack began to grow, moving from being a LAN party in Sweden to two major events that were held at Elmia Exhibition Center in Jönköping in winter and summer. Over the years, DreamHack has already hosted many tournaments under different names for many esports disciplines.

ESL(Electronic Sports League) was also founded in the 2000s, although the company had roots in the 90s. The company has gone from holding local tournaments in Germany to events around the world. In 2007 the company took it to the next level by reaching an agreement with Intel and started organizing tournament all over the world for massive prize pools.

Esports also began promoting on television with the Competetive Gaming Series (CGS) broadcasts in 2007. The tournament featured teams named after different cities around the world. There were two seasons of the tournament and in 2008 athletes were playing at Playboy mansion in Los Angeles.

This decade has seen the most significant growth in esports. Twitch.tv was launched in 2011 and has helped to gain much more viewership in tournaments. Previously a fan had to watch tournaments through in-game broadcast tools, while Twitch.tv allowed viewers to go to the website and see all players and tournaments streams on any platform anytime.

2.2   Stakeholders

In the previous chapter about the history of esports author has already mentioned a few stakeholders involved in the esports industry. In this chapter, the author will explain more detailed on how does the whole mechanism of this industry works describing an industry's ecosystem and interactions between stakeholders inside.

The esports industry, with its various stakeholders, can be seen as an affiliated organization where partners need each other to grow and become successful. The business model network thereby goes beyond the understanding of value creation based on the five forces defined by Porter. (Sholz 2020, 2.) The business model network focuses on value integration with an emphasis on cooperation rather than a threat. There are

threats of new entries, buyer power, and supplier power, a risk of substitution, and competitive rivalry, but there is also a need for cooperation to utilize synergies. Still, subdued to the business narrative and the competitive nature in the sport aspect of eSports, there is a mix of cooperation as well as the competition that can be described as coopetition. (Brandenburger & Nalebuff 2011.) Walley (2007) describes coopetition based on Bengtsson and Kock as "a situation where competitors simultaneously cooperate and compete with each other". This concept marks a shift from the traditional view that inter-firm dynamics have to either be competitive or cooperative. (Sholz 2020, 3.)

Figure 1. Overview of the Esports Ecostem

The eSports ecosystem is exceptionally complex and profoundly different. Numerous stakeholders who are involved, attempting to cultivate development for themselves, just as for the eSports business overall. Essential stakeholders are game developers, professional teams&players, tournament organizers and broadcast studios. Those partners are playing the leading role in developing vital foundations for esports and the committed ecosystem for this title. This stakeholders' network is additionally essential to develop the novice and grassroots level, besides, every eSports sphere advances in an unexpected way, essentially dependent on the game just as the vital involvement of game developers. This interwoven business-model network of primary stakeholders also influences the sustainability of the dedicated sub-ecosystem in esports. (Sholz 2020.) It has an influence on the sustainability aspect of this ecosystem, depicted in the three-bottom-line model of Elkington, focusing on the economic, social, and ecological aspects. Secondary stakeholders like media, suppliers, investors, shareholders, sponsors,

regulators and providers are also part of the ecosystem and influence the evolution of the ecosystem. (Sholz 2020, 4.)

Furthermore, eSports as an ecosystem, never stays still and continuously evolving. (Scholz 2019; Taylor 2012.) This development makes eSports a uniquely different and novel phenomenon as it is one of the first industries that had the challenge to go from global to local and from online to offline. In addition to that, the eSports actors carved out their ecosystem that may be worth researching for innovative capabilities to shift the business model in legacy media and also creates new job titles in the ecosystem such as coaches, team managers and analytics. (Scholz & Stein 2017.)

2.2.1 Game developers

Game developers or publishers are those who introduced an esports industry by creating competitive games which afterwards developed from entertainment for gamers who were playing to beat each other's high scores into a billion industry where players under the wing of organizations started competing for substantial prize pools in various tournaments worldwide.

Leading game developers and their actual competitive disciplines are:

- Valve: Counter-Strike:Global Offensive, Dota 2
- Riot Games: League of Legends, Valorant
- Activision Blizzard: Hearthstone, Modern Warfare WarZone
- Epic Games: Fortnite, Apex Legends

2.2.2 Professional Teams & Players

In the world of competitive gaming, esports teams put out their strongest rosters to compete at the highest level of professional video gaming. Every year smaller team and new players are challenging esports giants in tournaments, and if they manage to show good performance on a high-level scene, there is a high possibility that this team or several players going to be bought by top tier teams to empower their roster.

With rosters in a variety of competitive disciplines, the largest, highest-earning, and richest esports teams are displaying their skills at the most popular video games. While large companies sponsor many organizations, some teams have been started by esports enthusiasts in their homes.

As of 2020, the most famous esports teams ate, representing almost every country in all continents all over the world. It is impossible to find out what teams are the strongest ones

since every organization has different rosters in a variety of disciplines, and rosters are continually changing during transfer periods as well as in traditional sports. However, some organizations still show a stable high-level performance for the past decades in different games. As an index of esports teams' success, the author would like to use organizations' overall money won from tournaments in order to make a list of top esports organizations in 2020.

1	Team Liquid	$35,475,998.03		1829 Tournaments
2	OG	$33,900,233.59		96 Tournaments
3	Evil Geniuses	$24,258,698.79		853 Tournaments
4	Fnatic	$15,620,777.88		926 Tournaments
5	Virtus.pro	$14,403,074.39		509 Tournaments
6	Newbee	$14,225,385.59		231 Tournaments
7	Vici Gaming	$13,084,345.79		302 Tournaments
8	Team Secret	$12,051,228.72		276 Tournaments
9	Invictus Gaming	$11,664,550.00		501 Tournaments
10	Natus Vincere	$11,185,600.40		484 Tournaments
11	LGD Gaming	$10,892,160.59		144 Tournaments
12	Cloud9	$9,925,960.95		759 Tournaments
13	SK Telecom T1	$9,767,889.98		324 Tournaments
14	Wings Gaming	$9,745,472.22		27 Tournaments
15	Paris Saint-Germain Esports	$9,380,395.68		72 Tournaments

Table 2. Highest Overall Team Earnings (EsportsEarnings 2020)

2.2.3 Tournament organizers

Esports Event Organizers are a group of assistants responsible for coordinating ongoing tournaments and ensuring the quality and regularity of events held online and in public worldwide.

First esports event was held in 1972 by Stanford University, and since then the responsibility of organizing this type of events was taken by game developers, large companies and even a government.

Currently, the most significant esports Major events are mainly hosted by game developers themselves. It is since publishers can provide biggest prize pools on their events, using in-game purchases as funding for their tournament total prize pool. For example this year, the main Dota 2 event – The international 10 managed to reach the overall prize pool mark of $40M, from which $38.4M came as a contributed prize pool from regular players making in-game purchases for a particular time. (Statista 2020.)

It is not easy for any esports team to achieve the right to participate in a major event, that are sometimes held only once in a year. To qualify for major events, esports teams need to show high-level performance during the season on re gular leagues and tournaments.

To make it happen, and for the entertainment purpose, third-party tournament organizers were founded. Now the most prominent third-party organizers are ESL, MLG, FACEIT, DreamHack and Starladder. Their tournaments' prize pool money cannot be compared with some significant events hosted by game publishers. However, a lot of main events are hosted by these companies with moreover a decent money prize pool, sometimes reaching a mark of $1M and a massive viewership that can easily compete with tournaments hosted by game developers.

2.2.4 Media studios & broadcasters

Every single part of an esports ecosystem is working alongside others in order to achieve success and growth. The same comes to media studios and casters that are usually working in close cooperation with game organizers and teams. Media studios is a cooperation of esports enthusiasts who are broadcasting professional games via different streaming channels, taking interviews and creating digital entertainment content for esports fans all over the world.

2.3 Revenue Streams

The leading global provider of games and esports analytics – Newzoo, has released a 2020 Global Esports Market Report, and in this chapter, the author will analyze the main revenue streams of the industry.
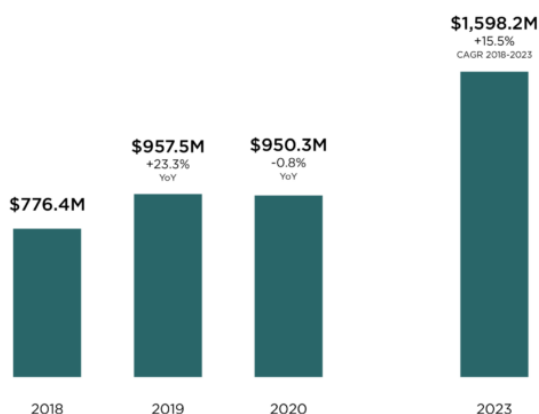

Figure 3. Esports Revenue Growth (Global Esports Market Report 2020)

Following the Figure 3, esports revenue downward from $973.9 million to $950.3 million globally. The main contributing factor for the result this year is the ongoing and unpredictable impacts of the COVID-19 pandemic, which has affected many industries worldwide. It is worth noting that both esports audience and the number of esports organizations have only been increasing this year and the main factor between this number is this year's postponed and cancelled esports events, especially the most significant annual tournament of the industry for the game Dota 2 – The International.
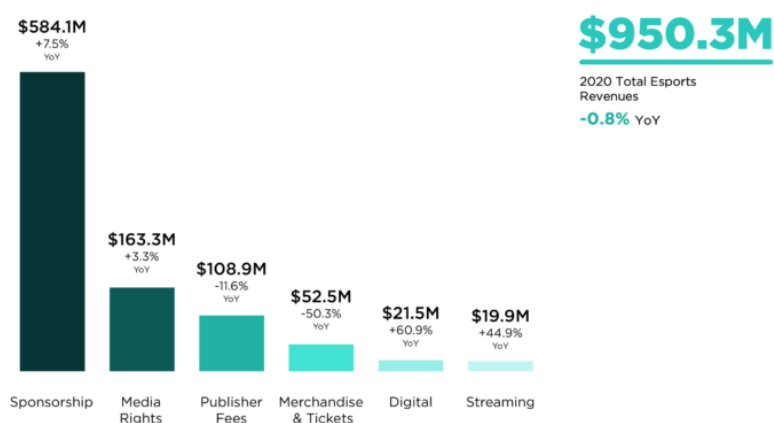

Figure 4. Esports Revenue Streams (Global Esports Market Report 2020)

As could be seen from above Figure 4, the main revenue stream of the industry stays sponsorship contracts, having an increase of 7.5% this year. Digital and streaming plat-forms have also seen an enormous improve from last year, demonstrating a growth of 60% and 45% accordingly since many organizations shift towards digital sphere because of the current circumstances. All revenue streams in esports had been affected by COVID-19 pandemic, and immense damage was done to both tournament organizers hosting live tournaments and esports teams selling merchandise having a downward from $76.2 to $52.5 million this year.

To conclude this subchapter, it is needed to state that the whole entertainment industry got affected worldwide because of the pandemic. However, as was mentioned before es-ports is originally a digital entertainment sphere expending its borders towards live events. So, some minor shifts back to the origins will only strengthen its core, and many experts predict the industry's ultimate growth in a few years.

2.4   Comparison between esports and traditional sport

Does esports have the right to be considered as a sport - is a widely debated question. Many people say no since there are no traditional physical activities, while others compare esports with chess, that is recognized as sports worldwide.

The first nation who has recognized esports as a sport was South Korea in the late 1990s. Right after that Korean Esports Federation has been extremely active in trying to get the official recognition of esports from different nations around the world. Currently, esports is recognized as a sport in many countries, such as China, South Africa, Russia, Italy, Denmark, Finland, Nepal, and the US. (Esports News 2019.)

While many countries have already accepted esports as a sport and now there is an opened debate to include some of the esports disciplines in Olympic Games, governments of many countries still cannot accept a new trend. The main arguments against recognition esports as a sport is that it does not involve physical exertion and the constant development of game play and rules in most of esports disciplines. In esports, new rules and changes are continuously implemented and are an integral part of the game. It makes some people think that esports cannot qualify to be a traditional sport since there are no rules that can become constant and official.

There is no conclusive answer whether esports is a sport or not. On the one hand, esports is already a billion-dollar industry with millions of fans and athletes worldwide, and in many disciplines, esports fans outnumber sports fan tremendously. According to the statistics, this trend is not going to stop soon since esports has not reached its peak yet, and these grounds for someone might be enough to consider it as a sports discipline. While on the other hand, the numbers of regular gamers who can be able to play on a professional level are low, the same applies to traditional sport. However, in terms of common sense, no parents would want their kid to dedicate all his free time playing video games following his role model's professional player routine who dedicates 9-10 hours per day playing video games. While doing traditional sports like football could be beneficial, at least in terms of physical condition, even if it does not become the primary source of income for a person. The biggest difference between sports and esports is the fact that the second offers an anytime available sports-alternative that can be played by anyone anywhere and it does not matter whether it is recognized as a traditional sport or not, since traditional sports was initially meant to be an entertainment for people and the same applies to esports.

3   DIGITAL MARKETING IN ESPORTS

As a result of the authors conducted research, it was revealed that eSports events broad-cast live on the Internet, gathering a multimillion audience is an excellent marketing tool for promoting brands of companies. Moreover, according to the research conducted by the biggest esports streaming platform – esports audience considered to be extremely loyal and engaged, with 95% of the fans able to recall at least one non-gaming related sponsor within esports (Murphy 2017.)

In this chapter, the author will analyze the most common digital marketing channels in this industry, define and analyze its primary target audience and viewership statistics obtained via quantitative research of the study and conclude with the main reasons on why compa-nies should consider esports industry as a basis of their promotion campaign in a digital sphere.Main marketing channels and advertising types in esports

The esports market is growing and developing. Companies that use esports today ensure they have a seamless reach to audiences aged 21 to 35 anywhere in the world. The audience is growing at a fast pace, already in 2015, the number of spectators at the League of Legends World Championship finals exceeded the audience for the NBA Season Finals. (Pei 2019.) Electronic sports can provide a company with a quick entry into a new market, stimulate the sale of goods, rebrand and draw up a new positioning of products or services. This leads to an increase in the competitiveness and functioning of the company's activities, and also increases their turnover.

Below the author highlights the main types of brand promotion, its describtion and growth benefits in esports sphere conducted via qualitative research of the study.

- **Direct Advertising**

Here are two main types of advertising: contextual advertising and insertion of advertising blocks during broadcasts. Both methods work similarly: the brand has an opportunity to independently choose the volume of purchased advertising, as well as setting up targeting based on various characteristics of the target audience.

This is the most common way of advertising on the leading broadcasting platform Twitch. Every streamer who has at least a small audience has a partnership with at least one sponsor.

The most popular way for a commodity to be promoted using direct advertising on twitch is by cooperating with a streamer to set up a banner during his broadcast, which is usually placed somewhere on the corner of a broadcast, like a TV company logo, or sometimes

under a broadcast, depending on terms agreed with a streamer. In other words, a brand agrees with an influencer on affiliate code sponsorship, providing him with a unique discount code which will be promoted among influencer followers.

- **Channel Marketing**

Advertising during online broadcast of major esports events.

Since esports is reaching momentum every year, the viewership of major events is growing as well. So for example peak concurrent viewers (CCV) during the major Dota 2 event – The international in 2018 was 1.2M viewers worldwide with average CCV of 528K, while in 2019 the same event crossed 2M concurrent viewers threshold with an average of 727K CCV. (Newzoo 2019.)

This marketing tool is developing and changing its shape from year-to-year. In the beginning, it was the same as direct advertising via banners during a broadcast which became annoying for a massive chunk of the audience, especially in CIS region, second largest region in esports viewership, where casters were promoting as brands as possible to maximize their revenue during large esports events. Because of that twitch.tv alongside with tournaments organizers and game developers has agreed on the terms that banners would no longer be allowed to exist during a broadcast and all advertisements should be displayed before or after a game, which made it more useful for brands since this promotion tool has gained a solid look.

- **Content marketing**

This type of promotion allows not to depend on other broadcast studios and ads, but integrate own ads into self-created content, which significantly reduces future promotion costs.

Red Bull, one of the most deeply involved brands in esports, has decided not to waste time integrating and became a content producer himself. The brand has created its own Red Bull eSports channels on key platforms (Twitch, YouTube, Twitter, Google+) and in cooperation with the world's leading esports players and streamers began to produce high-quality video content as interviews, stories and own tournament broadcasts.

- **Financing esports teams & tournaments**

Sponsorship contracts are the most common format of cooperation between advertisers and the esports market. Although it was initially used only by game developers, technological companies directly related to gaming – like companies who produce, now brands from other areas are interested in the industry.

The options here can be very different: the players from the organization produce a considerable amount of content on streaming platforms in which product placement has already become a common thing. Alongside with individual players, almost every esports organizations have their channels in social media, on which most popular videos can be reviewed by audience hundreds of thousands of times. This also includes promotion in social media, branding, publications in profile media and much more. Cooperation with tournament organizers is similar: it includes product placement on own broadcast channels as well as the actual presence of the brand on offline events.

- **Sponsorships**

This way of marketing includes joint promotions, team and organizations branding or full organization financing.

In 2013, The Coca-Cola Company announced a partnership with Riot Games, a developer the most popular esports discipline in the world, League of Legends. Coca-Cola becomes a sponsor of Challenger Series - the newly created professional league that later became the biggest major event of the disciple held annually. According to internal research of the company, after just one year of cooperation, Coca-Cola became the №1 FMCG (Fast-moving costumer goods) brand associated with League of Legends, the most played competitive game in the world, reaching over 100 million people worldwide. Moreover, what is most important, a study shows that 80% of players are optimistic about this sponsorship campaign. (Perez 2019.)

The collaboration between those companies is still profitable for both sides, and now, especially before the start of Challenger series events, you can easily find a bottle of Coca Cola with a League of Legends print on it, having a QR-code that can give a player exclusive items in the game.

To conclude this subchapter author would like to say that currently, streaming platforms become more attractive for advertising costumers due to the ease of data collection and vast numbers of the possible target audience for the company. At the same time, streaming platforms is a great tool to attract the audience to any activity. For example, game developers frequently order a review of their new product from a streamer with a vast audience, where the "opinion leader" will play and praise this game and his audience will become interested in a product since they trust this media maker. Following the example of game developers, energy drink companies like Red Bull and Monster Energy are sponsoring almost everything related to esports since this market has access to their primary target audience. So far, these two energy drinks giants have partnerships with almost every well-known esports organization in the world, hosting or sponsoring most of the biggest tournaments and buying direct advertising from streamers on broadcasting platforms.

It must be said that factors such as constructing associative chains, brand image formation, and growing your customer base are relevant in esports as well. Not every company investing in esports is waiting for a fast return on investment. For example, an oil company Lukoil is not reaching its potential target audience by being a primary sponsor for an esports team. However, the idea is that once the grown-up fan of an esports team a company has a partnership with decide to choose a gas station to fuel his car, on a subconscious level he might choose Lukoil since he has already seen their logo on his favorite teams' merchandise and broadcasts in the past. Thus, computer games and technologies are becoming an integral part of the market. Now we can see a tendency for big players to enter the eSports market, who sometimes organize their tournaments, like the Mountain Dew League or Mercedes sponsoring major tournaments hosted by ESL by providing their S-class cars for MVP(the most valuable player) players. IT companies have already occupied their large segment, and modern companies will have to reckon with this new way of promotion now, and in the future, its role will only grow. (Pei 2019.) Already in 2017, The international tournament was broadcast not only on streaming video hosting sites, but also on television, and more and more people are talking about eSports. Marketers of large companies must pay attention to the growing market giant because otherwise, the battle for the consumer will be ultimately lost.

3.1   Target audience

*"As esports audiences grow worldwide, they represent significant business opportu-
nities for a multitude of companies. Esports fans are not just watching to learn how
to better play their favorite games, they engage for entertainment value and excite-
ment." – Yuanzhe (Michael) Cai, President of Interpret, LLC*

In this subchapter, the author would like to give a reader more detailed information about
the esports target audience. All data from this chapter is collected from Newzoo's Esports
Global Market Report 2020 and GameScape report from Interpret LLC, a consumer
market research company.

ESPORTS
ENTHUSIASTS

222.9M
+12.6%

45%

495.0M
+11.7%
YEAR ON YEAR

55%

OCCASIONAL
VIEWERS

272.2M
+11.0%

Esports Enthusiasts:
People who watch
professional esports
content more than once
a month.

Occasional Viewers:
People who watch
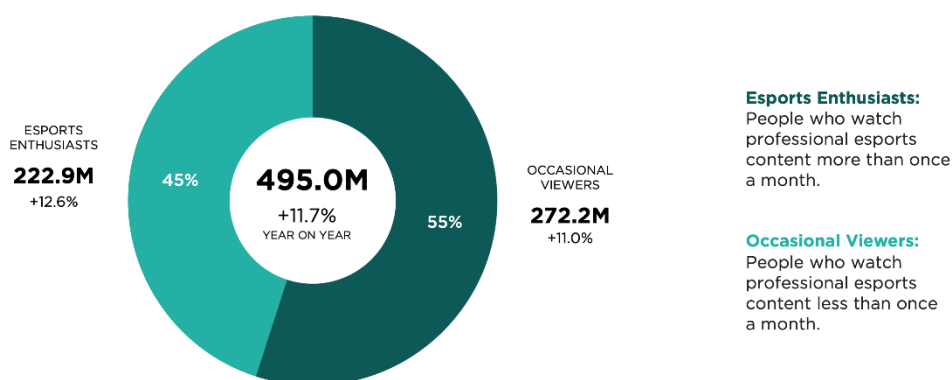professional esports
content less than once
a month.

Figure 5. Global Esports Audience (Newzoo 2020)

The global esports audience 2020 is 495M people worldwide, showing a year growth of
11.7% from 2019. According to the statistics, over almost half of the esports viewers are
watching esports regularly. It could be explained by a growing trend of grown-up gamers
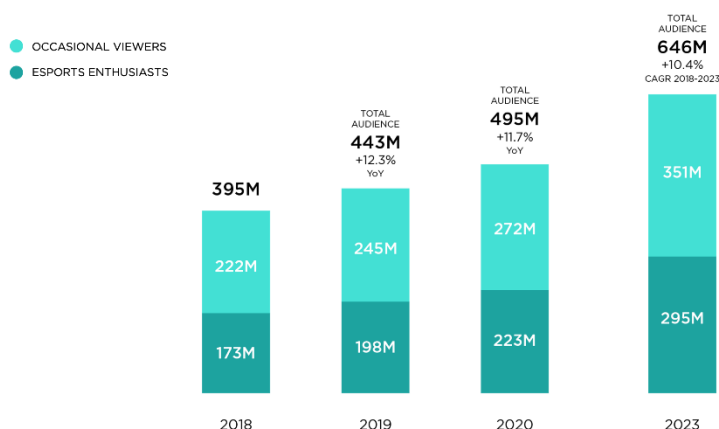preferences to rather watch esports events than playing video games.

Figure 6. Esports Audience Growth (Newzoo 2020)

In Figure 6, an upward trend in esports audience can be seen because more people become aware of esports. The awareness level among people is growing since esports attracts more and more non-related companies in it, alongside with new competitive games releases and more overall tournaments hosted yearly.

3.2   SWOT analysis of the esports indutsry

To summarize this chapter, the author will use a SWOT analysis tool to identify the factors of the internal and external industry's ecosystem and divide them into four categories: Strengths, Weaknesses, Opportunities and Threats.

3.2.1   Strengths

- **Audience**. Demographics of gamers conducted in GameScape report by Interpret LLC eliminates the conventional stereotype that the primary target audience of esports is people under 18 years old. The average of esports viewers is 28, with 39% of the total audience in the age of 25-34. Mostly half of the viewers hold a college degree, and 55% are employed full-time. (Newzoo 2020.)
- **"Brand vacuum".** The Esports market worldwide is very fast growing, adding an average of 12% per year. (Newzoo 2020.) A large number of companies were not ready for this trend and simply ignored it. A qualitative change in consciousness occurred at the turn of 2016-2017 when the most influential brands like Red Bull and Monster Energy finally settled in the market, smaller players appeared, and a large number of successful cases of marketing brand integrations were drawn up and published.

- **High conversion**. Esports, unlike many other promotion tools, really boasts of it. However, in order to achieve it is needed to talk with gamers in the same language, actively involving UGC (user-generated content) with a great deal of humour and sarcasm.

- **Great influence of opinion leaders on consumer tastes**. In the gaming environment in general and esports in particular, the influence of opinion leaders is enormous. This is mainly this is still a new sphere, the leaders of which remain marketing agents without becoming machines for calculating cash yet, as can be observed in many other industries.

- **Formed marketing infrastructure**. In 2020 virtually any company with any budget can both test and continue their esports and gaming marketing campaigns. Already today, one can see quite clearly formed ecosystems that differ from each other both in their capabilities and in the threshold of entry for paying for their services. At the moment, in the development trend of esports, one can see that more and more non-core companies enter the market, which wants to raise their level in the eyes of the consumer or confirm their status in the market through new media platforms.

3.2.2 Weaknesses

- **Lack of awareness.** Esports is one of the most rapidly developing entertainment industry worldwide, but unfortunately, many people still are not aware or cannot accept the fact that video games could transform to such a vast industry.

- **Lack of data.** Not a lot of quantitative data can be found online since only a few organizations are collecting and analyzing esports data and because of that their pricing for a full annual report cannot be afforded by many companies who can potentially promote their product based on esports.

- **Variety of monetizing options.** Not everything can be accepted to be advertised in the esports industry. Opinion leaders, especially streamers on Twitch.tv are very sensitive to the advertised product, preferring the respect of the audience to the big check. It is also essential to understand that money from advertising among streamers is not a number one priority, significantly inferior in terms of volume to donations from their audience and income from an affiliate program on a broadcast platform.

3.2.3 Opportunities

- **Proffesionalism.** Esports players and streamers do spend most of their time in front of the computer. Esports organizations have already started to implement a training and studying routine for the professional players to show an excellent example for their supporters/fan base since now it became clear that for new generations many of them will become a role model and they need to show a good example for them. However, so-called opinion leaders, streamers who are in most cases not playing on a professional level but are generating content for their followers pretty often receive positive feedback after their inappropriate behaviour and demonstrating bad habits during broadcasts. For the whole esports industry, developing curriculum and education programs around their current position as role models and clarification around the implications of unprofessional actions are tremendous opportunities.

- **Mobile esports.** Mobile esports is the most significant opportunity to engage even more investors and people into esports. It is consistently rising for the past years, especially in Asian countries, and almost every biggest game developers, like Riot Games, Activision and Valve has already published or started the development of a mobile version of their biggest competitive disciplines worldwide. At the moment the mobile gaming market has already outnumbered a gaming industry both in terms of players and revenue and few major mobile esports events has already been announced.

Figure 6. Global Games Market (Newzoo 2020)

3.2.4 Threats

- **Segmented fanbase.** It is complicated for brands to target a specific audience in the esports market. It is because almost every competitive discipline has its target audience, and due to a lack of information and awareness, it brings uncertainty to sponsor's mind and makes them skip an opportunity to invest in the industry. **Promotion of unhealthy lifestyle**. Esports and gaming have always been associated with an unhealthy lifestyle, encouraging lazy health and fitness habits. The biggest threat in the esports industry, which makes older generations and parents very nervous when their kids show interest in esports.

4 CASE COMPANY: FORZE ESPORTS

ForZe esports is one of the oldest clan-tag in CIS region founded in 2001. Team has raised hundreds of successful esports players, competing not only on local but on a worldwide area as well. The clan tag ForZe was firstly introduced in CS 1.6 and Quake. From that time esports has changed a lot, and the main disciplines were continually changing, and ForZe esports used to sign and disband rosters in several games, like Guns of Boom, Dota 2, Fortnite, PUBG, Artifact, Rainbow Six: Siege, CS: GO and FIFA. Currently, ForZe has decided to disband rosters in disciplines that are no longer in trend and are left with three rosters in CS:GO, Valorant and FIFA.

The philosophy and mission of ForZe are that cybersport is a professional sport, and it is needed to shape the perception of it as a worthy future for young people and raise a new generation of champions who will be worthy of the title of an idol. Therefore, it is essential for the organization to install discipline, sports training for young esports athletes, as well as to provide regular classes with a psychologist and a physical training coach..

4.1 Organization structure

ForZe esports has a stadium in Moscow, Russia provided by their general partner FC Spartac that is used as an organization' headquarters. There are 15 employees, excluding players who are working there daily:

- CEO - co-founder of an organization, responsible for successful management of the business.
- CFO – co-founder of an organization, responsible for managing the financial actions of the company, like salaries, sponsorhip contracts and travel expenses management
- HR department – consists of coaches, team rosters' managers and psychlogist, who are responsible for recruiting people and keeping the environment and atmosphere suitable for achieving results
- Media department – the biggest department of the organization, has social media managers, marketing analytic responsible for promoting a brand name in order to attract new sponsors/partners

4.2 Team Sponsors & Partners

In this subchapter, the author defines three main esports sponsorships types and then on an example shows what kind of sponsorship does a case company has with its brands.

An esports sponsorship, also known as a gaming sponsorship, is when an endemic or non-endemic brand sponsors an esports event, team, or an influencer as a part of a marketing strategy. There are three types of sponsorships: Affiliate Code Sponsorship, Hybrid Sponsorship and Pure sponsorship. (Nielson 2019.)

- Affiliate Sponsorship – A brand provides a special discount code for their products for distribution among organization audience. It develops a three-way relationship between the team, brand, and consumer
- Hybrid Sponsorship – Has the same components as affiliate code sponsorship, but aside from discount code for the team's followers, the brand also provides an internal account only to be used by the team for deep discounts on their products.
- Pure Sponsorship – is the most sought sponsorship type by teams. When obtaining a pure sponsorship, a team gets monthly benefits from the brand to promote their business. It makes it possible for a brand to promote your organization via their native advertising campaigns, receive lump-sum payments and have access to free products and sometimes even more additional benefits.

Main sponsors of ForZe esports organization and their sponsorship types are:

- Lukoil – a Russian multinational energy corporation headquartered in Moscow, specializing in the business of extraction, production, transport, and sale of petroleum, natural gas, and petroleum products. For 20 years of an industry support, Russian sports has been one of the most important areas of social policy of LUKOIL. The company carries out large-scale work on the implementation of sports programs in the field of professional sports – being a long-term reliable partner of FC Spartak Moscow, handball club Zarja Kaspija and water polo club Spartak Volgograd, as well as the Children's Football League and other important domestic sports projects and now is a general partner of ForZe esports. **Pure sponsorship**, where all salaries in the organization are paid by Lukoil, while a team pays a commission from the tournaments winning to the sponsor and they bothof organizations promote each other on their webpages.

- Plan:B – energy drink provider. **Hybrid sponsorship,** where a brand provides certain amount of their products for a team, while an organization promotes their product in social media posts and during broadcast.

- VulkanBet – is an international betting platform that connects emerging markets with the world of traditional and niche sports betting. **Affiliate Sponsorship,** where betting platform provides a special code for a bonus on their website, which is distributed by the organization in social networks.

- FC Spartak Moscow – is the most popular and titled football club in Russia with over 20 million people cheering for them worldwide. Also, it is the first sports organization in Russia investing in esports. **Pure sponsorship**, where both brands promote themselves on their own webpages.

4.3   Social Media Marketing

Social media marketing (SMM) is an activity of targeting and reaching customers for increase in profit, improvement of brand image or other goals of business maintained through social media channels. (Wilson 2010,13.) SMM is used for increasing revenue, product development and innovation, increasing brand awareness and researching customers audience to improve their satisfaction and loyalty. (Scott & Jacka 2011, 36.)

The importance of social media marketing in esports plays a significant role since organizations in this ecosystem live off by sponsors and investors. In order for a potential sponsor to become interested in your team, a good audience coverage is necessary - this will give the sponsor an understanding that he is investing not in the air, but an entirely recognizable and well-known team. Thus, the sponsor is interested in getting people to know about his product as much as possible through cooperation with an esports organization. Audience reach is also a huge factor, since getting an audience could not be problematic by winning huge tournaments, but keeping them engaged and expand the fan base can be only achieved via correctly implemented social media marketing strategy on the right chosen channels.
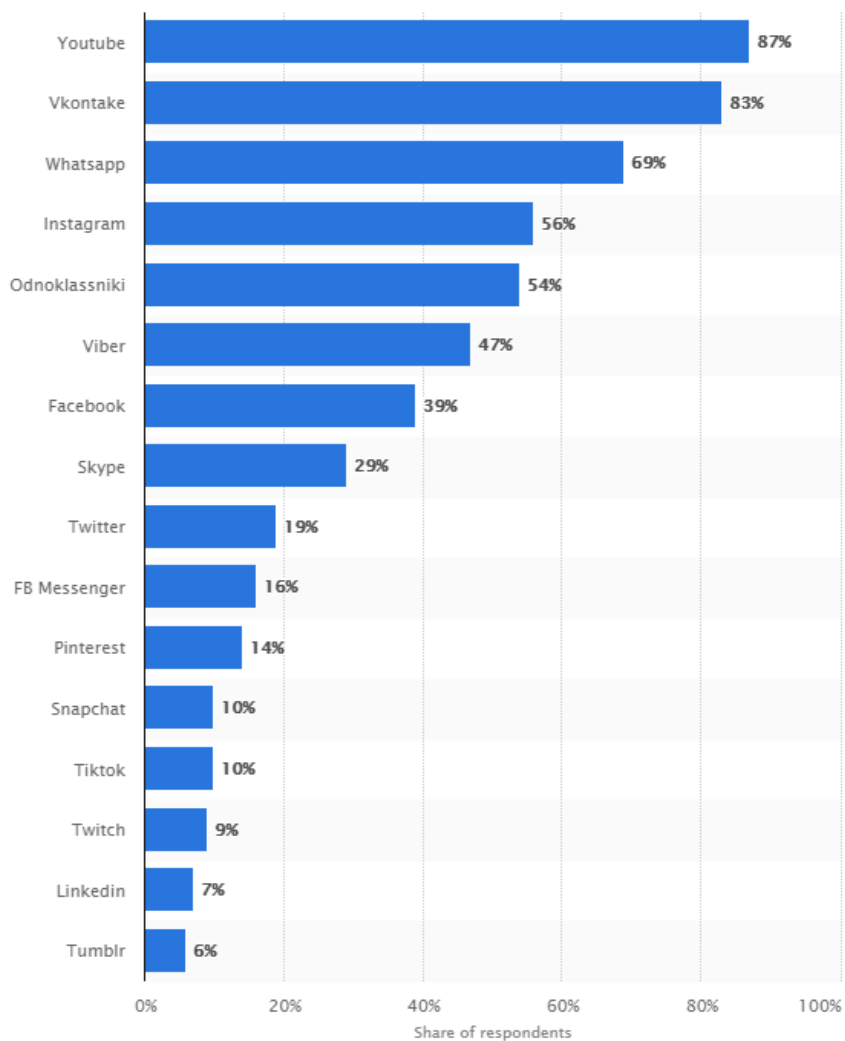
Figure 7. Penetration of the leading social media platforms in CIS region (Statista 2019)

Figure 7 represents the most used media in CIS region. As could be seen from this chart the most common social networking site is Vkontakte (VK).
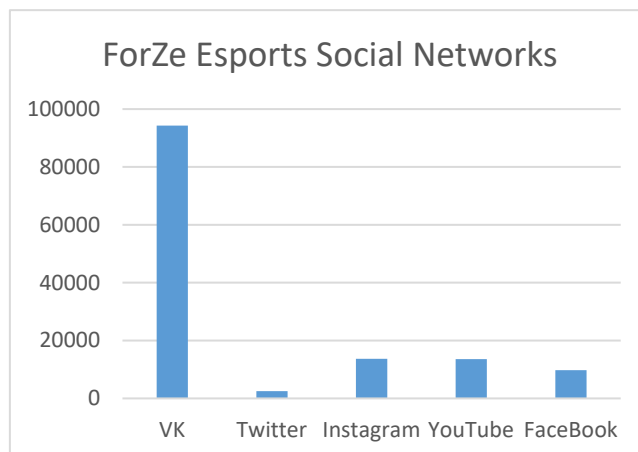
Figure 8. Case Company Followers in Social Media Networks

Following chart represents ForZe's main webpages in a digital sphere with the amount of followers, from where can be clearly seen that most esports enthusiasts prefer VK as a main media network for getting news from a case company.

4.4 Audience engagement

The audience is one of the most valuable resources for any esports club and esports in general. The exceptional presence of a broad audience contributes to massive investments in the industry and, as a result, its development. Consolidating an audience around an esports club is a rather tricky and complicated task.

In this chapter, the author will analyze content from the case company's social networks and define main strategies for an audience engagement with given pros and cons of each strategy.

4.4.1 Content marketing

The content in esports teams social network pages is quite the same: match results, interviews with players, organizations advertising posts, video reports, memes with mentioning sponsors on every post, as can be seen from the example below. The modern realities of esports do not allow to stand out from the general background in terms of content, but there is nothing wrong with that. However, generated content in social media is one of the most potent tools in keeping the audience.

ForZe Esports post video content like interviews, reports, and match highlights via YouTube while distributing it and all other posts by duplicating the content in all social media channels to cover as many people as possible. It is worth noting that "feedback" posts, as could be seen on a following Figure 9, are popular among followers when they are invited to discuss something in the comments.
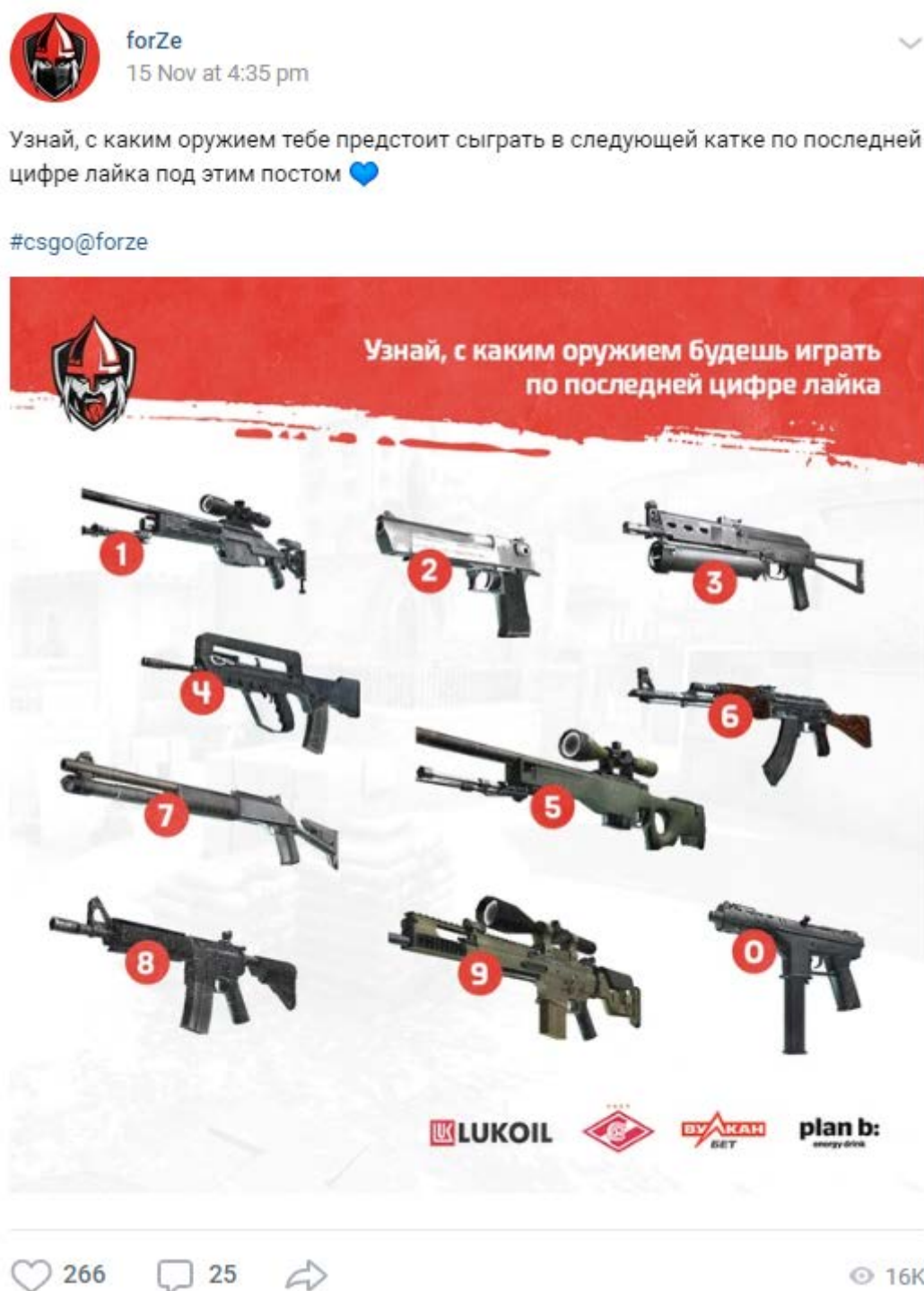

Figure 9. An example of a "feedback" post in ForZe webpage in VK

The effectiveness of the content posted can be calculated using the engagement rate. Engagement rate is a metric that measures the level (degree) of engagement received from the audience by a specific part of the published content. (Skyword 2014.) It is not easy to give an objective assessment using such an analytical tool, but a general picture can be seen. The average engagement rate for a post was calculated for the post in a VK page for one week by using a formula:

$$\text{Avg. ER} = \text{Active Users/Followers} * 100\%$$

ForZe official Fan Page			
https://vk.com/forze			
10.11.2020 - 17.11.2020			
Actions	Amount		
Posts	160		
Likes	8945	Avg. activeness/post	78.45
Comments	3607	Engagement Ratio	4.51%

Table 10. ForZe Esports webpage analysis

Relatively low indicators of engagement ratio could be explained because due to COVID-19 pandemic, many live major events got postponed and ForZe Esports only have 1-2 games per day.

Due to a lack of activities from the organization in a competitive scene, generating new content to engage the audience might be efficient. A great example of content marketing could be Team Empire's network page in Twitter, where they regularly post funny content regarding esports and at the moment has 224.000 followers, while a team on esports scene has not received any achievements over the past five years.

Pros:

- Low cost when the content template is established
- Keeping an old audience while reaching a new one

Cons:

- Long-term profitability
- Changing attitude towards an organization.

4.4.2 Players and Organization Tandem

The development of social networks for an individual esports player is equally essential for both sides. The media component of a player can potentially affect his salary, and he can become an ambassador for a company that does not even have a sponsorship agreement with his team, the primary condition will be the absence of conflict of interest. In the end, the development of social networks for the player is an opportunity to stay afloat after the end of a career: there will be people willing to work with a broad audience, considering the player as an opinion leader.

Tandem promotion structure also applies to ForZe Esports. On the primary team's page in VK, there are links to each of the player's web page. This might help to recruit a new audience for both players and a team. As well as hiring a new player, a streamer could be hired as well and will start broadcasting under a wing of the organization bringing his loyal audience.

Pros:

- Large audience increases in short time
- Loyal audience that can help to increase engagement in the group

Cons:

- High costs of hiring an influencer with a big audience

4.4.3 Giveaways

Giveaways is an old but still one of the most effective ways of engaging an audience. Everyone likes receiving gifts, especially an esports target audience. Frequently giveaways through social media are sponsored by organizations partner, which makes it even more efficient for the organization since there are no sots. ForZe Esports has already implemented this strategy in the past, sponsored by energy drink provider, and as a result, they have received an increase of almost 7000 followers to their community page.

Pros:

- Large audience increases in short time
- If organized alongside with sponsor, then there would be no for promotion

Cons:

- Low quality of new audience due to lack of interest in organization
- Boost for only one social media platform where giveaway is held

4.5   Conclusion of a case study research

ForZe Esports has chosen a digital sphere as the only field to promote their brand since esports exists mainly online. The most reliable wat to gather an audience for an esports organization is by winning or at least participating in major events. However, at the moment due to pandemic and lack of tournaments, case company's media sphere is on a phase of stagnation when audience remains the same, and there is no potential increase of audience expected soon. Due to the circumstances, an organization must adapt to at least remain in the same position on the CIS region esports market and must implement new ways of promotion of their brand.

It is rather challenging to choose the best way of promotion among a variety of opportunities. One thing is for sure, every chosen strategy complement each other perfectly and if implemented as a single mechanism should help an organization to engage the new audience which in the future leads to new sponsorship contracts in such non-stable times for the industry.

5 SUMMARY

For the several decades of existence on the market, the esports industry has just begun a process of asserting itself as one of the most mainstream entertainment worldwide. Many organizations still refuse to accept esports as a trending industry, while many others do not miss any opportunity of promoting their brand on the base of everything somehow related to esports. Therefore, there are already some companies inherently associated with this industry, such as gaming peripherals brands and computer hardware companies who have established their name in the history of esports.

In recent years, various multi-billion companies with different backgrounds have joined an industry bringing new concepts and ideas. Since none of the stakeholders in the industry can survive individually, they are developing the fundamental base of long-term relationships with secondary stakeholders and trying to find their niche in the esports world.

The IT technologies are developing, new games are being released, and digital broadcasting platforms are about to outnumber traditional tv channels audience ultimately, since the audience of esports is growing on a breakneck pace.

Currently, all entertainment industries have been affected by COVID-19 pandemic, as well as esports industry, where a majority of huge events got postponed or cancelled, which cause a negative impact on the industry's revenue this year. However, it has not dramatically influence esports development in the long term, instead only shift it back from expending outside of the digital sphere back to origins. More and more major tournament organizers announce their tournaments to be held online, which means that industry can adapt under challenging circumstances.

The most damaging impact of pandemic was caused to professional esports teams, whose primary revenue is coming from sponsorships and if there are no tournaments to play in, there is no place to promote their sponsors that may lead to loss of partnership contracts. Nevertheless, esports organizations are now focusing on developing their media space, and correctly implemented social media marketing strategies can help them not only to lose their sponsors but to engage their audience and attract even more investors.

Esports phenomenon has not been undiscovered yet, constantly reaching its momentum and showing a powerful ability to develop and evolve. In a few years, by many experts, it is predicted to become the most lucrative financial industry, and so far, there are no signs for it not to become real.

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