

eSports – From a competition to a billion-dollar industry

Tencent Ltd Case Study

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Abstract

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<p>The goal of this paper is to explore the potential for eSports to become a billion-dollar industry through its growth as a competitive form of entertainment.</p> <p>In order to achieve this objective, this paper will examine the current state of the eSports industry, including its history, major players, and current revenue streams. It will also discuss the components that make the development of eSports, including the enhancing acceptance of competitive gaming as a legitimate form of entertainment, the proliferation of online streaming platforms, and the rise of mobile gaming. Finally, this paper will consider the challenges that eSports faces as it seeks to become a billion-dollar industry, including issues related to team organization, player salaries, and regulation.</p> <p>Through its analysis of the eSports industry, this paper aims to provide a comprehensive understanding of the potential for eSports to become a billion-dollar industry. While there are certainly challenges that must be overcome, the growing popularity of eSports and the increasing recognition of its value as a form of entertainment suggest that it has the potential to achieve significant financial success in the future.</p>		
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1 Introduction

1.1 Research background

Everyone in their life must have tried at least once to play a game, even if what genders are them. The video games keep developing and improving itself to become an indispensable part of everyday life. With a vast demand from the market, many game publishers have excessive growth and take advantage of this field. Various games with various categories give users and players the right to pick the game they love to play. The electronic games estimated to have 3.24 billion gamers worldwide (Jovanovic 2022). The figures show the coverage as well as the influence of gaming. Realizing the potential of this lucrative industry, investors gradually put increased money into this profitable business. With productive investment in all aspects, many job titles are increasingly appearing to create diversity in the industry. Furthermore, when all the contributions and calculations go to the right spot, the money returns to the merchants' purses.

The story of eSports is similar to when video games were first created for entertainment purposes only, but after a few decades, they have undergone rapid changes and now surprise people with their evolution. Video games have long been a subject of controversy due to their potential benefits and drawbacks. There is a widespread belief that gaming can provide stress relief, facilitate business activities, and facilitate meaningful social connections, which can be a beneficial form of leisure and relaxation (Kabir 2019). Some games are recognized to accelerate and precipitate brain processing speed by giving a challenge, quiz, puzzle, etc. For instance, Chess and Go are no longer competitive sports in real life. Digital games are now available on many platforms such as computers, mobile, and even on the website. We can use different online platforms to turn an intellectual game into a competitive sport and showcase how video games can engage players.

Despite this industry's significant growth and evolution over the past few decades, the general public's knowledge of it is still limited. However, the history and progress of this industry give us confidence that it will continue to thrive in the future. Therefore, this thesis will bring an overview closer to readers of this topic.

In the first section, the development of eSports will be explained from its definition to its progression from the first stage. From the start, it was predicted to become known as a potentially remunerative industry. The word "eSport" explanation shows that this is a scholarly sport. Even world-class sports festivals such as the Olympics considered including eSports in the competitions.

The following section discusses the commercial aspects of this industry in order to evaluate and assess its growth and development. By examining the statistics, such as annual revenue and rate of expansion, we can gain a deeper understanding of this industry. More significant than that, eSports can be related to other business sectors like leisure, education, and traveling.

The rest of the thesis will focus on every aspect of eSport that makes it a billion-dollar industry. This section discusses the progress, revenue, and other key business metrics of this industry. Next, we will discuss how we can use mass media to raise awareness of this industry and make it more accessible to the general public. Subsequently, how can this industry survive during difficult times due to the epidemic and its general effects on the travel and tourism industry?

Final part of the thesis, we will take an example from a specific company that exemplifies the success and growth of this industry. We will provide a brief overview of the company's history, recent revenue, and future plans. However, we will only include the most essential and noteworthy information.

1.2 Aims and objectives of the study

This section works towards providing a comprehensive overview of the development and evolution of the eSports industry. We will focus on presenting the relevant data, evidence, and statistics that illustrate the growth and transformation of this nascent industry.

The main goal of this writing is to explore how and why the eSports industry has the potential to become a billion-dollar industry alongside other popular sports. In order to provide an engaging and informative reading experience, we will avoid dry, academic writing and instead present a hybrid approach that includes both relevant data and satisfying answers to readers' curiosity.

It is difficult to fully understand a complex topic like this through a single statement. Therefore, we have created a list of frequently asked questions about this subject and will provide detailed answers to each of them to achieve the objective of provide a wide-ranging and academic exploration of this topic.

The objectives of this study include examining the factors that have contributed to the growth and mainstream acceptance of eSports, analyzing the current state of the industry and its future potential, and exploring the various challenges and opportunities that the industry faces. By examining the rise of eSports from a competition to a billion-dollar industry, this study aims to provide a comprehensive understanding of the forces driving the growth and evolution of this rapidly expanding industry.

1.3 Limitation

This thesis has several limitations. First, it only examines the global development of the eSports industry and does not cover regional or local trends. Second, our target for studying is derived from a case study of Tencent Ltd., and therefore may not be draw a big idea of the entire industry. Finally, we focus on a specific subset of eSports games that have been organized into large-scale competitions, and do not consider other types of games or competitions. Therefore, the thesis only focuses on the products that make their name and have excellent prospects.

1.4 Research questions

Research questions help narrow down the problem's area and breadth of the problem. Generating a question will look closely at what the writer focuses on. On the other hand, these questions will help the writer focus on the topic of the question without getting lost. A well-defined research question is essential for guiding the direction and focus of a research project. If the research question is not clear or well-constructed, the rest of the project may be hampered by the need to address this initial issue instead of progressing smoothly towards a successful outcome.

A well-constructed research question is the basis of a successful examination project. It should identify a specific problem or gap in the existing knowledge and provide a clear and focused basis for the subsequent research methodology. A good research question should also be relevant and significant to the field of study and stimulate debate and argument. In this way, it can guide the development of a strong and coherent thesis statement (Ratan & Anand & Ratan 2019.) Therefore, formulating a clear and effective research question is an important step in the research process.

Research can be classified into different types based on its goals and methods, such as descriptive, theoretical, qualitative, and quantitative research. In order to achieve a specific and meaningful outcome, it is important to choose the appropriate research strategy that aligns with the research question and objectives. In this study, we will use a systematic and scientific approach to explore and establish new findings and insights in the field of study.

The main question addressed in this thesis is as follows:

How did eSports go from a competitive game to a billion-dollar industry?

In order to answer this concern, we will provide a breakdown of the sub-questions that need to be addressed, as follows:

- What is eSports?
- History of eSports
- What was the situation of eSports in the early years of its establishment?
- What is the situation of it now?
- What advantages have helped eSports become a billion-dollar industry today?
- What impact does eSports have on the local economy?
- What is the development and influence of case company?

We will answer these questions in consecutive order to provide a comprehensive overview and make the information more accessible to the reader.

1.5 Research methods

Groups of strategies, practices, or methods are used to gather information and data for analysis to learn a new piece's information or create a healthy background for readers. Deciding the strategies, the two most popular types are always used: quantitative and qualitative. Both mean collecting data to give a better idea and insight into a problem. In the qualitative method, most information was obtained from experience and behaviors. It helps the researcher grasp complex concepts, social relationships, or the bandwagon effect. This research helps to examine events, describe activities, and determine the reasons behind or causes of things that have happened. The method contributes a better idea of overall looking knowledge from observing the gamers for this task.

Later, this thesis will implement mixed methods by the two common approaches, quantitative and qualitative. The quantitative stage was researched, inspecting the influence of a paragraph's practice on learners' sense of usefulness. The result by scoring writes down those students having a mixed method get a higher grade than the scholar who only follows one of the methodologies. The qualitative state implicated concentration companies to more extraordinarily comprehend students' awareness of the apprehended advantage of mixed methods.

One of the critical questions a researcher of mixed methods must propose is, "Is mixed methods bring more effectiveness compared to using a singular method?" The paper primarily uses the qualitative method but is used interchangeably with quantitative. Instead of using lots of data about figures and image statistics, the qualitative methods information will answer the reader's big questions. It is precious to grasp if mixed methods study computes any significance to qualify learners' knowledge. However, it is momentous when understood by the student's overview because they are an elephantine gang of buyers circulated experiment.

There are several reasons why a qualitative research method would be appropriate for a study on the topic of "eSports – From a competition to a billion-dollar industry." Qualitative methods allow for a more in-depth and nuanced understanding of the experiences, perspectives, and motivations of individuals within the eSports industry. This is important because the growth and development of eSports has been driven by a complex interplay of factors, including cultural, economic, and technological forces. By using a qualitative research method, it is possible to capture the rich complexity and diversity of these factors in a way that is not possible with more quantitative methods.

The way of implementing the method is described in two parts. Everything except the case company part will mostly conduct in quantitative method. The case company part mainly following by qualitative method. The upper parts give a lot of information rich in data, numbers and theoretical. The case study is combination of concepts, figures from reliable sources.

For the final decision, we apply qualitative for most information in the paper and quantitative for entries that require the required numbers or statistical data. The benefits of mixed methods are bringing all information to the readers, including information about data and understanding knowledge. Moreover, mixed methods support investigators to pursue a strategy for future proposals. All in all, its name can be called mixed methods.

2 Overview of eSports

2.1 Definition

The term eSports, referred to as online gaming competitions, indicates the competitive play of video games. When a talented expert in one video game competes against another skilled player, a vast competition's prize pool typically depends on the game's size and influence. Nevertheless, the prestige and reputation the contest also brings are attractive to people who are deeply passionate about this field. The scope of the tournament can be flexible, from a small rental coffee shop to a stadium with full seats. Esports involves the organized competitive play of video games, often in front of a live audience or via online streaming platforms. This phenomenon has gained popularity in recent years, and many eSports events are now held at dedicated arenas or stadiums. The experience of watching eSports is similar to traditional sports, except that it involves the observation of virtual competitions rather than physical ones (Chen 2022).

Despite the growing interest in eSports, there is still a lack of comprehensive and theoretical understanding of this phenomenon. One of the simplest explanations for eSports is that it involves the use of video games as a platform for testing and improving mental and physical skills, similar to traditional sports. In contrast, eSports is the same but with support and assistance from technology and communication. While the concept of eSports has been around since the 1990s, it has only recently gained significant popularity and recognition. This is one of main parts to technological advancements that have improved the user experience and accessibility of video games and the rise of mobile gaming and high-speed Internet services. As a result, eSports has become more integrated into people's daily lives, particularly among young male full-time workers. In Europe, eSports have a solid following. The most watched hour categories on YouTube are gaming with most of the viewers is from Euro West and Scandinavian countries, and many broadcasters have started featuring eSports on major sports channels. This trend will continue as the eSports industry grows and evolves (Chen 2022).

Based on this understanding, eSports could be regarded as a type of sport that relies on computer systems or other information technology to facilitate and enhance competition. This involves the integration of both human and digital elements, with players using their physical and mental skills to control and manipulate virtual environments. As such, eSports represents a unique convergence of the physical and digital realms, and requires a specific set of skills and competencies to excel in this field

2.2 The evolution of eSports

The origins of competitive gaming dates to 1952, when information technologist Alexander Shafto Douglas developed a computer version of the game "XOX" for his doctoral thesis at Cambridge University. This game allowed for one-on-one competition between a human player and the computer, with players taking turns starting the game. The first multi-player game was produced in 1958 by William Higinbotham, the head of Instrumentation at the Open Day event. Called "Tennis for Two," this game gain permission two players to compete against each other using an early form of a joystick to control the ball and adjust its trajectory. Many consider this game to be the precursor to modern eSports (Larch 2022.)

From our perspective, eSports cannot be considered a traditional sport due to its lack of physical activity. However, it is an entertaining and competitive activity that is gaining popularity and recognition among viewers. Rather than debating whether eSports is a "sport", we will focus on understanding its rise as an industrial phenomenon.

Esports, or electronic sports, refers to organized competitive video gaming that takes place in leagues and tournaments. The industry has developed rapidly in recent years, thanks in part to the well-known streaming platforms such as Twitch and YouTube. Competitive e-athletes have become celebrities, with dedicated fan bases that support them. Esports games include popular titles such as League of Legends, Call of Duty, Valorant and StarCraft. Esports have their roots in 1972, when home consoles became more widespread. The first Space Invaders competition took place in 1980, and the following year saw the opening tournament of Donkey Dong. In the 1990s, Street Fighter and Mortal Kombat extremely prosperous development tournaments, preceded by first-person shooter games like GoldenEye. These paved the way for the popular StarCraft, Warcraft, and Halo series. In 1998, the StarCraft 2 tournament electronic tournament with more than half a hundred million people watching it on website, with 17 million of them watching the match via Twitch. As the 2000s began, eSports obtained significant power. Well-known championship organizers such as the World Cyber Games and the Electronic Sports World Cup have emerged as a new force subsequent to Major League Gaming (MLG) launch in 2002. Today, MLG is appraised one of the leading eSports competition hosts. The first broadcast eSports occasion occurred in 2006, with the USA Network broadcasting a Halo 2 tournament. However, it was only with the launch of Twitch in 2011 that eSports truly began to thrive, as players could interact with their audiences in real time. In 2014, The world's largest e-commerce company Amazon purchased Twitch, and reasonably League of Legends transformed into a top-rated eSports game. The game's first World Championship happened in 2011, and by 2013, tickets for the event completely

disappeared in Los Angeles within a note from the time of sale (Southern Illinois University Edwards Ville.)

Multiplayer Online Battle Arena (MOBA) games typically involve teams of five players competing against one another, typically on a PC. The objective of a MOBA game is to destroy the enemy base. Players must work together to purchase items and spells using unique characters that have different strengths and weaknesses. During the game, players can improve their characters by defeating AI-controlled minions and other players, which earns them both gold and experience. Gold can be used to purchase items that provide statistical boosts and special abilities. Some popular MOBA games listed League of Legends, Ages of Empires, and Smite (Nelson.)

League of Legends, the globe's ranked 1st famous eSports game, was developed and released by Santa Monica-based Riot Games in 2009. Over the past decade, the game has expanded its roster of characters from 17 to 148. Riot has been a leader in the eSports industry, hosting competitions in venues such as the Staples Centre and the Bird's Nest in Beijing. League of Legends has established franchised competitions worldwide, including the LCS in North America, China, Korea, Europe, and smaller leagues in South America, Turkey, Japan, and other countries. (Nelson.)

DotA 2 is a MOBA game published by Valve in 2013 as a successful continuation from its previous version, which was the first MOBA game to achieve widespread popularity. While League of Legends is more widely known at this time, DotA 2's annual championship, known as The International, boasts a large prize pool. The previous year's event occurred at the Mercedes-Benz Arena in Shanghai, winning money exceeding \$34 million. This prize pool is partly funded through the sale of a battle pass called "The Compendium," which allows fans to contribute directly. This pass rewards players with in-game currency and other benefits for watching and participating in unique challenges (Nelson.)

3 eSports as a newborn field

3.1 Growth

The growth in popularity of eSports and the corresponding increase in the number of eSports viewers videos and events is unsurprising, given that online platforms have made it easier to access eSports content. Esports broadcasters utilize various systems to provide a playground where every online user can access and streamers can perform their play for audience, enabling fans to engage in their preferred events and interact with their favorite eSports superstars. This trend has increased the number of people who want to join and broadcast on those platforms, it should be worth mentioning that not all of these viewers and broadcasters are necessarily directly connected to the eSports industry. There are notable announcements and visions for the third quarter of 2021 from Streamlabs, the metrics being referred to include both those related to the eSports market and the broader gaming market, as well as a comparison with statistics from Newzoo. According to Streamlabs, most people choose Twitch as their favorite live streaming platform, with nearly six billion watch hours in just four months, contributing more than two-thirds of the total watch hours. The most remarkable leap in viewership on Twitch occurred in the 2nd quarter of 2020, during the initial lockdown period, when viewers increased their viewing from three billion hours in the first quarter to five billion hours in the second quarter (Geyser 2022.)

Exquisite brands have invested in this industry for a long time, realizing the potential and interest of the market. In 2018, most of the \$906 million in eSports revenue (77%) were generated through investments from brands within and outside the eSports industry. Direct investments support financial assistance and promotion, while indirect investments include media and content authorizations. Funding was the greatest contributor, contributing about 40 percent of total sales, followed by marketing at 19%, media copyrights at 18%, game publisher expenses at 13%, and the sale and exchange of tickets at 11%. Broadcasting rights are the most rapidly increasing in size revenue source, with an annualized grow rate of 49.8%. Esports also features significant product placement, similar to other sports, and platforms such as Twitch and YouTube continue to gain users, further boosting audience growth. Additionally, Professional eSports players often use social media to connect with their followers, which helps to make viewers experience as important person and valued. As with traditional sports, fans will have their favorite players and teams as well as rival teams (Mitova 2022.)

3.2 Development

eSports become thriving in the golden age of consoles back in 1972. From a purely entertaining game to a billion-dollar business, eSports has undergone significant changes and developments. eSports has suffered a lot due to the pandemic, drowned out the growth of e-sports even though it was a new industry. During the lockdown, viewership on livestreaming platforms increased as people spent more time at home. Despite the continued difficulties posed to the eSports industry, it is still showing steady growth and trying to scale in other markets. Nonetheless, the reduction in the frequency of events or meetings has had an impact on the industry on the negative side. Even before the pandemic, there was a remarkable increase in the number of individuals, both regular followers, and random followers, who began following the account. Between 2018 and 2019, there was a 12.3% over the same period last year increase in viewership, according to Newzoo's old interpretation. In Newzoo's adjusted figures for 2019, there were 200.8 million irregular viewers and 197 gaming fans, for a complete viewership of 397.8 million (Geyser 2022.)

The COVID pandemic has greatly impacted eSports revenue, leading Newzoo to considering the global revenue of eSports segment is estimated at \$1100.1 million to \$950.3 million which was forecasted in 2020. Nevertheless, this revised estimate was too optimistic, as global eSports revenue in 2020 was \$947.1 million, representing a 1.1% decrease from the previous year. The decrease in revenue for eSports and gaming resulted from the cancellation or significant reduction in the number of events held limitations on large gatherings. Despite this decline in revenue, eSports and gaming remain highly popular. The COVID-19 pandemic has continued to impact revenue streams in the industry, with Newzoo predicting that eSports revenue will earn \$1084.1 million in 2021, 14.5% is the opposite of this year. Additionally, China is expected to contribute more than one-third of worldwide eSports revenue (Geyser 2022.)

One of the critical reasons for the growth in eSports viewership is increased awareness of the industry. Since 2015, there has been an appreciable increase in the number of people who have heard of eSports. In 2015, there were slightly more than 800,000 people who were aware of eSports. By the following year, this number had grown to over one billion. In the consequent years, the number of people who were aware of eSports continued to grow by a few hundred thousand per year. The number of people aware of eSports continued to increase over the years. In 2017, there were 1.28 billion people who loved eSport, and the number did not stop there but increases to 1.43 billion in 2018. By the following year, eSports fan takes a reached 1.8 billion. Intelligence Analysis Newzoo anticipated that worldwide understanding of competitive gaming would achieve 2.0 billion in 2020,

containing 530.4 million people in China. It is still being determined if Newzoo has publicly released more recent data on this topic (Geyser 2022.)

Because it is a nascent industry, there is not much to analyze about this industry. Most of the analysis and data come from big and well-known companies. The direction and focus of gaming companies are aimed at men. Although women are a large customer group, the number of women who find attractive points in games is still insignificant.

3.3 Revenue

Hayes (2022) defines the number of money companies, or individuals earn from business activities as revenue. The revenue of an item is commonly calculated by multiplying the price of a product that the company/individual is trading by the quantity sold for that product. People often think that profit is revenue, but in fact, to accurately calculate the profit of a business, we must take revenue minus all costs.

In 2015, Newzoo (2015) – the World's most trusted source for games and eSports analytics and market research – reported the global growth of eSports in both Audience and Revenue in 2012 and 2014. The report also predicted the growth of eSports in 2017, two years after the report's publication. In this report, excluding broadcast profits across different streaming platforms, eSports revenue has grown by one and a half times compared to the same period two years ago, compound annual growth rate (CAGR) reaching 29%. At this rate, Newzoo predicted eSports revenue could hit half a billion dollars in 2017, an impressive number for such a nascent industry.

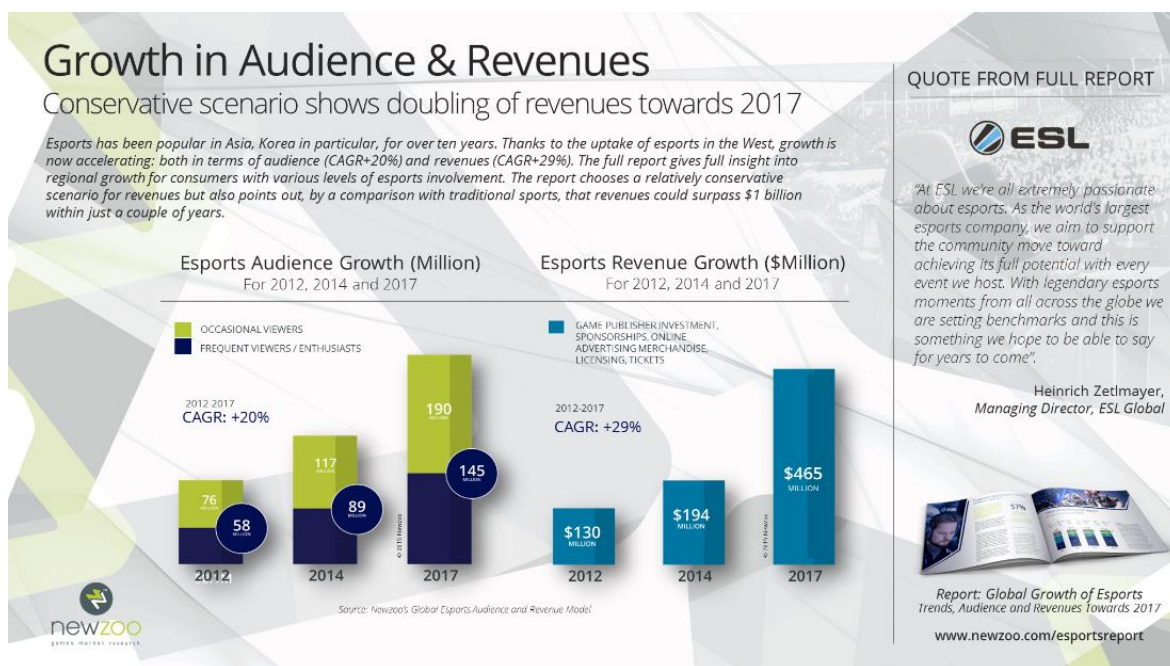


Figure 1. Global Growth of eSports 2014 (Newzoo 2015)

In fact, according to Newzoo's report in 2018, eSports revenue in 2017 reached the milestone of \$ 655 million, and the annual growth rate has reached the milestone of 33%. This number has even doubled as of the same period last year (2021), reaching \$1.1 billion. In a report published this year, Newzoo also predicted that eSports revenue could reach close to 2 billion by 2025, or at best. It could double what was achieved last year, reaching 2 billion 3. With the obtained figures of eSports, Newzoo's predictions are not without foundation. Sharing the exact prediction with Newzoo, Dr. Juho Hamari and his research team in Tampere (2020, 7.) also think that eSports revenue could nearly double yearly. These predictions may be partially accurate, but there is no doubt that eSports will be one of the industries that will grow very strongly in the next few coming years.

Many people may wonder where the revenue of this industry can come from when there are only some video game matches. Esports revenue comes from the same sources as traditional sports. As of the end of 2021, Pilipović (2022) showed that about 60% of eSports revenue comes from sponsorships. Of its 1.3 billion revenues, sponsorship has given esports more than \$600 million in market earnings. The following 15% comes from television rights. As with most sports, television royalties are an indispensable source of income for this industry. Publisher fees and proceeds from ticket sales and fan merchandise have a decisive effect in the global growth of eSports. These two aspects contribute US\$126 million and US\$66 million, respectively. Streaming and broadcasting also contribute a total of \$56 million. Although the amount of money they contribute to the total revenue of eSports is not as much as those of others, these are the fastest-growing revenue segments in the past two years. From 2019 to 2021, streaming and broadcasting revenue have grown nearly fivefold.

3.4 Investment

After the initial period of eSports, there were still doubts about the coverage and development of eSports. That was also why only a few investors are willing to invest a large amount of money into such a young industry. Nevertheless, big businesses were still willing to invest in it, from telecommunications companies like SK Telekom and KT Corporation etc. to big electronics brands like Samsungs and Toshiba etc.; technology brands such as Intel, Kingston, etc. (Nhi 2021). Not only are electronics-related companies interested in this industry, but Red Bull was also one of the first beverage organizations to sign a professional eSports player back in 2006 (Esports Insider 2021). A 2019 Deloitte report indicates that, in 2018 alone, eSports received \$4.5 billion in investments. Figure 2 shows the quantity of financing in eSports over five years, from 2014 to the end of 2018. With just four investments in 2014, eSports has been a success for the World. The World sees its

outstanding potential along with its extraordinary growth. The result of that is 68 investments from countless investors around the World that were funded in eSports in 2018.

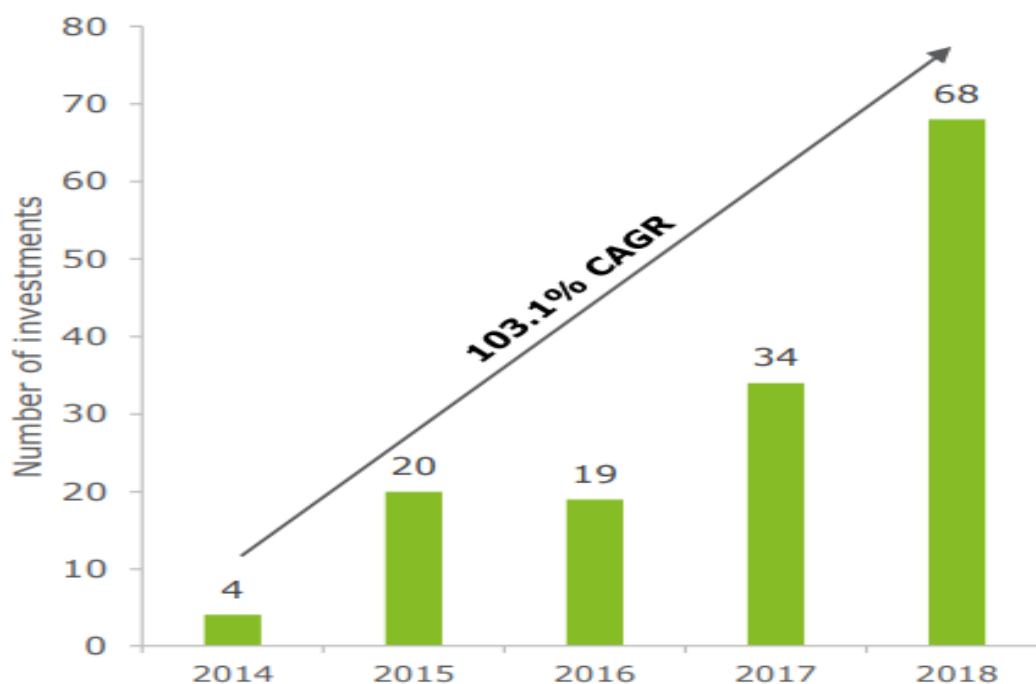


Figure 2. Number of investments in eSports from 2014 to 2018 (Deloitte 2019)

Although one year later, this number dropped to less than \$ 2 billion, many experts believe there are still undisclosed investments that account for a large percentage of total investment in 2019 (Nhi 2021). This belief is further reinforced when at the end of 2021, Seck's research recorded nearly 10.2 billion in investments as of November 2021. Like traditional sports, eSports also has many aspects for investors to put their investment capital. One of them is investing in competing teams and their professional players. Strong teams often have support from big corporations. For example, teams from corporations like Samsung, SK Telekom etc., are all top teams in the World. Investing in professional teams and players is a reasonably safe way to marketing your trademark and build credibility in the gaming community. Improving the facilities, developing young talents, and enhancing the production of those teams' merchandise are some practical ways of investing to maximize the return for investors. These ways help teams have the right development direction and maintain their standing in their competitive sport.

As mentioned in the previous revenue subsection, sponsored revenue accounts for 60% of total eSports revenue. The more eSports develop, the more critical the role of investors becomes. Especially as eSports is slowly becoming something bigger than just gaming culture for the Gen Y and Z community. With millennials' slow adoption of eSports, teen-

agers can now consider pursuing a career as a professional player without parental restrictions. The Government of Ontario (2022) recently decided to invest 1 million Canadian dollars in opening scholarships for students pursuing esports careers. This industry is thriving globally with massive support from its investors.

4 eSports as a fast-growing industry

4.1 eSports ecosystems

To be successful, every industry has its own development chart. Esports is no exception when it comes to becoming an industry. As the debate over the recognition of eSports as an official sport has not yet come to an end, economics professors have long pointed out many similarities between eSports and traditional sport. In the world of cyber sports, video games themselves can be seen as a product category of the industry. By organizing tournaments and using broadcast platforms, the sport's organizers have successfully brought it closer to the fans. This is no different from what the organizers of traditional sports have done. From Vamplew's journal (2019) on sport, he reports that these particular recreational activities are viewed by sports economists as a commodity. Therefore, when it comes to the economic products of sport, we can divide it into three categories: products for players, products for viewers, and related products.

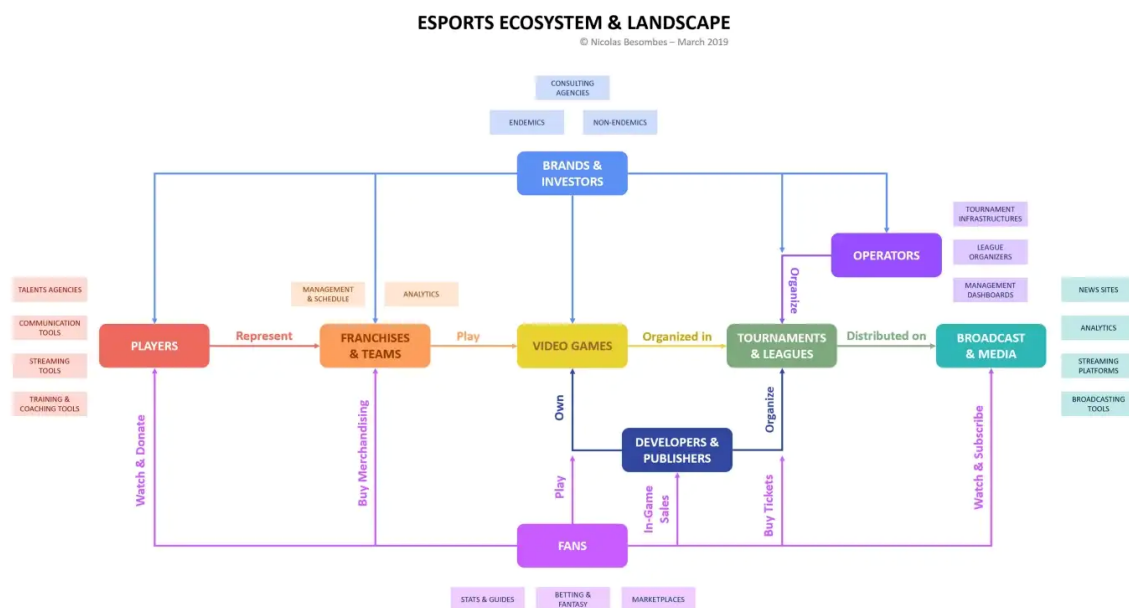


Figure 3. eSports Ecosystem & Landscape (Besombes 2019)

Figure 3 gives us a more detailed look at the eSports ecosystem. This section will focus on identifying and evaluating the success of electronic sports from an economic perspective, aiming to evaluate the rapid development of this industry. Based on the above points, eSports can be divided into three categories.

4.1.1 Brands

"If you want to go fast, go alone. If you want to go far, go together." This African proverb might be wrong in a few specific cases, but in terms of business, this proverb has always been a blueprint for the success of entrepreneurs in the entire World. No organization can grow without a business partner. The same thing happens with events. Events need sponsorship and vice versa. Big brands also need a big event to be able to reach a vast number of customers in an abbreviated time. Traditional sports competition events - also known as major sports leagues - have their sponsors and partners. Premier League alone has fifteen official partners, including big names in their fields, such as Nike (sports goods), Oracle (cloud platform), and Hublot (Watches) etc. One of the biggest sponsors, as well as the Lead Partner of Premier League - the most attractive football tournament on the planet - is EA Sports, a video game company with a string of hit titles like The Sims, Apex Legends, Battlefield 2042, and countless other sports video games like series FIFA, NFL, UFC, NBA, ...

eSports tournaments are not an exception. They also have their partners and sponsors. Because they only have a foothold in the market now, the number of sponsorships of these tournaments still needs to be increased. However, compared to traditional sports sponsorships in their first ten years, eSports is doing much better than its predecessors. In the early days, when the first tournaments were held, eSports sponsors were mostly endemic - corporations with products related to video games. Newzoo's report on these years shows that the number of endemic sponsors accounts for nearly 90% of the sponsorship deals reached by eSports, along with more than 60% of advertising contracts. The leading brands that invested in eSports in these early years were major telecom network companies such as Vodafone, SK Telekom, T-Mobile; manufacturers of computer components such as Intel, NVIDIA, Asus or beverage and energy drink companies such as Red Bull, Coca Cola etc.

In the latest report by Watson (2022) on gaming fans' average age, Gen Alpha are the biggest spenders of their free time engaging video games (or gaming content) with 21% of their total leisure time. This is also the generation with the most significant number of game enthusiasts, with 94% of Alphas participating through playing, viewing, or owning video games, gaming content, and merchandise. This is followed by 90% from Gen Z, and 83% from Gen Y. These three generations are also the generations that spend the most money on video games, respectively. The reality is that Generation Alpha and the majority of Generation Z are still unable to generate income on their own, so these numbers are expected to increase even more when they can earn their own money in the coming

years. However, many consumers in the World are millennials, X and Baby Boomers, who can already earn their own income.

Nevertheless, to maintain a competitive position in their field, brands not endemic to e-sports must assert themselves with the younger generations. E-sports will be their (maybe best) solution. From food companies like KFC, Pizza Hut, and Magnum, etc. to car brands like Mercedes and Audi, etc. fashion brands like Louis Vuitton, Gucci, Marc Jacobs, and thousands of other non-endemic brands are investing more and more in eSports. As non-endemic brands are more widely known in the gaming community, in contrast, eSports also attract more attention from their non-gaming customers. As consumer awareness of this industry increases, more and more non-endemic brands want to invest in it. In other words, eSports is now one of the most promising markets for endemic brands and non-endemic ones.

4.1.2 Broadcast & Media

If traditional sports have traditional broadcast media, eSports also have their modern way of broadcasting their tournaments. In Newzoo's latest report, the number of viewers for eSports tournaments in 2021 has reached nearly half a billion, fifty percent of which come from occasional viewers. With the current pandemic, the increasing number of people accessing streaming platforms has also led to the sudden growth of the broadcasting system of eSports tournaments. Even though half of them are occasional viewers, these could be the first stepping stones to the industry's explosive growth soon. With the appearance of Ginx eSports TV - the World's first 24/7 eSports channel, relaunched from the original Ginx TV channel in 2016, eSports are step by step, being broadcast even on traditional media.

Broadcasting a sports match makes it easier for the audience to access the matches instead of going to the venue to watch it live. Without broadcasting, the number of fixed seats at stadiums is a big obstacle for sports development in particular and the market economy in general. The appearance of TV channels specializing in sports also contributes to attracting more attention from other audiences. These sports channels will only show sports news, broadcast live matches, and have match reports in time frames without any live matches. This also helps spectators who only have time to spare during the match to watch it to the fullest. Therefore, having a television specializing in eSports is a significant breakthrough for investors. They are increasingly convinced that this industry is a very high potential market and can achieve what traditional sports achieve. However, as the majority of spectators of this sport are so used to watching live eSports tournaments on streaming platforms as before, this channel has yet to attract as much attention as ex-

pected. This is partly because young people are increasingly using internet-connected electronic devices such as tablets, phones, personal computers, and laptops rather than radios or televisions. For these reasons, streaming platforms like YouTube, Twitch, Nimo, Azubu, etc. still, dominate when it comes to broadcasting eSports. With the potential of e-sports broadcasting still unexplored, the above streaming platforms are gold mines with large technology corporations. The best example is Amazon's acquisition of Twitch in 2014 for nearly \$1 billion in an all-cash deal. It was tough to believe because, at that time, this platform had just launched its official beta three years ago and had only 100 employees (including cleaning staff) in December 2013. Many people thought this was crazy, but Twitch proved Amazon was right when it acquired it. With 2.8 billion in revenue last year, Twitch continues to assert its No. 1 position in the game streaming industry.

4.1.3 Franchise & Organization

Like traditional sports, eSports also has its own leagues of all levels, from club to national team level, from domestic tournaments to intercontinental and international tournaments, and from youth, amateur to professional tournaments. With such a multi-level tournament system, eSports shows its strong ambition to grow to soon be comparable to traditional sports. With the support from billion-dollar technology corporations, it is not surprising that the prize money for the championship of these tournaments is up to millions of dollars. According to reports, the current largest prize pool for a tournament has reached more than forty million dollars (The International 2021). With such a total prize pool, the appearance of million-dollar professional players is also increasing. To date, Johan "N0tail" Sundstein is the highest-earning player in the World, with more than \$7 million in tournament earnings after nearly ten years of competing at the semi-professional levels to professional. In 2019, N0tail was ranked in the top 30 by Forbes under the age of 30 at 25. Forbes now also has a Sports & Games category so that they can honor athletes from traditional sports and professional players competing in eSports. This shows that the World now considers eSports a professional sport, gradually asserting its massive growth year by year.

Industry is growing, and expansion is inevitable. Video game publishers have franchised their products to help these online sports go global. An excellent example of this is Riot Games' League of Legends. In the first season, this e-sports world championship tournament only participated in 6 teams from 3 regions: Europe, North America, and Southeast Asia. With this franchise, servers for this MOBA game have begun to be set up in various countries such as China, Russia, Korea, Japan, Brazil, etc. series of national championship tournaments in different countries, contributing to bringing the game to more players. The most recent global-level competition, in 2022, the 12th season hosted by League of

Legends, has attracted 18,000 fans to the stadium, along with more than 5 million viewers on different streaming platforms to watch the final. With popular online games partnering with local publishers, the game reaches more players and helps create more jobs for the host country. It also raises hopes for young players in this country to compete professionally in their favorite sport. If League of Legends still only hosts teams from Europe or North America, how can they see a legend like Lee "Faker" Sang-hyeok dominate the game like that? As his nickname, "Unkillable Demon King" together with the SKTelecom T1 team won the world championship three times, two times in a row in 2015 and 2016. Regardless of the following seasons, they are still considered strong candidates for the championship but have yet to bring the desired results for the fans. In League of Legends, Faker is like Messi and Ronaldo in football.

4.2 Advantages

Even as a "late birth" industry, eSports are not inferior to their seniors. Thus, what has helped this fledgling industry grow so quickly? Is eSports making beneficial use of its advantages, or has it taken advantage of the weaknesses of other industries to exploit? In this sub-section, the thesis will give a better look at the factors that make eSports gradually become a billion-dollar industry as it is today.

4.2.1 Technology advancement

With the Internet's appearance and remarkable technological advancements, everything in this era is gradually becoming digitized. From daily life needs to the essentials at work, from texts, letters, messages, or calls to meetings, conventions, or appointments. Everything is modernized according to modern technology. Entertainment is no exception. People turn from watching TV and listening to the radio in their spare time to watching streams, music, and videos on YouTube, Spotify, apple music, or other streaming platforms. Games like hide and seek, hopscotch, and tag, etc. have turned into video games

such as Minecraft, Valorant, Call of Duty 2 etc.

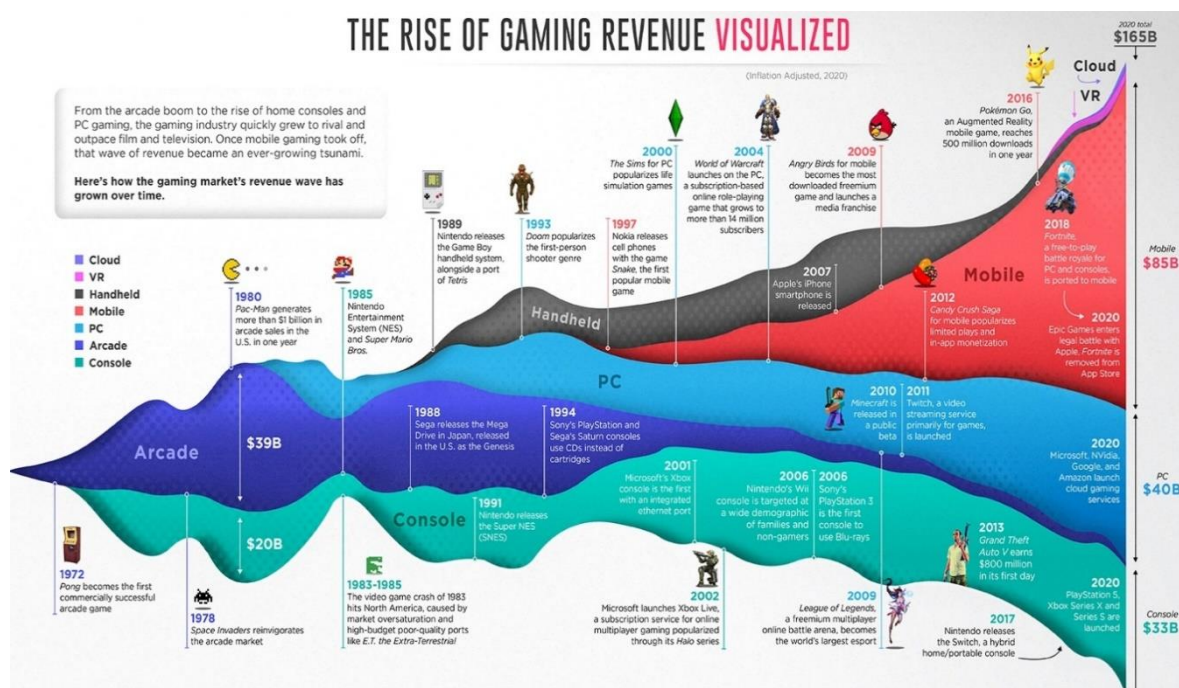


Figure 4. Video games technology throughout history (Wallach 2020)

Figure 4 is a chart of video game sales throughout history. Along with that, it also shows readers the development of technology that video game makers have been applying to their products. This development will be divided into different stages and discussed in the following paragraphs.

According to Alex (2016), the industry started with the first Computer Space video game machine built in 1971 by Nolan Bushnell and Ted Dabney (under the company Syzygy Engineering). However, it was only when Atari released Pong in 1972 that it brought the video game industry to life now. The same year, Magnavox released its first home console - The Odyssey. Following their success, Atari put on the market a portable Pong version in 1975, along with their own Atari 2600 console two years later. Then there came the digital distribution service of video games, with the first one – GameLine - operated during the early 1980s. At that time, this service connected Atari 2600 through a phone line using a specialized card to a central server so that the player could rent the video games they wanted for a maximum of 10 days. GameLine is also the premise for the development of Origins, Epic Games, or, most notably, Steam, those famous digital distribution services of video games that we are using now. Around the same time, when most other game companies were still selling consoles loaded with a single game, Milton-Bradley and their Microvision LCD-based has opened up a whole new direction for this industry. Microvision became the World's first handheld game console and the first to use an interchangeable game cartridge (Cutmore 2019). This change saved game console develop-

ers billions of dollars and paved the way for the Nintendo Switch, Steam Deck, PSP, etc. and hundreds of handhelds later on. Sadly, this rapid growth - hundreds of consoles, along with thousands of different video games - sent the video game industry into a video game crash, making it impossible to sustain this growth rate. With the pressure from previous successes, the companies began to release hundreds of titles in the following short time, but with inferior quality. Nevertheless, this crisis did not last too long because only two years later (1983 - 1985), the video game industry returned to its right development trajectory. Almost ten years later, in 1994, on the Hagenuk MT-2000 phone, the game Tetris was installed, marking a new turning point and showing the unlimited adaptability of this industry (Karthikeyan 2022).

Along with the development of consoles and video games, eSports also show remarkable changes in each wave of technology development. Although games were invented quite early, throughout the history of eSports, the number of tournaments held on arcade machines or consoles and handheld machines is exiguous. From the first ever eSports tournament, in 1972 at Stanford University, two dozen players competed against each other on a PDP-10 computer to the tournament with the highest total prize value up to the time of writing this thesis - The International 11 - with \$40 million in prize money, takes place on computers with the biggest digital distribution service available - Steam. There are many reasons for the disparity in the number of such tournaments. The first reason that can be mentioned here is the usefulness of the consoles. When the tournament was said to be the first of the eSports to take place, it was only considered a small contest that brought little joy to the students attending. So, spending nearly \$100 for each Magnavox Odyssey console at that time (equal to \$650 in 2021 because of inflation) is considered impractical.

Instead, the university uses its computers as a competitive environment for its students, as these computers will still help them in their teaching and later work, unlike those consoles whose purpose is only to play games. The second reason is that the number of online games on these systems needs more extensive than on PC. Just a year after the advent of the Internet, the World recognized MAD, a video game designed by BITNET, which is the first game being organized and conduct through the computer connecting. Furthermore, SGI Dogfight became the first video game to use the internet protocol (TCP/IP) two years later. At the time, handheld consoles were still the same machines using the interchangeable game cart as they were in their early days. It was in 1996 that Apple released the World's first game console with integrated Internet - Apple Pippin, but with a price of \$ 599 at that time, only a few players concerned themselves with this advanced machine. With the above reasons and the high price, it is easy to understand when most tournaments are held on PC. The more technology develops, the more video

games benefit. From old arcade games, consoles, and handheld to virtual reality technology, touch sensors, voice sensors, and the cloud, video games have applied the most advanced technologies of the Modern World. By adopting new technology like cloud service, and VR, ... the inherent weaknesses of gaming consoles have been gradually eliminated, and electronic sports are gradually being industrialized. The versatility of gaming consoles is no longer an issue for tournaments. With eSports receiving many huge investments from large corporations, tournaments on these consoles appear more and more. As they said, Rome cannot be completed in one day, and everything is just getting started with gaming consoles.

Nowadays, people increasingly prioritize convenience and do almost everything on their phones. Video games have gradually appeared on these mobile devices. PUBG Mobile, Wild Rifts to Mobile Legends, and Hearthstone, etc. are also gradually receiving attention and investment from major technology corporations in the World. Having the same advantages as PCs, it is not too difficult to understand when eSports tournaments on mobile devices develop so quickly. Although eSports tournaments for mobile devices have only appeared since late 2015 and early 2016, their development has far exceeded what computer eSports are doing. In 2021, the Free Fire World Series in Singapore reached a record in the number of online viewers with nearly five and a half million views, becoming the e-sports tournament with the highest number of online viewers to date (eSports Charts 2022). With the cost of a smartphone or tablet so much cheaper than a PC, along with the ease of access of mobile games helps diversity in both genders and ages of the mobile gamers is limitless. While most PC gamers are male, a recent report shows that women in Europe account for more than 53% of mobile gamers (Jovanovic 2022). According to Mozolevska (2021), given the advantages it has, mobile games have reached a much higher number of players than pc players (1.5 billion PC players compared to 2.2 billion for mobile). Although the total prize pool for mobile tournaments is low compared to other platforms' tournaments, the figures show that a bright future is wide open for mobile eSports.



Image 1. Alpha 7 Esports players are competing in the PUBG Mobile Global Championship 2022 (PUBG MOBILE Esports 2022)

4.2.2 World's pandemic

Around the end of 2019, the World reported the appearance of the World's first Covid-19 virus infections in Wuhan, China. In March 2020, the governments of all countries called for a halt to all economic activities, sports, and tourism. Flights are canceled, economic meetings postponed, and people around the World are asked not to leave their homes unless there is an urgent need. This stalled the progress of various industries, leading to a global economic slump. However, not all industries suffer the severe consequences of this pandemic, and some see this as a big step for their own development. When people could no longer see each other in person, they started using online platforms to be able to see each other. Over time, meetings, study sessions, and working sessions are gradually organized on these online platforms. Zoom, Google Meet, and Teams have been used more and more day by day. Saving hours of traveling between places helped everyone at that time have more free time. People started searching for something to do in this tremendous amount of time that the pandemic has given to them. Some try cooking, some exercise at home, and others listen to music, watch movies, read newspapers, play games, etc.

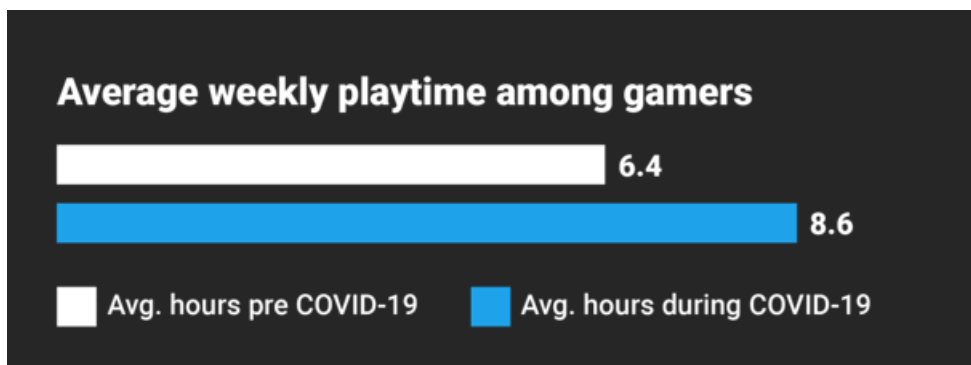


Figure 5. Average weekly playtime pre vs during COVID-19 (GamingSmart 2021)

Hundreds of activities they can do at home for fun, like relaxing in their free time, but they all have in common that they must do everything with the Internet. They cannot buy cook-books at the library or bookstore, so they must look up recipes and watch how-to videos online. They cannot go to the gym or hire a private PT to come to their house to exercise, so they must look up exercise instructions online. They cannot gather friends to go to cafes, bars, or clubs to have fun, and they must spend time entertaining through social networks. Therefore, the sudden increase in people accessing online entertainment applications such as video games and streaming platforms etc., which is showed in Figure 5, is not surprising.

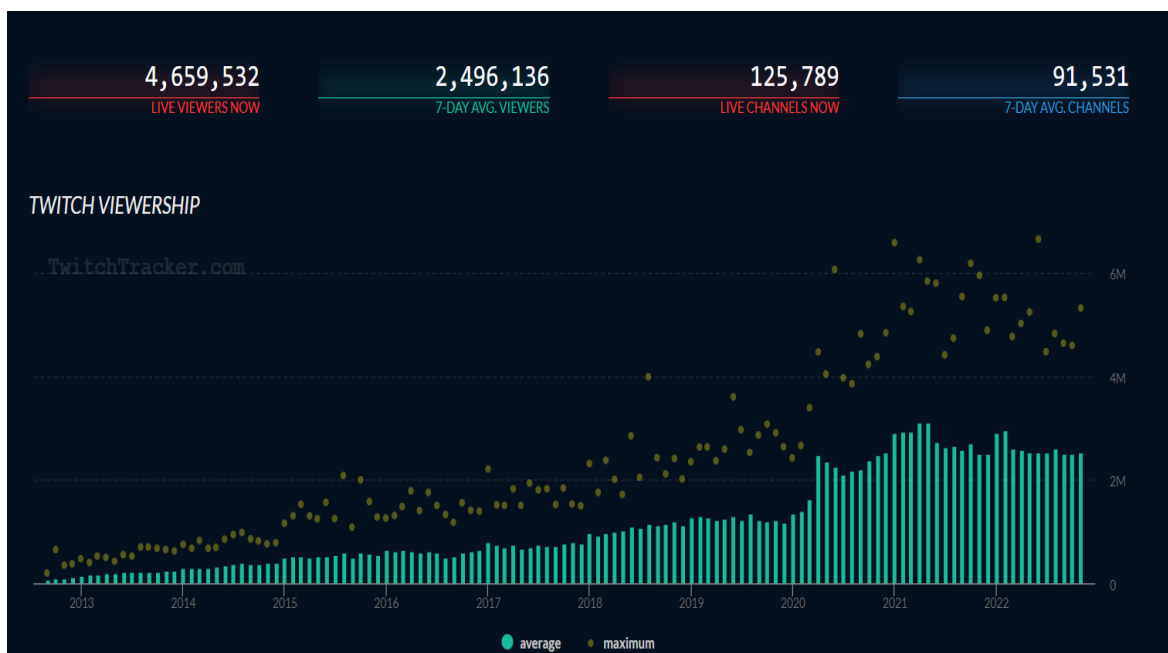


Figure 6. Twitch viewership statistics (TwitchTracker 2022)

Figure 6 shows us the number of viewers in Twitch – the most famous streaming platform currently – from the date of its establishment till now. At the end of the first quarter of 2020, when the epidemic began to spread around the World, the number of viewers on streaming platforms increased dramatically. At that time, Twitch, a streaming platform with just over 1 million monthly average viewers (the peak was only 4 million), suddenly doubled its traffic just in three months (1.3 million viewers in January 2020 compared to 2.5 million viewers in April 2020). Two months later, Twitch recorded more than 6 million viewers within a month (6,059,527 viewers in June 2020). All of these metrics show the growing interest of people nowadays in this new sport (90% of streaming content on Twitch is eSports).

As the pandemic began to spread around the World, sports activities were forced to suspend indefinitely, even while tournaments were taking place, as well as significant tournaments approaching (for example, Euro 2020 with the participation of Finland for the first time). At this point, eSports tournaments suffer the same fate as their traditional sports buddies. National championship tournaments are now forced to pause. Unlike athletes of traditional sports, professional eSports players are not well paid. According to Todorov (2022), mid to high-tier professional eSports players earn between \$50,000 and \$75,500 per year. This salary is only equal to the weekly salary of a standard NHL ice hockey player. Of course, there will be players with higher compensation. For example, Faker - the current legend of the game League of Legends - is offered a yearly salary of 10 million USD from a Chinese team. However, in general, the income of professional gamers is relatively meager.

During such a long break because of the coronavirus, athletes cannot go to the gathering place of their club or team. They are forced to practice regularly at home. This practice helps them to prepare for the postponed tournaments or competitions that will take place continuously at the end of this lockdown period. For traditional sports athletes, most already have a small gym inside their home, which can help them keep themselves in their best shape by regularly training whenever they do not have a team training schedule. However, on the other hand, their peers in eSports are not that lucky. Because of their poor earnings, they can barely afford the best training equipment in their own house. This causes professional gamers to spend most of their time in the team's gaming house. So, to be able to practice every day, even when we were all in lockdown back then, they accepted the blockade at the team's own gaming house so that they could practice with their teammates every day. They also have the best equipment for streaming. With the number of viewers streaming skyrocketing at the time, this provided them with another source of income beyond the meager months of salary they received. Although being restricted to the gaming house caused many inconveniences for them, it opened up a new opportunity

for these gamers and this sport. With their players all gathered in a fixed area, plus every match can be played on just a computer with Internet, the teams only need to install a few more CCTV cameras as well as some monitoring software on their computers, and they can continue their unfinished tournaments. Holding online tournaments can bring disadvantages, such as being unable to sell tickets to the stadium to watch live and holding events with fans before and after the matches. However, in return, online tournaments open new doors of opportunity for this industry. By holding, eSports can only suspend the tournaments around the World for a short time, where the majority of the industry's funding is concentrated. However, it also can engage more new investors from different fields in eSports. These investors are those companies and brands looking for other ways to appeal to their new target customers because of the postponement of other sports tournaments in which they are investing. Besides, with the current situation regarding viewership on streaming platforms, not being able to sell tickets is no longer a problem.

Given what eSports has achieved during the pandemic, it is no exaggeration to say that COVID-19 is one of this industry's most significant advantages.

5 Influence of eSports

5.1 Local tourism

Tourism is traveling to different places for business, entertainment, or just to change the surrounding environment for a while. Sports are one of the entertainment reasons that make people want to travel. They travel to a new city or country to see their favorite team or athletes compete and cheer for them in that tournament. Tourism has a pivotal function in the success of some economies around the World. As indicated by World Travel & Tourism Council (2022), their latest report shows that Travel & Tourism contributes 10.3% to the global GDP (around 9.6 trillion US dollars). The contribution increased by 1 trillion US dollars in 2021 (a rise of 21.7%).

Each sports tournament helps to attract a large number of tourists to the host country, especially tournaments of international or continental level such as in football, we will have the Euro, World Cup, and Copa America; in tennis will be Roland Garros, Australian Open, grand slam tournaments; Formula 1 racing tournaments; or the Olympics and many more of the tournaments from different sports. Around the beginning of this year, the Australian Open 2022 opened 1650 job opportunities for locals, and more than 270,000 hotel nights were booked (only at hotels in Victoria). The tournament also contributed \$405.3 million to Victoria's economy, helping to partially restore Australia's crisis-hit economy after the pandemic (Australian Open 2022). Brazil recorded a record number of tourists in 2014, around the time the FIFA World Cup - the biggest football event on the planet - was held in this country. According to Armstrong (2015), the Brazilian tourism ministry reports that the event has attracted more than six million tourists to the country, spanning eleven cities that host football matches. Brazil received help from this, and Argentina also recorded more than one million tourists to this country in 2014, followed by the US with more than 600,000, and Chile with more than 300,000 etc.

eSports is identified by Tomasi (2019) as a driving force behind tourism development, like other traditional sports, because of the influential impact, it brings to this industry. Up to the pre-pandemic period, the highest number of spectators participating in an eSports tournament was recorded in 2017, at the Intel Extreme Masters Katowice (IEM Katowice) tournament, one of the biggest tournaments of the year in Counter Strike: Global Offensive (CS:GO), with more than 170,000 fans throughout the two weeks of the tournament. The number of fans at this tournament recorded more than double the number of fans participating in the Super Bowl - the annual championship match of the National Football League (the number 1 sport in the United States). - with just over 70,000 spectators attending this match (Cooke 2017). Going through a pandemic that caused the interruption

of all economic enterprises around the World, was thought to be a big blow to the development of this nascent industry, but in fact, eSports can still come back and continue its right momentum. The latest report shows that 40 thousand fans were attending CS:GO Major Antwerp 2022, and on the final day, more than 20,000 seats were filled in Antwerp's Sport Palace, making this tournament becomes "the largest indoor eSports event ever" (PGL 2022). While that is a small number compared to what eSports achieved before the pandemic, this report shows that the industry has not been affected too much by COVID-19. For such a fledgling sport like eSports, the number of spectators who have traveled hundreds of miles to spend their whole week watching live at the stadium is truly astonishing. It is also predicted to increase significantly in the upcoming year, then breaking the record for the total of viewers will be inevitable.



Image 2 . PGL Major Antwerp 2022 Final Showdown (mitsxha 2022)

Hundreds of eSports tournaments are held yearly, from big to small, from professional to semi-profession, including more than 20 international tournaments. Some tournaments not only take place in a single city or a single country but also happen in many different cities and countries, such as the 2022 League of Legends Worlds tournament that just took place. In the Play-in phase of the tournament, the teams competed against each other in the Mexican capital, while the group and knockout stages were held in three different US cities. The data show that eSports is a highly potential market that tourism can profit

from. The government associated with the prominent local corporations have been starting to pour its money into building the infrastructure for this industry. In November 2018, the City of Arlington, Texas partnered with the Texas Ranger - one of the most influential baseball teams in the United States, to create a plan to build the most prominent eSports stadium at the time. Thus, eSports Stadium Arlington was born. To this day, this stadium is still the largest capacity of any stadium dedicated to eSports, with 2500 seats and an investment capital of 10 million USD. The stadiums of London and Philadelphia will soon break it, but that may indicate the authorities' interest in the industry. Even companies not so endemic to the travel industry, after seeing the government's interest in eSports, are beginning to see the opportunities this sport can offer. The Sylt report (2017) mentioned that Walt Disney is looking for an opportunity to bring eSports to its Orlando resort. Not only is it famous for its four theme parks that attract millions of tourists every year, but it also owns one of the World's most significant sports broadcasters - ESPN. Disney World Vice President of Sports - Mr. Kelley - said that hosting and broadcasting eSports tournaments here can help Disney world attract millions more fans of this sport every year.

5.2 Economic growth

After more than two years of living with the COVID-19 pandemic, trade activities were delayed and stalled, and the economy shrunk severely. To overcome the economic damage that the pandemic has brought, the government must have the right development paths to lead the country not to suffer too much. The best plan at that time was to try to support the industries that suffered the most and promote the industries that were still thriving during the time of COVID-19 raging. Esports is one of the industries that has done very well during that time. In the latest UK commission report, the government states that:

eSports has the potential to grow into an entire area of national strength in the UK. (Government response to the Digital, Culture, Media & Sport Select Committee Report on Immersive and Addictive Technologies 28, section eSports)

The emergence of the "smokeless" online industry and its contributions currently is unbelievably valuable. In 2021, the contribution of the eSports industry helped the recovery of countries' economies after the last pandemic. In the US alone, eSports revenue for the year reached \$243 million. This figure in China is up to 360 million dollars. In Western countries, the contribution of eSports is also remarkable (Gough 2022.).

In terms of job opportunities, so far this 2022, the United States has about 300,000 employees working in the eSports industry. Those jobs can be something other than profes-

sional players/gamers, or coaches. It could be those related to eSports or even video games, such as head chef of gaming teams, marketing teams, content creators, data analysts, event or tournament organizers, and thousands of other jobs associated with this nascent industry.

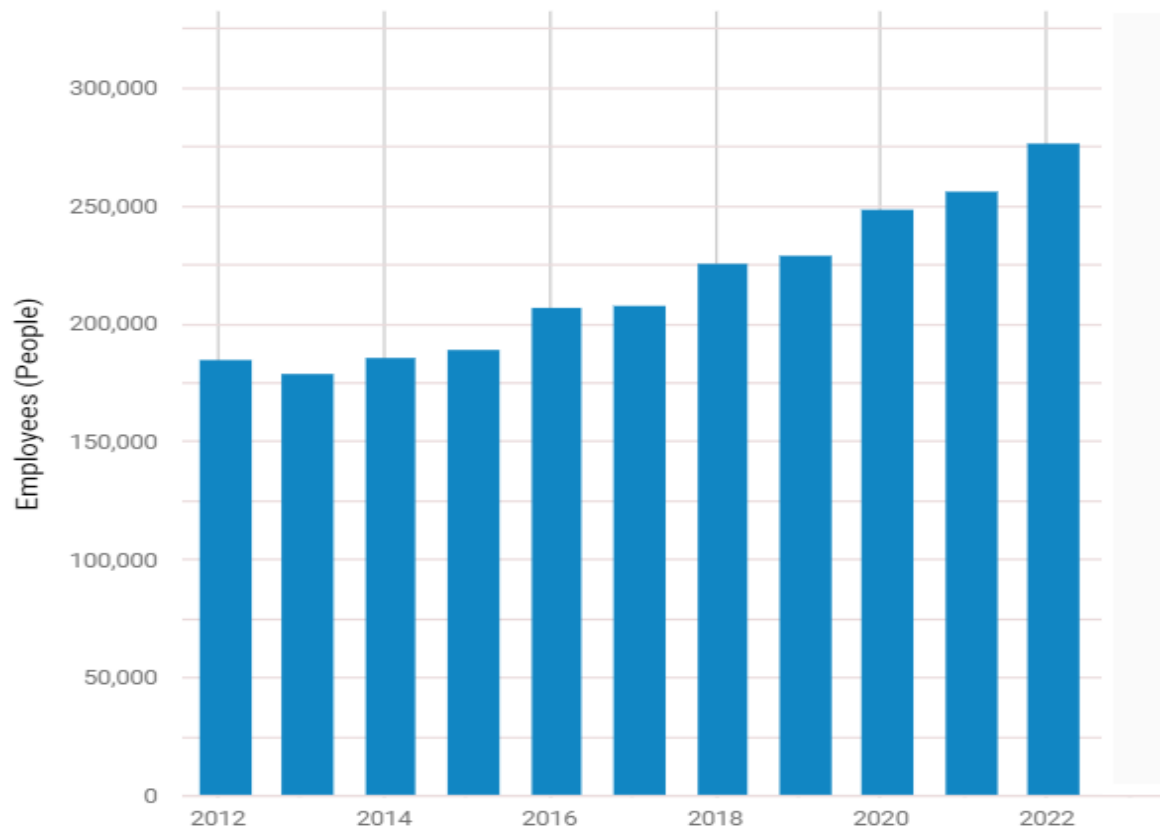


Figure 7. eSports employees in the US from 2012 to 2022 (Clement 2022)

6 Case Study: Tencent Holdings Ltd

6.1 Tencent Holdings Ltd Overview

The biggest video game company in China (and the world) - Tencent Holding Ltd - better known as Tencent, has always been at the forefront of nearly all activities in eSports (Chan 2022). In the West, Tencent is not yet a household name, like Amazon or Facebook. But for the Chinese, or in the world of video games, Tencent is everywhere. With certain success achieved, the next section will give readers a more careful examination at the company and its business model and business strategy.

6.1.1 About Tencent

The company first established in 1998 at Shenzhen, China. By the time, they are on the top of fastest growing company of the field about Internet for using service. By developing good business strategies, only in the last 10 years, Tencent has a sustain extent by their consumer-targeted criteria. One of the milestones in their development was first time setting foot on Hong Kong stock exchange on June 16, 2004.

One of Tencent's commissions is to strengthen the standard of human condition via Internet utility. Nowadays, Tencent distribute the added value of the Internet, telecommunication services. Instead of Messenger application (instant texting application), the main messaging app in China is a series of QQ applications such as WeChat, QQ.com, QQ Games. Diversification of all applications created to help the needs of users from entertainment, communication, payment or browser. As of the end of 2012, the number of active users collected from all QQ platform is 798.2 million and with the record of visitors at the same time is 176.4 million. The company's prosperous development has been a connection for many users in this country of billions of people. This huge development also contributes to the broader growth of the application in the networking industry in China.

For the future expectation, Tencent continue dedicated to its development and concentration of expertise to innovate more typical products. All the company's applications, primarily proprietary products, receive a license and patent. With the desire to further develop the Internet system, more than 100 million RMB was spent to build China's first Internet research center with headquarters in Beijing, China. The primary mission of this investment is to research networking, pursue the company's projects, and the development of the industry.

The company's dream and goal are to become one of the companies with a prominent voice in the world technology industry. Tencent participated in charity activities to bring its

reputation to people and social organizations. Therefore, Tencent officially launched the Tencent Charity Fund in 2006 and was the first technology company to begin such a program. The organization's essential goal is to focus on helping people with disabilities, education, and natural disaster. The company has also started a few charity and donation projects in the China region. It is a plus in helping develop a prosperous society through a technology company.

6.1.2 Tencent Financial Report in 2021 – first quarter of 2022

Revenue and growth

The final report for 2022 has not been published yet. The information is being used in the first quarter of 2022 from the interim report of the company. The table below shows the financial position of the company for the last five years from period 2017-2021. It will show in detail the total assets, the total liabilities and total equity.

Table 1. Tencent condensed consolidated statements of financial position 2017-2021
(Tencent 2021)

	2017 RMB'Million	2018 RMB'Million	2019 RMB'Million	2020 RMB'Million	2021 RMB'Million
Assets					
Non-current assets	376,226	506,441	700,018	1,015,778	1,127,552
Current assets	178,446	217,080	253,968	317,647	484,812
Total Assets	<u>554.672</u>	<u>723.521</u>	<u>953.986</u>	<u>1,333.425</u>	<u>1,612,364</u>
Equity and Liabilities					
Equity attribute to equity holders of the company	256,074	323,510	432,706	703,984	806,299
None-controlling interests	21,019	32,697	56,118	74,059	70,394
Total Equity	<u>277.093</u>	<u>356.207</u>	<u>488.824</u>	<u>778.043</u>	<u>876,693</u>
Non-current liabilities	125,839	164,879	225,006	286,303	332,573
Current liabilities	151,740	202,435	240,156	269,079	403,098
Total liabilities	<u>277.579</u>	<u>367.314</u>	<u>465.162</u>	<u>555.382</u>	<u>735,671</u>
Total equity and liabilities	<u>554.672</u>	<u>723.521</u>	<u>953.986</u>	<u>1,333.425</u>	<u>1,612,364</u>

Table 2. Tencent condensed consolidated statements of comprehensive income 2017-2021 (Tencent 2022)

	2017 RMB'Million	2018 RMB'Million	2019 RMB'Million	2020 RMB'Million	2021 RMB'Million
Revenues	<u>237,760</u>	<u>312,694</u>	<u>377,289</u>	<u>482,064</u>	<u>560,118</u>
Gross profit	<u>116,925</u>	<u>142,120</u>	<u>167,533</u>	<u>221,532</u>	<u>245,944</u>
Profit before income tax	<u>88,215</u>	<u>94,466</u>	<u>109,400</u>	<u>180,022</u>	<u>248,062</u>
Profit for the year	<u>72,471</u>	<u>79,984</u>	<u>95,888</u>	<u>160,125</u>	<u>227,810</u>
Profit attributable to equity holders of the Company	<u>71,510</u>	<u>78,719</u>	<u>93,310</u>	<u>159,847</u>	<u>224,822</u>
Total comprehensive income for the year	<u>79,061</u>	<u>67,760</u>	<u>119,901</u>	<u>281,173</u>	<u>200,390</u>
Total comprehensive income attributable to equity holders of the Company	<u>78,218</u>	<u>66,339</u>	<u>116,670</u>	<u>277,834</u>	<u>200,323</u>
Non-IFRS operating profit	<u>82,023</u>	<u>92,481</u>	<u>114,601</u>	<u>149,404</u>	<u>159,539</u>
Non-IFRS profit attributable to equity holders of the Company	<u>65,126</u>	<u>77,469</u>	<u>94,351</u>	<u>122,742</u>	<u>123,788</u>

Table 3. Tencent first half 2022 revenue interim report (Tencent 2022)

	30 June 2022	30 June 2021	Year-on-year change
Revenues	269,505	273,562	-1%
Gross profit	114,941	125,380	-8%
Operating profit	67,284	108,760	-38%
Profit for the period	42,963	92,030	-53%
Profit attributable to equity holders of the Company	42,032	90,354	-53%
EPS (RMB per share)			
– basic	4.407	9.492	-54%
– diluted	4.320	9.299	-54%
Non-IFRS operating profit	73,205	85,560	-14%
Non-IFRS profit attributable to equity holders of the Company	53,684	67,157	-20%
Non-IFRS EPS (RMB per share)			
– basic	5.628	7.055	-20%
– diluted	5.516	6.916	-20%

From the data table one and table two, Tencent's revenue has doubled in the last 5 years from period 2017-2021. The number has significantly increased from 237,760 million RMB to 560,118 million. Correspondingly, the total revenue achieved in 2021 is double that of 2017 with 245,944 million RMB and totally dominate 116,925 million of five years ago. Investors who are shareholders gained triple compared to the amount they spent at the beginning. Some of the important numbers show the clear development of the company year by year. However, the other metric generally doubles or triples depending about the situation at the time. For example, all numbers increase in 2020 because of the strong development of epidemic. Social distancing has made the need for tech support even higher. Thus, high revenue shows the rational utilization of business strategies.

The final report for this year has not been published yet. Nevertheless, the interim report can show the company's general situation after half a year and compare it with last year's period. Based on the data in table three, June's revenue is still not as good as last year. The main reason is because of online marketing failure. Plus, the strict management of users in the gaming segment. The difference is not much, with 269,505 million RMB this year and up to 273,562 million the previous year. The gross revenue is not better than last

year, with 114,941 million RMB, and 125,380 million is due in the past year. Although this is not the official number for this year yet, it partly shows that several factors lead to the decline in revenue. In the year-on-year change section, all categories are at a considerable drop compared to last year.

Investment

Tencent, a leading Chinese technology company, is reportedly shifting its focus from acquiring stakes in other companies to divesting its holdings. This change in strategy is said to be in response to increasing pressure from investors and the Chinese government's recent disapproval of large technology companies. Tencent recently reported its first-ever decline in quarterly revenues, attributed to weak sales in advertising and gaming. This marks a significant change from the company's previous record of consistently achieving double-digit growth in its internet business, which had supported its aggressive investment strategy (Leng & Liu & Olcott 2022.)

According to two sources, proceeds generated in 2022 are expected to be used by Tencent to fund two batches of initiatives focused on themes promoted by the Chinese government, such as sustainable social values and common prosperity. In a move aligned with Beijing's call for increased corporate social responsibility, Tencent had previously promised to raise 100 billion yuan to support rural development and improve earnings for low-income groups (Leng & Liu & Olcott 2022.)

Despite its change in focus, Tencent is still expected to invest in overseas markets and strategic growth areas such as enterprise software, video services, and the gaming industry, though with more caution and selectivity than in the past.

6.1.3 Influence on the Chinese economy

Tencent, a leading Chinese technology company, has reportedly laid off more than 5,000 employees and closed some of its business operations as it struggles with its first-ever decline in sales. The company's revenue during the April to June period slipped by 3%, due to decreased advertising spending and its online gaming business. The company, which owns the popular messaging app WeChat, is facing greater setbacks in terms of censorship laws as well as a temporary slowdown in the economy. Central Bank of China recently lowered rate of return to stimulate economic activity. The country, which is still dealing with COVID-19 outbreaks, recently reported that the economy is stalled for 3 months and may not be able to keep up with annual growth goal of 5.5% (BBC 2022.)

Tencent is China's has the most commercial value and is famous for its handy messaging app called WeChat and online games. Approximately 50% of its revenue is derived from

online promotion and financial and business services, which have been impacted by the economic downturn. The company's revenue earned from the cloud and other offerings have slowed significantly, and ad sales have dropped by 18%. Tencent faces many challenges by strict child censorship of video games and stopped approving new video game last year. Although the ability to censor new video games has been relaxed, the publisher has yet to approve any games they made, forcing it to rely on older titles (BBC 2022.)

Tencent reported that video game revenue fell 1% in domestic and global markets due to the normalization of video games on mobile platforms after the pandemic. Tencent also claims that it shut down its education systems on cyber electronics and laid off continuously for three months to reduce its workforce by almost 5 percent Ecosystem of Tencent Holdings Ltd (BBC 2022.)

6.2 Tencent's Business Model and Business Strategy

Up to now, based on the revenue achieved in the second quarter of 2022, Tencent is the world leader in terms of revenue in the video games and e-sports segments (Newzoo 2022). To get to the present success has a lot of effort thanks to the business model as well as the genius strategic model of Tencent leadership. Pateli and Giaglis (2003) argue that, through the investigation and classification of the factors of the business model, we can develop the study of it derived from the definition. There are many definitions for a business model, and it is still being debated by scholars. In this paper, Chesbrough and Rosenbloom's (2002) definition of value creation model will be used to analyze Tencent's business model. We will then use the five forces model, produced in 2001 by Donald Hambrick and James Fredrickson, to analyze the direction of Tencent's corporate growth strategies. The business strategy analysis this time will be based on 5 components of the Porter model, including Arenas, Vehicles, Differentiation, Staging, and Economic Logic.

6.2.1 Business Model

Chesbrough and Rosenbloom (2002) define that an enterprise's blueprint for how to create and capture value in everything from services to products is its business model. there. Based on this concept, Cavalcante, Kesting and Ulhøi (2010) have divided the business model into four stages of change: Business-model Creation, Business-model Extension, Business-model Revision and Business-model Termination. The transition from concept to officially opening and operating a business model is the Creation category. Once the business stabilizes, we will add new businesses to the existing model with an Extension phase. While Revision stage will replace inefficient business practices with those that

make processes smoother, Termination will eliminate/remove completely (or possibly temporarily) nonconforming processes. In this thesis, this framework will be used to analyze Tencent's business-model changes.

Business-model Creation

When it was founded, Huateng Ma and college friends from Shenzhen University, founders of Tencent, had the idea that the main business of the company would revolve around creating wireless messaging solutions with network carriers. But with the explosion of the Internet around this time, the founders of Tencent realized that wireless messaging would no longer be popular in the future. And then, OICQ (now Tencent QQ), an application that uses the Internet instant messaging service, was born. Although going three years without profit, Huateng Ma still believes that OICQ, now gradually being accepted by the local community, will be a booming social network with a bright future ahead. Regardless of the founder's expectations, Tencent QQ has become the largest social network in China, the most populous country in the world, with a Guinness record for the greatest quantity of concurrent online visitors. Even though the #1 spot has now been taken away by WeChat, another Tencent product, QQ is still a huge success for the company (Law 2017.)

Although the original idea was not an instant messaging Internet service, with the acumen of the founders, they promptly transformed their business idea. Initial ideas do not always work in the real world, sometimes it needs to be adjusted before being put into operation. Without this timely adjustment, Tencent's Creation stage will not be able to help the company get the position in the world of video games and eSports as it is today.

Business-model Extension

After a period of not being too successful, Tencent has gradually stabilized its original business model. At this point, Huateng decided to focus on perfecting the product, delivering it in a better way as well as expanding its geographical reach to reach more customers. Following the success of OICQ, plus the booming of the Internet, Tencent began to build itself a QQ ecosystem, including various applications such as QQ portal, QQ browser, QQ Games, etc. . With its existing advantages, Tencent designed its own innovative mini pop page, combined with OICQ, successfully promoting this new ecosystem to its customer group. Huateng and his colleagues also showed their great vision in the field of e-commerce, when in 2005, he launched the PaiPai e-commerce site along with the TenPay electronic payment system to compete with Alibaba Group's Taobao and Alipay. The constant updating of new businesses, as well as the constant development of existing applications, have made Tencent one of China's most successful full-service Internet

companies. It would not be a lie to say that Tencent is the leader of this modern business model (Hu 2011.)

Not only have they expanded their business in the Internet platform, where they are thriving, they have also franchised East Lee Bank to print their brand on traditional products, such as clothing (Dai & Shen & Zheng 2011). Tencent (2003) also launched RTX and Weibo (Millward 2011) as Real-Time system and a Twitter-like microblogging platform to provide a new way of communication, beside telephone and fax, and also help to classify internal of the company.

Table 4. Business-model Dynamics: Key issues of Tencent (Dai & Shen & Zheng 2011)
Distinguishing between the different types of business-model change

Tencent's dynamic business model	Business-Model Creation	Main business was wireless paging solutions with Carriers.	Meet consumers' demand for Internet instant messaging by developing OICQ.
	Business-Model Extension	Provide various types of client application. Provide value-added services for telecom companies. Offer various types of online advertising.	Outside the company: Authorize East Lee Bank the use of its brand, with developing the traditional product like clothing.
			Inside the company: Casual Game Platform (QQ Game) News Portal (QQ.com) C2C (paipai) Search Engine (soso) Online Community (T's Friends)
			Outside the company: Cooperate with bank to launch online payment.
	Business-Model Revision	Increase functions of QQ and other applications.	Inside the company: Launch new services such as RTX and micro-Bo to meet the need of customers. Constantly update the client software and application.
Tencent tends to avoid major business-model revision			

With the right adherence to the set business model, the success to Tencent is not too surprising. Every product, strategy, and success have processes behind it:

- the study of the extraneous environment
- the explanation of the meaning of new chances for modernization

- the responsible blueprint for late chances
- looking for the new cooperation
- the corporation and contest
- the modern competing pros and a closure with the current partnership.

Business-model Revision

During the operation of a company, there will always be adjustments and changes. Especially during the expansion phase, when the old business models and its operations are no longer suitable for large-scale. That forces leaders to make business adjustments that may (or may not) significantly affect the company's business model. Table below shows the decisions Tencent has made and the results of those decisions.

Table 5. Tencent's decisions and their outcomes (Dai & Shen & Zheng 2011)

CHOICES	CONSEQUENCES
Developed OICQ	Developing fast and becoming the biggest IM server
Small process of the software	Attract more users
QQ software associated with the application of multi-entertainment	Consolidate the "entertainment" based instant messaging market position
Membership, distinguish the level of the users	Low cost and a lucrative system
Developed the virtual goods in QQ Show	Low cost and profitable
Developed telecom value-added services early	Mobile QQ meets the customer early, seize the lead of the value-added telecom business market
Early development of casual games platform	Several game users, large market
Applies the enterprise with the instant messaging software "RTX"	To seize the enterprise communications market
Acquisition Foxmail	QQ email is more professional
Enter in portal, e-commerce and other field	To achieve "one-stop online life" goal
Introduce So-So	More convenient for other applications
Tencent Mini Home	Tencent (QQ.com) is more popular
Moves forward	Attracts new users, maintain the old ones

Over twenty years of development, Huateng has shaped Tencent into a business model that can adapt to all developments in the Internet and technology. Tencent's main business model at the time was still focused on QQ instant messaging. Therefore, the decisions made are all with the same end goal, which is the "online life" strategy for loyal users of this application. At the same time, it is about reducing operating costs, maximizing customer efficiency, and copying an instant messaging platform to another in the simplest way.

Business-model Termination

There is still no end to the business model at Tencent, as the company is still holding on to the original business model. Still, there have been a few business closures. When Tencent realized that its activities could not compete with other competitors, it was ready to terminate it so that it could devote more resources to its other projects. For example, they officially closed Tencent's Weibo two years ago, when Sina Weibo became too popular (Chen 2020). Or the fact that they stopped developing the e-commerce firm when they realized that Alibaba was gradually becoming a monopoly (Chen 2018).

6.2.2 Business Strategy

A prototypical example of the success enterprises can obtain by incorporating small tactics into a unified model is Tencent. In the business model section, we have analyzed all the enterprise activities of the corporation. As the consequence, coming to the commerce strategy section, we will focus more on the competitive game and eSports development stages by strictly pursuing the five-component stated in the Porter model.

Arenas

In the diamond strategic model, the first question that organizations always have to answer is "Where are we going to operate?" To be able to choose the right niche for their company, they must first define their product category, the technology they want to use, what market segments they will target etc. When looking at the origins of Tencent's original founders, it's not surprising that they chose China as the place where they would start operating their company. With many years of experience in the technology field, along with being too familiar with the home market, operating a company here will be a lot simpler for them. Another possible reason is because China has the most population in the world, and when they can succeed here, it almost means you have succeeded with one in six of the world's population.

Through the business model creation section, we all know which product categories were selected by Tencent when starting a business. In about three unprofitable years, Tencent has completed its plan for Arena. After stabilizing its ecosystem, realizing that video games are not simply a hobby, the company began to focus on this segment. Their main channels will be social media platforms (which they have also built) to help players connect and share their moments. After the birth of QQ Games in 2007, Tencent Games Arena (TGA) was established in 2010 which is a worthy achievement for the relentless efforts of the research and development department - established by Tencent. set up to specialize in the latest game technologies. Since starting as an independent in 2016, TGA has

grown into the majority popular esports brand globally (in terms of earnings and viewership only).

In the early days, Tencent understood that everyone wanted entertainment, but at a low cost. That helped bring about the birth of QQ Games. With this platform, Tencent has successfully provided consumers with an entertainment experience with a wide variety of free video games. Then, to start making a profit from these games, they will use in-game purchase methods. In order to maintain the advantages gained, in its 2020 plan, Tencent (2020) will invest a lot in creating professional support for players and viewers in the company's ecosystem.

Vehicles

After defining their arena, the company must specify how they will get there, simply understood as what "vehicle" will help them "drive" their company.

The first "vehicle" chosen to help them run the video game business was Tencent Games, which was developed in 2003. At this stage of expansion, they saw the potential of many fields, and Video games are also one of them. The company decided to invest human resources to build a division that would specialize in constructing virtual video games, the company originally had a different business model, but eventually a new e-sports division was formed and became a separate entity. A year later, Tencent Games' first game - QQ Tang - was released. And then there are a sequence of 2D online games like Dugeon Fighter Online and The Three Kingdom (Nhi 2021). Chew (2016) said that 2005 was a breakthrough year for China's online video game industry, when domestic games began to gain a foothold in the game market, and surpassed what balls of games imported from abroad. Tencent's total revenue at the end of the year reached 180 million USD (a not small number compared to 2005). The Three Kingdoms was named one of the highest-grossing titles, ending a successful year for the video game development division.

After achieving certain achievements in the country, Huateng and his associates began to invest and acquire major global game companies to build a company name in the world market. These are considered the last "means" that leaders used to get the company to where it is today. Notable investments and purchases so far can be mentioned as: full ownership of Funcom (famous for RPG titles like Conan Exiles) from 2020, Riot Games (League of Legends) since 2011; holds more than 80% shares of Supercell (Finnish mobile game development company) since 2016 and most recently decided to invest in Klei Entertainment in 2021 (Chan 2022). With a total of nearly 50 investments spanning 20 years of operation, Tencent has enjoyed rapid growth in both profit and reputation after its not-so-favorable initial period.

Differentiation

Competition is inevitable in the marketplace. According to Wei (2017), Tencent's secret weapon is youth. Knowing the high interest of young people in the technology boom, Tencent's activities are aimed at the young customer segment. As we all know, young people will not have a lot of money, so their first strategy is free games - games that we don't have to pay to be able to play. Instead of profiting from the sale of the game, they will put in the in-game payments. This will allow players to experience the game first and start paying for the things they love in this virtual world. Paying in the game is also a part that helps players adjust their character's appearance, helping them to get comfortable when playing, not being too cramped into a certain framework. Tencent's games are also built so that each match they participate in is truly unique. Boredom can lead to disloyal players, so Tencent's strategy is to always create excitement when users use its product.

Another strategy Tencent has used to set itself apart from its competitors is to partner with non-endemic brands to promote them. Like the trophy of this year's World Cup 2022, the trophy of Worlds, the biggest tournament of League of Legends of the year, is also contained in a Louis Vuitton suitcase. In addition to the suitcase, Louis Vuitton also designed the costumes in the game released around the time of the event. (Louis Vuitton 2019)

Not only at fashion brands, Tencent also cooperates with famous music groups in the world to perform at their events. Some famous names like Lil Nas X, Imagine Dragon, G-Ide, etc. performed theme songs in previous events (eSports Net 2022)

Huateng has been very successful in differentiating Tencent from its online competitors. In addition to cooperation with endemic brands, combining with non-endemic brands has helped them reach new customer segments, increasing their reputation in the world market.

Staging

In the next part of the Diamond strategy, after having outlined specific plans, the company now needs to show the sequence of steps as well as the speed of implementation. At this stage, decisions are made depending on many factors ranging from available human resources to the speed of technology development.

Seeing its original position, Tencent initially focused on developing countries, where there was no competition from big technology companies. They are almost always at the forefront of explosive trends in game genres. When the golden age of MMORPGs and PC games began in the 2000s, they profited from games like Jianxia QingYuan Online, Audition Online, etc (Toh 2021). When other publishers started developing these games, Tencent was focused on keeping up with the progress of Western countries. In order not to be

too far behind the modernity of technology, Tencent always tries to update the applications every day, using the most modern technologies to bring the best quality of service to users. The same goes for the games Zynga's Farmville, League of Legends, PUBG Mobile, etc. In the early 2010s, when Zynga's Farmville became a hot trend with dozens of spin-offs, Tencent was starting to negotiate to buy Riot Games. Then when MOBA games exploded in 2013, League of Legends has been profitable for Tencent for more than 2 years. Now, as the era of mobile eSports begins, PUBG Mobile has set a record for the number of peak hours watched by an eSports event.

Economic Logic

The ultimate goal of the industry is still to create revenue for the corporation. By having a smart business model and genius strategy, Huateng and his colleagues successfully steered the Tencent boat through years of loss and no profit. They saw the decline of the wireless messaging service through the carriers, immediately switched the business model to instant messaging. As for eSports, with almost always staying ahead of the times, the organization has been the leader in terms of revenue during its more than 10 years of development. These numbers illustrate Tencent's rapid improvement as well as the amazing growth of eSports (Zhao & Lin 2020.)

Not only increasing profits for itself, Tencent also improves the finances of its partners. The strong growth of Tencent - the leader in eSports - also opens up a host of opportunities for startups and other small brands to get involved in e-sports. With its great influence, even the Chinese government acknowledges Tencent's achievements as a testament to the advancement of technology, sharing the same vision of digitization and technology orientation (Tencent 2019.)

7 Conclusion

This thesis aims to determine the identity of the explosive advancement of e-sports. From a small student contest with a one-year magazine subscription to a multi-billion-dollar industry. An overview as well as memorable milestones, evolution of eSports over the years will be presented in the first two chapters.

In the next chapter, the numbers and statistics about the development of the nascent industry has been discussed. The development of eSports is closely linked with the development of technology, so we analyzed this development step by step.

The difference always makes one stand out, and if it's in a positive way, it will bring us huge advantages. The fourth chapter gave a closer look at the reasons for the rapid growth of eSports. Furthermore, we also knew about the positive effects this development has on other industries.

Esports has been gradually developing more and more complete in all aspects throughout its history. With the current amazing growth momentum of eSports, it will increasingly attract investment and sponsorship from major brands and corporations around the world soon. Investments and sponsorships from non-endemic brands and corporations help to further expand the coverage of this industry to new potential customers. Not only with the backing from private corporations, with its positive influence on the local economy, e-sports has now been considered by many governments as one of the national strengths.

The last chapter is about the case study – Tencent Holding Ltd. The foremost goal of this chapter is to grant a deeper look at leveraging business models and business strategies to build a company empire, as well as develop a "new-born" industry like eSports. The case study analyzes Tencent - today's biggest video game company - along with the development strategies from the past, the present, to the future plans that Huateng and his co-worker prepare for company.

To sum up, this thesis provides evidence for the growth of eSports from a competitive game, through its nascent period, to the billion-dollar industry it is today. A case study as well as a theoretical framework were presented to reinforce the evidence. There are still limitations such as the influence of politics on eSports, but this thesis hopes to serve as a suggestion for further research.

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