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BUSINESS MODELS IN ESPORTS

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Invitational



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BUSINESS MODELS IN ESPORTS - CASE ASSEMBLY WINTER 2014 STEELSERIES DOTA 2 INVITATIONAL

Few studies have been done on the subject of esports and the studies that have been done are on general level of the topic. This thesis will focus on the business aspect of esports. All aspects of esports have seen significant growth. Starting from the increase of tournament prize pools and viewer numbers, which have woken up the interest of large companies to start to sponsor esports teams and tournaments.

In this thesis the author is looking in to what kind of business models Finnish Dota 2 tournament organizers use. To make the topic approachable to readers that don't know what esports is, the author will give short introduction to it and identify the stakeholders involved in it. It is important to know the stakeholders and how they interact with each other. Understanding the stakeholders is important when building the business model. Author used business model canvas as theoretical framework. This was chosen after comparing it to other possible business models.

In results we can see how important the key stakeholders are to each other and that is impossible for the Finnish Dota 2 scene to grow without these stakeholders closely working with each other. Even when stakeholders work with each other it will be difficult to make move from nonprofit organization to a profit seeking company. Findings of this thesis can be used as general guideline for tournament organizers that work on national level, but they need to take into a consideration size of their local Dota 2 scene. Possibly this thesis will introduce the reader to other interesting research topics.

KEYWORDS:

esports, electric sports, competitive gaming, tournament organizing, business model

Juuso Laakkonen

LIIKETOIMINTAMALLIT ELEKTRONISESSA URHEILUSSA – CASE ASSEMBLY WINTER 2014 DOTA 2 INVITATIONAL

Elektroninen urheilu on varsin tuore ilmiö, ja siitä tehdyt tutkimukset keskittyvät lähinnä kuvaamaan ilmiötä. Elektroninen urheilu on kasvanut merkittävästi kaikille sen osa-alueilla. Turnauksien palkinto summat ja katsoja määrät lähtivät ensin kasvuun ja näiden myötä myös suuremmat yritykset ovat kiinnostuneet sponsoroimaan joukkueita ja turnauksia.

Tämä opinnäytetyö tarkastelee minkälaisia liiketoimintamalleja suomalaiset dota 2 turnaus järjestäjät käyttävät. Jotta aihe olisi lähestyttävämpi lukijoille, jotka eivät tiedä mitä elektronin urheilu on, esittelee kirjoittaja sen ja siihen liittyvät sidosryhmät. Tutkimuksen kannalta on tärkeää ymmärtää sidosryhmiä ja miten ne vaikuttavat toisiinsa. Sidoryhmien ymmärtäminen on myös tärkeää kun rakennetaan liiketoimintamallia. Kirjoittaja käyttää Business model canvas:a teoreettisena viitekehysenä tutkimuksessaan. Tämä mallia valittiin, kun oltiin vertailtu eri liiketoimintamalleja keskenään.

Tuloksissa korostuvat sidoryhmien merkitys elektronisen urheilun kasvulle Suomessa. Ilman keskenäistä yhteistyötä Suomen dota 2 skene ei pysty kasvamaan. Yhteistyöstä huolimatta ei ole helppoa siirtyä touttoa tavoittelemattomasta yhdistys toiminnasta tuottoa tavoittelevaan yritys toimintaan. Tutkimuksen löydöksiä pystytään käyttämään viitettä antavina ohjeina kansallisen tason turnaus järjestäjille, mutta heidän tulee ottaa huomioon oman maansa dota 2 skenen koko. Mahdollisesti tämä opinnäytetyö näyttää lukijalle muita mielenkiintoisia tutkimus kohteita aiheeseen liittyen.

ASIASANAT:

Kilpapelaaaminen, elektroninen urheilu, turnaus järjestäminen, esports, liiketoimintamalli

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LIST OF ABBREVIATIONS

Dota	Defense of the ancients. Originally multiplayer map for game Warcraft 3 by blizzard entertainment. Later on Dota 2 was created by Valve
MOBA	Game genre. Multiplayer online battle arena. Example games Dota 2 and League of legends.
RTS	Game genre. Real time strategy. Example game Starcraft 2
FPS	Game genre. First person shooter. Example games Counter Strike and Call of Duty.
In game cosmetic item	Items that players can buy to alter appearances of their in game characters or other elements of the game
Lan	Local area network. In Lan events all the players are gathered to same location. This guarantees that all the players have same conditions to play.
Online	Players connect to the games through internet. Most of the tournaments are played online.
Hype	To create interest in by flamboyant or dramatic methods; promote or publicize showily
Caster	Person who commentates the game.
BMC	Business model canvas
Overlay	Used by streamers to place advertisement or custom graphics over their normal screen that their viewers can see.
POV	Point of view

1 INTRODUCTION

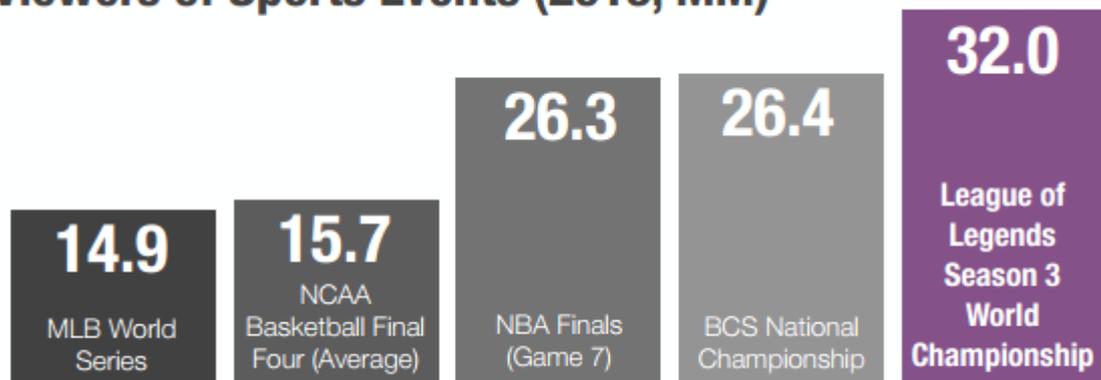
1.1 Background of this study

Definition of esports: (Wagner 2006)

“eports is an area of sport activities in which people develop and train mental and physical abilities in the use of information and communication technologies”

Electronic sports or esports has been around quite a while now, but in different scale than it is now. Written format of esports vary greatly depending on the source, the author chose to use esports in this thesis. In esports players compete in video games. For some time now it has been possible play professionally and actually make a living by playing games.(TechTerms, 2012) Possibility to follow competitions online through streams has make it easy for the viewers to reach where ever they are in the world as long as they have access to internet. (Rod Breslau, 2012) Some of the events even matching the viewer numbers with regular sport events as seen in figure 1. (esports: Digital Games Brief, April 2014) In 2011 software company Valve changed the whole scene by offering 1million \$ in prize money for the winner team of Dota 2 tournament The international. In this stage Dota 2 was still very early beta stage. As of then other games have had their tournament prize pools increased significantly.(e-sports earnings, 2014) These significant amounts of money have attracted more traditional companies such as Monster, Sony Ericsson and Red bull to sponsor esports events and teams. (Rod Breslau, 2012) In this study the author look in to what kind of business the tournament organizers are running.

Viewers of Sports Events (2013, MM)



*Sports viewership data provided by ESPN, Nielsen and Riot Games.

Figure 1. Viewers of sports events (esports: Digital Games Brief, April 2014)

eSports Breakdown		
YEAR	TOURNAMENTS	PRIZE MONEY
2000	10	\$348,776.63 -
2001	15	\$373,604.06 -
2002	11	\$466,602.10 -
2003	19	\$563,456.52 -
2004	36	\$1,058,053.94 —
2005	100	\$2,386,304.57 —
2006	93	\$2,549,311.33 —
2007	119	\$3,046,620.17 —
2008	147	\$3,023,362.53 —
2009	161	\$2,010,867.45 —
2010	260	\$3,051,313.72 —
2011	489	\$7,382,199.81 —
2012	696	\$10,265,477.29 —

Source: esportsearnings.com THE VERGE

Figure 2. esports Tournament breakdown (Popper 2013 Field of streams: how Twitch made video games a spectator sport)

Here are the key stakeholders involved in esports tournament organizing to give reader idea of who is involved. All these stakeholders' have different kind of interactions with each other. Relationships with these 5 stakeholders are

entwined and they all bring different values to each other. Visibility being the main value that these stakeholders bring to each other. Later on in this thesis there will be more stakeholders introduced and discussed how they interact with each other.

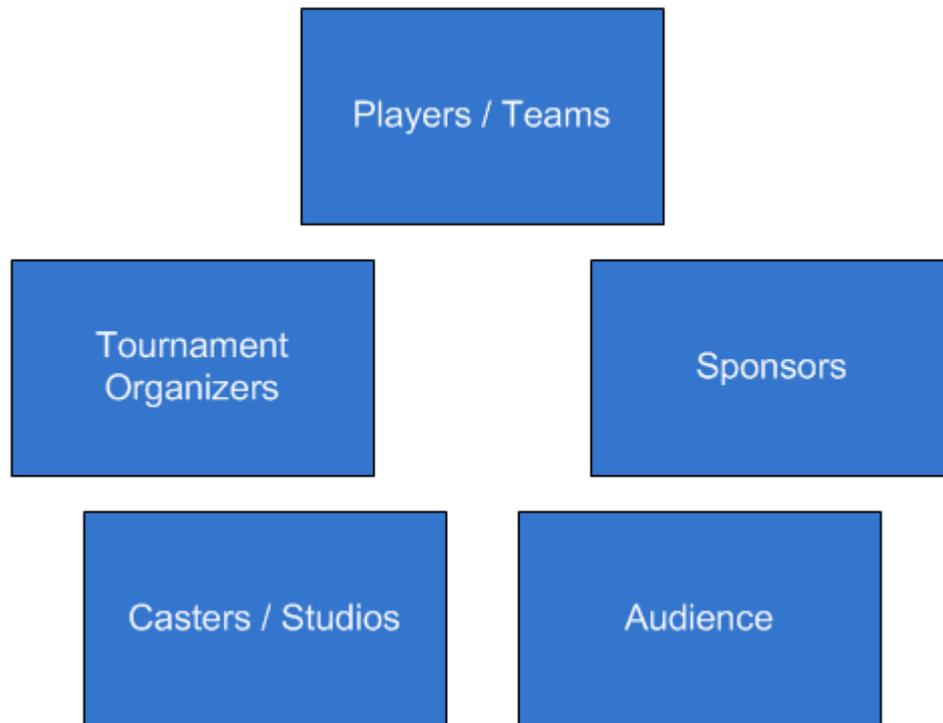


Figure 3 Key stakeholders

1.2 Research problems

Because of the significant growth of esports just in few years it has become an interesting topic from the business point of view. The growth is not just on one area as can be seen in Figures 1 and 2. Building a business model gives a broad view of business.

The main research problem in this study is:

“What kind of business model tournament organizers in Finland use in Dota 2?”

To figure out the business model the author will compare different business models and then choose one to analyze the case. Within the business model

author will focus in few aspects of the model. Research questions are there to present this focus.

Research questions:

- What is the value proposition?
- Identify the customers?
- What revenue stream does it have?

Identifying the value proposition is important because we can see how well the company understands their product and how to bring it to their customers. Customers are key part of doing business yet the customers might be much more larger variety of groups than was thought in the first place. Although revenue streams are relatively small in Finnish tournaments they are still important part to the business. By answering to these questions the author will figure the main aspects of the overall business model.

Originally the scope of the study was meant to be more focused on larger tournaments which more international but due to the fact that it is hard to get information or any contact for that matter from larger organizations the author chose to focus on Finland's Dota 2 scene. Although this sets some restrictions to the study because tournaments are quite small here in Finland and they aren't companies but nonprofit organizations meaning that they are legally forbidden to seek profit. On the other hand this gives author the possibility to think what could be done to the scene to move it to next level as one of interviewee stated that was the future goal they wanted to reach.

1.3 Structure of this study

This thesis is split in to five parts. At the beginning there is introduction chapter where the author will be explaining why esports are important area of business that should be explored more. In most events the revenue streams are still small. This is great opportunity for larger companies establish presence to platform that has had huge increase in viewers in few years. They could do this with relatively small invest of 20.000 € and up. (Koskivirta, 2014) Chapter 2 is

about different business models and author will go through few different models and then chose one that is most suitable to analyze esports tournament organizations. In chapter 3 there is more thorough explanation of esports and its history. There is also more in depth view of the stakeholders involved in esports and how the chosen business model is applied in esports. In chapter 4 the author will apply the chosen business model to the tournament organizers that he has interviewed in Finland. Chapter 5 will be conclusions of the thesis.

Due to changing point of views in this thesis different currencies are used to state prize pools or other costs. Dollars are used on international scale and Euros on Finnish scale.

2 BUSINESS MODELS

In Business Model Generation (Osterwalder and Pigneur 2010), business model is defined as:

A Business model describes the rationale of how an organization creates, delivers and captures value

In this chapter the author will go through few existing business models such as Hoffren's (2002), The e-Business model ontology by Osterwalder and Pigneur (2002) and Business model canvas by Osterwalder and Pigneur (2010). After the author has gone through theoretical frame work for these models he will compare them and chose one that will be used to analyze the case of this thesis.

“Business model is essential to every successful organization, whether it's a new venture or an established player”. Business models can be considered as stories that explain how companies work. Good business model has answers to questions like: Who is the customer? How do we make money? (Magretta 2002)

Three characteristics of a good business model: Aligned with the company goals, self-reinforcing and robust (Casadesus-Masanell, Ricart 2011).

Business models aren't just for organizations that seek profit but also for non-profit organizations as well. If organization creates, delivers or captures value it has business model. Business models aren't as long lasting as they used to and new innovators of this area don't limited their visions with existing business models. (Kaplan 2011)

2.1 Hoffren's Business Model

Hoffren's Business Model is part of a larger guide how to start a business. The guide is made in a way that it is easy to use even to a person who is not familiar with what is needed to start a business and the guide has examples for all the

elements it introduces. These elements are: Basic information of the business and the founder, business model plan, reasoning for founding the company and the business idea, future objectives for the company, existing capital and need for funding, what is needed to achieve profitability, SWOT analysis, summary and conclusions. The business model plan which is the relevant part of the guide for this study can be seen in figure 4. in slightly modified form. The Business model is divided in 6 sections which are need, image, target market, products/services, operations and resources. By filling these sections user would be able to easily present the core business idea and what is needed to make it work. (Hoffren, 2002)



Figure 4. Hoffren's Business Model (modified from Hoffren 2002)

2.2 The e-Business Model Ontology

The e-business model ontology was created in the internet era after the burst of .com stock market bubble to explain how to create value. The framework is built from 4 main pillars which are product innovation, infrastructure management, customer relationship and financial aspects. These four main pillars are further divided in sub categories. Product innovation is about finding the target customer for the product or service and presenting its value to the customer. Infrastructure management is about company resources, processes and networks and how do they handle them. Customer relationships are about how company attains their customers and how to keep them loyal to your product or service. Financial aspect is about the costs of doing business and revenue streams. The paper offers in depth explanation for all 4 main pillars and their sub categories with examples using real companies and how their business can be applied to this model. (Osterwalder and Pigneur 2002)

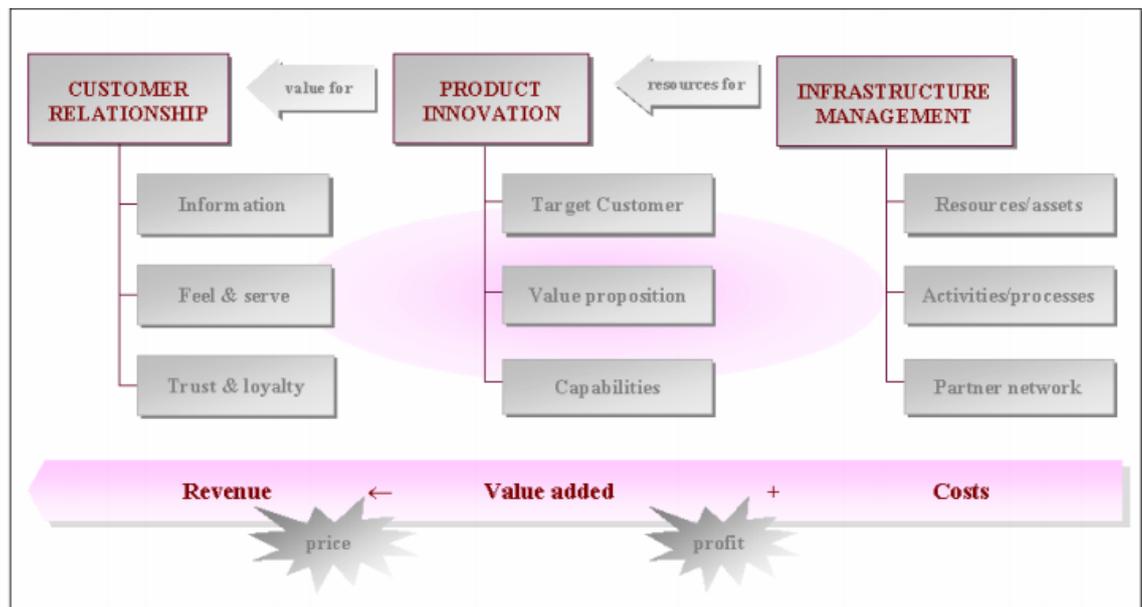


Figure 5. e-business model framework (Osterwalder and Pigneur 2002)

2.3 Business model canvas

Business model canvas (BMC) was introduced in Business Model Generation by Osterwalder and Pigneur (2010). BMC is built from nine blocks that cover the

four main areas of a business: customers, offer, infrastructure and financial viability. The building blocks are customer segment, value propositions, channels, customer relationship, revenue streams, key resources, key activities, key partnerships and cost structure. (Osterwalder and Pigneur 2010)

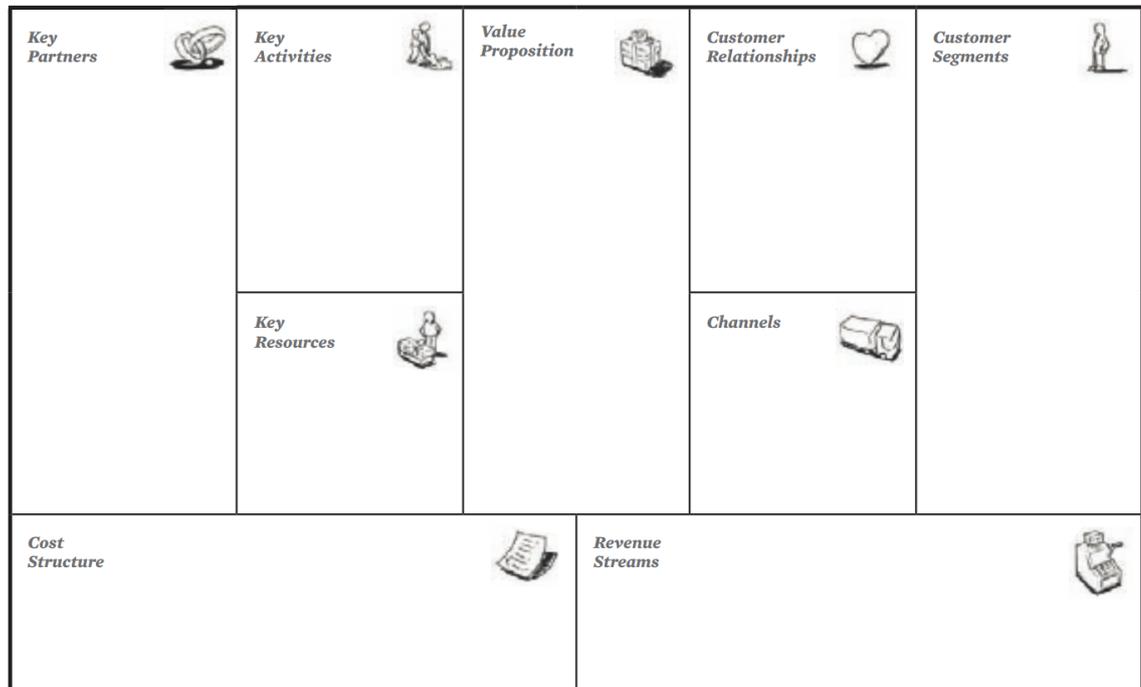


Figure 6. Business Model Canvas (Osterwalder and Pigneur 2010, 44)

Book explains all the building blocks in depth and gives reader example how business models of well know companies' can be applied to fit BMC making it easier for the reader to understand how to apply it to their own projects. to BMC.

It is suggested to build 3 different models based by using BMC and then take best aspects and ideas of each model to build the final model. The three initial models should be ideal model for the business, ideal model for the customer and model for how thing are usually done. (Kutinlahti 2010)

Different patterns can be identified within the business models. One of the patterns is Free where the value proposition for one or more customers segments is free of charge, meaning that these customers don't pay but their cost to the business is covered by other parts of the business model. Case

combines two patterns within free; these patterns are advertising and freemium. (Osterwalder and Pigneur 2010)

In Advertising pattern customers are offered free content and it generates revenue by selling advertisement space. In Freemium customers are offered free often limited content and the revenues are generated by premium user have unlimited or extra that they pay for. (Osterwalder and Pigneur 2010)

2.4 Summary

In this summary the author will be comparing the business models introduced before. This will be made by comparing different features that these models have to offer and their relevance to this case and how these features help solving the research problem.

Features	Hoffren's business model	The e-business model ontology	BMC
Value Proposition (important)	Doesn't have this section.	Both of these models have this section, which is important for the study as it is one of the research question.	
Channels	Doesn't have this section.	Both have this section although in e-business it is under different name and both models use similar descriptions here. This is important section because this is how value proposition is delivered to customer.	
Resources	All models have this section although this isn't that relevant for the study even though it will be used to some extent.		
Operations	All models have this section although under different name and the functions slightly vary between different model		
Revenue Streams	These are	Can be found	Has section

(important)	vaguely under operations sections.	under revenue model. Good examples given from few different revenue streams.	dedicated to this matter. Several examples given from different revenue streams.
Image	This section doesn't really bring anything new that the other 2 models don't offer better in some other sections.	Has image under information with more in depth customer buying behavior.	Partly integrated to the value proposition section
Networks	Doesn't have this section.	Similar explanation and example are to given to networks in both models. In BMC this section goes under the name key partners. Doesn't offer high value to this study but might be discussed in the case.	
Customer segment (important)	Can be found but lacks more in depth analysis and examples.	Has this section giving brief explanation emphasizing the ICT firms POV	Gives several example of different styles of customer segments and identifies what is typical for these segments.

Table 1. Business model feature comparison

By looking the comparison table the Hoffren's model can be disregarded as model that will be used to analyze the case because it doesn't have one of the important features. And with the features that it does have it presents them

without proper explanations when the other two models give good explanations and examples to all their features. The part that makes The e-business model ontology appealing is the focus to e-businesses and tournament organizing can be partly considered as e-business. But when comparing e-business model ontology and BMC we can see that they are very similar as can be expected because they are from same authors. Although BMC is slightly more polished version and it has more in depth examples and explanations even though this business model doesn't have focus on one particular area of business. This can be considerate advantage over e-business model ontology as tournament organizing isn't just e-business in this case study. The advertising and freemium patterns offered by BMC makes it even more viable choice for the case as these offer more in depth knowledge that can be applied to the case study.

3 METHODOLOGY

The author chose to use qualitative method because it would allow him to receive data that would answer the research questions better than quantitative methods would have. Choosing quantitative methods would have meant that he would have to generate a lot more contacts to tournament organizers which would have been difficult as it was difficult to get in contact with the existing interviewees. The author chose to use structured question for the initial data gathering and then he asked more specific questions after receiving the initial answers. These specific questions were used to get more in-depth answers to understand the case in hand better. Interviewees are part of Finnish esports Federation SEUL. Jaakko Markkanen has been part of Finnish Dota 2 scene from early on and he has organized several community level tournaments in Finland. He has been also casting these tournaments. Markus Koskivirta has been involved in esports since 2009. He has been focusing on the event organization side of the business. He has been part of organizing events like Vectorama and Assembly. Both of them have firsthand knowledge about Dota 2 tournaments in Finland which why the author chose to scale down the scope of the study to Finnish level.

4 ESPORTS

4.1 What it is?

Esports is competitive gaming which often happens in the internet. In esports players play against other players in video games to compete who is the best. Depending on the game played these competitions are played individually or in teams. (esports eXplained 2012) There are few different game genres in which esports is more common and more profitable for the players. Most common genres are MOBA, multiplayer online battle arena, Fps First person shooter and RTS real time strategy. At the moment MOBA is the genre where there is the most prize money in tournaments. Example games for this genre are Dota 2 and League of Legends. Valve and Riot are developers of these games and both of them hold tournaments which offer the largest prize pools of the esports. Example game for RTS is Starcraft 2 which is very popular in Korea and the scene is dominated by them. Example games for Fps are Counter Strike: Global offensive and its earlier iterations and Call of duty series. (Breslau 2012) Counter Strike is also developed by Valve but they haven't held any tournaments for this game. Betting is natural part of normal sports and it has made its way to esports as well although there is other option for using money in betting at least for Valves games as those have tradable in game items which can be used to place bets on third party web site. (Garcia 2014)

4.2 Development of e-sports

The very first video game tournament was held in Stanford in 1972 and the game played was Spacewar! (Good 2012) In 1980 Atari held the Space Invaders Championship which was one of the earliest larger scale video game tournaments with regional events in 5 cities attracting over 10000 participants. Next year Atari decided to host new tournament but this time instead of just holding regionals in few cities they decided to do it all over the world. These events also interested the media getting coverage in Tv and newspapers. (Electronic Games 1982, 36, 37)

In 1990s possibility to use internet opened possibility online gaming. 90s also brought FPS genre with games like Doom and Quake.(Wagner 2006) In recent years there has been huge growth in number of tournament, viewers and prize pools as we can see in Figure 2. And later on in Figure 8.

4.3 Dota 2 as esport

Defense of the Ancients in short Dota was originally multiplayer map for Warcraft 3: reign of chaos, where the object was to destroy enemy teams Ancient which is middle of the enemy base. Each team has 5 players in competitive format and these players can choose from over 100 different heroes. During the games players can buy different items for their heroes to make them more powerful. Usually competitive games are played using captains mode format where each team can ban few heroes so that nether of the teams can pick these heroes.(Tok 2006 1,2) Dota 1 was played competitively in some larger tournaments which were mostly played in Asia as Chines teams were domination the scene back then. There was some overlapping with Dota 1 and Dota 2 as some organizations were unwilling to move to the new game because especially in China Dota 1 has huge amount of players. When the first international was held Dota 2 was still in early beta stage and some of the teams invited to the event had close to none experience with the game as they preferred Dota 1. Also it wasn't easy to comprehend how large the price pool was as just the winning team would take home more money than there was ever to be in all Dota 1 tournaments combined. (A lifetime of Dota 2013)

Dota 2 was officially released in July of 2013 (Steam store 2013) just before the International 3 but even before the official release it was easy to get beta key if one wanted one. Dota 2 is still missing few heroes that are in Dota 1 but those will be added eventually as the game is being balanced all the time to keep the game interesting for the players and the viewers. These create changing meta game where some new strategies are invented and old ones evolve or they become unusable just to become useful again in some future patch.

4.4 Different stakeholders

Earlier in this thesis author has stated few stakeholders involved in tournament organizations in Dota 2 and in general in esports. If author were to create figure including all stakeholders and their interactions it would be quite confusing and hard to read, so instead author will explain them in writing. All stakeholders in figure 3 are have tight interaction with each other, tournaments need best possible teams to attend their tournaments to attract viewers for sponsors to get maximized visibility for their advertisement. In order to attract the best teams tournament has to have proper prize pool which they will get from sponsors.

4.4.1 Organizers

There are different kind of tournament organizers some seek profit others are part of nonprofit organizations and some are just part of the gaming community. Some of the large tournaments are held in large sports arenas and these events can be sold out in short time. For example Dota 2 annual tournament International is held in KeyArena in Seattle, and roughly 10,000 tickets were sold in one hour. Ticket prices varied from 99 to 499 \$ (Breslau 2014)

In Finland all the tournaments are held by nonprofit organizations or community members. It is common to hold these tournaments as part of other Lan events although smaller events usually host only tournament for one or two games due to limited resources. Some of these tournaments have entry fee which often includes access to the main event as well, but in some cases this can reduce interest to participate in tournaments. Often price pool is quite small and when choosing which games to host tournaments this is limiting factor as some games are team games with 5 persons in team to share the prize money when in single player games there is more money for one person. Community organized tournaments might not have any prize for the winners or it might be something really small like in game cosmetic items. (Koskivirta 2014, Markkanen, 2014)

Most of the tournaments are held online with few exceptions and some events might held group stages of the tournament online and the play offs are played in Lan event.

As stated in audience sections they are most important resource for organizers as the amount of viewers often define if the tournament was successful. This means it is important to find correct channels to reach as many viewers as possible. Often this means organizers need well known caster which already has viewers following them. If tournament has well known teams attending this will also attract viewers as they know they will be watching professional and not some amateurs. But in general the casters are more important as they can build up hype to make amateur gaming more interesting to the viewers. (Koskivirta, 2014, Markkanen 2014)

4.4.2 Sponsors

As stated in introduction esports has started to interest more regular companies and these big brands have invested in this market, (Andrew Burtenshaw,2013) where earlier most of the sponsors were gaming related companies like Razer which has been involved with esports since 1999. (Brent Ruiz, 2013).More recent sponsors to esports is AXE which has line of men's grooming products like deodorants and shower gels. Mostly companies sponsor teams or tournaments in Dota 2 but something also individual players as an example Jimmy "Demon" Ho was sponsored by Red Bull energy drinks. (Ryan Smith, 2014)

In Finnish Dota 2 Tournaments it is common that the sponsors fund the whole price pool for the tournament. (Koskivirta 2014)

4.4.3 Players /Teams

Players are essential resource for tournament organizers.(Koskivirta 2014) Players are part of teams which in top level can be compared to normal sports

teams where they will pay salary to the players. In some cases teams also offers players housing so they can live together as a team which makes practicing easier, (Jennifer Veale, 2007) but usually this isn't the case. It is more common for teams to hold boot camps where team will live in same place for a month or so before large tournaments such as International. (Khor 2013) Teams will usually cover the expenses for travelling to tournaments and take small part of the tournament earnings as well. Some teams might require their players to stream their public games they play using team overlays for the streams to increase visibility for their sponsors. (Bailey 2013)

It is common in esports for players to change teams often especially after International. For example after international 3 only few teams stayed the same they were before the tournament and others changed a lot of their players or disbanded completely. (Klonere 2013) Sometimes these changes can reach comical levels when player announces retirement from esports and after few weeks in retirement they join new team. (Vekus 2014)

Currently there aren't any professional Dota 2 teams in Finland, but there is one Finnish player in team FNATIC who has earned almost 38,000 dollars since 2011. (Esport earnings)

4.4.4 Audience

Viewers are easiest statistic for all parties to analyze whether the tournament was successful or not. Viewers are most important resource for the organizers. (Koskivirta 2014) These numbers are relevant for the organizers so that they can sell their tournament for sponsors. Dota 2 viewers have few options where to watch the tournaments:

- They can watch them from streams which are streamed by tournament organizers or by casters / studio hired by the organizers. Especially with larger tournaments viewer can choose from many different streams which one to watch. Often these large tournaments are have commentators for several languages and most watched streams are

usually English and Russian although viewer data from Chinese streams is hard to get. These streams sometimes offer rebroadcasts of the games after the live events so that viewers from other time zones can watch the games and for the streamers to gain more profit through advertisement.

- Second option to watch tournaments is to watch them from in game client where in most cases the viewer is required to purchase a ticket which price varies from 0,69 € to 7,19€. (Dota 2 store 2014) When watching in game viewer can watch with better resolution compared to the ones streams offer. They can also choose which commentators they want to listen and they can control the camera if they want to what is happening some other place of the map or they want to see what items players has. Often the more expensive tickets offer some additional value for the viewer's such as in game cosmetic items or set amount of ticket price will go towards the price pool.
- Third option for viewing is VODs (Video on demand) these can only be accessed after the live events are over and the organizer or caster has uploaded these videos to their preferred service such as YouTube or twitch.

4.4.5 Valve / Game developer

Valve is the developer of Dota 2 and it is also the organizer of the largest annual tournament the International. This year (2014) is fourth time that The international is held. This year it was also moves to larger venue from BemaRoyal Hall where the international has been held for past two years The first International was held in Cologne, Germany as part of Gamescom. International one was first tournament to offer 1 million dollars for the winning team and the total prize pool was 1,6 million dollars. In third International Valve introduced crowd funding as a way to increase the base price pool by buying in game ticket that costs 10 dollars and every purchase will increase the total price pool by 2,5 \$. They introduced stretch goals when the price pool reached certain points the ticket holders would receive additional in game content. The

prize pool started from 1,6 million and ended up being almost 2,9 million. . (Dota 2 Blog 2013, Benjamin 2014)

Valve has managed to pull off truly free to play business model where players get access to all the playable content from the start and if they want to use money to the game they can buy in game cosmetic items, but nothing that affects the gameplay in any matter.(Kain, 2012) Players can also receive these in game cosmetic items through random drops by playing the game. Valve's gaming platform Steam offers players an opportunity to sell these cosmetic items to other players in steam community marketplace.(Makuch 2012) Most of the cosmetic items in game are created by third party content creators and Valve will take small cut from all the items sold in game.(Davis 2014, 15) Items that are sold in game are chosen by the community or tournament organizers can bundle these items to their in game tickets. Very recently Valve has set some limitation which tournaments can bundle their items to the tickets, but due to lack of information from Valves side there hasn't been official which tournaments are eligible to bundle the items. (Dota2canada 2014)

4.4.6 Studios / Casters

At the moment there are few professional studios that are dedicated to casting Dota 2 tournament. Casters job is to make the game more approachable to the viewers and get them more excited about what is happening in the game in a same way that they do it in any other sports. Good casters are important part of creating the esports experience and evolving it more approachable to viewers that are not familiar with the game beforehand (Fernandez 2012).

These casters can be hired to cast online and offline events for the tournament organizers and sometimes these studios held their own tournaments. Usually when casting a Dota 2 game there are 2 casters, one who does play by play casting what is happening in the game and the second one who has more in-depth knowledge about the game and it's mechanics so he can explain why players do something the way they do it. Often the casters have professional

players as their co-caster who has even more in- depth knowledge of the game and its current meta game.

In Finland this part of the esports is still in its early stages and Dota 2 casters won't make any money out of it and they do it just because they enjoy it and want to see Dota 2 scene to move forward. Casters might get reimbursed for their travel expenses. (Koskivirta 2014; Markkanen 2014)

4.4.7 Content creators

Valve has created an unique opportunity for third party content creators to create in game items for their games and at same time earn money when these items are sold. Items that gets to be sold in game are voted by the community so that when community likes an items they are sure to vote it so they can buy it. Over 90% of item content is from the community. (Davis 2014) As we can see in figure 7 there has been a significant increase in the content creators and the average amount they have earned. Content creators are also important for tournament organizers because tournament organizers can hire them to create addition value to their in game tickets by bundling cosmetic items to the tickets.(Markkanen 2014) This also gives content creators alternative way to get their items to the in game shop so this would be profitable interaction for both sides.

In Finland tournament organizers have yet explored this as a way to add more value to their product. Although so far there has been only one finish tournament that has sold in game tickets and their function was just to increase the visibility of the tournament.

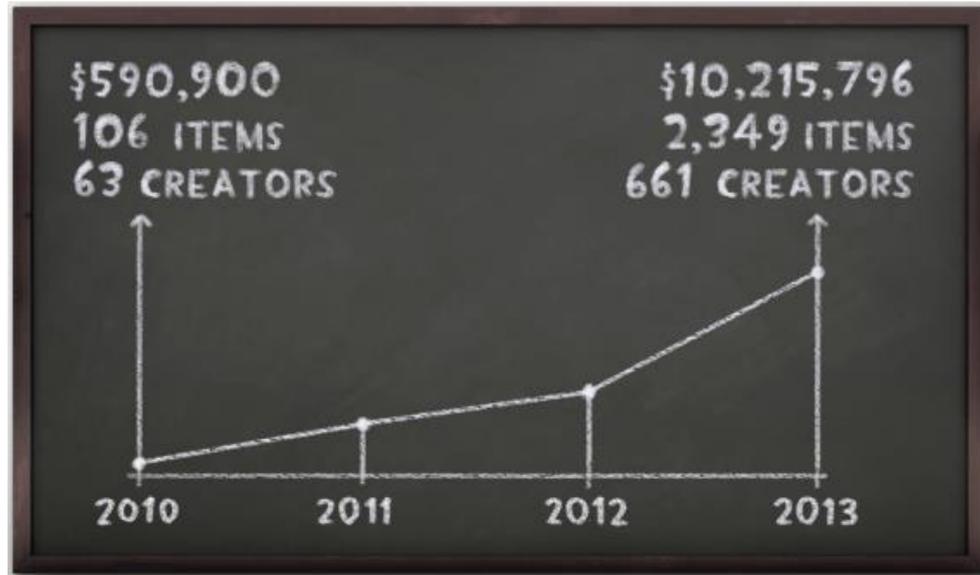


Figure 7. Contributor payout (Davis 2014 In-Game economics in Team Fortress and Dota)

4.4.8 Media

Esports haven't reach the mainstream media status for the exception of South Korea where there are actual Tv channels dedicated to esports.(Kim 2007) Also in some other countries have shown esports in regular Tv channel as an example of this was Swedish network TV6 broadcasted last two days International 3 live on television. Since the TV 6 has also broadcasted Dream League tournament. (Looloocakes 2013, Asus rog dreamleague 2014)

Although the lack mainstream media attention has not effected how fast esports are gaining viewers with its current channels

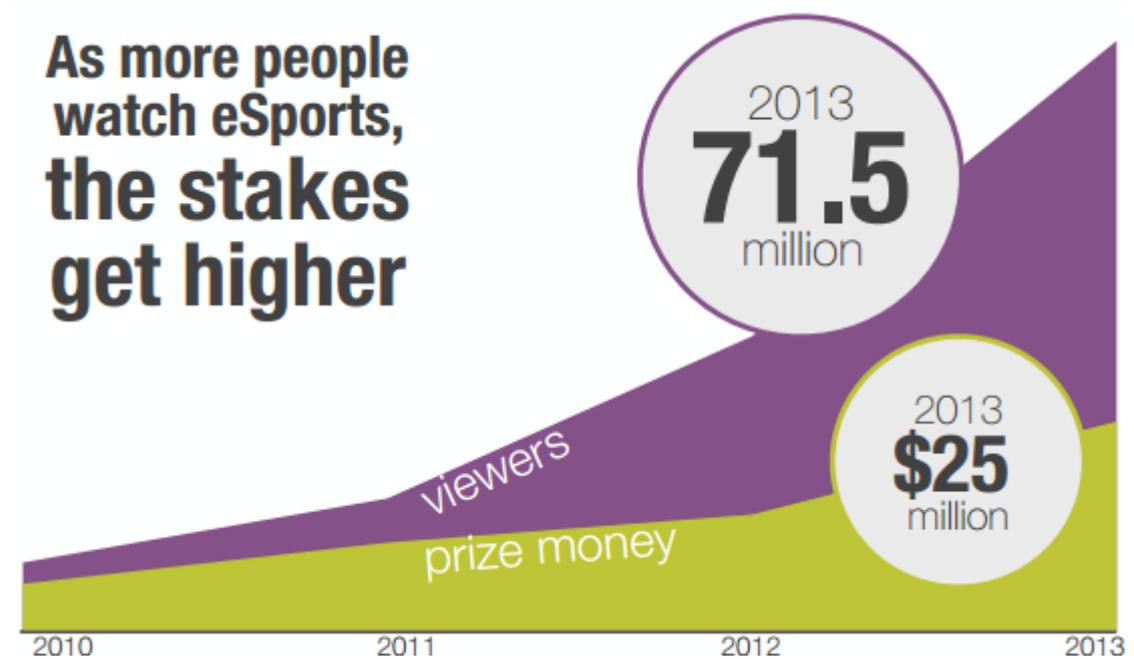


Figure 8. Esports viewers (esports: Digital Games Brief, April 2014)

In Finland Media hasn't noticed esports much. Even when Finnish Dota 2 player was attending The international 3 with his international team placing 8th there was no attention from media. Once esports gains attention from mainstream media the interest from sponsorships will also rise. (Burtenshaw 2013)

4.5 How to apply business model canvas

The business model canvas has questions which will help to explain all the sections see figure 9. Author will be using these questions to apply the BMC to the case study. Emphasis will be on the value proposition, customer segments and revenue streams, but other sections will be used as well because they are important when building a complete business model. Also advertising and freemium patterns will be used analyze the case study through examples given to these patterns in Business Model Generations (Osterwalder and Pigneur 2010).

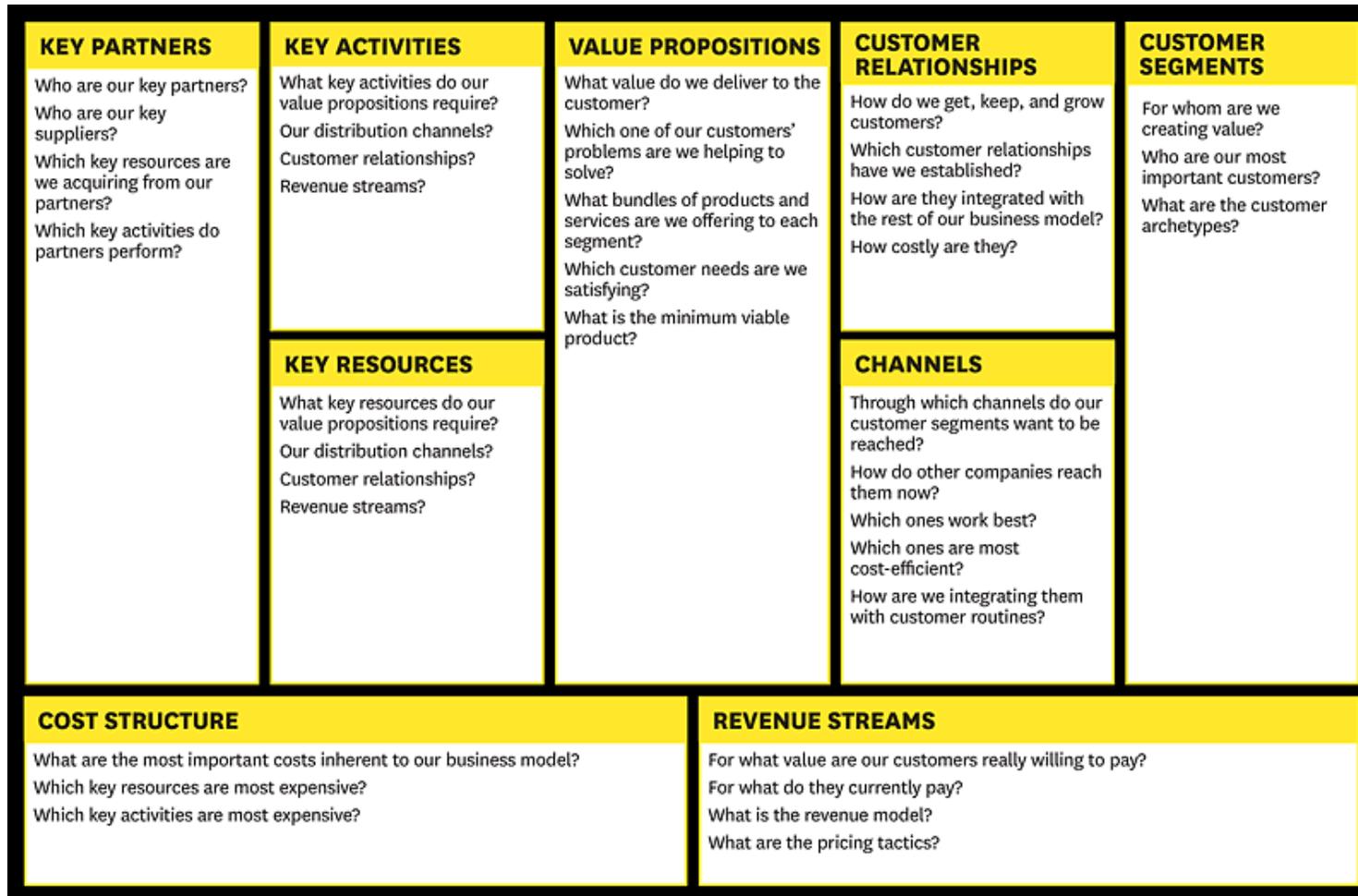


Figure 9. Modified from Business Model Canvas (Osterwalder and Pigneur 2010, 44)

5 CASE ASSEMBLY WINTER 2014 STEELSERIES DOTA 2 INVITATIONAL

The author was able to get in contact with Markus Koskivirta who was responsible for organizing the case tournament and after receiving his answers to the questions send to him, the author decided to use this tournament as case study. The other option would have been to keep the focus on one of the large tournaments and rely on data found on the internet which wasn't very tempting.

5.1 Applying business model canvas

Business model canvas will be used here from the tournament organizers point of view. Tournament organization is part of nonprofit organization which set some restriction such as they are not allowed to seek profit from the event.

5.1.1 Customer segment

The initial thought of customers when considering any sports is the viewer's and that is no different in esports. They are the primary target and they are the group that is used to evaluate if the event was successful. Viewers are the customers segment that receives the benefits of free patterns. The other customers that the organizers need to reach are players, sponsors, content creators and casters. Although once these customers are reached they also became key partners or key resources as they are there to increase the value that the tournament organizer offers to the viewers but at the same time they increase value to each other as well.

In this case the teams were mostly Finnish with two exceptions, one team from Sweden and one from Denmark. In tournament there was 8 teams in total and six of them were invited and 2 got there through online qualifier. These teams are not top tier teams on international level, but some of the players have played in well-known teams before.

No content creators were involved in this tournament because the tournament organizer wasn't aware of this aspect of the scene.

Tournaments main sponsor was Steelseries which manufactures gaming equipment such as mice, headsets and keyboards. Tournaments prize pool of was 5 000 €. As they were main sponsor of the tournament they had exclusive rights to show their advertisement in the stream. Jimm's is other important sponsor as they provided the computers used in the tournament even though they weren't sponsoring the Dota 2 tournament in particular but the whole Assembly winter event that the tournament was part of.

Tournament was casted by Jaakko "Pawsaur" Markkanen, who could be considered most famous Finnish Dota 2 caster. Ville "Matsimoko" Laitinen was the co-caster in this tournament. It is good that they have caster that the viewers are already familiar with as they can expect certain quality from the stream and are more likely to tune in to watch the games.

5.1.2 Value proposition

Different customers are there for different reasons. Viewers are there for the entertainment. Viewers can access the content free but they can choose to buy the in game ticket for added value or just to support the Finnish Dota 2 scene. For casters, players and content creators it is a job and opportunity for an income but also for the visibility. Sponsors are for the visibility that they expect to turn in to income in the future. All the customers are deeply entwined as they all help to increase the value brought to each other. Higher price pool attracts better teams, which attract more viewers, which again attracts more sponsors.

5.1.3 Channels

Channels that were used to reach the viewers were stream and Dota 2 Tv. This was first event in Finland to sell in game tickets to watch tournament in Dota 2 Tv. Tickets were sold lowest possible price which is 0,69€ and the main goal this was to increase visibility in game. When watching the tournament in game viewers won't see advertisement. At best there were over 400 viewers in game

and over 600 in stream simultaneously. In these numbers one need to take in to consideration that some viewers can be watching the tournament from both of these sources at the same time.

5.1.4 Define money usage and incomes.

Most of the money goes to the prize pool and the other costs in this size of a tournament can fifth of size of prize pool. Largest of this these other costs are the staff upkeep even though most of the staff is volunteers in it is important that they are taken care of so that they will volunteer in the future as well. Interviewee was unable to define exact sources for money other than that they come from event partners and event ticket sales in general. Only sure source is that the money for the prize pool comes from tournaments main sponsor Steelseries.

There was some income from in game ticket sales but that is marginal as there was only few hundred tickets sold and with the prize being 0.69€ where Valve takes more than half of the prize there isn't much left for the organizers.

In this case there was entrance fee for the participating teams. This fee was used to cover small scale upkeep for the teams and to cover the entrance fee to the main Assembly event.

Because tournament was part of larger event there were several expenses that the author didn't count as expenses to the case tournament. These expenses are significant and therefore require mentioning. These costs come from: venue, furniture, equipment, insurances, lighting, network, staff, marketing, invited players and after party. Tournament organizer should take these into consideration when organizing individual tournament which isn't part of larger event.

5.2 Suggested improvements

By finding content creator they could add more value to the in game tickets by bundling some in game items to it. Although this can be hard as Valve has set

some restriction to this kind of bundles and these restrictions mean that the price pool would have to increase to avoid these restrictions. Unfortunately rules have just recently changed so there is no reliable data available about these rules. Previously there was no rules in this matter any tournament could bundle items to their tickets.

Better streaming channel would attract a lot more viewers. In Assembly Winter other game with same price pool managed to get 30 000 simultaneous viewers when they used well known streaming channel. With the well-known streaming channel they could attract more international viewers that are unlikely to tune in to some unknown stream. Even with different language options for the streams could help to attract more viewers. English and Russian are the most popular language options that are used in other streams.

When acquiring sponsors to events it might help the organizers to sell the event if they had raw data what kind of viewers the sponsors would reach through sponsoring this event. Some might think that this kind of events only attract teen viewers which is not the case.

Then there is a compendium which has been used by few larger tournaments and the International but before this can be added to Finnish Dota 2 tournaments they need grow a lot as compendium requires quite much resources to actually add value. At the moment only few tournaments have used this and all of them are premium tournaments with tier 1 teams and over 100.000 dollar prize pools.

Because this invitational tournament it would be within reason to remove the entrance fee from the invited teams although this can difficult to change when the tournament is part of a larger event which requires the entrance fee.

5.3 Summary

Tournament organizer has realized the importance of different stakeholders and has managed to receive consistent sponsor from Steelseries as they have been the main sponsor two out of two times that the Dota 2 tournament has been

organized as a part of Assembly event. They are quite well aware of the ways how to improve their tournament but the size of Finnish Dota 2 scene can be seen as a limiting factor to the growth. More sponsors are essential factor to growth this would mean that all aspect of the tournament would have to grow as well.

6 CONCLUSIONS

As the focus of this study shifted from the larger scale tournaments to smaller scale this left the author to wonder how things are done on the larger scale where tournament organizations is profitable business.

By using business model to analyze the case the author was able to divide the tournament business in to sections and then analyze these sections individually.

All the stakeholders in this case in are interacting with each other and they need to work closely together if they want to succeed as it is difficult to see option in which only one of the stakeholders could reach its goal alone.

Esports is still growing business and on international level it has started to attract some larger companies to sponsor teams and events. If tournament organizers can reach more viewers on Finnish level they could also attract more sponsors to their events.

With the current size of Finnish Dota 2 scene it is difficult to think tournament organizing becoming a profitable business in few years but what there is at the moment is solid ground to build up from. But then again it took a long time for esports to grow to its current size so it would be unrealistic to expect major change to happen in this particular case. If scene kept on Finnish level with some random teams from other countries visiting tournaments it is hard to see this becoming profitable. But then again if they were to seek growth through making everything more international there would be much more competition with large organization which have been in this business much longer and they have created an existing brand for themselves.

In other games these large organizations have brought their tournament to Finland bringing world class players and caster with them. If this were to happen in Dota 2 it could increase the interest to Finnish Dota 2 scene from non-Finnish viewers.

While studying esports for this case it has opened other interesting research topics for the author. Most of these topics are related to Valve because as a

company it has so many different aspects to it. They are game developers, publishers, marketer's tournament organizers and so on. But for the author the most interesting topic would be the free business model that they have applied to their games Dota 2 and team fortress 2. Also how they have been able to get the community to involved into "ground funding" the International tournament.

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APPENDICES

Appendix 1. Interview questions

1. Mistä palkintorahat/turnauksen rahoitus?
 - a. Sponsorit?
 - b. Pelin sisäinen lipun myynti? Kuinka paljon lippuja myytiin?
 - c. Sijoittajia?
 - d. Osallistumis maksu?
 - e. Mainokset?
 - f. Muuta?
2. Mitä kuluja turnauksen järjestämisestä syntyy? kuinka suuri osuus milläkin on?
 - a. Palkintorahat?
 - b. Studio/juontajat?
 - c. Paikka?
 - d. Tietokoneet
 - e. Sisällön luojat? HUDs, skins, couriers , wards etc
 - f. Muuta?
3. Turjauksen järjestämiseen kuuluvia sidosryhmiä. Minkälainen suhde näihin ryhmiin?
 - a. Casterit
 - b. Pelaajat
 - c. Tekninen tiimi/ adminit
 - d. Tahoa, joka asettaa säädöksiä?
 - e. Sisällön luojat? HUDs, skins, couriers , wards etc
 - f. Muuta?

1. Where does the prize money and other tournament financing come from?
 - a. Sponsors?
 - b. Ingame ticket sales? How much tickets were sold?
 - c. Investors
 - d. Participation fee?
 - e. Advertisement?
 - f. Other?
2. What kind of expenses there are when organizing a tournament?
 - a. Prize pool?
 - b. Casters / Studio
 - c. Location?
 - d. Computers?
 - e. Content creators?
 - f. Other?
3. Stakeholders involved in organizing a tournament? How do they interact with each other?
 - a. Casters?
 - b. Players
 - c. Technical team/ admins?
 - d. Regulators
 - e. Content creators?
 - f. Other

