Business Models in Professional Electronic Sports Teams

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Business Models in Professional Electronic Sports Teams

Dissertation in Marketing and Strategy

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Thank You Notes

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Abstract

Title: Business Models in Professional Electronic Sports Teams.

Since the beginning of the century, a new form of competition has surfaced through the use of computer technology and global communications. Over these recent years the competitive play of video games, dubbed as electronic sports, or simply esports, has grown from a pastime to a fully professional activity. From all over the world, hundreds of players battle each other in virtual arenas for a chance to reach the millionaire prize pools the top competitions offer, and for the amusement of the millions of the fans who follow them. Not to mention, for a chance to play in some of the biggest sports venues, as these competitions have started to step out of the digital realm to fill live stadiums. Still, despite the fact that esports have grown so much in the latest years, not much is known about the teams that compose this universe. So, this research aimed to bring clarity to how electronic sports teams work, by using business models as conceptual tools to display the different elements of the team’s businesses. To do so, sports and esports managers were interviewed in order to better understand how they run their teams. Starting with traditional sports, identifying the essential details that teams need to operate and building their business models, and then moving to esports, where business models were not only identified, but also improved. Additionally, three generic business models were designed for teams with different objectives and in different organizational levels. Moreover, this researched also identified common elements between sports and esports, as well as the main catalysts behind the esports success.

Keywords: Electronic Sports; Business Models; Sports Management; Teams; Organizations; Sponsorships; Management;
Resumo

Título: Modelos de Negócio nas Equipas Profissionais de Desportos Eletrónicos

Desde o início do século que uma nova forma de competição surgiu por meio do uso da tecnologia de informação e das comunicações globais. Ao longo destes últimos anos, a prática competitiva de videogames, mais conhecidos por desportos eletrónicos, ou 'esports', passou de um passatempo para uma atividade profissional. Globalmente, centenas de atletas de todo o mundo lutam entre si em arenas virtuais por uma hipótese de chegar aos prémios milionários que as melhores competições oferecem, e para a diversão dos milhões de fãs que os seguem. Isto para além da possibilidade de jogar em alguns dos maiores estádios, visto que estas competições já começaram a sair do mundo digital para o mundo real. Ainda assim, apesar dos esports terem crescido muito nos últimos anos, pouco se sabe sobre as equipas que constituem este universo. Deste modo, esta pesquisa teve como objetivo trazer clarificar o modo como as equipas de desportos eletrónicos trabalham, usando modelos de negócios como ferramentas conceptuais para apresentar os diferentes elementos de negócios das equipas. Para fazê-lo, gestores de equipas de desportos tradicionais e de desportos eletrónicos foram entrevistados, a fim de entender melhor como funcionam as suas equipas. Partindo dos desportos tradicionais, identificando os detalhes essenciais que as equipas precisam para trabalhar e construindo os seus modelos de negócios, passando então para os desportos eletrónicos, onde os modelos de negócios não só foram identificados, mas também melhorados. Adicionalmente, três modelos de negócios genéricos foram desenhados para equipas com objetivos e níveis organizacionais diferentes. Além disso, esta pesquisa também identificou elementos comuns entre os desportos tradicionais e os desportos eletrónicos, bem como os principais catalisadores do sucesso dos desportos eletrónicos.

Palavras-chave: Desportos Eletrónicos; Modelos de Negócio; Gestão Desportiva; Equipas; Organizações; Patrocínios; Gestão;
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<th>Description</th>
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<tbody>
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<td>BM</td>
<td>Business Model</td>
</tr>
<tr>
<td>BMC</td>
<td>Business Model Canvas</td>
</tr>
<tr>
<td>CPL</td>
<td>Cyberathlete Professional League</td>
</tr>
<tr>
<td>CS:GO</td>
<td>Counter-Strike: Global Offensive</td>
</tr>
<tr>
<td>EGTL</td>
<td>Evil Genius – Team Liquid</td>
</tr>
<tr>
<td>ESL</td>
<td>Electronic Sports League</td>
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<tr>
<td>eSports</td>
<td>Electronic Sports</td>
</tr>
<tr>
<td>ESWC</td>
<td>Electronic Sports World Cup</td>
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<tr>
<td>FPS</td>
<td>First Person Shooter</td>
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<tr>
<td>GSL</td>
<td>Global StarCraft II League</td>
</tr>
<tr>
<td>IeSF</td>
<td>International eSports Federation</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KeSPA</td>
<td>Korean eSports Association</td>
</tr>
<tr>
<td>MLG</td>
<td>Major League Gaming</td>
</tr>
<tr>
<td>MLS</td>
<td>Major League Soccer</td>
</tr>
<tr>
<td>MOBA</td>
<td>Multiplayer Online Battle Arena</td>
</tr>
<tr>
<td>LoL</td>
<td>League of Legends</td>
</tr>
<tr>
<td>NYRB</td>
<td>New York Red Bulls</td>
</tr>
<tr>
<td>RPG</td>
<td>Role Playing Game</td>
</tr>
<tr>
<td>RTS</td>
<td>Real Time Strategy</td>
</tr>
<tr>
<td>SC2</td>
<td>StarCraft 2</td>
</tr>
<tr>
<td>TeSPA</td>
<td>Texas eSports Association</td>
</tr>
<tr>
<td>UKeSA</td>
<td>United Kingdom eSports Association</td>
</tr>
<tr>
<td>WCS</td>
<td>World Championship Series</td>
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1. Introduction

1.1 Chapter Note

This chapter focuses on presenting this dissertation, going through its topic and how it is organized. It first introduces the electronic sports topic as well as the main game titles and approach its relevance to the academia, then going through the motivation to research this subject, followed by the research objectives proposed for this dissertation and the methodology on which it was based. It ends with a walkthrough on how this dissertation is structured and organized.

1.2 Theme Presentation & Relevance

One of the most recent developments due to the proliferation of mass-market computer technology has been the rise of video gaming. This has resulted in a new entertainment sector, with revenues that now consistently rival or exceed that of the established music and movie industries. And, while millions of people play computer games as avocation or amusement, some exceptionally high skilled players are intent on making a living of the competitive play of videogames, also referred to as electronic sports. This new vocation has been supported by the development of a nascent professional infrastructure with features familiar from the world of physical or traditional sports and entertainment, including tournaments, leagues, fans teams and team owners (Burk, 2013).

These so-called electronic sports, or esports, have been growing in popularity in the last few years and not only have they been gluing millions of fans on-to their screens to follow the broadcasts of the games, but they have also moved thousands of spectators into stadiums, just to watch professional gamers battle themselves for prize pools that range, in the most high tiered events, from the thousands to the millions of dollars.

This recent boom in the electronic sports market has many times been compared to the traditional sports market, even in terms of viewership performance and most recently in terms of prizes awarded. The fact that there is a modality, adding on the to the extensive and rigorous training that the players need in the top competitive levels, plus the whole entertainment setting, including casters, commentators, hosts and top-notch productions, make the comparison and the parallels between these digital sports and the live ones seem rather apparent.
Just like in traditional sports, these pro gamers generally belong to teams, which are responsible for their training, sponsorships, travel and lodging when playing abroad, and many even lodge their players in their alleged team-houses.

Noticeably, there is a solid and well-defined structure behind these professional video gamers just like there is one for the sports athletes. So, in light of the recent growth of the electronic sports and their huge movement towards stadiums, this dissertation focused on studying the business models on which the professional teams run on and to ascertain how effective they really are when aiming to sustain the team and its entire infrastructure, as well as understanding the extent of how electronic sports can really be compared to the traditional sports, especially on the business end.

1.3 Game Titles

Just like sports, there are different kinds of games that can be played. These games will be mentioned multiple times throughout this research and thus, it is important to know them, or at least to know what they are and how they are played.

StarCraft 2 is a real time strategy game, a game played from an aerial viewpoint of the map and a free roaming camera and usually involving military warfare. In StarCraft, players have to pick between three different races and start on equal terms, with just one main building and a few workers. Then, players proceed into building their
armies and fight the opposing forces, until one player has no buildings left or is forced to surrender. StarCraft 2 is currently at its second expansion, StarCraft 2: Heart of the Swarm and is developed by Blizzard Entertainment. Its predecessor, StarCraft: Brood War, is considered by many to be the first esport title and was the most popular game during the esports boom in South Korea.

League of Legends is a multiplayer online battle arena, or MOBA, a genre that mixes real time strategy and role playing games, where a team of five players battles another team, for the dominance of an arena or map. Teams spawn on the bottom and top side of the map, the blue side and red side respectively, and each player picks a champion, a character with four different skills, and then proceeds to dominate the opposing team. The map is usually composed by three lanes, commonly referred to as top, mid and bottom lane, where small armies spawn and move towards the enemy base. Along the way, players earn gold and experience by killing enemy units and enemy champions. Through experience players unlock new skills for their champions, while gold allows them to buy items for their champions, getting stronger as the game progresses. The objective is to destroy the enemy’s Nexus, which is placed in the center of their base. The first team to do so, wins the match. League of Legends is a free-to-play game developed by Riot Games.

Dota 2 is also a MOBA and is very similar to League of Legends. Players also spawn on a map with two bases, again bottom and top bases, with armies spawning alongside the three lanes, top, mid and bottom lane once again. Dota 2 is different from League of Legends on the champions, called heroes in Dota 2, and on the game mechanics. In Dota 2 for example, the player is allowed to kill his own units and allies, in order to deny the opponent the gold and experience rewarded for their kills. Champions/heroes, items, neutral units and map secondary objectives are also different in Dota 2, making the game very different, despite being very similar in style. Finally, the objective is the same, to kill the enemy base main structure, called Ancient in Dota 2. Dota 2 is a free-to-play game developed by Valve Corporation.

These two games are very much alike, as they are both heavily inspired in the Blizzard’s WarCraft 3 popular custom map ‘Defense of the Ancients’, or simply, DotA.

Counter-Strike: Global Offensive, on the other hand, is a tactical First Person Shooter. The game is played through the eyes of a counter-terrorist, or terrorist, character, who proceeds to defend, or destroy depending on the faction, the objective, or simply to eliminate the opposing team. The game is usually played in teams of five elements, in
matches of thirty rounds. Players earn ‘money’ when achieving objectives or killing enemies, which they then use to buy weapons or tactical gear. This game is played in different maps or arenas, and players always rotate factions, as some maps may favor the terrorist or the counter-terrorist side. The game is developed by Valve Corporation and is based on the popular Counter-Strike custom modification for the game Half-Life.

Hearthstone: Heroes of WarCraft, or simply Hearthstone as it is usually mentioned, is a free-to-play digital collectible card game developed by Blizzard Entertainment. In this game, players build decks from cards earned or bought through either gold (in-game currency), or real money transactions, and face each other, playing their cards in turn based rounds. Each player chooses a class and a deck, with decks being dependent on the class they chose and start with thirty hit points and a starting hand. Each turn gives the players a new card and allows players to play their cards. The first player to inflict enough damage to lower the opposing player’s hit points to, or below, zero, wins the game.

Of these games, League of Legends and Hearthstone are clearly the most popular, as table 1 demonstrates. Still, League of Legends has a solid advantage against its competitors, especially against Dota 2, with both being games in the same genre. On the other hand, StarCraft 2 has suffered a huge loss in the player base, especially considering the game sold millions of copies, around 4.5 million just in 2010. However, this is a representation of the game’s ranked players, which are those who are active on the multiplayer ladders, which in turn may be different from those playing the single player campaign, as StarCraft 2 allows players to just play the storyline or against the artificial intelligence.

<table>
<thead>
<tr>
<th>Game</th>
<th>Player Base</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>League of Legends</td>
<td>67,000,000 monthly active</td>
<td>January, 2014</td>
</tr>
<tr>
<td>Dota 2</td>
<td>10,861,978 monthly active</td>
<td>April, 2015</td>
</tr>
<tr>
<td>Counter-Strike: Global Offensive</td>
<td>6,275,365 monthly active</td>
<td>April, 2015</td>
</tr>
<tr>
<td>Hearthstone</td>
<td>20,000,000 registered players</td>
<td>September, 2014</td>
</tr>
<tr>
<td>StarCraft 2</td>
<td>357,964 ranked players</td>
<td>April, 2015</td>
</tr>
</tbody>
</table>

SOURCE - RIOTGAMES.COM, DOTA2.COM, COUNTER-STRIKE.NET, GAMESPOT.COM, NIOS.KR
There are, of course, more esports titles than those mentioned in this section, such as, for example, Smite, Heroes of Newerth, Quake Live, Call of Duty, Heroes of the Storm, World of Tanks, amongst others. However, these five comprehend very important and popular titles, as well represent three very important different game genres. Additionally, it’s important to understand the while not always mixed together with esports, sports simulators, such as Fifa, Pro Evolution Soccer, Gran Turismo, Forza and others, are, or can be, regarded as esports, depending of their ability to support competition between the players.

1.4 Motivation

At a time electronic sports are getting attention from the mass media (Gaudiosi, 2015) and esports players are even started to be recognized as professional athletes (Tassi, 2013), there is still little research done on esports and even less is known about the organizations that compose this universe, especially the teams.

So, in the light of current events, this research aims to bring clarity and deep knowledge about esports and the teams that battle each other in these competitions. These insights are not only valuable for the academia, but they might prove to be indispensable for both new and already established teams, especially at a time electronic sports are not only getting the interest and attention of major brands (Lariviere, 2014), but also, and more importantly, are in such an important stage of development that they are already perceived as a second level Olympic sport (Toledo, 2015) and could even be a part of the Olympic Games in a near future (Gaudiosi, 2012).

Also, there isn’t much research done in electronic sports, and even video gaming research is usually conducted towards the more psychological aspects that video gaming inflicts upon the players. However, knowing that the esports market is a successful niche in the video gaming market, and acknowledging its fast growth, as well as the competitive sports nature of this scene and the economic values it moves, its academic importance cannot be indiscriminate.

Thus, it is imperative to understand how electronic sports teams work, how they are managed and how they deal with the challenges that are brought upon them. Especially since it is possible to compare them with traditional sports teams, and select what can be applied to them, by identifying the elements that esports and traditional sports have in common.
So, this research focused more on the managerial part and the challenges that professional organizations face, in order to survive in such a competitive and fast paced environment.

1.5 Research Objectives

Even though it is possible to find a lot of information about esports and professional esports teams them in their websites, esports news and events, there are still many questions about them that remain unanswered, especially on how the teams work and operate. This leads to many questions that revolve around esports:

   i.    Why have electronic sports been so successful lately?

   Electronic sports exist at least since 1999, yet only in the recent years it has registered a huge growth worldwide. It is important to understand this phenomenon and its main catalyst. It would also be interesting to predict how the esports market will grow in the following years.

   ii.   What makes them interesting to watch?

   Electronic sports didn’t grow only in practice and competitions, but they also grew in terms of spectatorship, either in viewers through broadcasting transmissions or crowds in local events. Thus, it would be meaningful to understand why esports have been so captivating and what really drives the fans into these competitions.

   iii.  Can they be considered sports?

   There has been some discussion on whether electronic sports are, or aren’t, in fact a sport (Tassi, 2014). While many argue that either it is or it isn’t, it’s irrelevant, it would still be meaningful to see if esports can or cannot be considered sports in light of the academic definitions.

   iv.   What do they have in common with traditional sports?

   While they may be as competitive as traditional sports, electronic sports lack many of their fellow counter-parts infrastructures or supports. So, in order to understand what could be replicated from one source to another, an understanding of what they share in common is necessary.

   v.    How do professional teams operate?
Probably the most important question asked and one of the most important motivations for this research. Understanding how these teams work is paramount to help them improve their operations and achieve sustainability.

vi.  *What is their business model?*

Likewise, business models are possibly the best framework to assist with the previous question. The way they describe businesses will indubitably prove advantageous in understanding how these teams operate.

vii.  *Can it be improved?*

Finally, one of the most important questions and the last propeller of this research, to ascertain if the business models currently being used are optimal or if they can be further improved to better assist the organizations that run on them.

In order to answer as much as possible and to keep the focus for this research, a main question was formulated:

**What business models are the professional electronic sports teams currently using?**

However, there are still the other questions that hang around that this research will also approach in order to achieve a better understanding of the universe in which these teams operate. Thus, in order to answer all these questions, while retaining a special focus on the question formulated above, four objectives were defined:

- To identify and understand the main reasons behind the success of electronic sports as an entertainment;
- To identify the business models currently being used by professional esports teams;
- To design new business models for the studied teams, as well as any other professional team;
- To draw the parallels between traditional sports business’ models and the esports’ ones;

These objectives represent the goals this research was developed upon, and the questions that the following chapters will focus on answering.
1.6 Methodology

Kaplan describes methodology as the identification and utilization of the best approach for addressing a theoretical or practical problem. Methodologies advise how to proceed by indicating what problems are worth investigating, how to explore a given problem, how to best gather information and how to connect all these with the conclusions inferred. Additionally, methodologies often defined differently based on the philosophical stance defended by the researcher (Kaplan, 1964).

So, in order to answer the questions defined in the previous section, and to reach the objectives proposed, a thorough research is necessary. Thus, this research started with a thorough selection of international literature in business models and electronic sports.

The research then followed a methodology of qualitative nature, seeking to gather insights from different actors present in the electronic sports industry, with a special focus on those who run and manage the teams, through exploratory in-depth guided interviews. Through this method, many different opinions about the theme were collected amongst the different players in this niche market. Their experience and acumen were fundamental in understanding how these organizations work and where they are headed to.

The methodology is approached in further detail in chapter five of this research.

1.7 Structure

This dissertation is structured into eight chapters, with multiple sections in each chapter, always starting with an introduction where the chapter and its objectives are explained and always finishing with a short summary and conclusion about what was discussed.

The first chapter, the introduction, describes this research, its context, objectives, research problems and the methodology on which this research was conducted.

The second chapter reviews academic literature on business models and explains what they are, why they are important and what the Business Model Canvas is. It also reviews how business models work in the sports field and the usefulness of strategic sponsorships.

The third chapter also reviews academic literature but for electronic sports. It starts with the background and definition for electronic sports and heads into its viewership, its establishment as a successful niche market and a connection between esports and traditional sports.
The fourth chapter contextualizes this research by depicting the global and current situation of electronic sports, distinguishing some cultural differences and identifying the most important industry players as well as naming some of the most important teams in the scene.

The fifth chapter approaches the methodology on which this research was conducted, starting by the study description and heading into the business model canvas and how it was used. It also describes the participants in this research and interview guides used to gather information. It wraps up with the data analysis and a short text on research ethics.

The sixth chapter heads into the business aspect in traditional sports. It starts by identifying and justifying the sports analyzed in this research heading into their business models and closing with the participants’ opinion towards electronic sports and what electronic sports can learn from these business models.

The seventh chapter finally focuses on the electronic sports and their management. It starts by identifying the researched teams, followed by an analysis of their operations and construction of their business models. In then moves into reviewing their business models based on the information gathered from the previous chapter and heading into what the interviewees thoughts of the industry were.

The eighth and final chapter of this research draws the final conclusions. It starts with the first impressions regarding the overall research, moving on to the designing of generic business models for esports teams in different situations. It then heads to an approach to each of the objectives defined on this chapter, followed by the limitations faced and suggestions for future researches. Finally, it wraps up with the final regards on the research.
2. Business Models

2.1 Introduction

The following chapter sets its focal point mostly on the study business models and the recent studies done about them. It starts by identifying and explaining what are business models and their importance to organizations, and moves on to how they can affect sports management, ending with strategic sports related decisions such as sponsorships. Finally, it approaches the Business Model Canvas and closes up with a summary on what has been discussed and their importance and key participation to this study.

2.2 Business Models

Nowadays, the terms ‘business model’ and ‘strategy’ are amongst the most used terms in business. However, these terms are often stretched to mean almost everything, and end up meaning nothing, being very carelessly used and ending up misunderstood most of the time. And while it is true that drawing sharp boundaries around abstract terms involves some arbitrary choices, it is still important to do so, so that these concepts will stop being confusing and difficult to grasp. Definition brings clarity, and when it comes to concepts so crucial to performance, no organization can afford and unclear thinking (Magretta, 2002).

Falling back on the research undertaken in the history and philosophy of science which discusses the use of models in economics, business models can be useful as they act as various forms of model: to provide means to describe and classify businesses, to operate as sites for scientific investigation and to act as recipes for creative managers. They are rewarding in that they make it possible to see how they embody multiple and mediating roles (Baden-Fuller & Morgan, 2010).

With basis in new ideas, new empirics and even new business experiences, different ways of ranking organizations mean different aspects become crucial and distinct elements have to be analyzed. Business models characteristics can fulfil the roles of ideal types, since they are based in both observation and theorizing. For example, these models can be used to demonstrate a technology, as they give instructions and steps on how to build something, so that the final result comes out correct (Baden-Fuller & Morgan, 2010).

Business models can be established as paragon models that can be duplicated, or even presented as summary descriptions of business organizations: clear descriptions
identical to scale models. But, they can also work as models in the scientific sense as they can be researched as models that backup for a class of things. Or, they may simply come out as blueprints in academic slides and as representations that can be shaped just like economic models, where they appear as universal that they are neither general theory nor fully empirical descriptions. While business models aren’t exactly formulas or scientific models, scales or role models, they can play any, or even all, these roles. And can be often found fulfilling many of them simultaneously (Baden-Fuller & Morgan, 2010).

Essentially, a business model is a conceptual, rather than financial, model of a business. Organizations can adopt business models establish in one area, and replicate it into another. Also, a business model is more universal than a business strategy, which in turn makes it crucial to combine strategy and business model analysis, in order to protect the competitive advantage that can result from a new business model design. Business model choices delineate the architecture of the business, allowing expansions paths develop from there out (Teece, 2010).

More conclusively, Osterwalder explained business models as:

“A conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm” (Osterwalder et al., 2005)

2.3 The Importance of Business Models

While business model innovation may not seem bold, without it there would be no rewards for pioneering individuals or organizations. The best business model is rarely evident early on, so managers who are well positioned and able to learn and adjust are more likely to thrive. Provisional business models must be appraised against the ongoing state of the business environment, as well as against how it might grow, and chances are greater if managers have a deep comprehension of that environment. So, in a way, designing exceptional business models is practically like an ‘art’ (Teece, 2010).

In very fast paced, complex and unclear environments, strategies require vision, quick testing and developmental research as much as the conventional planning and precise execution. Which make modeling an advantageous way of designing a strategy, and in turn also makes the ‘business model’ concept tempting, as it suggests the approach for strategies to be formulated and executed (McGrath, 2010).
When the performance of existing business models drops, new ones appear. However, it is hard to determine which new models will succeed the old ones, as many of the variables important to their triumph aren’t always known at the beginning, which means that experimentation is crucial. New business model designs lead to heavy experimentation, with no clear comprehension at the start of who will perform the best. (McGrath, 2010).

Business models change focus from the resources to their management. Experimentation is fundamental, both within players and crosswise industries, as a superior capacity at experimentation results in making superior models faster, and so is communicating with those who can defy business models viability (McGrath, 2010).

Two different approaches to the business model concept can be recognized. The static approach and the transformational one. The first approach considers the business model as the utmost blueprint, like a recipe, which renders important functions enabling description and classification. In this perspective, the business model integrates a way of building value in a business. In the second approach, the business model is regarded as a theory or a mean to address transformation and focus in innovation, either in the organization or the business model itself. New business models have been perceived as radical innovations with the power to revolutionize entire industries. However, in this approach, a viable business model is seldom found immediately and involves continued improvements to secure an internal consistency and/or to readjust to its environment. In summary, the static approach of a business model enables us to build typologies and study its relationship with performance, while the transformational approach deals with the major managerial question of how to change it (Demil & Lecocq, 2010).

Following the Penrosian firm perspective regarding the business model concept, the business model can be described with three core components: its resources and competences, its organizational structure and its propositions for value delivery. These components will each comprise several different elements and the structure and volume of the organization’s costs and revenues follow from them. These components build what is called a RCOV framework (Demil & Lecocq, 2010).

The first signs of business model evolution are the structural shifts in costs and/or revenues, originated in using a new kind of resources, establishing new sources of revenues, redesigning organizational processes, or externalizing a value chain activity and if this was provoked purposely or environmentally. In theory, changes in an organization’s business model may lead to an increase or decrease in its performance in
terms of margin, which may be a signal about its viability. Most commonly, an organization will outset a changing process when its performance is insufficient or is dropping. Strategically, the evolution of a business model may revolve around both external and internal factors. Environmental shifts or external setbacks may disrupt the organization’s normal functioning unexpectedly. Internal factors are the outcomes of managers’ decisions, but also the dynamics within or between core components of the business model (Demil & Lecocq, 2010).

2.4 In Field of Sports

Considering the English professional football club Arsenal as an example, it had somehow to sustain its performance, both sports and financial wise, in spite of considerable changes in its operating environment, while at the same time evolving its business model to face the upcoming challenges. In Arsenal’s RCOV framework, the two major resources where its stadium and its human resources, especially the playing squad and the training staff. The already high and ever increasing levels of transfer fees and players’ salaries required to attract the best players gave Arsenal’s managers reason for concern, but it was considered mandatory to remain competitive at the top level. Other human resource competences such as detecting, attracting and training talented young players were also seen as necessary, as it would allow to avoid some of the increases in player expenditures. In the evolution of Arsenal’s business model a period of low performance took place during the transition from Highbury to the Emirates stadium, just before new revenue generation started to kick in. The decisions that promoted the change in the business model restarted and improved Arsenal’s financial performance. Those included the new stadium, the youth development policy and the Emirates Airlines naming deal, amongst many others (Demil & Lecocq, 2010).

The concept of ‘permanent disequilibrium’ is at the core of the Penrosian perspective, as resources are never handled optimally and inefficiencies always remain, making room for new value propositions and superior resource management. Managers have to watch their resource/competence portfolio to try to achieve new value propositions. In the case of Arsenal, fans are both a value proposition target and a resource, encouraging new Club sponsors. In summary, a business model can only be considered viable when the choices regarding its core RCOV components lead to a sustainable performance. Interactions between core components and executive actions
mean business models are always changing. Managers need to oversee consistency to secure sustainable performance (Demil & Lecocq, 2010).

Arsenal F.C. was just an example, but the reality is that over the last thirty years sport has changed: it has shifted from amateur to professional and ground to a vast number of commercial opportunities. And not only does this apply to sport in general, but also to sporting events (Kase et al., 2006). This professionalization of sport is the result of the appearance of professional players, as in people who devote themselves full-time to their sport and are able to make a living out of it, and to the revenue and sales opportunities that have risen with the sale of broadcasting rights (Chadwick and Beech, 2004, quoted by Kase et al., 2006).

With the growth of the sports industry, sports now belong, in some extent, to the field of economics and business (Foster et al. 2005, quoted by Kase et al., 2006). And, as a result, the organizations primary goals to achieve sporting success now encompasses other factors, such as profits. In fact, one cultural difference in the characteristics of professional sports organizations in the focus on profits and their maximization by clubs in the United States, while European clubs the their performance in the field in first place (Fort, 2000; Ascari and Gagnepain, 2006, quoted by Kase et al., 2006).

2.5 Strategic Sponsorships

Increasingly assuming a more strategic role in an organization’s marketing strategy, sponsorships are a recognized way of achieving sustainable competitive advantage (Amis et al., 1999, quoted by Fahy et al., 2004). In 1994, Meenaghan, defined sponsorships, defined as:

“An investment in cash of kind in an event, team or person, in order to secure sponsors’ access to the commercial potential associated with that event, team or person”

Already looked upon as an engaging communications tool, especially with the decentralization of traditional mass media, and, as the market or even the sponsorship itself becomes fiercely competitive and demanding in order to secure a competitive advantage, it’s paramount that sponsorship investments be thoroughly managed so that their effectiveness is secured (Fahy et al., 2004). Also, with some of the most important sponsorships achieving global success, the sponsorship’s role in the communications mix has shifted to a strategic role, assisting in the reach of superior performance in the market. And, when considering this strategic role, two different levels of competitive advantage
have been established: the accomplishment of advantage in the competitive market for sponsorship and the issue of competitive advantage in product markets (Fahy et al., 2004). It’s important to notice, however, that while a sponsorship might be superior to that of competitors, it will only hold a competitive advantage in product markets if it provides value or enables the creation of value for customers (Barney, 1991, quoted by Fahy et al., 2004).

Indeed, some sponsorships have become so significant that the organizations behind them have been compelled to see these decisions as more than just communications related, instead associating themselves with key sports or events seen as integral to their own position. And, as economies and markets become increasingly connected, any mean that can help in building a global brand is highly appealing (Fahy et al., 2004).

The burgeoning complexity of sponsorship based relationships, and the intrinsic conflicts they conceal, have made managers more conscious of a clear strategic reason to establish their choice of partner (Farrelly, 1999, quoted by Fahy et al., 2004).

The deployment of key resources to support a sponsorship will promote a sustainable competitive advantage in the market where it acts, and where it will be clearly differentiated from rival sponsorships, and more importantly, it will be capable of resisting any efforts to disrupt it. So, with a little more detail: sponsorships will require more than just financial resources to achieve competitive advantage over contesting sponsorships. Such competitive advantage will need to be supported by both top level brand building skills, such as those required to reach a perceptual match between two brands and high level organizational capabilities, and finally, sustained sponsorship advantages will be attained through the simultaneous deployment of multiple sources of advantage (Fahy et al., 2004).

2.6 Business Model Canvas

The Business Model Canvas is a tool for designing and visualizing business models and to motivate business people to think about their business models, which make the communicability much easier and standardized. It was devised to facilitate business model design and to drive business men into thinking differently about their business models. It structures the business model into a canvas with nine building blocks, in which the main four key elements of the business model dimensions are covered: value proposition, relationship between organization and its partners, what the firm is doing,
and financial aspects (Coes, 2014). It is the combination between these unique building blocks that create a unique business model (Osterwalder & Pigneur, 2010).

At the center of the Business Model Canvas is the value proposition building block. Defined as products and services that create value for a specific customer segment, the value proposition is the offer which fulfills a customer need or problem of a specific customer segment (Osterwalder & Pigneur, 2010).

Without customers there can’t be a business, thus the customer segment is another building block of its own. Defined as: “…different groups of people or organizations an organization aims to reach and serve’ (Osterwalder & Pigneur, 2010), costumer segments are important for they allow organizations to bundle products or services with the same value proposition. Customer segments are created by defining size, variety and type of customers who share the same characteristics. If a customer segment is poorly defined or too broad, the business model will also have a too broad value proposition that wont be perceived as valuable (Osterwalder & Pigneur, 2010).

To deliver the value proposition to the targeted customer segment, the channels building block comes to action. Through this block, organizations communicate and reach their customer segment raising customer awareness regarding the proposed value. Besides awareness, channels are also responsible for guiding the proposed value to the customers (Osterwalder & Pigneur, 2010).

Linking the value proposition with the customer segment is the customer relationship building block. These relationships depict the way an organization connects and interacts with its customers. The objective is to improve this relationship and as a result, to sell more products or services (Osterwalder & Pigneur, 2010).

Since an organization usually doesn’t have all the necessary resources and activities in-house to generate the value proposition by itself, networking has a relevant position in the Business Model Canvas in the key partner’s building block. This block represents the network of partners and suppliers that make the business model work and may lead to risk and cost reduction, and facilitate the acquisition of hard to find resources (Osterwalder & Pigneur, 2010).

Resources are always an important element and they have their place in the Business Model Canvas in the key resources building block. Defined by Osterwalder and Pigneur (2010) as the most important assets required to make a business model work, resources are mandatory to achieve sustainable competitiveness (Barney, 1991). They are necessary to create, communicate and deliver the value proposition. Different
organizations require different types of resources, as they can be of many different types, such as physical, intellectual, financial or human resources (Osterwalder & Pigneur, 2010).

Resources, however, are useless without the actions that transform them. Thus, another building block of the BMC is the key activities block that depicts the most important activities a company must execute to make its business model work. These activities, such as production, problem solving and network activities, create value for the customers (Osterwalder & Pigneur, 2010).

The key resources, key activities and key partners’ building blocks aim towards the creation and capture of value described in the value proposition, however, these blocks require costs in order to operate to create and deliver that value to the customers. Thus, another building block of the BMC is the cost structure, where all costs incurred to operate a business model are described. These costs can be portrayed as cost-driven, value-driven and fixed or variable costs, depending on the business model (Osterwalder & Pigneur, 2010).

Finally, all these eight building blocks are all about creating and delivering value for the customers, but in commercial businesses, the aim is to make profit. So, the last remaining building block is the revenue streams, where the income a company generates from each customer segment is described. It is in this building block that the pricing mechanisms must be defined as the revenue stream is initiated by a transaction of value which is paid for with currency (Osterwalder & Pigneur, 2010).

When compared to other business model frameworks, the Business Model Canvas offers many strengths and limitations. The main advantages include its visual representation, making it easier to design, adapt and communicate business models, the coverage of the different elements of a business model, with nine very specific building blocks and the centrality of the value proposition. Nonetheless, it is not without several limitations, which include the ignorance of external factors, such as competition and imitation, the fact that human interaction is not taken into account, which may lead into an incomplete identification of the value proposition, and the missing strategic purposes, such as the mission and vision of an organization, which imply that the focus is on profit generation and not on strategic purposes, such as non-profit purposes (Coes, 2014).
2.7 Summary & Conclusion

Putting it simply, a business model is a very versatile conceptual model of a business. It is more universal, and yet, more practical that a strategy. Business models can be tested, adopted, evolved and replicable, provided all the conditions are there. Which in turn make it more complex to protect from competing business. However, business models that secure key resources can guarantee that they aren’t replicable and thus secure competitive advantage. Hence the importance of competitive strategy, and means to obtain it, such as sponsorships, in this particular case, in the field of sports. And, when setup correctly, securely and sustainably, business models have the potential to revolutionize entire industries.
3. Sports & Electronic Sports

3.1 Introduction

This chapter approaches academic literature regarding electronic sports and their importance not only to the academic community but also as an important topic to research. It starts with the background of video games and their transformation into electronic sports, followed by a definition of what electronic sports are. From there it approaches both the traditional sports and the electronic sports businesses and also makes a passage through the spectatorship of electronic sports and their comparisons towards traditional live sports. Lastly, this chapter closes with a short summary, reflecting on the conclusions taken from the reviewed literature.

3.2 Esports Background

While videogame related studies have recently started to become more accepted by scholars, very little scientific research has been done towards its competitive play. Competitive videogames, most commonly referred to as electronic sports, or just ‘esports’, date back to the late nineties, with its first official use by the Eurogamer Mat Bettington when he first compared esports to the traditional sports in 1999 (Wagner, 2006).

The emergence of electronic sports can be explained as a follow-up from the communication based society of today. As a business factor in youth culture, esports are generally depicted as a ubiquitous cultural phenomenon of global importance. Nonetheless, reality demonstrated two different gaming cultures rising, separated by Eastern and Western ideals (Wagner, 2006). Wherein the United States and Europe, the history of competitive video game play is commonly associated with the first shooting games that supported network play, namely ‘Doom’ and ‘Quake’, circa 1996, South Korea had a different preference, more inclined towards ‘Massively Multiplayer Online Role Playing Games’ (MMORPG) and ‘Real Time Strategy Games’ (RTS), particularly ‘Lineage’ and ‘StarCraft’. The latter being especially well suited for competitive play and being undisputedly dominant for the following years (Wagner, 2006).

In fact, with the rapid growth of the Korean broadband infrastructure, due to the deregulation of advanced telecom applications, it was possible to create television stations that focused only on broadcasting computer gaming events. This resulted with a gaming
culture where StarCraft players were able to gain cult-like status similar to professional athletes competing in major sports leagues (Wagner, 2006).

3.3 Defining Sports

Before reaching a sound definition on what electronic sports are, we must first have a ground definition for sports, or, as they will be mentioned in this document, traditional or live sports. Professor Dr. Claus Tiedemann proposed this definition:

“‘Sport’ is a cultural field of activity in which human beings voluntarily go into a relation to other people with the conscious intention to develop their abilities and accomplishments – particularly in the area of skilled motion – and to compare themselves with these other people according to rules put self or adopted without damaging them or themselves deliberately.”

While this definition precisely defines what sports are, it is also broad enough that it can include electronic sports in itself (Wagner, 2006).

However, to better detail and further the investigation on electronic sports, a more precise definition will be determined.

3.4 Defining eSports

To further advance on the study of ‘eSports’ a scientific definition must be reached. In truth, there is no generally accepted definition for electronic sports, although it is most frequently regarded as ‘professional gaming’. Still, combining the definition for the term ‘sport’ by Claus Tiedemann with the information and communication technologies these videogames are built and rely upon, Michael Wagner defined esports as:

“An area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies.”

This definition is sound enough to include both the technological and the competitive side on which these video games are based, and to encompass both individual and team activities (Wagner, 2006).

The natural connection between traditional sports as well as its bridge with classical game theory is apparently evident (Wagner, 2006). But, the business of traditional sports are usually built around the features of physical location, such as their liability on geographic loyalty of spectators, that also turn into important sources of
revenue through ticketing from the attendance on the local stadium. Not to mention that they also depend on tax and subsidy benefits from local communities. Which means that the way forward for virtual play with a globally distributed audience is less clear, leaving the future configuration of esports in the dark. So, however esports evolve, it cannot adopt quite the business, social or legal posture of its physical analogue (Burk, 2013).

3.5 Traditional Sports Business

Evaluated in 2011 at €450 billion, the sports industry of today goes way beyond the playfield, with a wide range of different participants, all the way from the food and memorabilia stands at the stadiums to the sponsorships and media rights (Zygband et al., 2011).

Inside traditional sports, teams and individual athletes can be considered as profit-maximizing organizations that serve a demand for their products in their respective sports markets. Additionally, this generates demand on the production factors, namely the players. However, the value of a player is usually tied to his skill, but while skill and capacity and be measured, their actual value cannot. So, player prices are typically estimated and based on negotiations. In the end, teams often pay more than what a player is worth, as there are no guarantees that a traded player will keep the same performance at a different team (Hein, 2012).

Sponsorships are also a big part of the sports industry, having gained significant popularity since the mid-80s. Organizations offer a large range of benefits to their sponsors and partners, depending on the financial contributions of the sponsoring parties (Hein, 2012).

Sports leagues and associations, also commonly referred to as governing bodies are also an important player in the sports industry and are organized in many different ways (Hein, 2012). Noll (2003), considers the organizational structure of leagues to be “a fundamentally economic decision that affects the extent of competition in sports, the distribution of teams in a nation, the relative playing strengths of teams, and, most importantly, the amount of economic benefits that a sport delivers to its customers”. The main objective of these organizations is to develop sports at all levels in a given territory and a particular sports discipline. This encompasses a continuous control and supervision of the sport, organizing regular competitions on a national, or even international, level, covering everything from amateur to professional sports and junior to senior categories. Also, it entails the rules and definition of the sport as well as the general administration
of the sport. It is their responsibility to create and protect the values that their sport represents (Noll, 2003).

Most sports are organized in hierarchical systems, having a top league followed by minor leagues and divisions, with the top league usually being called the major league, premier league or first division, depending on different factors such as the sport and the country it is located in (Hein, 2012). Hein (2012) refers to the European clubs who are able to climb the league hierarchy depending on their performances as an example, as well as the German football club, TSG Hoffenheim, which was able to climb several leagues into the premier league within few years thanks to an investment of about €450 million. Another factor to take into consideration in sports leagues are the college sports leagues, which Noll (2003) mentions that they are considered a substitute for lower leagues.

Another important aspect of sports economics is media and broadcasting, the demand for program content by the broadcaster as the demand for TV rights depends on the demands for broadcast services and their audiences. The complexity of program demand is mainly derived from the heterogeneity among the market participants, their sources of income and ultimately their goals and strategies. Furthermore, sports events, even from the same sport are not necessarily substitutes, as these events have to be regarded as differentiated products (Noll, 2007).

<table>
<thead>
<tr>
<th>Television Network</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESPN</td>
<td>$8bn</td>
</tr>
<tr>
<td>FOX</td>
<td>$4.27bn</td>
</tr>
<tr>
<td>CBS</td>
<td>$3.7bn</td>
</tr>
<tr>
<td>NBC</td>
<td>$3.6bn</td>
</tr>
</tbody>
</table>

SOURCE - HEIN, R., 2012

Looking at the table above, it is easy to see that the driving force behind traditional sports always was and still is television (Hein, 2012). However, despite the television’s dominance, the Internet and mobile technology are gaining ground and earning a big part of the market share, as in 2009, an audience of five hundred thousand paid to watch sports games online and a quarter-million watched on their smart phones (King, 2009).

Another relevant element in professionals sports are the casters and commentators, who provide play-by-play analysis of a game, making it easier for the
viewers to follow the game. Normally, commentators come from two different backgrounds: the TV host background, or the former athlete that bring valuable insights to the game. The latter being the most common and preferred recruiting method, as TV stations often choose famous casters in order to increase interest (Hein, 2012).

Finally, the professional sports leagues consumers are promptly identified, as they are the spectators attending matches or following television or radio broadcasts and the organizations that want to create awareness for their names through sponsorships or advertisements (Noll, 2003).

![FIGURE 2 - TRADITIONAL SPORTS RELATIONSHIP DIAGRAM](image)

Hein (2012) depicted the relationship between the various parties involved in the sports market in the diagram illustrated in figure 2.

3.6 Electronic Sports Business

While in general, electronic sports can be compared to traditional sports in many aspects, there are still differences in a few key aspects that make it a unique area of study (Hein, 2012).

Unlike professional teams in traditional sports, esports teams do not share revenues from broadcasts based on the number of games they played. This means that esports teams are mostly dependent on sponsorships to cover expenses and pay their players, meaning that they need to thoroughly determine how they spend their
money and to reckon if they are really able to take on additional players (Hein, 2012). By 2012, Hein determined that only few players were able to earn up to $100 thousand per year. He considered that the reality was that teams are often only able to pay up to $1200 per month to cover the basic cost of living. Additionally, Hein noticed a strong discrepancy between Korean and Western teams, with the latter being willing to pay considerably more for talented players.

Sponsors are a very important player of strong relevance in the electronic sports market, as esports, like most sports, rely on external funding to grow and finance their operations (Kiendl, 2007, quoted by Hein, 2012). The majority of sponsors in esports are from the technology sector, which include blue chip companies, such as Intel or Dell, as well as smaller companies that have a stronger tie towards the esports market, for example, companies that produce high quality peripherals that are used by both professional and amateur players (Hein, 2012). According to Hein, by 2012, a wide range of regular consumer market product companies had discovered the esports phenomenon. These included manufacturers of soft drinks, hygiene products and many others. With its open-market structure, it’s very easy for large corporations to sponsor or organize events as title sponsors (Hein, 2012).

Still, the unique nature of esports creates a specific problem using standard sponsorship methods for professional players, as most always, the professional gamers won’t be visible to the audience, as the focus is on the live-feed of the virtual battleground. Nonetheless, developers, such as Valve Corporation, are already experimenting with new methods to allow sponsors to be displayed on virtual banners within the game, and tournaments hosts are developing new methods by themselves, like displaying the sponsors of the athletes directly above their names (Hein, 2012).

Since electronic sports are videogames balanced enough to be played at a very high skill level and are also very entertaining to watch, there was a rise in public interest in watching these games, which soon led to the establishment of various associations that aimed to control and regulate the market (Wagner, 2006). KeSPA, or the Korean eSports Association, was established in 2000, with the objective of making esports an officially accepted sports discipline, as well as to establish a strong position among commercial partners. In addition, this association manages the distribution of esports broadcasting right within South Korea, organizes events and sets the rules for working conditions of professional players (Hein, 2012).
The media structure of esports is very different from that of traditional sports as most of the content is consumed online via streaming services. However, while live streaming has proven to be the most effective way to broadcast esports for most countries, South Korea has been able to grow very successful TV networks that focus on the video games industry by broadcasting esports, namely StarCraft: Brood War, and, since 2010, StarCraft 2 (Hein, 2012).

Even though casters and commentators in esports work are akin to the ones in traditional sports, their backgrounds and execution are usually quite different, as their backgrounds aren’t always defined by a professional or amateur e-sports career, but often being recognized from another source of digital media (Hein, 2012). Hein (2012) uses the example of Mike Lamond, also known as ‘HuskyStarCraft’, who started to cast events after being noticed for his YouTube channel, where he uploaded StarCraft 2 matches with his personal commentaries. Still, many esports events are still flexible enough, in terms of production, to allow and encourage professional players to commentate on-going live events, which, thanks to the immediate feedback through spectator interactions, may result in a discovery of a new talent (Hein, 2012). Still, the number of high quality casters is very low in the industry, which results in the organizations trying to secure the best ones for their events or leagues. Additionally, the vast majority of the casters and commentators work as freelancers that earn the majority of their income by monetizing digital media (Hein, 2012). Finally, based on a quote from Mike Lamond, where he stated that the average caster usually loses money when going to a live event due to missed revenues on their digital content, Hein (2012) infers that the compensation for esports casting is still far below that of traditional sports casting.

The amateurs hold a special and very significant position in esports, when compared to traditional sports. One of the unique aspects of esports is how the industry is open and how it recognizes top tier athletes. Online qualifiers to major events or leagues enable amateurs to compete against professional players and eventually earn a spot on those events. This ensures that the market is constantly supplied with fresh new talents that contribute to keeping the sport entertaining and unpredictable and gives the esports scene a certain transparency, judging players only on a skill and success basis (Hein, 2012).

Finally, Hein (2012) depicted the relationship between the various parties involved in the electronic sports market in the diagram illustrated by figure 3.
The biggest different on how participants relate with each other in esports when compared to traditional sports is that all participants have some level of cooperation, which ends up benefiting both parties. These include how casters are dependent on the players to supply high quality content, how game developers provide professional players with free and early access to their games, and how players have direct access to distribution channels without being restricted by other parties (Hein, 2012).

3.7 Esports Spectatorship

One very important stakeholder in videogame play, especially in esports, is the spectator. While videogames used to be primarily designed for the players, they aren’t the only ones engaged in the game. Videogame designers are increasingly concerned with the viewers and their experience as spectating games is a growing activity, thanks to the rise of video sharing web sites. The spectators are one of the many facts that bring esports closer to traditional sports, as they both have competitive players as well as spectators. Also, the presence of large spectating audiences can have many different impacts in the game, such as improving the experience for the players and generating more attention to
the game as well as other more financial impacts such as diving sales and increasing advertising revenues (Cheung & Huang, 2011).

However, many questions have risen regarding the reasons why spectators view esports. While different types of spectators and their respective reasons have been identified, the main and fundamental reason behind the entertaining part of watching the games unfold was the information asymmetry that both spectators and players share, since they have different slices of the game information. Information asymmetry is the imbalance of information between these two (spectator and player), where due to the game design, one has information the other has not and vice-versa. This asymmetry is reduced and eventually fully eliminated as the game is played, but as more information is revealed, the more the spectator is entertained. The slow unfolding of this information creates suspense for both the player and the spectator alike (Cheung & Huang, 2011).

In fact, some esports matches are televised, but most of the transmissions of esports events or other related contents occur via online streaming media, usually through sites such as Justin.tv and Twitch.tv. However, esports don’t stop there. Just like traditional sports, high profile, or premium, events typically take place in a stage in front of a live audience. In addition to the online viewers, crowds of fans fill in spaces that range from conventional auditoriums and small stadiums to warehouses and hotel ballrooms, to cheer, yell, jump and shout for their favorite players. Familiar sights in any spectator arena (Burk, 2013).

Even though esports audiences have been growing in both Europe and North America, none still compares to the high-water mark of South Korea, where not only is the audience bigger and broader but the institutional infrastructure seems relatively developed and stable. Not only are the esports events fairly regular, but there are two television cable channels dedicated to broadcasting esports 24 hours a day. The best players can even reach a degree of celebrity status and a career path is much more evident. Team and competition sponsorships include the not only logical high-tech companies, such as Samsung, but also other firms whose ties to information technology are much more absent, such as insurance companies, or even the Korean Military (Burk, 2013).

3.8 Summary & Conclusion

In summary, due to the proliferation and vast advancement of computer technology and global communications, namely the Internet, a new form of competition was born from the computer gaming entertainment. Though culturally born from different
modalities, electronic sports are now a global factor, featuring different titles where players compete with each other, either in teams or individually, through the use of information technologies, professionally and for the amusement of thousands of spectators. However, despite the fact that they can be very similar to traditional sports in the competitive sense, their differences puts serious questions into what direction they should take for the future.
4. Current eSports Situation

4.1 Introduction

This chapter takes a closer look on the electronic sports market and tries to describe it, its value, how it works and who the most important actors are. So, this chapter first starts by describing the global situation of video gaming and electronic sports, moving on to explaining how esports can suffer from cultural differences, despite being a global market and advances to cover the main industry players and how broadcasting is done through, mostly, live streaming, as well as taking a look on the most important teams and players. Finally, this chapter ends with a short summary of what was discussed.

4.2 Global Situation

With the videogame industry revenue reaching over 76 billion US dollars, surpassing both the movie and music industry, it’s clear that videogames are an important element of entertainment in nowadays society.

This study however, focus on a niche of the videogame market, the competitive play of videogames. These so called “esports” have been gaining ground in the last years, especially the last four years, mainly thanks to the boom in media streaming through the
Internet. And, as if the rise in game play wasn’t enough, the rise in media consumption of both competitive and casual play of videogames, entitled as electronic sports, allowed the esports market to reach more than 76 million people in 2013 and to distribute over $25 million to its players.

With this rise, esports are now an industry of its own, “living and breathing” inside the videogame industry. With professional players and professional teams, the competitiveness as risen with its rewards, and teams now compete in many different ways between themselves, not only inside the games, but outside, for resources, stability, improved infrastructures, players and fan bases.

Many of these teams have reach fan bases estimated to be around the millions, and many important players have already reached a “celebrity” style status, especially in South Korea, but most teams still fight to ensure stability, and many teams fail in doing so every year.

4.3 Cultural Differences

While electronic sports can be classified as a global phenomenon, no place still compares to South Korea, and its capital Seoul, considered by many as the “Mecca” of esports. It is there that esports have grown the most and have the deepest impact, even having attracted big companies as sponsors, such as Samsung, SK Telecom and Korea Telecom, three of the largest Korean companies. This leaves the general impression that gaming is widely accepted in South Korea, but while gaming is indeed an important part
of Korea’s youth culture, the majority of fans are actually more casual. Michael Kiefer, OnGameNet’s Global Contributor, explains that the reality is that esports are a niche market in Korea, despite their perceived size, due to the overwhelming focus on education by the Korean culture, which in turn, allows little room for professional gaming. Michael adds that while Western fans over-romanticize how esports are perceived in Korea, esports aren’t regarded as prestigious career path, especially considering that, despite the fact that over 50 million people live in Korea, only 80 individuals find themselves playing on an OnGameNet Champions team, which makes professional League of Legends an overwhelmingly risky job (Manisier, 2014).

Looking at the general enthusiasm of the Korean esports scene it is easy to ignore what a ruthless industry it really is, considering that not only very few players actually reach success and recognition and that even the most popular teams are those that can keep a strong performance at the highest level of play. Lee Hyun-woo, OnGameNet’s caster and former League of Legends professional player, states that “Korea is, fundamentally, a country with a strong mindset where only the first place is acknowledged. Every field is the same” and that “The ‘no matter what’ attitude is emphasized. There is nothing besides doing well. It’s like putting your life on the line to game” (Manisier, 2014).

Also important to note, is that Seoul has a population of over ten million people, making it a very big and dense city, which in turn, has a huge effect and many implications in esports. On an interview for Red Bull eSports, Victor Goossens, the CEO of Team Liquid, comments that it is impossible to recreate that kind of density in the rest of the world, and that when the fans are spread out over thousands of miles, it’s not possible to expect them to travel two or three hours to get to a TV studio for a weekly broadcast. Sean Plott, an esports caster more known by his alias ‘Day[9]’, adds that this density even has an impact on team housing, justifying that if players have to move regularly to attend tournaments, they may be spending more time outside the team house, than inside, practicing, and that the costs of renting a house would add up to the already existing costs of travelling. Furthermore on the cultural differences of Korean players, Sean Plott adds that not only the density of Seoul makes professional gamers to be far more willing to live in cramped and highly regimented environments to develop their skills than Western ones, but also has psychological effects. As Sean Plott himself puts it, Koreans tend to have a more incremental view of ability, which means that “You are only as good at
something as you have worked [hard] at it.\textquotedblright, and that, Sean believes this to be advantageous in something like videogames (Zacny, 2014).

Another example on the psychological aspects is the different mindset between players. Looking at joint venture between the Western teams, Team Liquid and Evil Geniuses, named EGTL, to build a team able to compete in the Korean ProLeague, it is possible to note a few. This endeavor had a terrible result for both organizations, even despite having hired Park Yong Woon, a very well-respected StarCraft 2 coach, to train the team in the middle of the season. Despite the efforts and the actual roster of the team comprising several star players, including Lee Jae Dong and Yoon Young Seo, more known as ‘JaeDong’ and ‘Taeja’ respectively, the team suffered losses even against teams with players considered inferior. As to why the team was unable to succeed, coach Park stated that \textquotedblleft There were problems with the most fundamental things, the team didn't have a good base. If you don't have a good base, then nothing you do as a coach can really have an effect. When I say a good base, I mean an environment where players can focus on practice, and that environment just wasn't there in EGTL \ldots\textquotedblright Also, there were some problems with the players' mindsets, their practice habits, and their habits in general\textquotedblright. Regarding the mindset, Victor Goossens identified a difference in the way EGTL approached the ProLeague as something they were made to play, and that actually prevented them from attending other important overseas events, while regular Korean players, who have less chances to play, considered the ProLeague their time to display their skills and thus placed more importance on their matches (Zacny, 2014).

Still on the EGTL case, while most of the team players didn’t get as much compensation from salaries as the Korean teams sponsored by big corporations, they were happy with that situation as it allowed them to compete in other tournaments, and were free to chase their interests in way KeSPA players weren’t. On that topic, Goossens added that most non-Korean esports organizations can’t reach the same level of sponsorships that KeSPA organizations can and thus have built their business models around sponsorships, streaming and tournament exposure (Zacny, 2014).

A different way that cultural differences impact esports it’s through the different popularity that different games enjoy. Although almost all videogames do not support professional competition, there are still a small variety of games that do. Most popular titles, as seen in chapter 1, section 3, include League of Legends, Dota 2, Counter-Strike: Global Offensive, StarCraft 2 and Hearthstone, amongst others. These games are not only different titles but different genres as it was explained, for example, League of Legends
and Dota 2 are ‘Multiplayer Online Battle Arenas’ while Counter-Strike: Global Offensive is a ‘First Person Shooter’ and StarCraft is a ‘Real Time Strategy Game’, and even run on different business models, with some of them being free-to-play and others being the traditional pay-to-play.

<table>
<thead>
<tr>
<th>Game</th>
<th>Competition</th>
<th>Korean Teams</th>
<th>Chinese Teams</th>
<th>American Teams</th>
<th>European Teams</th>
</tr>
</thead>
<tbody>
<tr>
<td>StarCraft 2</td>
<td>2014 WCS Global Finals</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>League of Legends</td>
<td>World Championship 2014</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Dota 2</td>
<td>The International 2014</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>CS:GO</td>
<td>ESL One Katowice 2015</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Call of Duty</td>
<td>2014 Call of Duty World Championship</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Hearthstone</td>
<td>2014 BlizzCon World Championship</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

SOURCE - LIQUIPEDIA, GAMEPEDIA, ELETRONIC SPORTS LEAGUE, MAJOR LEAGUE GAMING (2015)

These differences, combined with cultural differences from different countries, have a strong impact in a game, or esports title, popularity. For example, as Table 3 can demonstrate, in the Asian market, South Korea is vastly famous for the advanced level of its StarCraft players who reigned supreme at the 2014 WCS Global Finals, where only the top sixteen players worldwide can qualify, based on their WCS points. China, on the other hand, is much stronger in its Dota 2 teams, even having two Chinese teams taking the first and second place at The International 2014. Both however, seem to be in equal
footing in League of Legends teams, where both are top contenders. In the 2014 World Championship of League of Legends, Korean team Samsung Galaxy White took out the Chinese team Star Horn Royal Club by 3-1. In the meantime, while both the United States and Europe are also trying to compete in the League of Legends game, they both seem to be strongly inclined towards ‘First Person Shooters’, but whereas the North Americans choose Call of Duty as their most popular title, the Europeans go for Counter-Strike: Global Offensive. This can be noted when looking at further detail to the competitions. In the 2014 Call of Duty World Championship, the top four teams were all American, whereas the top four in the ESL One Katowice 2015, were all European teams.

It’s interesting to note, that even though running on something as global as the Internet, electronic sports, much as traditional sports, are still subject to the regional and cultural differences of their fans.

4.4 Industry Players

Evidently, the most important players in the esports industry are the game developing companies, since without them, there would be no games to start with. Table 4 depicts five of the most important companies regarding the esports market. It is important to note however, that these companies stand on very different grounds. Starting with Valve Corporation, despite not publicly publishing its revenues, the company’s equity is estimated to be around $2.5 billion (Wingfield, 2012). Founded in 1996, despite being a very successful game publisher that started with the game Half-Life, Valve also owns Steam, the biggest digital distribution platform for PC games, with an astounding, estimated 75% market share (Edwards, 2013). On the other hand, Activision-Blizzard was a result of the merge that took place in 2008, between Activision and Vivendi Games, a videogame publisher and holding company for Blizzard Entertainment and Sierra Entertainment. Activision was founded in 1979 and Blizzard was founded originally in 1991 as Silicon & Synapse until officially founded in 1994 as Blizzard Entertainment. As for Electronic Arts, it was founded in 1982 and is one of the largest gaming companies, just like Activision-Blizzard. Additionally, just like Valve Corporation, the company has its own digital distribution platform named Origin. Finally, Riot Games was founded in 2006, being fairly young when compared to the previous companies. Also, the company has only one game at the moment, the popular League of Legends, released in 2009. In early 2011, Riot Games was bought by Tencent Holdings Ltd., one of the biggest Chinese Internet companies (Edwards, 2011).
### TABLE 4 - GAME DEVELOPERS

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Revenue (2013)</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activision-Blizzard</td>
<td>Santa Monica, California, United States of America</td>
<td>$4.583 Bn</td>
<td>Activision: Call of Duty series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Skylanders series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spyro the Dragon series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tony Hawk's Pro Skater series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Guitar Hero series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Blizzard Entertainment:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Warcraft series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>StarCraft series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Diablo series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Heroes of the Storm Overwatch</td>
</tr>
<tr>
<td>Electronic Arts</td>
<td>Redwood City, California, United States of America</td>
<td>$3.797 bn</td>
<td>Battlefield series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Burnout series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Command &amp; Conquer series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Crysis series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dead Space series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dragon Age series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FIFA series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fight Night series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Harry Potter series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Madden NFL series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mass Effect series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Medal of Honor series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>NBA Live series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>NCAA Football series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Need for Speed series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>NHL series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rock Band series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>SimCity series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The Simpsons series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The Sims series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Skate series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>SSX series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Star Wars series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Titanfall</td>
</tr>
<tr>
<td>Riot Games</td>
<td>Santa Monica, California, United States of America</td>
<td>$624 million</td>
<td>League of Legends</td>
</tr>
<tr>
<td>Valve Corporation</td>
<td>Bellevue, Washington, United States of America</td>
<td>-</td>
<td>Video games: Counter-Strike series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dota 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Day of Defeat series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Half-Life series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Left 4 Dead series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Portal series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Team Fortress series</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Other:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Source game engine</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Steam distribution platform</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Valve Anti-Cheat VOGL</td>
</tr>
</tbody>
</table>

However, much unlike traditional sports, where usually there is an international federation regulating the sports practice, electronic sports are usually controlled and regulated by the companies that develop the games. For example, the League of Legends World Championship series is owned and operated by Riot Games, just as the StarCraft 2 World Championship Series is owned by Blizzard Entertainment, a subsidiary of Activision-Blizzard, even though it is operated in different countries by both the Electronic Sports League, owned by Turtle Entertainment, and the Korean eSports Association.

The Korea eSports Association, or KeSPA, a governing body for esports in South Korea is an example of an external entity to the game producing companies that was born out of the professionalism of videogame competitive play. Originally founded in 2000 in South Korea, where StarCraft: Brood War become a popular success at the time, KeSPA aimed for the recognition of electronic sports as official sports and still fights for many policies, such as the minimum wage for professional players, and one year minimum contracts policies, that were approved in 2014. This organization is also responsible for the management of esports broadcasts, events and conditions in which professional players work.

While KeSPA is an organization that operates solely on South Korean ground, its example inspired other esports organizations. The International eSports Federation, or IeSF, is another organization much like KeSPA that tries to focus more on an international aspect, having many different countries collaborating with them. The United Kingdom eSports Association, or KeSA, is another example of esports associations, but this time for the United Kingdom. It also tried to be a governing body for esports and it is a member of the IeSF. Another fine example, albeit a bit different, of esports associations is the Texas e-Sports Association, or TeSPA, that focuses on competitive gaming for students in the state of Texas in the United States.

Finally, beyond the game producing companies and the external regulating associations or federations, there are companies that focus on organizing competitions and events and creating esports spectacles for the fans, such as Turtle Entertainment and the Major League Gaming. These companies organize different types of events from online tournaments to events taking place in convention centers, such as the ‘Intel Extreme Masters’, to stadiums, such as the ‘ESL One’ and aim to profit from the selling of tickets to the fans and publicity to the sponsors. Table 5 depicts five of the most important esports events organizing companies.
TABLE 5 - PROFESSIONAL ELECTRONIC SPORTS ORGANIZATIONS

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Revenue (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEVO</td>
<td>Sykesville, United States of America</td>
<td>-</td>
</tr>
<tr>
<td>Dreamhack</td>
<td>Stockholm, Sweden</td>
<td>-</td>
</tr>
<tr>
<td>FaceIT</td>
<td>London, United Kingdom</td>
<td>-</td>
</tr>
<tr>
<td>Major League Gaming</td>
<td>New York City, New York, United States of America</td>
<td>$20 M</td>
</tr>
<tr>
<td>Oxent</td>
<td>Paris, France</td>
<td>-</td>
</tr>
<tr>
<td>Turtle Entertainment</td>
<td>Cologne, Germany</td>
<td>$35 M</td>
</tr>
</tbody>
</table>

SOURCE - BUSINESSINSIDER.COM, INDEED.COM (2015)

These event oriented companies are also an important player in the esports industry and some of them, such as Turtle Entertainment, already have more than a decade of history in esports. Table 6 indicates the top ten prize pool contributions by competitions organized by these organizations, both event oriented companies and game developers.

TABLE 6 - TOP 10 PRIZE CONTRIBUTIONS BY ORGANIZATIONS

<table>
<thead>
<tr>
<th>Organization</th>
<th>Competition</th>
<th>Prize Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valve Corporation</td>
<td>The International</td>
<td>$17,005,510.00</td>
</tr>
<tr>
<td>Major League Gaming</td>
<td>MLG Pro Circuit</td>
<td>$6,816,935.00</td>
</tr>
<tr>
<td>Riot Games</td>
<td>LoL World Championship</td>
<td>$6,465,676.79</td>
</tr>
<tr>
<td>World Cyber Games</td>
<td>World Cyber Games</td>
<td>$4,359,483.00</td>
</tr>
<tr>
<td>Blizzard Entertainment</td>
<td>StarCraft II World Championship Series</td>
<td>$4,162,342.35</td>
</tr>
<tr>
<td>Turtle Entertainment</td>
<td>ESL Intel Extreme Masters</td>
<td>$3,927,817.53</td>
</tr>
<tr>
<td>Cyberathlete Professional</td>
<td>Cyberathlete Professional League</td>
<td>$3,658,438.12</td>
</tr>
<tr>
<td>League</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dreamhack</td>
<td>DreamHack</td>
<td>$3,280,785.10</td>
</tr>
<tr>
<td>GOMeXp, Blizzard Entertainment</td>
<td>Global StarCraft II League</td>
<td>$2,927,729.22</td>
</tr>
<tr>
<td>High-Rez Studios</td>
<td>Smite World Championship</td>
<td>$2,612,259.00</td>
</tr>
</tbody>
</table>

SOURCE - ESPORTSEARNINGS.COM (APRIL, 2015)

All these organizations, are responsible for the most important competitions in electronic sports. Whether it is the game developer running the premium competition for
their game, or a third party company building a show in order to profit from the show’s tickets, these competitions are often the prime in esports and should be taken very seriously, as, just like table 7 demonstrates, their rewards can be quite substantial.

<table>
<thead>
<tr>
<th>Tournament</th>
<th>Game</th>
<th>Prize Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>The International 2014</td>
<td>Dota 2</td>
<td>$10,931,103</td>
</tr>
<tr>
<td>Dota 2 Asia Championships</td>
<td>Dota 2</td>
<td>$3,057,521</td>
</tr>
<tr>
<td>The International 2013</td>
<td>Dota 2</td>
<td>$2,874,407</td>
</tr>
<tr>
<td>Smite World Championship 2015</td>
<td>Smite</td>
<td>$2,612,259</td>
</tr>
<tr>
<td>LoL 2014 World Championship</td>
<td>League of Legends</td>
<td>$2,130,000</td>
</tr>
<tr>
<td>LoL Season 3 World Championship</td>
<td>League of Legends</td>
<td>$2,050,000</td>
</tr>
<tr>
<td>LoL Season 2 World Championship</td>
<td>League of Legends</td>
<td>$1,970,000</td>
</tr>
<tr>
<td>The International 2011</td>
<td>Dota 2</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>The International 2012</td>
<td>Dota 2</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Call of Duty Championship 2013</td>
<td>Call of Duty: Black Ops 2</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

SOURCE - ESPORTSEARNINGS.COM (APRIL, 2015)

4.5 Broadcasting & Live Streaming

As mentioned earlier in chapter 3, broadcasting in esports happens mostly through Internet live streaming. Although there are many different live streaming services available online, such as YouTube or DailyMotion, there are currently just a few dedicated only to esports. These services are available for both players and organizations for free, and it allows them not only to broadcast their games, events, or any other content through their live streaming services, but it also offers tools to monetize the streamed content.

Looking at table 8 it is easy to notice a large discrepancy and favoritism towards the Twitch service. Twitch.tv was born from a streaming service originally called Justin.tv. Originally intended as a general streaming service, Justin.tv saw its popularity grow between the video gaming community, more noticeably the esports one. It wouldn’t take long for the managers of Justin.tv to launch a dedicated service just for the esports fans, and thus, Twitch.tv was born. By mid-2013, Twitch had already achieved an average
of 40 million viewers per month, and its popularity completely eclipsed that of Justin.tv who would be eventually shut down in August 2014.

**TABLE 8 - ESPORTS LIVE STREAMING SERVICE PROVIDERS**

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Estimate Monthly Web Traffic</th>
<th>Alexa Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twitch</td>
<td>S. Francisco, California, United States of America</td>
<td>61,843,000</td>
<td>160</td>
</tr>
<tr>
<td>Azubu</td>
<td>Los Angeles, California, United States of America</td>
<td>840,100</td>
<td>23,805</td>
</tr>
<tr>
<td>HitBox</td>
<td>Wien, Austria</td>
<td>1,632,600</td>
<td>10,988</td>
</tr>
<tr>
<td>D!ngIT</td>
<td>London, United Kingdom</td>
<td>29,000</td>
<td>763,911</td>
</tr>
</tbody>
</table>

*Source - Author, Alexa.com, TrafficEstimate.com, (April, 2015)*

Twitch is heavily regarded as one of the most important propellers of the esports exponential growth in the last years (Popper, 2013). More than helping broadcast content throughout the Internet for all the fans to enjoy, Twitch also allowed players and organizations to monetize on the content they create, giving in not only an extra financial help, but delivering that help at a time the economic recession had hit the gaming industry (Morris, 2013). Moreover, small details such as the Twitch chat, a much criticized part of the service, where spectators can communicate with others via text messages, are also an integral part of esports, providing instant feedback and helping communities bond, much like sports fans can talk with each other’s at sports bars (Mitchell, 2015).

Twitch’s success didn’t went unnoticed by the giant corporations and one of the most interesting rumors was the acquisition of Twitch by Google. However, after a long term of negotiations, it would be Amazon that would end up buying the esports streaming service for $970 million (Mac, 2014).

More than just investors and buyers, Twitch’s incredible growth and success brought new players into the dedicated esports live streaming services. Azubu, Hitbox and D!ngIT, are relatively new streaming services that provide a similar service to Twitch, who are betting on earning their share of the esports market.
Electronic sports also have a strong presence in TV channels in South Korea, with cable channels dedicated to esports since 2000, such as OnGameNet and SPOTV Games. Nonetheless, esports are starting to get the attention from Western broadcasters as well. ESPN partnered up with Valve Corporation to stream the Dota 2 tournament, The International 2014, through their online service ESPN 3 (Newhouse, 2014), and was so pleased with the numbers that are considering to increase their investment (Lewis, 2014). Furthermore, Swedish national television channel, SVT, has also started to broadcast esports, namely the Swedish event Dreamhack (Mitchell, 2014).

In China, the streaming phenomenon hasn’t gone unnoticed either, where the four Chinese streaming platforms, ZhanQi, Douyu, YY, and Tencent Gaming are spending a considerable amount signing in star players to increase their services’ popularity. This is having a strong impact in players, such as the former professional League of Legends player Han-Dong ‘CaoMe’ Wei, who signed a contract with ZhanQi TV, where 90 hours of streaming per month are compensated with five million RMB, approximately over $800,000. Streaming attracts players not just because of its highly attractive rewards, but also because it is a lot less stressful for the players (Moser & Kulasingham, 2014).

4.6 Teams & Players

Teams in esports work very much alike teams in traditional sports. Usually present in one or more esports, the latter usually referred to as ‘multigaming teams’, esports teams consist in a lineup of players that represent a team in the games they compete in. Whether it is team game, such as League of Legends or Counter-Strike: Global Offensive, or a solo game, like StarCraft 2 or Hearthstone, the best players usually represent professional gaming team.

However, the dimension of professional teams, as well as their resources and especially their fan bases, are currently very disparate. For example, European teams Fnatic (Sweden) and Natus Vincere (Ukraine) currently hold the largest fan bases and enjoy a generous amount of sponsorships. Mostly known for their League of Legends team, Fnatic enjoys over 1.8 million fans in the social network Facebook, while Natus Vincere, famous for their Dota 2 enjoys just over 1 million fans. Both teams are also distinguished by their careers in the Counter-Strike franchise.

While no other team, not even in South Korea, enjoys this kind of popularity, we have a few more that are able to contend in the hundreds of fans class. Most remarkable include Evil Geniuses (USA), Cloud 9 (USA), Mouzesports (Germany), SK Telecom T1
(South Korea), amongst others. Table 9 indicates social key performance indicators for some of the most popular esports teams.

<table>
<thead>
<tr>
<th>Team</th>
<th>Country</th>
<th>Facebook Likes</th>
<th>Twitter Followers</th>
<th>Estimated Website Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fnatic</td>
<td>Sweden</td>
<td>1,913,383</td>
<td>332,829</td>
<td>295,600</td>
</tr>
<tr>
<td>Natus Vincere</td>
<td>Ukraine</td>
<td>1,210,476</td>
<td>242,678</td>
<td>2,082,100</td>
</tr>
<tr>
<td>The Alliance</td>
<td>Sweden</td>
<td>816,419</td>
<td>141,603</td>
<td>26,100</td>
</tr>
<tr>
<td>SK Gaming</td>
<td>Germany</td>
<td>529,326</td>
<td>82,112</td>
<td>324,500</td>
</tr>
<tr>
<td>Ninjas in Pyjamas</td>
<td>Sweden</td>
<td>518,847</td>
<td>106,189</td>
<td>159,600</td>
</tr>
<tr>
<td>Team SoloMid</td>
<td>United States</td>
<td>414,639</td>
<td>417,865</td>
<td>140,100</td>
</tr>
<tr>
<td>Cloud 9</td>
<td>United States</td>
<td>403,613</td>
<td>181,428</td>
<td>272,300</td>
</tr>
<tr>
<td>Team Empire</td>
<td>Russia</td>
<td>351,106</td>
<td>65687</td>
<td>65,300</td>
</tr>
<tr>
<td>Evil Geniuses</td>
<td>United States</td>
<td>237,355</td>
<td>198,776</td>
<td>125,100</td>
</tr>
<tr>
<td>Team Liquid</td>
<td>Netherlands</td>
<td>184,158</td>
<td>112,505</td>
<td>3,380,800</td>
</tr>
<tr>
<td>Virtus.pro</td>
<td>Russia</td>
<td>164,507</td>
<td>49,986</td>
<td>539,300</td>
</tr>
<tr>
<td>ViCi Gaming</td>
<td>China</td>
<td>164,490</td>
<td>58,105</td>
<td>1,900</td>
</tr>
<tr>
<td>Invictus Gaming</td>
<td>China</td>
<td>151,820</td>
<td>45,014</td>
<td>-</td>
</tr>
<tr>
<td>OpTic Gaming</td>
<td>United States</td>
<td>145,312</td>
<td>914,467</td>
<td>176,300</td>
</tr>
<tr>
<td>Mousesports</td>
<td>Germany</td>
<td>137,266</td>
<td>34,121</td>
<td>96,000</td>
</tr>
<tr>
<td>SK Telecom T1</td>
<td>South Korea</td>
<td>123,479</td>
<td>55,373</td>
<td>94,800</td>
</tr>
<tr>
<td>yoe Flash Wolves</td>
<td>Taiwan</td>
<td>68,734</td>
<td>-</td>
<td>15,700</td>
</tr>
<tr>
<td>KT Rolster</td>
<td>South Korea</td>
<td>11,284</td>
<td>2,471</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Facebook, Twitter and Trafficestimate.com (April, 2015)

To note, that most of these teams work independently, but some of them are owned and operated by specific companies. This phenomenon is noted mostly in South Korea, where we can find at least three important teams as examples. These are: SK Telecom T1, owned by South Korea Telecom Company, KT Rolster & KT Bullets, owned by KT Corporation, former Korea Telecom, and Samsung Galaxy, owned by
Samsung. With these organizations behind them, these teams enjoy a very strong stability which can be seen just by looking at their record history in the South Korean esports scene.

Still, even though these teams have well-established structures, it is possible to see many esports teams collapse regularly. Usually the main reason for esports teams to collapse is the lack of funding or resources, but it’s possible to often see teams disbanding due to being acquired by other teams or simply having all their players transferred to other teams, with the team itself not being able to secure the proper reward needed to maintain itself or hire more players. And, much like in all sports, especially in solo games such as StarCraft II, players themselves have a high value, as they are the team’s most important assets.

### TABLE 10 - HIGHEST OVERALL EARNINGS BY ESPORTS PLAYERS

<table>
<thead>
<tr>
<th>Player &amp; Alias</th>
<th>Country</th>
<th>Highest Paying Game</th>
<th>Total Earned (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chen ‘Hao’ Zhihao</td>
<td>China</td>
<td>Dota 2</td>
<td>$1,200,014.33</td>
</tr>
<tr>
<td>Wang ‘Banana’ Jiao</td>
<td>China</td>
<td>Dota 2</td>
<td>$1,192,049.90</td>
</tr>
<tr>
<td>Wang ‘SanSheng’ Zhaohui</td>
<td>China</td>
<td>Dota 2</td>
<td>$1,186,074.07</td>
</tr>
<tr>
<td>Zhang ‘Mu’ Pan</td>
<td>China</td>
<td>Dota 2</td>
<td>$1,174,610.85</td>
</tr>
<tr>
<td>Zhang ‘Xiao8’ Ning</td>
<td>China</td>
<td>Dota 2</td>
<td>$1,146,794.49</td>
</tr>
<tr>
<td>Clement ‘Puppey’ Ivanov</td>
<td>Estonia</td>
<td>Dota 2</td>
<td>$668,004.34</td>
</tr>
<tr>
<td>Dani ‘Dendi’ Ishutin</td>
<td>Ukraine</td>
<td>Dota 2</td>
<td>$606,839.46</td>
</tr>
<tr>
<td>Oleksandr ‘XBOCT’ Dashkevych</td>
<td>Ukraine</td>
<td>Dota 2</td>
<td>$603,893.37</td>
</tr>
<tr>
<td>Saahil ‘UNiVeRsE’ Arora</td>
<td>United States</td>
<td>Dota 2</td>
<td>$586,149.10</td>
</tr>
<tr>
<td>Peter ‘ppd’ Dager</td>
<td>United States</td>
<td>Dota 2</td>
<td>$581,748.68</td>
</tr>
</tbody>
</table>

**SOURCE - ESPORTEARNINGS.COM (APRIL, 2015)**

Thus, it is important to study, not only how teams in general can improve themselves by following the examples of the most important and well established teams in traditional sports, but how small teams can achieve a sustainable business model and protect themselves to at least secure their continuity.

#### 4.7 Summary & Conclusion

Running for more than 101 million viewers and giving away more than 35 million USD in prize money in 2014, the esports market niche has made itself aware in more than
many forms and its attractiveness brings new industry players and new teams every year. Focusing on the teams, we know that despite the rewards being substantially high, they still face many different and hard challenges, in order to achieve sustainability. Thus, this research will be conducted in order to explain how these teams currently operate and how they can achieve that sustainability, and share it with the academic world.
5. Methodology

5.1 Introduction

As the academic setting gets more and more demanding, research methodology is important as it ensures research quality and not only it explains how the research was conducted, but it also justifies the decisions taken by the researcher. Thus, this chapter addresses the methodological approaches used when running this research and justifies every step taken during the process. It details the research perspective, types of data and its collection methods as well as the research participants and starts by the study description, moving to the business model canvas into the participant description. From there, it approaches the guided interviews used and it finishes with a brief wrap on research ethics and a short conclusion on the methodology this researched was based upon.

5.2 Study Description

Being a research of exploratory nature, as it aims to investigate a little-understood phenomenon and even tries to identify important elements of the same phenomenon (Marshall & Rossman, 1999), this is also a qualitative research, as it relies on human understandings, in this particular case the participants insights and experience, to gather information on the topic at hand. Qualitative research allows to withdraw a lot more information regarding a phenomenon, having fewer participants giving in a bigger depth of detail, even though that will compromise generalization for the entire population (Jackson et al., 2007).

With results of qualitative research being rather descriptive than predictive, as it uses in-depth studies of narrowed groups of participants to guide and support the construction of hypotheses, it can be said that qualitative research is designed to reveal a target audience’s range of behavior and the perceptions that drive it with reference to specific topics or issues. Qualitative data approximates or characterizes but doesn’t measure attributes, characteristics or properties of a phenomenon, thus describing and not defining, unlike quantitative data. Nowadays, qualitative methods in the field of marketing research include in-depth interviews with individuals, group discussions, diary and journal exercises, as well as in-context observations. Sessions may be conducted in person, by telephone, via videoconferencing and via the Internet.

The chosen data collection method to gather information relevant for this study was the interview, more specifically, in this particular case, the in-depth interview. In-
depth interviewing is currently generally used in education research and is universally considered an important tool in data extraction, notably in qualitative research (Berry, 1999). The chosen approach for the interviews, was the general interview guide approach, also known as guided interview, where, as described by Patton (1987), a basic checklist is prepared to ensure that all important topics are approached while the interviewer still has the freedom to explore, probe and ask questions that the researcher considers interesting or relevant.

These interviews were conducted in two different settings, either face-to-face interviews, or telephone interviews via the Internet service, Skype. These two interview techniques offer many different advantages and disadvantages, but the latter is a mandatory tool in order to be able to interview participants from different countries.

Face-to-face interviews are characterized by synchronous communication in time and place. Face-to-face interviews are a good technique in many different ways, as they have no delay between the conversations, allow the interviewee to be more spontaneous, may be held in a good environment, can be easily recorded and then transcribed, which is much more accurate than taking notes. It is also the only technique to give in social cues, which may provide a lot of extra information from the interviewee behavior, but this factor is non-important due to the research question in focus. Nonetheless, face-to-face interviews also have their disadvantages, the first being the requirement that both the interviewer and the interviewee be at the same location. Face-to-face interviews can also lead to disturbing interviewer effects when the interviewer behavior guides the interviewee in a special direction. Also, with recorded interviews transcriptions notes may be skipped, but notes are still an important part of an interview, as they assist the interviewer in many ways, such as making sure all questions are answered and as a backup in case of a recorder malfunction. Additionally, even though transcriptions are more accurate than taking notes, transcriptions are very time consuming. Finally, face-to-face interviews may incur in many travel expenses, and may result in extra time loss, not only with the travelling, but also if the interviewee happens to be unavailable (Opdenakker, 2006).

Indubitably, the biggest problem of face-to-face interviews is the requirement for both participants to be in the same place. However, this problem can be solved by another interview technique, the telephone interviews. Telephone interviews, or in this particular research case, Skype interviews, take advantage of the asynchronous communication of place, giving the interviewer extended access to participants, thus allowing interviews
with participants on remote distances and foreign countries. They grant the interviewer a wide geographical access, and allow access to hard to reach populations, such as shift workers or participants with disabilities, closed sites, such as hospitals or military installations, and dangerous or political sensitive locations. Telephone interviews also give room for the interviewee to be more spontaneous and less deliberate in the answers and they can also be recorded, just like face-to-face interviews. On the other hand, telephone interviews give no social cues except for voice cues, which are still perceivable. This however, as mentioned before, shouldn’t be a problem do to the nature and objectives of this research. Still, telephone interviews still have a few more disadvantages, such as the lack of interview environment and the fact that these interviews will still be transcribed, and, again as mentioned before, transcription is a heavily time consuming activity (Opdenakker, 2006).

While face-to-face interviews are the one that should be favored, and will be when possible, it should be expected that most interviews happen via telephone, as most participants will be in remote locations, thus making telephone interview the favorite method by the researcher. Important to note, that both these interview techniques, require a lot of concentration on the questions that need to be asked by the interviewer, in order to maintain the proper direction and the focus on the objectives. Thus, in order to assist the interviews and to provide guidance, as well as serve as the basic checklist for the guided interview, a script has been written for each type of interview conducted.

Since this research aims to study how electronic sports teams work and to draw its parallels with their counter-parts in traditional sports, two different interviews were prepared for two different types of participants: sports managers and esports managers. Consequently, two different interview scripts were written. All interviews followed these scripts, with the possibility of some extra questions the researched deemed important the moment of interview.

Finally, the interviews were be recorded, then transcribed and analyzed with special focus into the answers regarding the business models, in order to build them.

5.3 Business Model Canvas

The Business Model Canvas is a strategic management tool to establish new business models or detail already existing ones. It’s a pre-formatted visual map holding nine blocks, or elements, describing an organization’s key partners, activities and resources, plus value propositions, channels, cost structure, revenue streams, as well as
costumer segments and relationships. This research however, will not focus on all elements of the BMC, but only on a few, namely the revenue streams and cost structure, thus securing the whole financial aspect of the team; key resources, key partners, key activities and channels, approaching the complete infrastructure as well as the channels to reach the customers. The other aspects of the BMC, the value proposition, customer relationship and customer segments, won’t be studied in depth, as they should be similar to all the teams.

So, in order to draw a sustainable business model for an esports team, this research will focus on identifying:

- **Cost structure** – expenses the team needs to hold in order to successfully operate;
- **Revenue streams** – how the team generates income from the customer segments, usually sponsors and fans;
- **Channels** – how the team will deliver its value proposition, as well as its content or products, to the different customer segments;
• Key resources – resources mandatory to create value for the customers, in the sports team case, usually to achieve success in the competitions it participates for the fans, or to increase visibility for the sponsors;
• Key partners – relationships with other organizations that may optimize team operations and facilitate sustainability, as well as other complementary business alliances;
• Key activities – the most important activities the team needs to operate in order to execute and achieve its value proposition, usually to achieve success in the competitions it participates;

While the value propositions, customer relationships and customer segments weren’t given much attention in this research, based on the interviews with sports managers and the similarities between the sports, the figure below identifies the most common of these fields and will be considered as default for the upcoming business models.

![Figure 7 – Default Value Propositions, Customer Relationships and Customer Segments](image)

SOURCE – AUTHOR

Easy enough to understand, either teams or professional athletes that run solo, such as tennis players, all deal with two customer segments, the fans and the sponsors. Unless they lack sponsorship at all, but usually top competitive players and teams all deal with sponsorships. Also, they all strive to earn the devotion of their fans and to keep their trust. Finally, their value propositions all revolve towards entertaining their fans, into
keeping and growing their passion for the sport and to provide high quality matches for them to watch.

All business models in this research were designed using the BMFiddle online tool.

5.4 Participant Description

The interview scripts were written aiming to interview two different types of participants: traditional sports participants and esports participants. Traditional sports participants were people responsible for the management of sports teams. Likewise, esports participants were also team managers, but for electronic sports teams.

Before all interviews, the following information regarding the participant was recorded:

- Name;
- Profession;
- Organization;
- Age;
- Experience (years in office);
- Academic background;

Table 11 identifies the six participants interviewed for this research.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Position in Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abel Costa</td>
<td>AbouaAboua</td>
<td>Academy Director, President of the General Assembly</td>
</tr>
<tr>
<td>Fernando Machado</td>
<td>SC Braga Kickboxing</td>
<td>Coach</td>
</tr>
<tr>
<td>Daniel Marrett</td>
<td>New York Red Bulls</td>
<td>Senior Director of Marketing</td>
</tr>
<tr>
<td>Telmo Silva</td>
<td>Grow Up Gaming</td>
<td>President</td>
</tr>
<tr>
<td>Zhang Yu</td>
<td>yoe Flash Wolves</td>
<td>Team Manager</td>
</tr>
<tr>
<td>Pedro Ferreira</td>
<td>Electronik Generation</td>
<td>Team Administrator</td>
</tr>
</tbody>
</table>

Table 11 - RESEARCH PARTICIPANTS

SOURCE - AUTHOR
5.5 Guided Interview

As stated previously, since this research aims to draw the lines both sports and esports teams have in common, two different interview guides, or scripts, have been written. One to interview sports managers and another to interview esports managers. To gather data on how traditional sports teams work and elaborate their business models, as well as how they conduct their operations in general, an interview script was elaborated. Table 12 shows the objectives of the interview, as well as the topics covered, while the Appendix 1 shows the full guide used for these interviews.

| TABLE 12 - TRADITIONAL SPORTS PARTICIPANTS INTERVIEW GUIDE BY RESEARCH OBJECTIVES |
|-----------------------------------------------|---------------------------------------------|
| **Objectives** | **Topics** |
| To identify and understand the main reasons behind the success of electronic sports as an entertainment; | • Esports awareness;  
• Esports opinion;  
• Reasons for esports’ success;  
• Esports future;  
• Opinion on esports being software and relationships with game developers and governing bodies; |
| To identify the business models currently being used by professional teams; | • Team goals;  
• Team’s expenses?  
• Team’s revenue streams?  
• Team’s communication channels;  
• Team’s resources;  
• Key activities;  
• Key partners; |
| To design new business models for the studied teams, as well as any professional team; | • Use of business models;  
• Business model changes;  
• Suggestions for esports teams business operations; |
| To draw the parallels between traditional sports business’ models and the esports’ ones; | • Common elements between sports and esports;  
• Opinion on esports being considered sports;  
• Esports comparison and relation with sports; |

Additionally, to gather data on how professional electronic teams work and elaborate their business models, as well as to grasp a full comprehension on how they are managed and what their current situation is, an interview was elaborated. While very
similar, this interview guide has a few differences when compared with the previous one. Table 13 shows the objectives of the interview and the topics covered, while the Appendix 2, presents the full guide used for these interviews.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To identify and understand the main reasons behind the success of</td>
<td>• Reasons for esports’ success;</td>
</tr>
<tr>
<td>electronic sports as an entertainment;</td>
<td>• Esports future;</td>
</tr>
<tr>
<td></td>
<td>• Factors that should be changed;</td>
</tr>
<tr>
<td></td>
<td>• Current local esports scene;</td>
</tr>
<tr>
<td></td>
<td>• Opinion on esports being software and relationships with game developers</td>
</tr>
<tr>
<td></td>
<td>and governing bodies;</td>
</tr>
<tr>
<td>To identify the business models</td>
<td>• Team goals;</td>
</tr>
<tr>
<td>currently being used by professional teams;</td>
<td>• Team’s expenses?</td>
</tr>
<tr>
<td></td>
<td>• Team’s revenue streams?</td>
</tr>
<tr>
<td></td>
<td>• Team’s communication channels;</td>
</tr>
<tr>
<td></td>
<td>• Team’s resources;</td>
</tr>
<tr>
<td></td>
<td>• Key activities;</td>
</tr>
<tr>
<td></td>
<td>• Key partners;</td>
</tr>
<tr>
<td>To design new business models for the studied teams, as well as any</td>
<td>• Use of business models;</td>
</tr>
<tr>
<td>professional team;</td>
<td>• Business model changes;</td>
</tr>
<tr>
<td></td>
<td>• Sports business model adoptions;</td>
</tr>
<tr>
<td></td>
<td>• Suggestions for esports teams business operations;</td>
</tr>
<tr>
<td>To draw the parallels between</td>
<td>• Common elements between sports and esports;</td>
</tr>
<tr>
<td>traditional sports business’ models and the esports’ ones;</td>
<td>• Opinion on esports being considered sports;</td>
</tr>
<tr>
<td></td>
<td>• Sports perceived as familiar with esports;</td>
</tr>
<tr>
<td></td>
<td>• Esports comparison and relation with sports;</td>
</tr>
</tbody>
</table>

Additionally, and as mentioned previously, taking notes during an interview is also important. Thus, an interview sheet was prepared, in order to facilitate the process of taking notes of particularly relevant information during the interviews. This sheet can be found in the appendix 3 of this research.
5.6 Research Ethics

Research ethics characterize the social appropriateness of one’s behavior during the research regarding the subject and the rights of the participants and were defined by Cooper and Schindler (2008) as:

“The norms or standards of behavior that guide moral choices about our behavior and our relationship with others”

Thus, this researched was conducted following several of the guidelines proposed by Saunders et al. (2009), namely:

- Respect for participant privacy;
- Voluntary participation as well as the right to withdraw partially or completely from the process;
- No deceit of participants;
- Avoidance of any possibility that would cause negative reactions for participants, such as embarrassment, stress, pain or harm.

These guidelines were used throughout the whole research and all participants were informed about their rights and possibilities regarding the interviews. Participation was entirely voluntary, without any promises or compensations, with the exception of providing the research results to the interested parties at no cost.

5.7 Summary & Conclusion

In short, due to the exploratory nature of this research, the qualitative research method was deemed more appropriate, as this research aims to understand how professional electronic sports teams are managed and why are they managed in such way, as well as to design improvements in their business models that lead to an increased sustainability these teams. To gather data to support this research, in-depth interview was the selected method, with face-to-face and telephone (via Internet) interviews were the chosen techniques. With two different interview guides for two different kind of participants, the data gather was ideal and provided the necessary insight to reach the right conclusions in this research.

6.1 Introduction

Before diving into the electronic sports, this chapter takes a look at some sports and the way their teams conduct their business. This allows a broader perspective in general sports management, before taking a closer look at the electronic sports teams and their business models. So, this chapter firsts explain the traditional sports considered for this research and the teams selected as study objects. It then moves to analyze how these organizations conduct their operations and build their business models base on that information. Additionally, this chapter takes into consideration the participants opinions towards electronic sports and what could be moved to electronic sports, from what was studied in the previous chapters. It then closes with a short summary and conclusion on what was discussed in the chapter.

6.2 Sports Researched

During the conduction of this research, three different sports were studied.

i. Football

Football, also known as soccer, is the world’s most popular sport, being played by more than 250 million players in over 200 countries. This sport is played on a rectangular field, each with a goal at each end. The team which scores the most goals wins a match.

While football needs no introduction, its 150 years of existence has given the sport a lot of attention and research. And, since this research aims to bring some knowledge of traditional sports to electronic sports, football was always an obvious choice of a sport to analyze.

From a managerial point of view, football allows many possibilities. Not only in terms of staff requirements, as football also needs to deal with athletes practice, team mindset, player transfers, infrastructure maintenance – mainly the stadium, marketing options, communication, gear, and much more, thus being an optimal source of information in general sport management.

ii. Kickboxing

Originally born from a mix of martial arts, Kickboxing is a stand-up combat sport based, as it name suggests, in kicking and punching. While it can be practiced for self-
defense or general fitness, it’s also a popular combat sport. In typical fights, combatants fight each other in a number of rounds, or until one gets knocked-out, or unable to stand.

Kickboxing may also provide interesting insights as a sport, as it is also an individual sport where players tend to practice in teams. Additionally, players are also heavily reliant on their reactions speed and their ability to maintain their focus during fights, similar in a way to esports athletes.

Furthermore, kickboxing deals with two problems that also affect electronic sports, such as the product placement on players, and the fact that both are looked upon with some negativity due to their connection with violence. Additionally, the modality is running for acceptance in the Olympic Committee, being somewhat similar to esports.

iii. **Paragliding**

Paragliding is a free flight recreational activity and competitive adventure sport, with the use of paragliders, rectangular parachutes with direction controllers. Motor propelled paragliders are named paramotors. The most common paragliding competition is similar to a race, where the winner is the first across a finish line, but there are also aerobatic competitions where participants show off certain maneuvers, with the latter being the most spectator friendly.

While this sport is individual, there are many teams and joint practice is recommended for safety. In this particular case, the studied team, AbouaAboua, holds their practice in different locations away from their headquarters, with practice sessions starting at a ‘take off’ place and finish at the ‘landing’ zone.

Since paragliding is a potentially dangerous activity, thus being dubbed as extreme sport, proper training is required before practitioners are authorized to take off on their own, and flight is usually only recommended or allowed when the atmospheric conditions are favorable.

Paragliding can be an interesting sport to study, when basing a research for electronic sports, as it is an individual sport that is practice inside of a team. Also, it’s a sport with a lot of theory that needs learning behind and relies heavily on decision making. Furthermore, it’s a niche sport, much like esports.
6.3 Business Model Analysis

Following the conducted interviews, three business models were designed for each sport. To note, that the designed business models aren’t necessarily the ones used by the organizations studied, but are built with the insights they provided.

i. Football

In order to better understand the general management of football, or soccer, the choice landed in the New York Red Bulls and their Senior Director of Marketing, Mr. Daniel Marrett. The New York Red Bulls (NYRB) are an American professional football team from Harrison, New Jersey. The team was originally founded in 1995 as the New York/New Jersey MetroStars and was bought by Red Bull GmbH in 2006. The team competes in the Eastern Conference of the Major League Soccer (MLS), and it’s one of the ten charter clubs of the MLS, being present since the beginning of the League. Being an American football team, the New York Red Bulls can present a lot of interest for this research, as not only are they a football team, but they are one on a sports market where football isn’t the main sport, unlike the European market, which leads to a series of difficulties that the team has to deal, which presents valuable insights.

Starting with the expenses and cost structures, Daniel identified at least six of great importance. The most important expenses are obviously the salaries, of both players and staff, with whom the team could not run without, and the stadium, that is not only necessary for the team to play, but it is also one of the most important revenue sources that will be taken into consideration next. The player academy which Daniel regards as one of the most important investments, and especially one of the most important part of the teams system and organization, also takes a significant toll in the clubs expenses, as the NYRB supports all costs of the players their academy receives. Also, the team bets on a strong and intelligent digital advertising campaign, as Daniel sees the Internet and the social media it as an important way to communicate and engage with the team’s fans, especially taking into consideration that New York is the most expensive media market in the United States. Finally, team travelling expenses as well as general infrastructure needs are also expenses that the team has to support financially.

Going to the revenue streams, ticket sales, as mentioned before are the most important one, especially since the NYRB are quite popular and sell-out their tickets quite often. Their stadium, Daniel points out, makes the fans experience truly unique as it’s a soccer specific stadium, probably the best one in MLS. TV deals, both with local
television and the national TV deals signed by the MLS are also key part of the revenues, followed by the traditional sponsorships, always present in the sports industry. Interesting to note, and pointed out by Daniel himself, that the academy, despite being an expense, could be turned into a revenue stream, with the club charging players for the attendance of their academy. However, Daniel defends that the academy should be kept free, as charging for players would put the team in risk of not catching the most talented players who wouldn’t be able to afford to practice in the academy.

The channels through which the NYRB reaches their fans are quite normal for a team of their dimension, using television, radio and the Internet, but the way they communicate is where the team’s organization really shines. Running on a considerably lower budget, when compared to other teams in the most popular sports in the US, the NYRB bet on intelligent, engaging content to entertain their fans and to lure out new potential fans who are more than willing to participate. The team has also a deal with local cable television channel MSG and radio broadcasting station ESPN Deportes. Only on very special occasions, does the team resort to traditional printing media, such as newspapers.

Preparing this engaging content Daniel referred and setting up its advertising is so important in the NYRB that it’s part of their key activities, alongside practicing and getting their way with the local media. Daniel insists that the team’s communication needs to reach both the people who have come to the NYRB games before and those who are like minded to come out. To do so, the content that the team shares must be extremely high quality, with the right messaging, giving the fans what they really want. Moreover, getting the local media to tell the team’s stories rather that the team itself is very important, because if the team can pitch the right story lines it can get more mainstream coverage, which Daniels explains, is not only better than running a costly campaign, but it will reach the people who are most likely to come out and engage with the team. Additionally, and obviously important in every team is the sports practice. The RBNY also take this part very seriously and are always improving their system through better use of player data, medical data, and tactics, to push their athletes to be the best they can be, and through keeping the academy close to the main team and its needs in order to build a better faster, stronger team.

To run these activities, there are many needed resources, such as the physical facilities and the capital to fund these expenses. Still, to Daniel no other resource is more important than the team’s staff and everyone who works for the organization. Daniel
remarks that this is a very competitive market, with fourteen professional sports teams just in New York. Additionally to the competition, MLS teams, or football teams don’t have the same budgets or resources as other teams in most popular sports. Daniel Marrett highlights the difficulties the NYRB staff has to deal, when for example, the marketing staff is only of three people, unlike the basketball team, New York Knicks, who have around thirty people just for the same department. Finally, Daniel states: “what really is going to make us win or lose is the people that we have on board and how they are able to leverage having less resources and able to have a stronger and louder voice than anyone else”.

When talking about partners, Red Bull, plays a significant role. Being part of the network of the global brand, increased the resources available for the team and vastly amplified their voice. Daniel also highlights their local TV partner MSG, who helps grow the team’s awareness and position themselves in the right light towards the general sports fan in New York City.

Regarding team mindset and objectives, Daniel points out how it is important to focus on the performance, rather than profits, as not only performance brings profits, but focusing on the numbers will lead into making cuts that shouldn’t be made. Also, Daniel revealed the team’s future objectives and how there are planning to grow, not only in performance, but improving their academy and increasing their ticket sales, as well as doubling the sponsorship revenues. While he considers unrealistic that the team should win the MLS cup every year, he believes that the team should always be able to reach the playoffs.

Additionally, from a managerial point of view, Daniel admitted that the team does use a business model and that it helps to not only shape business decisions, but to show what is needed to be done to reach the objectives defined for the future.

Figure 8 depicts the business model used by the New York Red Bulls according to the input given by Daniel Marrett.
ii. **Kickboxing**

To better understand how the universe of kickboxing and combat sport martial arts, Fernando Machado, also known as ‘Zenga’ by his fans and teammates, three times world champion and one time European champion, was interviewed. Having retired from the competitive practice, Fernando now coaches and manages the kickboxing department in the Sporting Clube de Braga sports team, where the team also practices boxing and Muay Thai. Despite practicing all three sports, Fernando regards Muay Thai as a crucial practice in terms of training and learning, but Kickboxing as the most important sport with more competitions available to attend.

In order for the kickboxing team to run there are a few mandatory things that need to be taken care of. Fernando remarks the importance of a good space, basic infrastructure, such as space rent, water and electricity, and gear for the athletes. Furthermore, tournament entry fees for athletes and the costs incurred with traveling and housing when on remote locations are also an expense to deal with. Additionally, Fernando draws to the attention on the importance of seminars. Kickboxing seminars are similar to other martial arts seminars, where a known or important coach or athlete is invited to teach local athletes or practitioners. This is extra helpful for the athletes, as it gives them a new practice out of their routine with valuable insights, but it’s also another toll to reckon with
on the finances, as the invited guest needs to have all expenses covered, with an additional
tour over the local or surrounding interest points.

Generating revenue in kickboxing is not as simple as in other sports, but Fernando
sheds some light on how the club and he himself manages to pull through. Like most
sports, sponsorships are a source of income, but Fernando shares that it’s not easy to get
sponsors for kickboxing clubs, since its correlation with violence. However, he highlights
two other sources, more important than the traditional sponsorships: tournament prizes
and event ticket sales. Tournament prizes are an important source of revenue, but as it
suggests it is very reliant on the performance of the athletes. However, Fernando explains
that when in need, the team is able to run an event for extra income. This can be, for
example a series of show matches using the teams athletes, where fans pay to attend the
event and watch the athletes perform against each other, very similar to many other sports.
Additionally, since the team runs on a professional and semi-professional level, the team
generates revenue through the monthly fee that amateurs pay in order to practice.

To reach their fans, the team communicates mostly through social media, namely
through Facebook. Similar to other sports, athletes usually run their own athlete pages
and share their sporting actions through those pages. Additionally, the team shares
information through local press, and through television on the most premium content.

To reach the team’s goals, Fernando considers that the most important activities
are attending competitions, events and practices. Competitions are separate from events,
as competitions refer to the national championships or tournaments where the athletes are
rewarded if they reach the top, while other events may refer to friendly show matches or
exhibition matches without economic compensation for the athlete. Fernando consider
these to be very important as to train the mindset of the athlete to deal with pressure.
Practicing is obviously absolutely crucial to improve the athletes for them to be in the
best shape possible. Finally, Fernando also considers important to attend the Federation’s
special workshops, from where the athletes can always get great tips, like, for example,
nutrition tips to improve their eating habits.

On resources, Fernando gives special focus on the human resources, who aren’t
not only key, as they are the athletes, but that the spirit team and bonding is something
very special, which can make something really good happen even when many things go
wrong.
As for partners, there aren’t none at the moment, with the team currently handling everything they can. Fernando, however, says that one partner who could make a significant difference in the teams operations and sports practice would be the City Hall.

On a sporting perspective, Fernando remarks the importance of the coach in the teams practice. He considers the space to be necessary, but the coach much more important, as he reminds that when he first was world champion, he practiced in a normal shared gymnasium, but his coaching was what always pulled him through. Additionally, he believes that the team and its athletes should always prioritize performance, for the personal fulfillment of the athletes. For the near future, Fernando aims to reach the very top of the national competition in kickboxing and to increase the team roster of professional kickboxing athletes.

As for management, Fernando admits to not using a business model, dealing with the management and the challenges it encounters on the fly.

Following the information shared by Fernando Machado, figure 9 depicts the business model for the Sporting Clube de Braga kickboxing team.

![SCB Kickboxing Business Model](source-author)

### iii. Paragliding

To explain how paragliding teams work and how they are managed, Abel Costa, president of general assembly and director of the training school, of the four times national champions AbouaAboua team, was interviewed. Abel also works as a lawyer.
and wrote and published two books on paragliding, entitled “Paragliding and sports law” and “Airspaces”.

The AbouaAboua team, besides their sporting objectives, also work towards improving the popularity and security of their sport. For that, Abel considers their headquarters to be of high importance, alongside their takeoff and landing spots, spread out across the north of Portugal. Besides the basic infrastructure required to run their headquarters, the team takes care of their athletes entry fees for paragliding competitions, as well as the expenses involved in their traveling.

To support these expenses, the team generates revenue from the club member dues, as it is a sports association, and through sponsorships. Additionally, the team invites outsiders to try paragliding in two-sited paragliders, where one of the more experience practitioners or athletes carries an extra passenger, as a paid service. This is also known amongst the practitioners as a touristic ride, and gives some room for the team to generate additional revenue, as well as promoting their sport.

To reach their fans as well as conquer new ones, the team communicates mostly through the local press and the Internet, namely their web page and social media. One particular aspect that Abel Costa mentions, is the fact that the athletes are hanging around in the air gives the sport a lot of attention in the areas where it is practiced. He even added, that in the places they usually practice, namely Amares and Caldelas, in the north of Portugal, their sport is becoming even more popular than football for the local townsfolk.

When it comes to resources, Abel makes it clear that nothing is more important than human resources. Not only because they are the key elements of a sports team, but because when people are really involved in the team and the sport, can they help in such a way that not only they reduce the need for financial resources, that they can help the team generate even more revenue.

Getting to the team’s activities, this particular team places an extremely high importance in the early training, mandatory for paragliding practitioners. Paragliding athletes must first earn a license in order to practice free flight, and to earn that license they must even pass an exam. AbouaAboua and their school director think this part is one of the most important parts, as not only it teaches the basics and principles of the sport, as well as its code of conduct, but it provides the necessary basis for a good evolution. After this training, attending practices is the next step, as it is important to practice in different locations and different weather settings, provided that they are ideal for free flight. Finally, it is important to attend competitions as they provide the most valuable
experience when going for the competitive mindset. Abel Costa considers this formula to be the reason of their success, as they quickly rose from a team which placed in 20\textsuperscript{th} position to the four times national champions.

Closing up on the business model components, Abel highlights the importance of the public entities, namely the city halls where the team conducts its practicing sessions. For example, the town hall of Caldelas, recognizing the sports contribution to the region, invested a considerable amount of money into improving the spot where paragliding practitioners take off, and is now planning to invest an additional amount to build a proper landing zone.

With the team being a nonprofit organization, Abel Costa says it wouldn’t make much sense to go for profits, so instead they aim to increase their performance, especially at a time the competition is tightening and their rivals are copying their tactics. For the future, the team aims to continue to maintain their current momentum and take the gold in national competitions, as well as improving their school and the team’s overall organization.

On the managerial side, while the team does not use a business model, it does have a strategy, or at least a direction, as to how it should conduct its operations and its business. Abel Costa remarks that the paragliding market is still very small in Portugal and that this limits their maneuverability in terms of management and sponsorship options.

Figure 10 depicts the business model for the AbouaAboua team based on the interview with the team’s president of general assembly and school director, Abel Costa.
6.4 Participant Opinion Towards eSports

In general, all sports participants had a positive global opinion towards electronic sports.

Daniel Marrett was by far the most familiar with the market. Being part of the global brand that is Red Bull, Daniel was familiar with both sports simulators, such as FIFA, as well as the strategy RTS title, StarCraft 2, even having attended the Red Bull Battle Grounds tournament held in New York City in 2013. Daniel admitted to be impressed with the numbers the esports market has risen into and the engagement it gets from its fans, even exposing how games like FIFA can actually be a driver of awareness, having helped to introduce the MLS to new fans.

Fernando Machado wasn’t as aware of the esports market, but had a sound definition on what they were, especially since he admitted to having played Counter-Strike when he was younger. When faced with the numbers esports had reached he considered it to be wonderful that more people could live on what they had pleasure doing.

The least aware of this market was Abel Costa, who considered electronic sports to be a very interesting type of competition that could also add a lot of different options to traditional sports. He even added, that just like there are sports simulators for other sports, like football with FIFA, it would be really good for paragliding to have a videogame where players could experiment the sport and compete against each other,
with the game setting the conditions like the outside weather. This wouldn’t only be a good way to promote paragliding, but a way to train athletes’ flight techniques, with different weather conditions, under the stress of competition.

As for esports being considered actual sports, most participants agreed that they should. While Abel Costa simply agreed that since it was a leisure activity involving social interaction, it should be regarded as a sport, the other participants had a stronger voicing on why it should. Daniel Marrett considered that, taking into consideration the physical and mental concentration, as well as skill, required for esports, they could be more demanding than some of the traditional sports, while Fernando Machado explained that even though esports athletes weren’t exactly running or jumping around, the focus they have in the game is enough to cause them physiological reactions. Fernando added that even though the physical effort was obviously different, the simple fact that the focus esports require from the players can absorb them from the real world problems, like most sports, and cause stress reactions as well as make the heart run faster, it should be enough to consider esports actual sports.

Additionally, all participants agreed that esports didn’t present a threat to traditional sports. Fernando Machado believes that the social interaction in sports, and the social bonding between practitioners is stronger in traditional sports than esports, since in esports the athlete focus is on the screen, rather than directly in his opponent or colleague, while Daniel Marrett admits to have trouble imagining the emotional connection formed with traditional sports teams to be replicated into esports, as some teams have hundreds of years of history and in esports things change particularly fast.

Regarding the growth of esports, Abel Costa believes that it would be very hard for esports popularity to surpass those of the major traditional sports, but recognizes that it has already surpassed that of niche sports, like paragliding by a huge margin. On the other hand, Fernando Machado speculates it would be possible for esports to surpass major sports, and fundaments his opinion with the fact that football, for example, isn’t the favorite sport in all countries, but all countries enjoys videogames. Daniel Marrett considers that while esports could in the future, even in terms of popularity and revenues, rival or even surpass those of major sports they are still a long way to go, and that it might take a generation for more people to be more open to it. However, he also adds that he sees the two as separate markets with plenty of space to grow into.

Participants however, had divergent opinions on the handicap it could meant for the fact that esports are actually software. While both Abel Costa and Fernando Machado
agreed that it could be good for esports to have the developing companies behind them, improving the game and funding competition, they also believe that they will eventually have to cooperate with governing bodies and thus, they should take the right measures to protect themselves without putting the sport at risk. On the other hand, Daniel Marrett, thinks that the simple fact that esports are software is by itself a barrier to success, as players won’t be realistically practicing these sports until their adolescence, while they can practice any traditional sport as soon as they are able to walk. Additionally, the fact that there is a software company behind the game adds in an extra player in the industry and, consequently, another layer of complexity in the politics between governing bodies. However, an interesting remark my Fernando Machado, was that he believed that since there are no referees in esports, or practically none, this removes the human error or external influence in determining the victorious team or athlete, which he considers to be a favorable point in their development as sports.

6.5 What eSports Can Inherit

Looking at those three business models designs, it’s possible to infer what elements could be useful for electronic sports. For instance, the stadium, one of the most important assets of a football team, is something completely unrealistic for esports to have at the moment. However, sponsorships will be indubitably one of the main sources of revenues, alongside the tournament prizes. Additionally, club member dues can also be a possibility for non-profit esports organizations. Interesting to note however, is that esports could easily be able to capitalize on events. Not just through ticket sales, like kickboxing, even though that could also be done, similar to events that have already been organized, but through digital streaming, where the organization could monetize through one of the media streaming services that exist just for esports.

Furthermore, as esports are a vastly digital and online phenomenon, it is clear that the Internet will be the main channel through which the teams will reach their fans. Also, while it’s hard to see teams getting broadcast revenues through the main TV channels at the moment, they could be a possibility in a near future, especially if they are able to get TV stations as their partners. Additionally, public state entities, such as City Halls, may be an important partner to help organize local esports events which the teams could use to generate additional revenue, as well as increase their promotion and organize competitions to gain experience and improve their practice and skill level.
Finally, while the cost structure for electronic sports will most likely be very different from those of traditional sports, the importance of practice and attending competitions will most likely be the same.

6.6 Summary & Conclusion

While it is clear that not all of the management used in traditional sports could be used by electronic sports, there is still a lot of helpful information that could be taken from their management, especially when dealing with more complex situations. For example, the importance placed by the New York Red Bulls on the team’s communication, the events performed for an extra revenue by the Sporting Clube de Braga team and the meaningful contribution of a solid theory before practice that the team demands from their athletes are all valuable insights that could be applied to esports, amongst many others.

Moreover, it is also interesting to note the positive reactions the research participants showed towards esports, recognizing these competitions as actual sports, despite the fact that they are in fact videogames.
7. eSports Business Models

7.1 Introduction

This chapter focuses in analyzing esports teams and building their business models, as well as to understand the teams’ managers’ thoughts on the industry. It starts by identifying the teams researched, followed by the analysis of their business operations and construction of their business models. Then it moves to improving their business models based on suggestions from the previous chapter. Finally, it wraps up with the opinions of the research participants on the industry and a short summary of the chapter.

7.2 Teams Researched

To understand how electronic sports teams conduct their operations, three teams were studied.

i. yoe Flash Wolves

Yoe Flash Wolves is an esports organization based in Taiwan. Originally founded in the end of 2010 as the ‘Xspec Ironmen’, in August 2012 the team was acquired by Wanin International and was renamed to ‘yoe Ironmen’. In August 2013, the team was finally renamed to how it is known today, as the yoe Flash Wolves.

While the team is most popular in the Asian market, their recent performance in League of Legends and StarCraft 2 has brought the team to the global spotlight. Their League of Legends squad has shown a lot of progress, taking first place in the Intel Extreme Masters Season IX in Taipei, Taiwan, where the team qualified for the Intel Extreme Masters World Championship where they would finish in 3rd/4th place, and finishing the 2015 LMS Spring Round Robin in first place which was followed by a second place in the playoffs. This, just in early 2015 alone. As for their StarCraft 2 roster, the team comprises four Taiwanese players and three Koreans, of which they include the former BlizzCon and World Cyber Games champion Won Lee Sak, also known as ‘PartinG’ and the former two time Major League Gaming champion Lee Dong Nyoung, known by the alias ‘Leenock’. The team has also a Special Forces and a Hearthstone squad.

With these players yoe Flash Wolves have risen from one of the local Taiwanese teams to one of the top performing world teams and aim to keep improving until they reach the very top.
Yoe Flash Wolves are a great example of how a top tier Asian esports team work and operate, and thus, the team manager Zhang Yu, more commonly known as ‘4Leaf’ was interviewed for this research. Zhang Yu is a thirty-one years old former professional esports player and former coach, who now has worked for a year and a half, solely as the team manager.

ii. Grow Up Gaming

While starting as an Unreal Tournament team in 2002 named as the ‘Underworld Preachers’, Grow Up Gaming eventually established themselves as an official sports non-profit organization after experiencing a huge growth in players and the number of different games in which they competed. Currently, they are one of the oldest and most known Portuguese organizations in electronic sports, with almost 900 associates and present in almost 20 different games.

While the team can be regarded as a professional esports team and it is much more active in their national territory thus they consider themselves more of a semi-competitive team. Also, Grow Up Gaming already have quite a history of attending international events even managing to reach the podium in some of them, such as the European Pro Evolution Soccer championship in 2013.

Nevertheless, the team upholds a strong focus in working with young players and assisting in their evolution and growth through esports as well as the development of online communities. They also have one of the oldest academies, named ‘UPSchool’ of which they are very proud of having developed many of the national esports best players.

Grow Up Gaming are an interesting team to study, as their thirteen years in active are quite an accomplishment in esports, especially when they operate in such a small market as the Portuguese one. To understand how Grow Up Gaming manage their operations, Telmo Silva, the team’s president was interviewed. Besides his involvement with Grow Up Gaming since the very start, Telmo Silva, also known as ‘Armaggedon’, is a 29 year old entrepreneur and holds a bachelor degree in marketing management and a master degree in client service management.

iii. Electronik Generation

Electronik Generation first started as a Call of Duty Modern Warfare 2 team in 2010, but soon expanded into other games after merging with another team in 2011. At
the moment, Electronik Generation are present in seven different game titles, but they are mostly upraised for their League of Legends team and academy.

While currently running as a semi-professional team, the organization is preparing the jump into a professional organization, as they are preparing to properly set the organization as company, having already registered the brand in 2013. With only five years on top of them, they have risen to one of the most popular teams in Portugal and have also started to compete in international such as the Dreamhack in 2014. While not present is as many games as Grow Up Gaming, for example, their fan base dimension is almost the same.

This team represents a fine case of a new upcoming esports team trying to establish themselves in a competitive market such as esports, with the difficulties of a team operating in a very small market, again the Portuguese one. The team’s global administrator, Pedro Ferreira, also known by his nickname ‘Petros’ was interviewed to explain how the team works and managed to get this far, as well as what plans there have for the future.

7.3 Business Models Currently In Use

Just like in the previous chapter, three more business models were designed according to the input provided by the interviewees. Once again, the business models might not be exactly the ones these organizations use, but are built based on the information the participants shared.

i. yoe Flash Wolves

As a fully professional electronic sports team, yoe Flash Wolves have three types of main expenses: the players’ salaries, the team house where they practice and the travel and lodging in order to attend tournaments overseas. With some of the best international players in their lineups, it is only normal that player salaries are the biggest expense of the team. And since pretty much all the important esports competitions take place outside Taiwan, so is the expense with traveling and lodging, in order to allow players to attend those competitions. Finally, the team house, the house where the team lives and practices, is an expense Zhang Yu considers important in order to improve practice and to build team synergy.

On the other hand, the team lacks multiple income sources, with sponsorships being the sole revenue source. Zhang Yu admits that the team expenses exceed the team
revenue through sponsorships, but since the company that owns the team takes care of that, he can clearly focus on the performance, which he considers to be the most important part of the scene.

Like most teams, esports or not, yoe Flash Wolves reach their fans through social media, namely Facebook and YouTube as well as their main Web page. At the moment they communicate mostly towards their Taiwanese fans, but Zhang Yu does admit to have plans to reach for the Western audience in the future, as well. Adding to the digital communications, the team also creates multiple live events for fans to engage with the team.

Moreover, Zhang Yu makes it clear that players need to focus on their training in order to improve, while it is the staff duty to support the players the best they can, and that the financial resources are crucial to motivate their roster of professional players.

Finally, the Zhang Yu considers their sponsors, such as MSI, Zowie Gear and even hair salons, to be key partners in their organization, as they also support the team differently, either it is from hardware and gaming peripherals, or working and improving the players’ image when going to live events.

As for the team mindset, it’s very apparent that it’s heavily focused on the team’s performance, and the fact that the team’s finances are secured, gives an extra freedom for the team to fully commit to this. This performance focus is so strong, that the team even strides away from streaming tools, as they fear that streaming may hinder or put their performance in danger by, for example, revealing any secret techniques or tactics to their opponents. Additionally, Zhang Yu confided on a personal note, that he believes that the most achieving part of the esports industry it’s to have good performances and to crown champions.

On the team’s management, Zhang Yu admits that there isn’t a business model for the team, yet. However, the team has already considered looking into other sports and one idea they have for the future is to sell merchandised gear to their fans, however, and once again, since the finances aren’t currently a priority, the team chose to delay that option for now and preferred to focus on the performance of the players.

Figure 11 depicts an approximation of the business model that the team is currently using, according to the insights provided by Zhang Yu.
ii. Grow Up Gaming

As a semi-professional esports team, there are still many expenses the Grow Up Gaming team has to deal. While player or staff salaries aren’t one of them, as both parties participate in the team by volunteering themselves, the team still has to afford the basic expenses in order to have the proper infrastructure to allow players to practice, as well as support their expenses in order to allow them to compete in the most important competitions. So, the team needs a lot of different types of servers, which include game servers, for private practice sessions or game hosting, TeamSpeak server for team communication, among others. And, just like any other team, they need to support the travel and lodging expenses for players to attend far away competitions. Additionally, since the team organizes events for esports fans in Portugal, with the ‘MeetUP’ being the best known, they incur on many different expenses to be able to setup the event.

On the other hand, while event planning is one of the main expenses for the organization, it is also one of the main revenue streams, as they require a ticket purchase in order to participate. Also, like most teams, sponsorships play an important part in the team’s finances. Furthermore, being a non-profit sports organization, not only are the almost 900 associates a considerable revenue source, as they all have to pay their club member dues but this statute gives the organization access to public funds set by the state for these kind of organizations. It this particular case, having their work with youngsters
recognized and praised, the team receives an important support for the Portuguese Youth Institute. Interesting to note however, still on the revenue sources, that while the organization does monetize on their digital content, such as streaming, Telmo Silva considers the income to be insignificant when compared to the other revenue sources and the expenses the team has.

Still, while Telmo Silva discards the importance of streaming at the moment, he still considers it to be an important tool to reach the fans, with the team having a team page on the Twitch streaming service. Additionally, like most teams, Telmo considers the social media very important, especially Facebook, but believes that the team should place more importance on their web page. Furthermore, the organization uses their events, not only as a way to reach, and more importantly, to engage with their fans, but also as a way to gather their community.

As for resources, there are no doubts for the team’s president. Nothing is more important to him than the people that work hard every day for the organization, especially considering that they aren’t remunerated. Telmo explains that many of the resources and options available to the team, such as servers, team clothing and design, was done by the club’s associates and their passion towards the team, which he considers to be something invaluable. He also adds, that the associates have done so much for the team so far, that even if he wanted, the team doesn’t have the necessary funding to compensate all of them. Still, Telmo doesn’t discard the importance of financial resources, but he adds that throughout the team’s history, there have been other organizations that had much more financial resources available to them and that it wasn’t the extra funding that prevented them from collapsing.

When speaking of key activities for the team, Telmo highlights an interesting point. In an industry where most of the action happens online, he considers the direct contact with the team players and staff to be extremely important, especially to motivate the team members and build team spirit. Additionally, Telmo focuses on the importance of practicing, but more importantly of planning those practices for the players, as he considers that the team has not only a competitive role, but also a large educational role for the youngsters. The team places a lot of value in teaching younger players the importance of time management, respect, discipline and sportsmanship, and always makes sure that their school performance isn’t harmed by their esports practice. This not only in teenagers, but all the way through young adults attending university. Players may
actually be suspended from the team if their academic or school performance is lower than expected.

Finally, when talking about key partners for the team, Telmo Silva considers all those who support and work with the team to be meaningful for the team, all the way from the sponsors, to the associates who collaborate with the team internally. Telmo explains that the team always works with a vision for the future, and that when it establishes a relationship with a partner they plan on keeping it for the long run. He even adds that many associates create such a connection with the team that when they launched their own businesses, those companies became partners of the organization themselves. Additionally on this aspect, Telmo emphasizes the difficulties of finding partners as well as sponsors in such a small market as the Portuguese esports market, and explains that many times it’s easier for the organization to find international partners rather than local partners.

While the team doesn’t have a business model, there are many plans for the future, especially in the management side. Telmo admits that the team has plans of expansion, having already set presence in new markets and is preparing a new competitive model for the most performing squads. Additionally, there is a lot of investment on the events created, especially the ‘MeetUP’, which, unlike the team, does have something that Telmo says is very much alike a business model.
Still, despite the lack of a business model for the team, a business model was built following the information provided by Telmo, depicted in Figure 12.

One curious element that didn’t factor into the business model, yet Telmo deposits a lot of value is the team academy, named ‘UPSchool’. Currently on hold for year, the ‘UPSchool’ existed for almost eleven years, bringing a lot of new talent for the team and the market, as well as uniting the community. While the academy never actually incurred in the expenses list, being ran by volunteer athletes that acted as tutors, the team is now preparing a new structure, hoping to provide a better quality of learning and experience for the students, which in turn may open the path for a new revenue stream.

### iii. Electronik Generation

Currently running a semi-professional team, although really close to establishing themselves as a formal company, Electronik Generation deals with pretty much the same expenses as the previous studied team, Grow Up Gaming. In order to operate, the team has to secure game and communication servers, entry fees as well as travel and lodging for players to attend tournaments, and, even event planning, as they also organize their own events for esports fans to attend. However, since their staff is not as vast as the other team, they have an extra expense to deal with. While Grow Up Gaming get most of their merchandising and advertising material, or marketing material, through the work and collaboration of their associates, Electronik Generation has to deal with this as an extra expense.

Likewise, they share two of the same revenue sources, which are sponsorships and the ticket sales for their events. However, since they aren’t, and neither have they planned to be, a non-profit organization, they are unable to count with the additional revenue streams as the previous team. An interesting note however, that Pedro Ferreira points out, is that the team is looking out for more than just the regular types of sponsors normal for esports team, such as hardware brands or IT shops. Pedro believes in the marketing and engaging power of esports and is trying to introduce esports to new brands and get those brands as sponsors for the team. The team has even up-do-date market researches on their home market that they use in order to explain and show why esports are, for example, a better investment than just the paid reach through Facebook posts.

As for their communication channels, they are pretty much the same as the previous team. With a respectable presence in social media, being the 4th most ‘liked’ Portuguese esports team on Facebook, and a YouTube channel where the team regularly
shares content, as well as their own web page and Twitch channel, the team knows well how to reach their fans. Additionally, the events they organize also help the team to communicate and engage with their fans.

Once again, not renouncing to the importance of financial resources, Pedro also believes that the most important resources the team has are the people that work and contribute every day for their objectives, making Electronik Generation what day are today.

As for the key activities of the team, Pedro places a great importance on captivating new investors for the team. Like he mentioned earlier, the team is looking for partners and sponsors outside the typical idea of esports sponsors. Additionally, the team is working hard on their international expansion, creating new squads and representing the team in different countries. Furthermore, Pedro believes that while practicing is indeed important, it will only take a team and a player so far, and that what really makes the difference when the players reach a higher level, is the preparation they take along with them. Additionally and just like the previous team, Electronik Generation places great value in teaching their younger players how to manage their time and to make sure their esports objectives do not conflict with their school or academic performance. Pedro even throws the example that he doesn’t want their younger players practicing without having finished their homework first.

Finally, when approaching key partners, Pedro throws in a partner not mentioned earlier. He considers that the major partners for the team have been the other esports teams present in the market. When operating in such a small market, Pedro understands that the teams must work together in order for all of them to grow, rather than just fight each other outside of the matches. Additionally, he defends that Electronik Generation works with a transparent code, even giving the example that in a non-regulated transfer market, without any organization or federation controlling anything, the team always deals with the management of the other teams rather than just approaching the players directly, unlike some of the teams present in the scene.

On the mindset the team does prioritize the performance instead of profits, as Pedro believes the performance is crucial not only for the team, but also for the development of esports in general. He even added that interesting and exciting matches always bring more fans to watch, while money doesn’t necessarily guarantee the sports growth.
On a managerial aspect, while Pedro admits that there isn’t exactly a business model defined for the team, there is a business structure setup as well as a growth plan. Additionally, the management team has already considered the models used by bigger teams in professional sports, but believe that it would be the best fit for such a small market.

Still, following the interview and the clues provided by Pedro Ferreira, figure 13 depicts what the current business model for the team is.

7.4 Business Model Improvement Suggestions

With all the information gathered, a few changes were made to the previous team’s business models, as a suggestion of improvement.

i. yoe Flash Wolves

Looking at the yoe Flash Wolves business model, only a few suggestions come to mind. Taking into consideration the team’s position, with top tier players and lacking communication to the Western fans, the changes made were more into the production of content that would please the team’s fans, as well as searching for media partners who would help share that content. Additionally, the focus on content production could help the team strategize a way into streaming content that wouldn’t give away their tactics but would create exciting matches for fans to enjoy. Also, taking into consideration that this
content, if well created, could be very popular, it would be wise to monetize it and see how it could help the team’s finances. Further on the financial side, the team could actually pick up on the plans they have for merchandised gear and sell it once their fan base had grown with the previous suggestions.

So, the following additions were made:

- **Key activities:**
  - Content production;
- **Key partners:**
  - Media partners
- **Channels:**
  - Internet – streaming;
- **Revenue streams:**
  - Monetizing digital content;
  - Merchandised gear sales;

With these updates, the business model is now as figure 14 depicts.

**FIGURE 14 - YOE FLASH WOLVES IMPROVED BUSINESS MODEL**

*SOURCE - AUTHOR*

**ii. Grow Up Gaming**

Regarding the Grow Up Gaming business model, only three changes were added. First, was to put a special effort on marketing as a key activity. Not only for the team, with content production, brand care and to increase their reach and fan base, but also for
the events they are organizing. Alongside with an extra effort for marketing, comes the
search for media partners to help on that strategy. Finally, the last suggestion was on the
revenue streams, adding the sale of merchandised gear, not only for the associates but
also for the fans of the team.

Changes to the business model:

- Key activities:
  - Marketing;
- Key partners:
  - Media partners;
- Revenue streams:
  - Merchandised gear sales;

Figure 15 represents the business model with these changes.

![Figure 15 - GROW UP GAMING IMPROVED BUSINESS MODEL](source - author)

iii. Electronik Generation

Finally, as for the Electronik Generation business model, it can be a slightly more
sensitive case. Starting with key activities, one that should be taken care of is their
communications. Building and sharing their stories, without necessarily requiring
communication partners at this time, as it would probably best serve their interest to be
noticed, rather than just trying to put content by force. As for key partners, while Pedro
Ferreira wants to introduce new brands for esports, at this earlier stage a partner that
would provide with the basic infrastructure might be ideal and it would save an extra expense. Additionally, since the team has put quite an effort into studying and analyzing the market, there could be a potential for some partnership with market analysis companies to work and sell those reports, even providing with some extra revenue for the team. Finally, and also on the revenues, since their League of Legends academy is so popular and has produced great results, charging a small entry fee could also bolster the team’s finances, which is always helpful at this early stage.

In this way, these business model updates were suggested:

- **Key activities:**
  - Communicating;

- **Key partners:**
  - Server providers;
  - Market analysis companies;

- **Revenue streams:**
  - Market reports;
  - Academy entry fees;

Following these suggestions, figure 16 represents the improved business model for the team.

![Figure 16 - Electronic Generation Improved Business Model](image-url)
Overall, all participants had a positive view on the esports industry and looked rather optimistic towards the future.

When questioned about why they believed esports have been so successful recently, all agreed that Riot Games and League of Legends was one of the major influences behind the success of esports. While Zhang Yu simply suggests that League of Legends is more accessible, being free to play, as well as easier to play and understand, Telmo Silva believes that the effort Riot Games put into the production of their events and the mass of fans it was able to gather was something unique for esports at the time. Telmo uses the example that the Steam platform by Valve Corporation has been around for more years than League of Legends, but even such a tool was unable to make Counter-Strike as successful as League of Legends is. As for Pedro Ferreira, he also believes that League of Legends played a key role in turning esports to what they are now, but he considers that there are many different reasons, such as the technology leap and the evolution of the Internet, as well as the fact that computers are much more accessible nowadays than ten years ago and that youngsters nowadays spend more time at home than playing outside.

As for the future and the growth of esports, all three participants agreed that they could equalize or even surpass any traditional sport. While Pedro Ferreira believes that even though that might not happen with the current game titles, it will happen with their future versions, such as the ‘League of Legends 2’ or the ‘Super League of Legends’, Telmo Silva explains that he thinks there are two factors different factors that gives esports the power to surpass any other sport. First, is that esports give the chance for everyone to play at equal terms, even people with disabilities or other disadvantages and that its communities tend to avoid the impact with different cultures, as people usually bond with one another before they actually meet each other and learn that they may be in fact, very different, but are still united by the game they play. And secondly, Telmo reminds that it took football a century to get to where it is today, as for esports, they are a really recent phenomenon and still have a long way to go.

As for what should be changed, participants had different opinions. Zhang Yu hopes that esports could reach more people, with a wider range of ages, so that people in their forties or sixties could also enjoy esports. As for Telmo, he believes that there should be given more power to federations in order to regulate the sports, but unfortunately he understands that there is more interest from the biggest organizations to keep that power
from the federations. On the other hand, Pedro Ferreira believes that locally, people need to change their mentality regarding esports, which he considers to be still quite negative, and internationally there needs to be more interest from brands that are not related to esports or technology, and gives the example of when Coca-Cola sponsored the League of Legends Challenger Series. Additionally, Pedro believes that there should be more leagues available, so that more teams get more chances to compete and grow.

Regarding the resemblances between electronic sports and traditional sports, Zhang Yu believes that in both, athletes need to work hard and in order to achieve their goals and that in both, top players get a lot of fans and recognition. Telmo Silva admits that esports make your heart race like in any sport, with the adrenaline and satisfaction of making an amazing play being very similar. Additionally, he considers the communication and coordination between team players to also be very much alike traditional sports. As for Pedro Ferreira, he enumerates a lot more elements in common, including the teams and their fan base and the emotional involvement. And unlike Telmo Silva who said there wasn’t anything we could foresee that sports have that esports could never have, Pedro believes that the only thing that might be difficult to imitate would be to fill stadiums every week, but added that he had difficulty imagining that some of the violence and hooliganism present in some of the traditional sports fans could ever be present in esports. Interesting to note however, that when both Telmo and Pedro were confronted with the opinion of Daniel Marrett regarding the difficulty he had imagining fans building that same emotional connection that you build with traditional sports teams as a youngster with electronic sports teams, both replied with two different arguments defending the contrary opinion. Telmo says that not only it is possible, his seven year old nephew already follows the team and has merchandised gear of Grow Up Gaming for himself. On the other hand, Pedro, a strong SK Telecom T1 fan, confesses that when he’ll have a child, not only he is hoping that he’ll watch the SK Telecom T1 games with him, but that he’ll cheer and support the team the same way he does. Thus, both participants agreed that that same emotional connection you build with sports teams, can also be formed with electronic sports teams as well.

Diving into sports that could be very much alike to esports, Zhang Yu understands that esports are like poker or table games, while Telmo Silva and Pedro Ferreira defend that there are many similarities with football, especially due to the team component, merchandising and broadcasting rights. After being suggested with Formula 1 and Tennis, Telmo argued that esports weren’t as hard to enter as Formula 1, but that the different
tracks may be similar to the different venues esports players have to attend, while Pedro argued that not every esports team have a Michael Schumacher or a Kimi Räikkönen. As for Zhang Yu, he admitted that even though he wasn’t familiar with the Formula 1 competitive scene, it did share similarities with esports. As for Pedro Ferreira, he added that esports aren’t as an elite sport as Tennis, and argued that in fact, they could be more like volleyball or handball, in the sense that despite the fact they are not followed as closely, fans still follow the most interesting matches.

Finally, all participants agreed that the fact that esports are actually software owned by companies is a strong handicap in their development as sports. While Zhang Yu only mentioned the fact that these companies need to keep working to improve their game and only they have those tools, Telmo Silva and Pedro Ferreira recognize the importance of sports federations in the sports development and feel that they are blocked by the game developing companies. While Telmo gives the example of the troubles that the IeSF would have in order to organize something like a world cup for League of Legends, with Riot Games being able to prohibit their LCS players to participate in other leagues, Pedro believes that federations are important not only to improve the sustainability for the teams, sharing revenues like in traditional sports, but also for regulating the sport, feeling that the companies aren’t able to do that as well as a federation would. Additionally, while Zhang Yu believes that the effort put by the game developing companies on their sports is indeed crucial for the scene, both Telmo and Pedro understand that in order for the games to fully develop as sports they will need sports federations behind them.

7.6 Conclusion

In summary, it is apparent that sponsors have an important role in esports, as they do for every sport. Interesting to note however, that most teams seem to have found another way to secure some financial help, either from their main sponsors or partners, or from other activities, such as events or monetizing on their digital content, mostly streaming. The costs seem to vary, depending on the team dimension, with player salaries and team housing being the main expenses for professional teams. The channels seem to be very much alike, with a strong presence on digital media and so is the focus on team performance. As for activities, while practice is always at the core, teams seem to have different activities as they change in their dimension. Finally, it seems that most teams do
not place a high importance in their partnerships and neither on building and sharing their stories.
8. Conclusion

8.1 Introduction

This chapter wraps up this dissertation, presenting and synthesizing the most important conclusions regarding this research. It starts by discussing the first impressions, moving on to the generic business models designed for esports teams. Then it moves on to the objective reflection, discussing results for each of the objectives defined earlier. Finally, it discusses the limitations faced when doing this work as well as suggesting interesting topics for future research and presenting the final regards on this research.

8.2 Synopsis

This dissertation dived into a fairly new industry, where there still isn’t much research done on the subject, and while it aimed to shed some light on the way professional teams operate, it also provided a deep and wide view of the market as well as its main elements.

In addition, this researched focus heavily on business models as a tool. This versatile conceptual model of a business, in this particular case, the Business Model Canvas, is more practical and more universal as well as more concise than a strategy. Not to mention that the fact that business models can be used, tested and rectified by any organization makes this work interesting for any team, trying to establish themselves in this market, as well as for already established teams to study and consider changes to their operations.

Moving to electronic sports, this work approached this industry from its origins, to where it stands now. Starting with the rise of this new type of competition, born from the computer gaming entertainment and made possible by the advancement of computer technology and global communications, to the full stadium events distributing millions of dollars in prizes, the esports niche market has caught the attention of many outsiders of the industry. The way these games have been shaped and the growth they have been experiencing have brought to them the common elements in traditional sports, such as organized competitions, teams, fans and spectators, turning these video games into actual sports. While some dispute the fact that esports shouldn’t be considered sports, this work proves that by all means, either from the academic definition of ‘sport’ to the elements in common with sport, esports can be, and should be considered sports.

Still, it is clear that esports haven’t reached the status of the biggest traditional sports, but every year they seem to be getting closer to that point. Besides, it seems that
electronic sports teams are still maturing in terms of management and aren’t still tantamount with their counter-parts in traditional sports. Reasons for this could be the inexperience, when compared to organizations with more than thirty years, the young age of most their participants and managers, the negativity that violent video games still have around them, or the simple fact that most organizations have trouble trying to get sponsors from outside the esports atmosphere.

Nevertheless, it is undeniable that there are many common factors between sports and esports and this researched provided many examples. From costs with players and infrastructures, to revenues from sponsors and merchandising, from communications through social media to the importance of practicing, many elements were shared by the teams. Yet, there was one element that all teams shared, whether from traditional or electronic sports, which was the focus on performance, or the will to win. Whether on the ground or on the computer, managers shared their will to improve and win titles.

Also, looking at the teams studied in this research, it is possible no note that sponsors do play one of the most important roles with the teams’ revenue sources and sustainability. It is also interesting to note that all teams searched for additional revenue sources, such as organizing events or the sales of merchandised gear, even though the latter is just part of the plans for the future. Curious, however, was the fact that monetizing on digital content, such as streaming, which can be a meaningful source of revenue in popular teams, is set aside by teams who wish to focus heavily on their performance, which was the case of yoe Flash Wolves and can be seen in many Korean teams. In the case of semi-professional teams, steaming also plays an important role, but more as a communication tool rather than financial, due to not having enough viewers to effectively monetize it.

One important point that the studied esports teams seem to lack when comparing with the traditional sports teams, is the lack of importance placed in the teams’ communications with the fans, or at least in producing content for the fans that follow the team, even despite the fact that these teams already have a significant fan base, albeit considerably small when compared to the most popular professional esports teams. Still, considering the many different tools to monetize digital content, these teams could favor the production of quality content that would help them reach their fans, and possibly increase their fan base, and also provide some extra financial help.

On a management perspective, the use of business models is almost inexistent in the studied teams, with the exception of the New York Red Bulls. Nonetheless, some of
the organizations were aware of the advantages business models can offer, and while not using in the management of their teams, they recognized to be using them on other projects they are involved, such as organizing events. Also, most of the esports participants made evident that they held traditional sports teams as inspirations in their management decisions, and that they tried to emulate many of their aspects, with football being one of the most influent sports in their decisions.

Looking to the future, most participants believe it to be very promising, even though it is very hard to predict where esports will go. Many assume they will grow even more, and many believe they can actually rival or even surpass the most popular traditional sports. Still, one important fact to take into consideration, is that while the oldest esport title, StarCraft: Brood War, has little more than fifteen years, football, for example, has been practiced for over a century. This inconsistency with esports may lead to changes that one way or another can have an impact on the market. On the other hand, for some it is apparent that the stability for the esports scene also passes by the empowerment of governing bodies in esports, such as Korean eSports Association or the International eSports Federation. The real question is, if the game developing companies are willing to relinquish their control of their games in order to empower those organizations.

8.3 Generic Business Models For eSports Teams

While the focus of this research was initially for professional esports teams, since semi-professional and amateur teams were also part of the research, three different generic business models were designed. Two of them for professional esports teams, the ones who wish to focus heavily on performance and those who wish a stronger focus on sustainability or economics, and one for semi-professional or amateur teams still growing their fan base and striving to achieve sustainability.

Starting with performance, figure 17 depicts a business model for teams wishing to achieve the best results possible in competitions. This business model holds all the typical expenses relevant in a professional organization, including player salaries, travel and lodging expenses, plus tournament entry fees, as well as the team house expenses. On the revenue streams, there’s a special focus on sponsorships and merchandised gear sales, as professional teams usually have a significant fan base and they can take advantage of it like most sports teams do. As for channels, the social media and web site should be enough, as professional teams that focus a lot on their performance apparently
try to stay away from streaming. Key activities encompass practicing and attending competitions, with the player support required which should include analysis and study of their competitor’s previous games, alongside anything else they need. Also, content production should be a key activity for professional esports teams, as it will help then engage and educate their fans, as well as to increase their fan base. As for key partners, sponsors can provide with a lot of needed material and media partners should be explored to help broadcast and share the content produced. Key resources are the same as all other teams suggested, and customer relationships, customers segments and customer relationships are the defaults established in the methodology chapter (chapter 5, section 3).

The second business model is very much alike the first, but with the addition of streaming to the channels, monetization of digital content on the revenue streams and marketing on the key activities. In professional teams, streaming can provide a valuable income. As an example Søren Bjerg, more commonly referred to as ‘Bjergsen’ from Team SoloMid, is an avid streamer and just through his stream alone, it is estimated that this player can make somewhere in between $20,000 to $40,000 per month (Farrow, 2015). Additionally, streaming isn’t the only digital content that can be monetized, as Google’s YouTube and AdSense provide extra tools that many teams also use. For example, Team Liquid, is famous for its Internet web site, which is also a community for StarCraft 2
players and has a potential revenue of over $200,000 per month, based on its traffic. However, to best capitalize on this strategy, marketing activities and a good planning are required. Figure 18 represents this business model, aimed for teams who wish to not only focus on their performance, but also to use their digital content as an extra source of revenue in order facilitate their stability.

FIGURE 18- BUSINESS MODEL FOR ESPORTS TEAMS FOCUSED ON MONETIZING THEIR DIGITAL CONTENT.

In this last business model, aimed for semi-professional and amateur teams, expenses changed, as normally these teams lack the funding to remunerate their players or establish a team house. In this case, securing sponsorships should be the team priority, as well as practicing and creating their own content to help share their story and create awareness as well as attract more fans. Media partners can still be secured, although it will indubitably be harder for them. One important channel however, is streaming, but more as a way to reach and attract more people, rather than a revenue source, as these usually don’t have a fan base enough to secure a considerable amount trough the monetizing of their digital content. Figure 19 represents the business model for teams in these situations.
8.4 Objective Reflection

In the first chapter of this research one main question was formulated and four objectives were determined:

What business models are the professional electronic sports teams currently using?

This researched was able to successfully answer this question based on the interviews realized.

- To identify and understand the main reasons behind the success of electronic sports as an entertainment;

While chapter 6 proves that esports are in fact a successful niche market, there are different reasons to justify the success of esports. However, throughout this research four main points can be identified.

First, the technological advances in communications, namely the Internet, provided the infrastructure needed for these games to be played in a competitive, fair and enjoyable way. Broadband Internet was indubitably one of the main factors that allowed the esports success.

Secondly, StarCraft: Brood War presented a challenging well balanced game in the early 2000’s that not only could be played competitively, but could also be enjoyed by
the spectators. More information was to why fans enjoy watching esports as well as explanation on the information asymmetry can be found in chapter 3, section 7.

Thirdly, League of Legends played a huge roll in these last few years. Introducing another competitive game, League of Legends pioneered the free-to-play market, making the game instantly available to millions of fans. Additionally, the company committed itself to making amazing productions for the fans that would mimic, and even use, sports venues. Examples include the League of Legends World Championship Finals in 2013 and 2014 that took place in the Staples Center in Los Angeles, United States, and in the Sangam Stadium in Seoul, South Korea, respectively.

Fourthly and lastly, the role that streaming services, namely Twitch, played, delivering esports content worldwide to millions and millions of users for free. Not to mention that this service not only allowed esports content to be broadcasted globally, it also offered the teams a tool to monetize their broadcasts, practices and digital content, providing another very important source of revenue, and thus helping them to achieve sustainability.

- To identify the business models currently being used by professional esports teams;

Chapter 7, section 3 of this research identifies three different business models used by esports teams, based on the information provided by their managers through the exploratory in-depth interviews.

- To design new business models for the studied teams, as well as any other professional team;

In chapter 7, section 4 of this research, three of the business models built for the esports steams researched were improved based on the findings of the previous chapter. Furthermore, three more business models were built in this chapter, section 3, for three types of teams: professional esports teams focused on performance, professional esports teams focused on generating additional revenue and semi-professional and amateur teams.

- To draw the parallels between traditional sports business’ models and the esports’ ones;
Many common factors between sports and esports were identified over this research. From the clubs, to the emotional connection, the vibe fans have when watching esports to the adrenalin rush felt by players, as well as the hard work necessary for players to thrive and the recognition they get when successful, adding to the fact that successful esports players share traits with successful traditional sports players.

As for their common elements in business models, there were many as well. Firstly, the expenses in salaries, as well as the main infrastructure, such as the stadium in football or the team house in professional esports teams, and the entry fee for tournaments and the travel and housing expenses involved in attending remote tournaments. On the revenue side, sponsors are the most common factor and one of the most important revenue streams. Moreover, while both sides can also monetize from merchandised gear sales, and digital content, esports appear to be the ones ahead in the last scenario, with streaming being a valid extra revenue source for teams and players. Regarding channels, Internet plays a huge roll for both sides with the social media and the web pages. However, traditional sports seem to take better advantage of TV, radio and printed press, than esports. On the resources tab, it’s pretty much all about human resources and financial resources for both sides. As for key activities, both sides put a lot of effort into practicing, as it should be expected, but while traditional sports seem to put an additional effort into marketing and content production, as well as investing in the theoretical part of their sport, esports tend to focus more on helping support their players, whether that be preparing for future matches or managing their time. As for key partners, both sides tend to work well with their sponsors, but traditional sports seem to place more importance on their media partners as they can provide a key assistance with communications.

8.5 Limitations & Future Research

It is normal and expected for researches of this sort to face a different kinds of difficulties in their progress. In this particular case, the hardest part was access to key people in charge of the management of both traditional and electronic sports professional teams. This particular point was difficult due to many different aspects. First, it was hard to find and reach that type of person and secondly, because in many cases where it was possible to reach them, many were uninterested in participating, in such a research, didn’t have the availability and also because either they weren’t allowed by their organizations to cover such sensitive topics or because they wanted to hide their business practices themselves.
This limited the research to, for example, access to sports that could be considered very interesting for this case, which would indubitably be the case of Formula 1, Tennis and Golf. The perspective of a sport that enjoys a high spectatorship, but where teams have a lot of expenses but lack the support of a full stadium, such as Formula 1, would be very interesting and could provide important insights that could be useful for the management of electronic sports teams. Likewise, so could elite sports such as Tennis or Golf, which aren’t as popular as other mass marketed sports, but yet seem to reach a higher ground in economic terms.

Moreover, the lack of additional sources in electronic sports made it impossible to identify more business models for professional esports teams, as well as to determine significant differences from Western to Asian teams, or even from American, European, Chinese and South Korean teams. These differences could provide valuable information on how teams conduct their operations in different markets, as well as what are their main priorities and why are their mindsets so different, as the Asian performance seem to excel over Western teams.

So, for future research, would be compelling not just to get more insights from other traditional sports, but also more electronic sports teams studied, with their differences compared and explained. Another interesting topic, would be to study the case of solo players, such as the case of StarCraft 2 players, Choi Ji Sung, also known as ‘Bomber’, and Choi Seong Hun, best kown as ‘Polt’, who despite not having teams, are individually sponsored by Red Bull and CMSStorm, respectively.

8.6 Final Regards

While this research can be regarded as successful, it is only but a glimpse of the esports industry and how teams conduct their operations and manage their economics. Additional teams would be required for a full and broader comprehension of how they conduct their businesses as well as a deeper thought on the market. Moreover, game developers can provide a different and more widen angle on their view of the scene, especially for the games they developed.

Nevertheless, this research was able to determine many important factors that teams take in consideration, as well as how they are indeed, quite similar to traditional sports. It was also able to determine the managers’ perceptions of the industry as well as ideas and plans for the future. Furthermore, this research presented a good setting of the
current esports situation, proving that while esports are a niche sport at the moment, they do have the potential to reach mainstreaming in a close future.

Moreover, this research proves that esports are in fact sports, in the way that they do present a competitive scene, with professional teams and players, and entertain millions of spectators with their games. Not to mention, that those who wish to succeed, have a hard road against them, requiring a lot of hard work and sacrifice, if they wish to distinguish themselves between the millions of players present in these games.

Finally, the business models designed in the section 3 of this chapter can be adopted and altered by any esports team, leaving a contribution for those who wish to start their own competitive organizations and for those who wish to improve the management of their already established teams.
Appendix

Appendix 1 – Sports Management Interview Guide

Team Questions

1. In what sports is the team present?
   a. [linking] What sport do you consider most important?
   b. [puzzling] Based on revenue or fan popularity?
2. What is your most important infrastructure?

Business Models Team Questions

3. What are your main goals?
   a. [linking] Can we consider that the team’s value proposition?
4. What are the team’s current expenses?
   a. [challenging] Which ones are really necessary?
5. What are the team’s revenue streams?
6. Through which channels does the team reach the fans?
7. What do you consider to be your most important resources?
8. What are your key activities in order to reach your goals?
9. Who are your key partners?
   a. [puzzling] What’s their role?

Team Mindset Questions

10. Do you prioritize profits or performance? Why?
11. What was the team profit in the last year?
12. What are your goals for the next three years?

Business Model Design Questions

13. Do you use a business model?
14. Have you considered a change in your BM or management but didn’t go through?
   a. [linking] What change?
   b. [challenging] Why didn’t you go through?
15. Have you ever tried a change in your BM or management that didn’t work out?
   a. [linking] What change?
   b. [challenging] What went wrong?

eSports Questions

16. Are you aware of the esports phenomenon?
17. What is your opinion on these new types of competition?
18. Why do you believe esports have been so successful recently?
19. What do you think is the future for esports?
Sports and eSports Questions

20. What do you think esports and traditional sports have in common?
   a. [challenging] What is mutually exclusive?

21. Do you think esports should be considered sports?

22. Do you believe esports can pose a risk towards traditional sports?
   a. [challenging] Do you think they can eventually replace traditional sports?

23. How do you think professional video gaming teams, or esports teams, can generate revenue and achieve stability?

24. Do you think esports teams can generate as much revenue as the biggest traditional sports teams?
   a. [challenging] What sports do you think esports will never be able to catch?
   b. [challenging] Based on viewership and prize pools, what sports do you think they have surpassed already?

25. Since esports are actually software owned by companies do you think this may be a handicap in their development as sports?
   a. [challenging] Don’t you think companies will be reluctant to handle their control over to sports federations?
   b. [contradicting] Don’t you think it’s good to have companies interested in bolstering their ‘sport’ popularity in order to increase profits?
Appendix 2 – eSports Management Interview Guide

**Team Questions**

1. Is the team registered as an association or company? Why?
   a. [linking] How many associates does the team have?
2. How many players are on the team?
3. How many games does the team play?
   a. [linking] What games do you consider most important?
   b. [puzzling] Based on revenue or fan popularity?
4. How many workers does the team employ?
5. How many fans does the team have?
6. Do you have a team house?
   a. [challenging] What advantages you perceive from having one?

**Business Models Team Questions**

7. What are your main goals?
   a. [linking] Can we consider that the team’s value proposition?
8. What are the team’s current expenses?
   a. [challenging] Which ones are really necessary?
9. What are the team’s revenue streams?
10. Through which channels does the team reach the fans?
11. What do you consider to be your most important resources?
12. What are your key activities in order to reach your goals?
13. Who are your key partners?
   a. [puzzling] What’s their role?

**Team Mindset Questions**

14. Do you prioritize profits or performance? Why?
15. What was the team profit in the last year?
16. What are your goals for the next three years?

**Business Model Design Questions**

17. Do you use a business model?
18. Have you considered a change in your BM or management but didn’t go through?
   a. [linking] What change?
   b. [challenging] Why didn’t you go through?
19. Have you ever tried a change in your BM or management that didn’t work out?
   a. [linking] What change?
   b. [challenging] What went wrong?
20. What do you consider to be the easiest or safest way for an esports team to achieve revenue and ensure stability?
21. Have you considered adopting the BM of a traditional sports team?
a. [linking] Which team? Why?

eSports Questions

22. Why do you believe esports have been so successful recently?
   a. [linking] What do you consider to be the main factors?

23. What do you think is the future for esports?
   a. [challenging] Where do you see them exactly three years from now?

24. What do you think that needs to, or should be changed?

25. How is the esports scene in your country specifically?
   a. [puzzling] Why do you think it is in this situation when compared to the global scene?

Sports and eSports Questions

26. What do you think esports and traditional sports have in common?
   a. [challenging] What is mutually exclusive?

27. What sport do you believe is most resembling to esports in terms of management? Why?
   a. [procuring details] How about Formula 1?
   b. [procuring details] How about Tennis?

28. Since esports are actually software owned by companies do you think this may be a handicap in their development as sports?
   a. [challenging] Don’t you think companies will be reluctant to handle their control over to sports federations?
   b. [contradicting] Don’t you think it’s good to have companies interested in bolstering their ‘sport’ popularity in order to increase profits?
Appendix 3 – Interview Sheet

**Personal Information**

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**Interview Notes**

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**Business Model**

![Business Model Diagram](image-url)
Appendix 4 – Interview Transcription with Daniel Marrett

Interviewer: Author
Interviewee: Daniel Marrett, Senior Director of Marketing, New York Red Bulls

João Cício: Introductions made, let’s head for the first question, which I think it’s pretty much answered already, in what sports is the team present, its football right?
Daniel Marrett: Correct. Now, the New York Red Bulls are only soccer. Obviously Red Bull as a global company owns a lot of different teams, four soccer teams, two hockey teams, two Formula 1 teams, etc.
JC: Yes, I know, but in this case it’s just the Red Bull New York, so it’s just soccer right?
DM: Yes.
JC: What is your most important infrastructure in the team? What are your most important assets, or the things you need the most to work?
DM: In terms of physical infrastructure?
JC: Yes.
DM: It would be our stadium. As far as having an advantage over any of the competition, as far as both in soccer as well as others sports, what makes our experience unique or what makes our offering more competitive is really the experience in this arena. It’s a soccer specific stadium, it’s probably the best one in MLS, so North America, and when it’s packed, when our supports are chanting, obviously I’m biased because I work here, but no other sports team experience comes close to it.
JC: What are the team’s main goals? The main objectives you are trying to purse?
DM: I’m sure every team would say this, but main goals are obviously to excel at every game and to feel a very competitive team. Obviously it is unrealistic to say we would win the MLS cup every year but we should make the playoffs every year, we should be top three in the East and we should have a team that is be able to compete for the cup every year.
JC: What are the team’s main expenses?
DM: Without getting into too much details, the building is one of our main expenses, obviously the player salaries and the money that we spend in general in infrastructure for the team. So, our training facility, youth development, the academy, stuff like that, those are all expenses we incur 100%, so if anyone is in our academy we cover all their cost. So it’s that whole player progression towards the first team, and the first team itself, that’s obviously a major investment in our part but it’s not to say it’s a bad investment.
JC: Are any of those mandatories? For example, the academy, would be it an option to stop having an academy in order to cut in expenses?

DM: There are some teams that have as opposed to covering the costs for the players in the academy either it’s a break-even setup or it’s a source of revenue, so as opposed to having an academy where we pay for all travel cost, we pay for the coaching staff, we pay for everything, we could have an academy where we are charging the players to play. Again, like I said, we could charge enough just to cover our costs or we could charge more and make money with it.

JC: So it’s like an expense you could turn into a revenue stream if you needed?

DM: Yes. Now, with that being said, that obviously jeopardizes the credibility of it as an academy and could mean that the better players aren’t able to afford the academy and wouldn’t be in our system.

JC: All right. So, opposing to expenses, what are the team’s main revenue streams?

DM: Main revenues streams are ticket sales, co-pay from the league, as the league secures national TV deal, sponsorship, any new team, an expansion team has to pay a certain amount to join the league and that revenue is then split up and divided amongst all teams, and we also have sponsorship revenue from our own sponsorship.

JC: Alright, that’s cool! Now, through which channels does the team reach the fans?

DM: The main channels that we reach people are obviously through social media, we have a really high engagement level on social media, on Facebook, Twitter, Instagram, we have a strong following and a lot of engagement, and our website obviously. In terms of advertising the majority of it is digital, just because of the fact that we’re in New York and it’s the most expensive media market in the US. So, it’s through a series of re-targeting, e-mail marketing, search and geo targeted and behaviorally targeted advertising. We also have some media partners like MSG, who’s our local broadcast partner, we work with them, and our Spanish broadcast partner, radio broadcast partner, ESPN Deportes.

JC: So, TV and Radio also?

DM: Yes.

JC: Normal for a team of this size.

DM: Yes, but one thing you’ll see some other teams doing which we don’t necessarily do a lot of, or do it more strategically is out-of-home and traditional media, print in newspapers and stuff like that. If you want to take a full page add in Wall Street Journal,
last time I checked I think it was something like seventy thousand dollars, I mean it’s just not realistic to say that we’re doing that on a regular basis.

JC: Outside the infrastructure which you already considered important, which other resources do you consider to be really important for the team?

DM: I think it’s the staff, it’s everyone that works for this organization. It’s a very competitive market, there are thirteen, fourteen professional sports teams in New York. MLS teams, compared to other leagues are, I don’t want to say understaffed, but they have a lot less staff. If you look at the marketing department in terms of our grass roots advertising field, basically our field marketing team, would be three people… three people full-time, one person part-time… the New York Knicks have thirty people in that department. So, what really is going to make us win or lose is the people that we have on board and how they are able to leverage having less resources and able to have a stronger and louder voice than anyone else.

JC: So human resources are your most important resource.

DM: Yes.

JC: And I’m guessing financial resources would also help too, no?

DM: Yes, for sure.

JC: What are your key activities in order to reach your goals?

DM: Like I said its intelligent digital advertising to make sure that we’re reaching both people who have come out before and keep engaging with the team, so someone who comes out to one game we want to make sure that they are in our database, that we are using CRM to properly communicate with them, and we’re advertising towards them. Obviously it costs less get someone to come back versus trying to acquire a new fan. So, we need to make sure that our marketing communications and advertising strategy helps reach those people that have been here and also helps to reach people that are going to be like minded to those that are coming out. So, people that are going to be happy to come here. For targeting people that are die-hard baseball fans, you know, it’s a completely different sport probably not going to be engaging or even inclined to try. So, having the right digital strategy or the right marketing communication strategy, given our limited resources that’s very important. Winning with local media. We telling our own story only goes so far. If we have genuine media interest and get good coverage, if we can pitch the right story lines, if we can get more main stream coverage, that’s going to be way better that us doing a two million dollar awareness campaign. It will come from a credible source and it’s going to be in the faces of people that are going to be likely to come out.
Content. Content is incredibly important. Everything that we need to put out there, everything needs to be really high quality, it needs to have the right messaging. So we need to think about what do our fans, or potential fans, want to hear. How do we want to make them feel and make sure we’re creating content that speaks to that. In terms of the sporting side, one of the objectives obviously is to have a winning team on the field. We went through a lot of big sporting changes over the off-season. We changed our sporting director, we changed our coach, despite having two very successful seasons in the last two years, and we have a much closer integration between our academy and our first team now. We’ve created a new team, signed up in another league called USL. We’re making a lot of improvements to make sure we have a true system, true tactics and that everyone that’s playing for us and everyone that’s in the academy is growing up for those specific roles and that mindset for each role. We’re increasing our use of data and medical improvements to make sure we have a stronger, faster, better team and we’re really pushing our athletes and making them as best as they can be.

JC: Who are your key partners and what’s their role?

DM: Like sponsors?

JC: Not only sponsors, but who else can work with you that helps with the pursuing of your goals?

DM: It’s not necessarily a partner, because we’re in the same organization, but Red Bull. If you look at every other sports team, they have to create their own voice and they have the resources of one team. Red Bull has a global network, so many different subdivisions, Red Bull Media House, Red Bulletin, from sports to arts, culture, music, everything. So, if we’re into their business plan and vice-versa, that can help amplify our voice, that can help get us things that as a sports team we would never be able to get. That’s incredibly important. Our TV partner, again, MSG, our local TV partner, incredibly important helping grow our awareness and help position us in the right light to the general sports fan in New York.

JC: Do you prioritize profits or performance?

DM: Depends on whom you’re asking! If you ask our CFO he’ll say profits, if you ask our general manager he’ll say performance!

JC: In your personal opinion, which one do you prefer?

DM: Performance.

JC: Why?
DM: Because if you have the right performance that can lead to profits. If you’re only thinking about the numbers you’re going to make cuts that you shouldn’t make.

JC: What are the goals for the next three years?

DM: From a sporting perspective, to win the cup or at least be in the MLS cup final. To show more integration of the overall sporting direction. Looking at what our first team system is and making sure that if we need left-backs that are really fast, good on the counter, who can help on the attack, that our academy is from under twelve all the way to under eighteen, to our first team, that they are looking for and growing and developing left-backs that fit that profile. So, really, making sure that those two systems are integrated, which will help us get to the goal of having a team with a true system that plays in a consistent style. We have a lot of progressive ticket sales goals, so I would say in three years we should be close to sell out in every single game. From a sponsorship standpoint, in three years we should probably be doubling what our sponsorship revenue is now. From a communication standpoint, within three years we would want to be either the first or second in the league in terms of all web and social traffic and media impressions.

JC: Does the team use a business model?

DM: Yes.

JC: Have you ever considered a change on your business model that didn’t go through?

DM: No. Actually we recently went through a process that we call the roadmap. It was a group of key executives that sat down and discussed where we would want to be in five years and what we’d need to do to get there, which helped shape business decisions not only for this year not only for this year, but progressively over the course of the next couple of years. So, in the three years that I’ve been here there hasn’t been a big tactical or strategical shift that has been proposed that hasn’t been executed against.

JC: All right, and did you ever have tried a change that didn’t work out? Like something that didn’t go as it was supposed to?

DM: There are a couple of little things. I think its almost missed opportunities versus things that didn’t go exactly as we planned. From a marketing communications standpoint, we changed the way we communicate with fans this year. In the past it used to be a much more of a, from a digital advertising standpoint, it was very much a transactional approach, it was a push strategy, so we’re putting matchup information and buy ticket messages in front of people, where as this year we’re focusing much more heavily, and going forward into the years to come, on that engaging content, trying to
educate our casual and potential fans and keep them more engaged with the team, so they’ll come out because they want to come out not because we’re just putting ticket offers in front of them.

JC: Going into electronic sports, are you aware of the esports phenomenon?
DM: Yes.

JC: What is your general idea of electronic sports?
DM: It’s definitely impressive to see the numbers. Being close to Red Bull, I’ve also seen some of the events they did, like Red Bull Battle Grounds. When you look at the amount of people that are streaming and actually engaging in it, it’s absolutely insane. From our standpoint, when we look at the numbers, with FIFA and stuff like that, New York Red Bulls where one of the top three teams last year. I believe Thierry Henry had the second most goals out of any MLS player in FIFA 2015 or 2014. I could be off for one or two. But that’s very encouraging and it’s also great to see that so many people are actually becoming fans or even having interest in MLS because of FIFA. It’s a driver of change, it’s a driver of awareness, it’s a driver of trial. I know that Manchester City, I believe it was 2013 or 2014, spent maybe not all, but they spent a large portion of their advertising and marketing dollars on FIFA because of the engagement you can have with people.

JC: Ok, I see that you are aware of the sports simulators in electronic sports. Are you also aware of other games, like StarCraft, League of Legends or Dota?
DM: Yes, the Red Bull Battle Grounds that I mentioned, that was StarCraft and also… I’m not sure what the other game is, but there are two games Red Bull has had competitions with.

JC: The other one is Call of Duty, I think.
DM: There we go! Yes, I’m aware of that side as well.

JC: What is your opinion on these new types of competitions?
DM: I think it’s great! I mean, with the amount of interest in esports, to have competitions that are produced and engaging… I guess it’s definitely popular enough to deserve competitions and the attention that it’s getting. I think it’s great!

JC: Why do you believe esports have been so successful recently?
DM: I’m not really sure. It’s a good question. Why esports have been so successful?

JC: Yes, because they grew really a lot in the last four years. Esports have been around since 1999 but since 2010 they went from 25 million to 50 million, prize pools just boomed.
DM: This is just a theory, I could be completely wrong, but I think it has to do with the connectivity and the fact that so much of it is going online and made it easier for people to compete against other people and share that experience. If you look at videogames, esports and, as you mentioned, the early 2000’s, mid-2000’s, you’re playing at home by yourself, maybe have a friend or two over. Now it’s tapped into the Internet, you can play against people all around the world and I think that helped heightened it because it becomes more interactive.

JC: What do you think it’s the future for electronic sports?

DM: Another good question! I see it growing; I’m not sure exactly where it’s going to go. Obviously the level of competitions and the amount of money that is going to be spent on building these competitions and producing it and the quality of live streams could rival those of sports. One day there could be an esports competition that is as big as the Super Bowl, or something along those lines. There’s definitely the interest in it. I think it might take a generation for more people to be open to it. I think there’s still a negative perception in esports. I think there are a lot of people that will never look into an esports athlete in the same way as an actual athlete. There, look at that! I just said an actual athlete. But it’s going to take a perception change that I think will come with the next generation. I’m not sure if you’ve seen, again I’ll kind of link it back to FIFA, Vice did a documentary for EA Sports studying how FIFA was used, who was playing it and just what FIFA meant to a lot of different people, and it was really interesting to see that so many sports teams, football teams, were telling their players to play FIFA in their off time. It could help them strategically with the game, it could help them look at new ways—

JC: Really?

DM: Yes. I think that as the games become more realistic, as the games, obviously every year the graphics look better, everything just overall looks better, they’re more intricate, they’re more complex. I think interest is just going to grow, it’s just a question of when it breaches and becomes main stream that you’re buying tickets to Madison Square Garden to watch Call of Duty versus going there to watch the Knicks.

JC: All right. What do you think electronic sports and traditional sports have in common?

DM: It’s a competition. I don’t mean this in a negative way, but whether you’re tapping buttons on a controller or a keyboard, how quickly you are processing things, your time of reaction, all that is incredibly critical as it is when you’re playing a sport on the field. So, I think there are a lot of similarities in terms of what define an amazing esports athlete and what defines a traditional sports athlete.
JC: What do you think it’s mutually exclusive? Like what do traditional sports have that electronic sports could never have?
DM: I don’t know, that’s another good question. If you’d ask me that three, four years ago I’d probably would have said that I wouldn’t see fandom around esports athletes, but having been to the Red Bull Battle Grounds competition in New York City, to check that out and just see people lineout to get autographs from these esports athletes, I don’t know if there’s one thing that five, ten years from now is not going to be possible in esports that is possible in sports.
JC: Right –
DM: The one thing I have trouble imagining happening with esports, is that emotional connection that’s formed when you’re a kid. So, when you’re two, three, four years old and your parents, or someone, first bring you to that sporting game and you create that connection with a team, I don’t know if you’ll ever be able to have that same connection with a particular game, a console, because all those things change. But if you look at sports teams that have been around for twenty, thirty, a hundred, two hundred years, that tradition and history is something that is going to be hard to duplicate in esports.
JC: Very interesting point. Do you think electronic sports should be considered sports?
DM: Yes.
JC: All right. Any particular reasons why?
DM: I think there is probably more physical and mental concentration and skill that is required in those top-level sports competitions than darts or bowling. So if you’re saying that those are…
JC: I was enjoying where this was going.
DM: I think that esports can be more demanding that some of the traditional sports that we consider.
JC: Do you believe electronic sports can pose a risk towards traditional sports?
DM: No, I don’t think so. I think people are always going to be interested in different ways of participating in things and I don’t think traditional participatory sports are going to go away. I think there’s just more, there’s ample time and resources for both platforms to exist, so I don’t think it poses a threat.
JC: I was going to ask if you think they could eventually replace esports, but I think you pretty much said it wouldn’t.
DM: Yes, I don’t think it would. There’s space for both of them to be very successful.
JC: How do you think professional esports teams can generate revenue and achieve stability? As a manager, what do you think it’s the best way for them to achieve that?
DM: Like I said, the amount of people who will tune in to esports competitions, the amount of followers that there are, in particular engagement, if you look at people that are streaming, let’s say Red Bull Battle Grounds, versus people that are watching a traditional sports game online, there’s a lot more engagement, people are writing more comments, people are actually voicing their opinions a little bit more in esports. So, when you have that level of engagement, if you can get those stats, show those numbers to companies that want to reach that demographic, I don’t think it would be hard to prove your case that you can, by having a sponsorship with an esports team or athlete, you can get a lot of impressions, you can have a lot of reach. I don’t know enough about esports to say whether or not, I guess you’d have to find the right way to do it, but I don’t know how open people are to have branded messages and how that’s perceived in the esports community.
JC: Do you think esports teams can generate as much revenue as the biggest traditional sports teams?
DM: Anything is possible, I think it’s just a question of time. I mean, when you look at what the Dallas Cowboys revenue must be, I’m guessing it’s something like four, five hundred million dollars a year, I think it will take a while, but if the right strategies and the right communication methods are used and they can show that value, I think it is possible.
JC: Do you think there are any sports that esports will never be able to catch?
DM: I honestly don’t know. I mean if you look at soccer being the biggest sport in the world, can esports make as much revenue as the soccer industry? It’s probably possible, yes.
JC: Knowing that the two biggest events are probably the Dota 2 International finals and the League of Legends World Championship finals. The League of Legends event managed to get at total of thirty three million viewers and the International offered a prize pool of eleven million dollars. So, based on these numbers what sports do you think esports already managed to surpass?
DM: You mean specific sports?
JC: Yes, like baseball –
DM: It’s not any of the top mainstream sports. Maybe something like curling or… I mean thirty million viewers, I guess it depends if it’s an Olympic year or not.
JC: This is just for an event. It’s a record breaking event in esports.
DM: I see what you’re saying. I would say, outside of the Olympics, probably some tracking field events, probably curling, another, I don’t want to say niche sports, but smaller - 
JC: So basically, there’s still a long way to go to keep up with traditional sports.
DM: Yes.
JC: Since esports are actually software owned by companies, do you think this might be a handicap in their development as sports?
DM: It affects accessibility. So if you look at soccer, or baseball, if you look at a lot of the sports, you can pick any round object and you can play soccer in the streets. The fact that it’s software, the fact that you need a console, the fact that to properly play you need to be connected online as well, it’s all barriers to success and it’s all barriers to early adoption. So, you’re realistically not playing these games until you’re thirteen, fourteen, whereas sports you start playing as soon as you’re able to walk, pretty much. As I said, it’s a barrier in the sense that software companies themselves, the companies that are making these, are ultimately controlling their future and the future of these sports.
JC: Don’t you think companies will be reluctant to handle their control over their software to sports federations?
DM: Yes, for sure. Are there any governing bodies in esports right now?
JC: Yes, the most known one is KeSPA, the Korean eSports Association which already had trouble with Blizzard, because Blizzard made StarCraft, KeSPA uses StarCraft, so there was a conflict there. Now you have the International eSports Federation, the Texas eSports Association, there are a lot of associations growing. So one of the questions in esports is exactly that, since it’s a software that it’s owned by a company, should this be a problem?
DM: It’s going to create a layer of complexity that isn’t there if its just the games themselves. With any governing body, there’s going to be rules and regulations that could affect people’s participating in a certain esport. It also throws in a certain level of politics that could be positive or negative.
JC: Last question. Don’t you think it’s good to have companies interested in bolstering their sport popularity in order to increase profits?
DM: Sorry, say that again.
JC: Don’t you think it’s good to have companies interested in bolstering their sport popularity in order to increase profits? For example, the more people play StarCraft or
League of Legends, the more money the companies make, so the companies themselves are interested in having as many people playing the games as possible. Do you think that’s good or bad?

DM: I think that’s good. We want similar equations for us. We want as many people as possible to be fans of the team and coming out to support us. I don’t think that, you know, short of, I know this is probably not a discussion, but form a social perception, especially with something like Call of Duty, where there’s violence and there’s attention to the fact that teenagers are playing games with very realistic violence in it. Is it the best thing that every teenager is playing a game with simulated but realistic violence? I think that’s probably a different discussion.

JC: Yes, but not all esports are violent.

DM: No, I know, but I said in the case of Call of Duty.

JC: That’s it. Thank you very much for your participation! Good luck in the championship!

DM: Thank you!
Appendix 5 – Interview Transcription with Zhang Yu

Interviewer: Author
Interviewee: Zhang Yu, Team Manager, yoe Flash Wolves

João Cício: Ready to start?
Zhang Yu: Yes, sure.

JC: First, I’d like to know if yow Flash Wolves is registered as sports team or a company.
ZY: We’re an esports team, but we actually belong to WANIN International, and we have the equal rights as any employee in this company.

JC: So, you’re part of a bigger company?
ZY: Yes.

JC: How many players are there in yow Flash Wolves, in total of all games played?
ZY: We have a League of Legends team, a StarCraft 2 team, a Special Forces team and we currently have a Hearthstone player as well, but we don’t have a Counter-Strike team yet. In total, that’s about twenty something players and if you include other staff, that would be thirty to forty people.

JC: So, you have teams in League of Legends, StarCraft 2, Special Forces and Hearthstone. Of these games, which one do you think is the most important to you?
ZY: They are all equally important to me.

JC: Ok. Do you have a team house?
ZY: We do have a team house, inside the building of our company and we have a dorm as well.

JC: What advantages do you think you get from having a team house?
ZY: It’s better to have a team house because they spend a lot of time together, practicing and doing everything together and that’s better for building team synergy.

JC: Do you have an academy?
ZY: Yes. We’ve been trying very hard to look for new players and other possible players and we’ve been doing this for StarCraft 2 for a long time and occasionally for League of Legends too.

JC: What are your main objectives for the team at the moment?
ZY: Our short time objective is winning the Spring Split and getting to the MSI in May and for long term I haven’t set any specific goals for any team, but we’re aiming to do our best.

JC: What are the team’s current main expenses?
Zy: Other than the player’s salaries, we do have a lot of flying tickets and lodging to deal, as well as tournaments fees and also the team house maintenance.

JC: Ok. And where does the team generate revenue?

Zy: For now we don’t have any real income, though we do have sponsors, but compared to the spending that’s nothing.

JC: Have you considered streaming as a source of income?

Zy: Things are a little bit different from Western and Eastern culture, and the situation is that we’re not planning to earn any money on streams or even spend time on streams, but we do have plans in the future to use streaming to get other regions fans to know us more, but that’s our main purpose for now.

JC: And through which channels is the team currently reaching the fans?

Zy: Mainly we communicate to our fans through Facebook, through our main page and YouTube, and also we do have plenty of offline events.

JC: What type of events are these? Are they like tournaments or LAN parties?

Zy: Like tournaments and sometimes we have special activities where players play games with fans.

JC: And fans can participate at these events for free?

Zy: Yes, for free.

JC: Ok. What are the team’s main resources?

Zy: I would say it’s the financial resources, because without them we’d have no motivation or no purposes to be doing this.

JC: And what are the team’s main activities in order to reach its goals?

Zy: For players, they practice over 10 hours a day and for the staff we just do our best to support them.

JC: And are there any key partners the team has besides the main company?

Zy: For hardware we have MSI and Zowie for gaming gear, and we even have hair saloons for hair styling before we go to any offline events.

JC: Do you prioritize profits or the performance of the team?

Zy: It’s definitely the team performance. The reason why we are not doing any streams or other stuff it’s because we want to have the best performance for our team.

JC: I understand, it’s like you don’t want to show your game before you actually play it.

Zy: Yes, and the most achieving part of this industry it’s having the good performance and the champions.

JC: Are there any goals set for the next three years?
ZY: I just wish that all of our teams could get good performances in the next years.
JC: In terms of performance, do you have a business model?
ZY: Actually, we don’t have a business model yet.
JC: Have you considered getting a business model from a traditional sports team? Like, for example, Formula 1 or football?
ZY: We definitely have thought about this, because we’re sports fans as well and we’re trying to design and sell our own products along with sponsors, but for now we don’t really have to worry with our financial side problems, we only have to focus on our performance, because our mother company provides a really great environment for us. So we don’t have to worry about this.
JC: Ok! On your opinion, what do you think it’s the best way for starting esports teams to achieve stability and generate revenue?
ZY: I think I’m not specialized on this part, so I don’t think I can actually comment on this.
JC: Ok, going into the esports scene, why do you believe esports have been so successful recently?
ZY: I think League of Legends is the key of this whole thing, because it is easy to understand, easy to play and easy to access.
JC: What do you think it’s the future for esports?
ZY: I think it’s only getting better, the audience of the bigger events is getting more and more spectators every year, so I believe one day esports can be like every other traditional sport.
JC: And what do you think it needs to, or should be, changed in electronic sports?
ZY: For now esports is more like for young people, for people who are aged between fifteen to thirty-five, and I hope that we can reach more people, so that people in their forties or sixties can still enjoy esports.
JC: What do you think esports and traditional sports have in common?
ZY: In both you have to work hard and you have to sacrifice, and once you reach something you’ll have a lot of fans and recognition.
JC: Ok. Now on the opposite side, what do you think traditional sports have that esports could never have?
ZY: That’s a very hard question!
JC: It is!
ZY: Ok… esports are easier to access in daily life. Like, you can watch streams online and you don’t have to purchase any cable channel or buy expensive tickets.
JC: What sport do you think it’s most resembling to esports in terms of management and overall?
ZY: Actually, I think esports are more like poker. Like table games.
JC: Don’t you think they are similar to Formula 1?
ZY: I’m not very similar with the Formula 1 competitive scene, but now that you brought it up I think they can be pretty similar.
JC: Ok! Now, since esports are actually software owned by companies, do you think this may be a handicap in their development as sports?
ZY: It’s of a course a big disadvantage. Because, for example, in StarCraft: Brood War, Blizzard didn’t make any content patch for ten years, even though it was a very good competitive game at the moment. And it’s definitely not healthy for this situation.
JC: Additionally on this subject, don’t you think these companies will be reluctant to handle their control over to sports federations?
ZY: The problem is that the content is up to the game companies. It’s up to them to patch or update the game, so basically the main controllers are on their hands. Even if you hand this over to KeSPA, or other organization, that won’t help the situation.
JC: Ok. Finally, this is a problem, but don’t you think it’s good to have companies interested in bolstering their sports popularity in order to increase their profits?
ZY: I think that is definitely the good thing, because without the support of their mother company it’s nearly impossible for other organizations to have such big events or even organizing those events.
JC: All right! We’re done. Thank you very much for participating and good luck out there!
ZY: Thank you!
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