

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management  
Department of Economics**



**Bachelor Thesis**

**Growth and Economics impact in E-sport, is it a real  
sport?**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Jan-Luigi Cecere

Economics and Management

Thesis title

**Growth and Economics impact in E-Sport, is it a real sport?**

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### Objectives of thesis

The main objective of the study is to evaluate the growth of E-sports (1980-2017) and the economics how the trend shifted over the years in game preferences, viewership. The study will compare the most important E-sports with each other and also with current upcoming growing sports.

The study will analyze the phenomenon twitch and its impact towards the growth of E-sports.

### Methodology

Theoretical part: introduction, body, history, economics analysis, and conclusion (qualitative analysis)

Practical part: The focus of the study will be Observing current most important organizations and Events in E-sport (ESL,PGL,Riot) and comparing the differences.

The study will use Documentary analysis to compare the change and shifts in trends.

The study will use interviews to understand the public opinion of the phenomenon called E-Sports.

**The proposed extent of the thesis**

40 – 60 pages

**Keywords**

E-Sports, Electronic Sports, Competitive Gaming, Counter strike, EsL, Economic Analysis, Interviews, Public Opinion, Biggest Entertainment Worldwide.

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**Recommended information sources**

An esports Code of Conduct; Sweedish Gaming Organization, 2016  
Paul Chaloner; Talking Esports: A Guide To Becoming A World-Class Esports Broadcaster, 2014  
Reality is Broken: Why Games Make Us Better and How They Can Change the World by Jane McGonigal, 2011  
Roland Li; Good Luck Have Fun: The Rise of eSports, 2016  
Shannon Webster; Game On: How I Became a Nintendo World Championships Finalist, 2015  
T.L. Taylor Raising the Stakes: E-sports and the Professionalization of Computer Gaming, 2012  
Zoltan Andrejkovics; The Invisible Game: Mindset of a Winning Team, 2016

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### **Declaration**

I declare that I have worked on my bachelor thesis titled "Growth and Economics impact in E-sports, is it a real sport?" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on date of 15.03.2018 \_\_\_\_\_

### **Acknowledgement**

I would like to thank Ing. Petr Procházka, MSc, Ph.D. for his guidance and help during my bachelor thesis.

# Růst a ekonomický dopad v Esportu, aneb je to skutečný sport?

## Souhrn

Tato bakalářská práce bude sledovat a studovat fenomén nazvaný Esport, snažit se poskytnout informace na toto téma a brát zřetel na zveřejněné skutečnosti. Teoretická část přiblíží čtenářům toto téma. Esport je nový trend, proto tato bakalářská práce bude mít jen stručné vysvětlení k tomuto trendu s uvedením definic organizací a obecných informací. Práce se bude soustředit na pozorování událostí, turnajů, pomocí živého vysílání. Profesionální týmy, živé vysílání a publikum byly označeny jako klíčová slova, a to díky jejich významu a vztahům k výše uvedeným údajům. Cílem bakalářské práce je provést analýzu založenou na pozorování Esportu, učinit prohlášení o jeho vývoji a budoucnosti. Zmizí Esport s časem? Dosáhl již svého vrcholu? Bakalářská práce bude odpovídat na otázky založené na zveřejněných informacích.

**Klíčová slova:** Esports, Živé vysílání, divák, profesionální počítačový hráč (progamer), ESL, Counter Strike: Global Offensive, StarCraft, League of Legends, twitch.tv, Valve,

# **Growth and Economics impact in Esport, is it a real sport?**

## **Summary**

The Bachelor thesis will observe and study the phenomenon called Esports and will try to give a perspective on the topic, while staying true to the facts that are published. The research paper stating theoretical part will bring closer the reader to the topic. Esport is a new trend therefore, the study will have a brief explanation on the topic, stating definitions, organizations involved, and a general perspective of esports as a key for the reader to understand the new trend. The study takes emphasis on the topics by observing the events of the parties engaged. Professional teams, broadcasting, audience has been tagged as keywords, for its importance and relationships of the mentioned data. The goal of the research paper is to make an analysis based on observation and make valuable statement about the new trend of Esports and its longevity. Will it fade away with time? Has it reached its peak? Bachelor thesis will answer questions based on the data published, as it is the base of the final statement of the thesis “Growth and Economic Impact on Esports” and possibility of becoming a real sport.

**Keywords:** Esports, broadcasting, reader, perspective, ESL, competitive gaming, Valve, twitch.tv, audience, Counter Strike: Global Offensive, StarCraft, League of Legends, professional player (progamer).

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# 1 Introduction

This thesis is focused on the growth and development of the new ‘main stream’ phenomenon ‘Esports’ (also known as Electronic Sports). In the last years electronic sports (e-sports) have shown a massive scale of growth globally and it is a phenomenon that is currently causing widespread public media visibility all over the world and internet. Esports is a new market that has been slowly growing since 1998 it is a new global entertainment to which people from all over the world are connecting to. The thesis through methods of observation will study and analyze the new market, its historical background, organizations, sponsorships involved and the broadcasting platform “twitch.tv”. The thesis will try to determinate the new market weaknesses, threats, opportunities and strengths using the SWOT and Trend analyses. With every new market there comes a new challenge and many unknown risks to which the thesis will analyze and describe its cons and pros.

In just three years, esports experiences a 300% increase in viewership and its revenues. This fact has arisen many question, such as in what scale and how did esports grow over the last years, and will it continue to grow in the future ?

Professional gaming players are receiving salaries, contracts and athletic visa, what does it mean? This fact brings another question, is esports a real sport? There are many answers and opinions, that have been documented by the media, influencers, publications and documentaries, which provides an opportunity to understand the knowledge from the other sources, in order to determine the credibility of the research and a relevant opinion of the topic. The thesis will try to observe this as its own statements of problems and characterize and measure the main aspects that began growth of esports, and will analyze the new phenomenon and its future longevity.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The main objective of the Bachelor thesis is to evaluate the growth of Esports (1980-2017) and the economics: how the trend shifted over the years in game preferences, viewership. The work will compare the most important E-sports with each other and also with current upcoming growing sports. Given research will analyze the phenomenon of the twitch and its impact towards the growth of E-sports.

### **2.2 Methodology**

Theoretical part: introduction, body, history, economics analysis, and conclusion (qualitative analysis)

Practical part: The focus of the study will be observing current most important organizations and Events in E-sport (ESL,PGL,Riot,Blizzard) and comparing the differences.

In the thesis will be used:

- Documentary analysis to compare the change and shifts in trends.
- Interviews to understand the public opinion of the phenomenon called Esports.
- Basic statistical methods

## **3 Theoretical part of thesis**

### **3.1 The Development and Growth of Esports**

#### **3.1.1 The Definition of Esports**

Electronic Sport also known as a competitive video gaming, is a phenomenon that usually takes place on the internet but also on LAN (offline tournaments, usually with prize and big viewership). In Esports players compete against each other in all sorts of types of video games in order to achieve fame and money. Depending on the type of game, individuals or teams compete against each other in order to be victorious. There are types of games that are very profitable for the professional player but also games that are usually just played for fun and the viewership base is not so expanded. The most common genres of video games are: fps(first-person shooter), strategy games, moba. Momentarily the most popular genre of games with the biggest audience and prize money are, Fps and Moba. Specifically for fps it is at the moment Counter Strike: Global Offensive, made from valve. Moba on the other hand has two most popular games on the market with millions of prize pool money, called: Dota 2 and League of Legends. Dota 2 is made from valve, League of Legends is produced by Riot, both of the games are famous globally and hold tournaments with a multi-million prize pool, example(The International 2017, 25million of dollars). At the biggest tournaments the biggest viewership can count over one million concurrent viewers, with such a big interest in games, there comes also the dark side of esports. Betting, is a phenomenon that is spread out all over esports, people can now even bet in local betting agencies for example in Czech republic (Sazka). There is a lot of controversy following this phenomenon, since its very beginning

#### **3.1.2 Historical Background of Esports**

The concept of playing video games professionally, might have just started in 19th of October, 1972. Competitors gathered at Stanford Artificial Intelligence Lab in Los Altos, California, in a combat game called, 'Spacewar'. However, the real esports would have grown in popularity in 1980, when Atari (Video game company) hosted a tournament, where over ten thousand competitors joined and only one would come as victorious (Atari, 1980). In 1998, Blizzard Entertainment released Starcraft Brood War, ("Brood War" further in the text) a game which 14 years later remains a reference in the world of esports. As a real time strategy game (RTS) requiring the strategic and tactical skills of a chess player combined with the execution speed

of a piano virtuoso, this “easy to learn, yet impossible to master” franchise offered new spectating and entertainment possibilities, a point of particular interest to major sponsors looking to invest after the opening of the telecom’s market in South Korea. (T.L.Taylor; Raising the Stakes: E-Sports and the Professionalization of Computer Gaming; January 30, 2015). [1] This led to the foundation of the Ongamenet Starleague, (OSL) an important tournament broadcasted on cable TV nationally and offering the players both prize money and exposure to a point never imagined before. This event was the seed to the creation of a handful of highly competitive and well organised PGTs, managing team training houses where players, now salaried and recruited full time, work to improve their skills from morning to evening in structured ways and under the supervision of various managers and coaches. These players became fully recognized athletes in Korea, massing up thousands of fans be it live, in front of their TVs or via Internet streams. Still today the concept of playing professionally video games has been a controversial topic since the very beginning of this phenomenon. Esports is a rapidly growing community, both in size and consumption. But what is esports, the study believes that there is indeed a need for a brief explanation of the phenomenon, since the actual awareness doesn’t have to appear optimal. Esports (Electronic Sports) is a sport where individuals or teams play a certain type of video games against each other for a large prize of money. In the later years the phenomenon of esports can be found in all sorts of consoles and Personal Computers, nowadays there are hundreds of competitions running every month. Esports grew from small local pinball tournaments to tournaments with over fifty thousand fans on stage and a million of concurrent viewership through internet. This is just a brief explanation of esports, further explanation of the heart of the problem will be given. A deeper understanding of esports will be brought through the later chapters, as a common definition is not easily done, as for some eSport is unheard of. Nevertheless, with the brief explanation given, a state of problem of this thesis is given. (Roland Li; Good Luck Have Fun: The Rise of esports; June 7, 2016). [5]

Figure 1: Spacewar tournament, 1980.



Source: amazonaws.com. [28]

### 3.1.3 Players and a team environment

Teams and players, are the pure core resource for tournament organizers.( T.L.Taylor; Raising the Stakes: E-Sports and the Professionalization of Computer Gaming; January 30, 2015). [1] Professional Players that are part of a organization or an esports club, team have contracts as profesional athletes, which at the highest level could be compared to normal sports teams where they will pay salary to the players. Players are nowadays looked as athletes, they do receive an athletic visa, to travel overseas in order to compete in a different leagues and competitions. Players contracts, like in normal sports (football) are bought and sold at the end of each season (end of season, usually the contract expires), so it can happen that a chinese pro player will be in an american team. This opens up new opportunities for people especially from harder environments, like China. It makes esports look professional and should be taken in a serious account. In many cases esports clubs or teams live in the same house, which is provided by the organisations. It helps to build up team play and it is usually used for teams with younger players, to help them with their studies and psychological problems which comes with high pressure and stressors, since these players are in the highlights of millions of people. This is mostly used for games like League of Legends and Dota2, since those games are more team demanding and also because as said earlier, lower age of a playerbase.( Free to Play, Dota2; [Online Documentary], 2015. [8]

In more cases, especially in fps games it is more common for teams to prepare boot camps where the specific team will live in same place for a month or less before large tournaments takes place such as PGL 2017(Counter Strike tournament). Teams will usually cover the expenses for travelling to tournaments and take small part of the tournament earnings as well, in some cases the sponsors pay everything and the team takes all the price money insted to giving some part to the organisation, this has been especially the case lately, when big Sports club started to acquire e-sport teams. In many cases, depending on the popularity of the player, teams might require their players to stream live their public games to a live audience on twitch.tv, they would play using team overlays for the streams to increase visibility for their sponsors and their own organisations. (Paul Chaloner; Talking Esports: A Guide To Becoming A World-Class Esports Broadcaster; July 23rd 2015). [2] It is common in esports for players to change teams often especially after big events and not archieving specific goals. For example after International-3 only few teams stayed the same they were before the tournament and others changed a lot of their players or disbanded completely. Dota 2 and League of Legends are games where changes happens every month, adjusting statistics of specific characters, changing

the price of items and many other factors that affect the gameplay of the game. this can lead to a change in performance for players, therefore to stay at the highest level is very stressfull. Stress is a big factor especially for players of a young age (League of Legends, Dota2), it can divide teams and ruin morale, that is why it is a common event to change players and teams. Selling contracts between organisations can be very profitable, for example a Korean player called Faker his contract has been estimated 2.5 million of dollars (Esports Observer, Player's contracted to be estimated 2,500,000 USD, 2016). [27] Competitive gaming has become a new entertainment in which the kid can compete and become a world superstar. Competitive gaming has become a viable career path under the right guidance and right mentality.

## **3.2 Organizational structure of esports and its competitive games.**

### **3.2.1 Organizations and event structure**

There are different kind of tournament organizers some seek profit others are part of nonprofit organizations and some are just part of the gaming community. Some of the large tournaments are held in large sports arenas and these events can be sold out in short time. For example Dota 2 annual tournament International is held in KeyArena in Seattle, and roughly 10,000 tickets were sold in one hour. Ticket prices varied from 99 to 499 \$ (ESL.eu, 2014). [13] Is it to be expected that tickets to a tournament with such a scale and importance would be sold out so quickly. Esports and gaming is the most growing entertainment in the world, millions of people connecting every day to watch their favourite players, livestream their games. Because there is such an interest for esports, it is obvious that companies and organizations would be needed to present and organise tournaments and events for the fans, the same as organisations like Fifa, sky do it for sport.

Most famous organisations of esports are ESL, PGL, Riot, Valve, a tournament organised by one of those companies would bring millions of fans together to watch the event live. Millions of fans watching their favourite teams compete against each other is bringing alot of attention, therefore the organisations have to sudisfy the fans by providing merchandise. That is a multimillion revenue just there, the items are in a form of clothing, gaming related stuff, mouses and even in-game items(items that is inside a game for example a logo of a team to put on a gun).

In Czech Republic, almost all the competitions are organised by nonprofit organisations or communités. It is common to hold these events as part of other LAN tournaments although

smaller events usually host only tournament for one or two games due to limited resources. Some of these tournaments have entry fee which often includes access to the main event as well, but in some cases this could reduce interest to participate in tournaments. Price pool is quite small and when choosing which games to host tournaments this is actually a limiting factor. Some games are team based with 5 people in a team to share the prize money together when in dueling (1vs1) games there is more money for one person. Community organized tournaments might not have any prize for the winners or it might be something really small like in game cosmetic items. Most of the tournaments are being played online except some events might held group stages of the tournament online and the play offs are played in LAN event.

As stated in audience sections they are most important resource for organizers because the amount of audience often define if the tournament was successful or not. This means it is important to find balance to reach as many viewers as possible. Often organizers need well known caster which already has a fanbase following them. If tournament has famous or well known esports teams attending this will also attract more viewers as they know they will be watching professionals and not amateurs. But in general the casters are important as they can build up a hype to make amateur gaming more interesting to the audience. In Czech Republic there are few professional casters for example, Pavel Klaban, caster for League of Legends and ex-professional player, who hosts all the tournaments in Czech language on twitch.tv and lives from venues. In Czech Republic there are two organizations which are able to hold events for 50,000 CZK, in prize money, RoG (Republic of Gamers) and PZ (Playzone) holder of Championships of Czech republic in E-Sport (Czech gaming portal, playzone.com, 2016). [10]

Competitive organizations are very healthy for the market as they compete between themselves and that brings many benefits. Competitive organization could resemble Sport teams as they have a training schedule, salary, contracts, athletic visa and the principle is the same, win against the other team or individual. Most famous esports organizations own „teams“ in most competitive and popular videogames. These organizations have a professional structure where for every single team, there is a coach, psychologist, gym trainer, public relation representative and the team's manager. For these benefits and salary players, depending on the contract might have to broadcast their games live, do a publicity advertising and by using sponsorships logos on their professional uniforms. Esports organization also often provide a 'gaming house' for their team, which is essentially a house property. The team of 5 people lives along with the management to train together for better result. Such practice is usual in league format competitive games such as League of Legends, Overwatch and Dota2. Reason behind the idea of having a 'gaming' house is to constantly train with the team to enhance team

performance and relationships, also because the leagues are weekly, therefore the players would have to travel to the venues every week for a match, which would be time consuming and exhausting.

Every esports game has its own rules and different aspects, the organizations have to adapt to such deviations as the needs of customers and player may be different. The market is mostly consisted by young clients, which their needs tend to shift with current trends or 'memes' and the ongoing situation in their competitive game. The age difference shifts with each game. ESPN did a demographic research, where sport portal compared professional athletes age to a video game competitor. The analyzes shows that the average age of a Counter Strike: Global Offensive professional player is 23 and the average age of a League of Legends competitor is 21years old. Comparing these numbers to the ones in a professional sport game, such as Baseball average age is 29, national football league player is 26. (ESPN; Average age in Esports, 2016). [25] The knowledge of the information mentioned, can be assumed as the average consumer of a League of Legends player is by two years lower than the Counter Strike's average player. That has been also visible on the way tournaments and events casted as Counter Strike: Global Offensive. The most famous organizations in Europe are: Fnatic, Dignitas, SK-Gaming; in Americas: Cloud9, Team Solo Mid, Evil Geniuses; in Asia: Telecom T1, Edward Gaming, Samsung Galaxy.

There are some differences however, every continent is better in a different games, Counter Strike is mostly popular in Europe and North, South America, but Europe has been dominating for the past years. Asian continent is more sucesfull in Strategic games such as StarCraft or League of Legends. South America has been active mostly at Counter Strike: Global Offensive where they recently started to have success overseas. North America region has been competing in all the mentioned competitive games above and is the second biggest market share after Asian continent. Organizations are hosting tournaments depending on how the game is popular in the region, how good the region is as it will hold a bigger percentage of competitors from that region or for advertising a new video game. (T.L.Taylor; Raising the Stakes: E-Sports and the Professionalization of Computer Gaming; January 30, 2015). [1]

### **3.2.2 ESL – Electronic Sports League**

ESL, originally Electronic Sports League, is an esports company which organizes competitions world-wide in all types of competitive games. At the moment it is the largest organization in the business and the oldest which is still functioning. It was founded in 2000.

The organization decided to start hosting leagues, renting servers to competitors and provide a platform for gamers to be able to compete against each other, their competition clanbase was hosting worldwide tournaments, the nationals from 1998. ESL had it rough at the beginning as it was looked as poorly amateur, the competition was too big, for example another company called WCG (World Cyber Games), was also founded in 2000, but in a much bigger scale. The first event of WCG was held the title The World Cyber Games Challenge, it was sponsored by the Republic of Korea's Ministry of Culture and Tourism, and Samsung. (ESPN.com, 2014). [25] Throughout time the other companies failed, but ESL left standing through a strong marketing. From 2012 to 2014 the profit of ESL doubled. At the moment ESL is the largest hosting organization in the world, it provides servers for gamers to play on and competitions/leagues for all player of all level, amateur, semi-pro, professional players. ESL is also the holder of a record on twitch.tv where on an event called ,ESL's Intel Extreme Masters Katowice has been the most concurrent live viewers of all time, over one million. It is the largest organization with the most gaming titles, 9 games are played on a professional level on ESL. Each game has its own competition, tournament with a different venue, broadcasters, customers. In Counter Strike: Global Offensive there are around 20 professional broadcasters, which all have different skillsets and they change accordingly between the matches, usually there are at the same event around 6-8 broadcasters. ESL also makes different rulesets for each competition, the game doesn't change but the format of a tournament, might vary depending on the scale of the event. Electronic Sport League also hosts world championships and Major tournaments for many games, in Counter Strike, esl hosts 2 out of 3 Major tournaments every year to which the prize pool peaked this year to 1,000,000 USD. (hltv.org, Grandslam prize, 2017). [23] With each game different casters, players, sponsors. This is what makes ESL so versatile, since it covers the most popular dueling and team based multiplayer games, because of that it has the most sponsors and biggest visibility of all the competing organisations.

Figure 2:ESL Katowice, 2015 Counter Strike Global Offensive tournament



Source: esl.eu. [13]

ESL has been hosting these kind of tournaments all over the world: Sydney, Katowice, Cologne, New York and hundreds of more location. It is widespread and has popularity in all continents. How a tournament is successful is determinand for every organization that is holding such events. Viewers are simple statistic for all parties to analyze whether the tournament was successful or not. Audience is the most important resource for the event holders. Viewership statistics is relevant for the them so that they can sell their tournament for sponsors, visibility and merchandize.

### 3.2.3 Counter Strike: Global Offensive

Counter Strike is a series of multiplayer first-person shooter video games, in which teams of terrorists and counter-terrorists battle to, respectively, perpetrate an act of terror (bombing, hostage-taking) and prevent it (bomb defusal, hostage rescue)<sup>13</sup>. (Steampowered.com, Official website and store description of the game, 2018). Counter Strike was developed in 1999, it was firstly created as a modification to a game called ‘half life’, but in 2000 this modification, has been published as its own game, under the company called Valve. There were many versions of Counter Strike, the most famous before Counter Strike: Global Offensive was Counter Strike 1.6 and Counter Strike: Source. Counter Strike 1.6 had a huge success in Europe and Americas. It held many majour tournaments with prize money ranging from 10.000 - 100.000 of American Dollars. Electronic Sports World Cup 2007 was one of those major tournaments, where the prize pool was estimated to be around 180.000 American Dollars. (ESL.com, Electronic Olympics, 2007). [13] The game experienced competitions with hunderds of thousand of

dollars as prize money. Counter Strike 1.6 was popular until 2012 when a new game called Counter Strike: Global Offensive came out. Global Offensive at the start it did not receive very well under the very harsh funbase, but over the years it developed through patches, upgrades and a very talented team who's caring of their customers feedback and their satisfaction of their game. At the moment there are thousands of tournaments every year in Global Offensive and it, undoubtedly, beat its predecessor. What is appealing about Global Offensive is that there are tournaments and opportunities to gain a financial reward for the most players out of all. In Europe it is the most popular, even local teams in countries have their own leagues and broadcasts. That is the football of esports. In Sweden it is so popular that in sport pubs instead of watching a Hockey game they watch Counter Strike events while drinking a beer. Fun fact in Sweden at McDonalds, there are burgers called after Swedish Counter Strike players. Nowadays over one million of players tune every day to play the game. Although it does not compare with the numbers of daily players with other games like League of Legends with 32 millions connected online people. (Riot.com, League of Legends Incorporated, 2016) But it is the most praised and popular game of the First Person Shooter genre. There are 3 Major tournaments every years alongside with many other important tournaments, the point of the Major is to show who is the best team worldwide, as often it can happen that on tournament which is not a major there are not all the best teams. The Major is usually held by the organization called ESL, which is focusing also on other games. In Counter Strike: Global Offensive, as in other competitive game, the players are under a contract and organizations/teams can buy and sell their players as in Football or NFL. In Counter Strike the biggest buyout happened this year, it was for a player named Nikola Kovac who's buyout was 500.000 American dollars and he was acquired by an American organisation called 'Faze'.

### 3.2.4 Valve

Valve Corporation is an American video game developer and digital distribution company headquartered in Bellevue, Washington. The Corporation was founded in 1996, by former employees of Microsoft. The big boom started in 1998, when the company launched the game called Half-Life, which was a science fiction first-person shooter, by 2004 it had sold more than nine million copies which at the time was unheard of. Half-Life was also famous for its possibilities of modifications, where players could create their own rules and maps and many other game-related things, for example Counter-Strike was initially a Half-Life modification since Valve has been in a never-ending increase from the start. Valve, as said before, is also the developer of Counter-Strike, Dota and many other famous titles, it is also the organizer of the largest annual International tournament in the world. Passed year was seventh time that The International is held. The first International was held in Cologne, Germany as part of Gamescom. International is one of first tournament who 1 million American dollars for the winning team and the total prize pool was 1,6 million American dollars. In third International Valve introduced crowd funding as a way of increase the base price pool by buying in game a ticket that costs 10 dollars and every purchase will increase the total price pool of the tournament by 2,5 \$. They introduced stretch goals when the price pool reached certain points the ticket holders would receive additional in game content. Prize pool started from 1,6 million and ended up being almost 2,9 million. (Dota 2, International Blog, 2013). [8]

Valve has managed to create a truly free to play business model where players can get all the playable content from the start or after a short amount of time, and if they want to use money to the game they can buy in game cosmetic items, but nothing that enhance or affects the gameplay in any matter. Players can also receive these in game cosmetic items through random drops by playing the game. Valve's gaming platform Steam offers players an opportunity to sell these cosmetic items to other players in steam community marketplace. Most of the cosmetic items in game are created by third party content creators, players usually and Valve will take small cut from all the items sold in game and the rest is given to the creator. The market which was created by the ingame items is huge, there can be found items which has been sold for thousands of dollars, for example a ingame knife in Counter-Strike: Global Offensive was sold for over 15.000 American dollars. These items are being traded and valued like in Wallstreet stocks, people were able to gain huge amount of profit by playing the market and investing correctly, for example the biggest item inventory being held by a person is 250.000 American dollars. Items are valued by the rarity and can range from 0,01 to 30.000

American dollars. Valve is the creator of the biggest game platform library for the Computer systems in the world. In 2002, Valve created an application for windows called ,Steam‘, which allows you to buy games online and have them stored inside one library or personal account. Valve was the first to start a platform of that kind and it quickly gained in popularity. In August, 2017 Steam, peaked to a sixty-seven million of accounts and thirty-three monthly users profiles (players) active monthly. Steam started with no competition, it is the biggest game database library in the world supporting 7390 games and the numbers are rising every day. (steampowered.com, player count, 2017). [12]

Figure 3: User Activity through the past years on the biggest game platform, steam



Source: twitch.tv. [11]

On the Picture is shown how many accounts (counted in a scale of million) were created each year. Slow increase curve until 2010, however in 2013 starts the real change of phase. Year 2013 may have been influenced by the increase popularity of twitch (next topic) and also the creating of the biggest Esports tournaments held by Valve.

### 3.2.5 Sponsorships

Since 2013 until now regular companies like Coca Cola, Red Bull, Sport Clubs started to have interest and invest in the new market, however gaming related companies such as SteelSeries, BenQ, Razer have been involved in the competitive gaming since 1996. The sponsorships in competitive gaming became very vast as more and more companies started to use the new 'trend' esports for advertising its own products. In Late 2013 companies like Axe, Google, Doritos started to sponsor their own teams. Coca-Cola even had a League in a game called League of Legends, this league would be an equivalent to a B fotbal league, so the interest is there and it helped esports create a new 'branding'. (Zoltan Andrejkovics; The Invisible Game: Mindset of a Winning Team; May 9, 2016). [7]

The Sponsorships is different in each countr. For example in the United States is has became regular to see billboard of incomming events, matches, tournaments of competitive viewership games, such as Counter Strike: Global Offensive, League of legends, overwatch, Dota, Call of Duty, StarCraft.

Figure 4: Billboard of incomming Overwatch league match.



Source: blizzard.com

In Sweden counter strike: global offensive is almost as a national sport, Professional players are treated like 'Superstars' even Mc'Donalds made a burger after them.

Figure 5: Burger made by Mc'Donalds for the Counter Strike: Global Offensive team, called: 'Ninjas in Pyjamas'



Source: (gamespot.com, E-sports burgers, 2013). [31]

Mc'Donalds has shown interest in esports even more in the starting year 2018. The Electronic Sports League (ESL) starts with a new partnership into the 2018 season: McDonald's Germany is now official partner of the 'ESL Meisterschaft' and therefore complements the portfolio of sponsors around the German league which will start with the spring season starting January. (esportsinsider.com, Meisterschaft Germany partnership, 2018). [19] As in Europe and Americas esports became a 'main-stream' in late 2012-2013, in South Asia however Esports became popular already in 1998, especially in South Korea, where players had their own fun clubs, and were overall considered a celebrity. In South Korea Games are broadcast on television, professional gamers are celebrities, and youth culture is often identified with online gaming. In South Korea Sponsorships have been appearing since, 1998 therefore it is normal that even influencing cooperations would get involved such as Samsung, HTC, McDonalds, Samsung and Telecom has its own Esports clubs, where they invest many resources to advertise their products, often using in such advertising professional players from their Esports Clubs or Teams. Sponsors use the a similar marketing tactic as in any other sport. Esports clubs advertise their sponsors, on their merchandize, clothing or brand miscellaneous, computer equipmment as mouses, keyboards, mouse pads. The merchandise that is being sold from the organizations also has the sponsors logos, sometimes there are even special edition where fans, collect these items for their personal need or to support their favourites clubs. Esport's important portion of interest from investors comes from advertising their product to the consumer visibility, all computer technologic companies are involved (Intel, Razor, BenQ, SteelSeries, LG, Samsung, etc.)

In 2018 the Esports market has blown, it has become normal for players to win six-figure prize pools and receiving thousands of dollars as their salary, even player buy-outs have increased, whereas now players are being sold and contracted for prizes ranging from 10.000,00-1,000,000.00,- Dollars.

In a recent player buy-out an organization called 'Faze Clan' has bought a Counter Strike: Global Offensive player for 500,000.00,- Dollars. (ESPN, Niko joins Faze, 2017). [29] With the incoming investors, sponsorships, customers and more public attention, the Esports growth comes to questions if it will be sustainable in few years from now, the thesis will try to analyze this statement.

### **3.2.6 Live Streaming and spectators**

The most significant step in the history of esports, spectatorship is the rise of video game live streaming. Video game live streaming provides the technology of continuously transferring data over the Internet from one sender to one or more receivers. In this way, the spectator can follow the action, which is happening live. It is common for the viewer to use a web browser to spectate a video game live stream.. Where previously big professional hosted tournaments often used their own streaming system, and spectators had to pay in order to watch, presently these tournaments can be followed using big streaming hosts like Twitch. Instead of having to pay for a ticket to watch a big tournament, spectators now often do not have to pay. This is surely linked to the fact that the costs of streaming for big tournament hosts reduced because big tournaments organizers could allocate it to stream hosts like Twitch. The difference between having to pay for a ticket to see a big event and being able to watch it for free, has a positive influence on eSports spectatorship, because eSports becomes more affordable for spectators. Stream hosting websites like Twitch do not only stream major matches of games like the League of Legends finals of IEM Katowice. They also host streams for individual players who want to stream their gameplay. The threshold to become a streamer is relatively low, and an increasing number of streams can be found on the Internet. Because advertisements generate the income, there are no costs for the player to host a stream through such websites. In contrast: a part of the advertisements' profits usually go to the player that is streaming his or her gameplay. This makes it all the more interesting for players to stream their gameplay, many of the top Counter Strike: Global Offensive pro gamers, for example, can be found streaming their matches from time to time. These players generate income when spectators of their streams receive these advertisements when watching. In a way, this commercialises spectatorship. Of course, the

connection between broadcasting and economic benefits is not something new, though that players themselves can earn money when others watch their gameplay is an interesting development – and not all of these players are professional players. They view video game live streaming as a new kind of entertainment because of multiple aspects. Two of those aspects are that 1) most content is generated by users, and 2) major eSports events and new game releases cause a big increase in the total number of viewers. One can argue that both discovering new video games and spectating the professional gaming scene are democratized because it is spectatorship to content usually generated by users instead of, for example, game magazines, commercial events, or game developers. Also, content of a game can be viewed without having to possess that specific game. Therefore, with streaming a shift can be recognized from traditional mass media that is creating the content to user generated content also show, however, that there are a few popular streams and many streams with hardly any spectators. Thus, power laws that create a gap between a few popular streamers and many not so popular ones are still apparent. Viewers they do not have to own the game to watch the broadcasting, therefore people tend to watch streamers play a new published game in order to get an opinion or a review on the game. Twitch.tv in fact is one of the most important platform where gaming industries without investment are having their games advertised, this could be in a negative or a positive way.

The Broadcaster has the power to influence his viewer decision. For people from the outside of the perspective, they have been asking the same question to the consumers over and over again, Why is the consumer watching someone playing video games? The initial thought of customers when considering any sports is the viewer's and that is no different in esports. They are the primary target and they are the group that is used to evaluate if the event was successful. Viewers are the customers segment that receives the benefits of free patterns. The other customers that the organizers need to reach are players, sponsors, content creators and casters. Although once these customers are reached they also became key partners or key resources as they are there to increase the value that the tournament organizer offers to the viewers but at the same time they increase value to each other as well.

## 4 Practical Part

### 4.1 Esports viewership, revenues

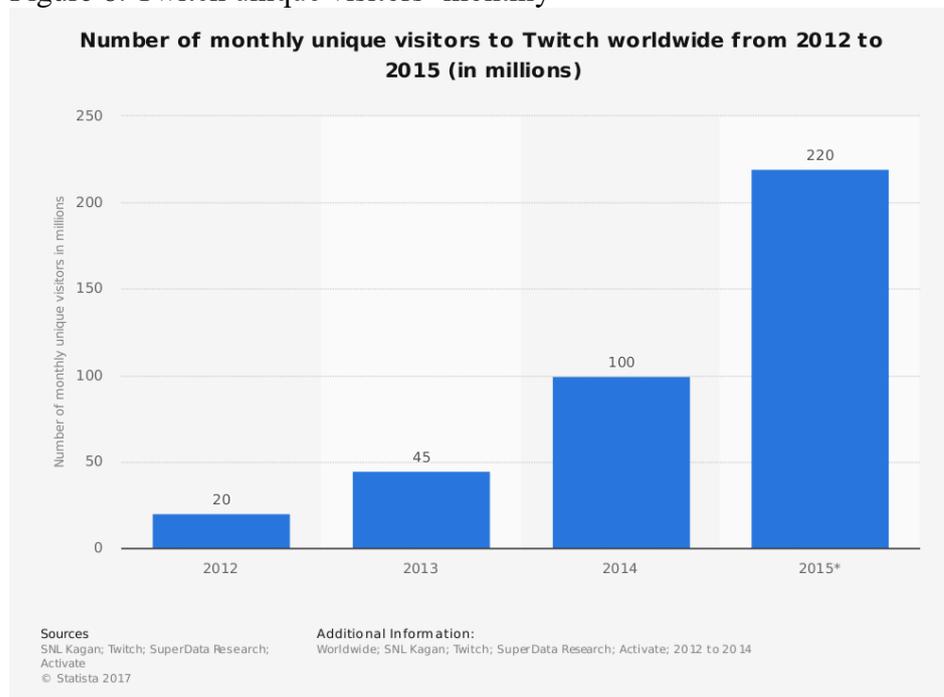
#### 4.1.1 Broadcasting and its impact on twitch.tv

Platforms like youtube, vimeo and many other websites were covering the entertainment world. But Twitch.tv found a whole in a market and took advantage out of it. Broadcasting video games started to be popular from 2011, when twitch.tv started, but twitch was not the first who tried to create a similar broadcasting platform. In 2007 justin.tv created the first platform for broadcasting video games online and live, but that was not how it was initially created for. Website was launched in 2007 by Justin Kan, who created Justin.tv for the solely purpose of live streaming his everyday life. Luckily, the website after two months relaunched as a new project. The platform where users could video cast how they are broadcasting video games to a live audience. However, the owner J. Kan poorly managed justin.tv, and did not pay many of its most famous broadcasters. The company was failing. In 2011, justin.tv was bought by Twitch.tv, and from the mentioned year onwards, video game broadcasting is on an increasing curve and growing rapidly every day. In 2016, Twitch had 100 million unique monthly viewers. On the first picture the website profile with the list of games that people are watching. The list is sorted by popularity of the game. Usually games that have ongoing tournaments or events are at the top of the list. The most popular games are League of Legends, Dota2, Counter Strike: Global Offensive.

Once the user clicks on the interested game, you arrive to a list of live broadcasts that are sorted by popularity. Twitch allows users to stream any game from a PC, Xbox, or Playstation. Figure 9 shows the 6 most popular streamers playing the game League of Legends. Riot Games is broadcasting a tournament game, which has over 100.000 viewers. When its decided which live stream is chosen to be watched, selecting the stream image will get the user redirected to the streamer's channel. As shown in picture three the broadcaster chose a title for his broadcast and its shown the game perspective of the broadcasted. There is also chat on the right corner, where audience can communicate through writing with each other and with the streamer. However there are other options of communication with the broadcaster. Twitch.tv has an option of donation and subscription which is only for the one particular broadcaster, the subscription does not apply to other channels. People when donating money or subscribing the the particular broadcaster, have an option of writing a text, and it is very popular amongst the most watched broadcasters. Popular broadcasters have many methods on how to gain profit,

with fame, comes sponsorships, however it comes at a price. The streamer usually puts an overlay inside the stream to advertise sponsorships. For the broadcaster it is very common to broadcast himself through a camera, it is usually displayed on the stream at the right or left bottom corner. Audience can also follow the chosen broadcaster for free and they will get notified whenever the stream goes live. For the most popular broadcasters the live audience can reach 15.000-45.000 people at the same time. Having a number like that, there comes many opportunities for the streamer (broadcaster) to open new markets. Streamers usually have their own merchandize, usually made by twitch itself, usually just clothing. From every subscription which is 5 dollars, monthly, the streamer gets depending on the contract signed 2-3,5 dollars from each subscription, it is also very popular for fans to donate money and write a text alongside the rules of twitch(no vulgarity etc.) In 2014, sodapoppin a popular streamer on twitch, received the highest donation recorded, 50.000 dollars in just one donation, but usually fans donate around a dollar. Famous streamers have methods on how to gain more donations or subscriptions, there are cases where the streamer would hype his fans to donate him money. Twitch became a huge market, since it is very popular Ads are a part of the streamers paycheck. However it is upon the streamer if he would like to turn off the ads or not, but if he would do so, almost half of his profit would be cut. (Paul Chaloner; Talking Esports: A Guide To Becoming A World-Class Esports Broadcaster; July 23rd 2015). [2]

Figure 6: Twitch unique visitors' monthly

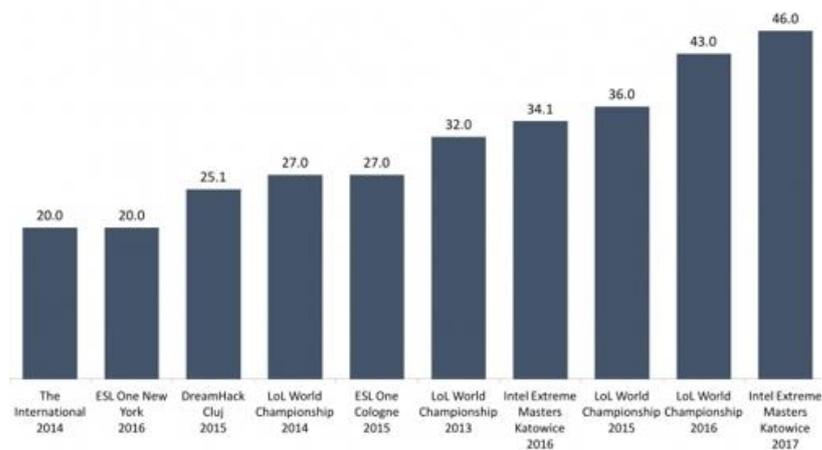


Source: statista.com, Twitch users worldwide, 2012-2015

In the picture we can see the increasing tendency of individuals being active on the portal. In the study made by the insider, it is said that Esport is far from fulfilling its potential and will continue to grow in the next years. The Insider also provided a statistics, where they have shown the live audience on the biggest tournaments in the previous years, and, indeed, it is increasing a lot.

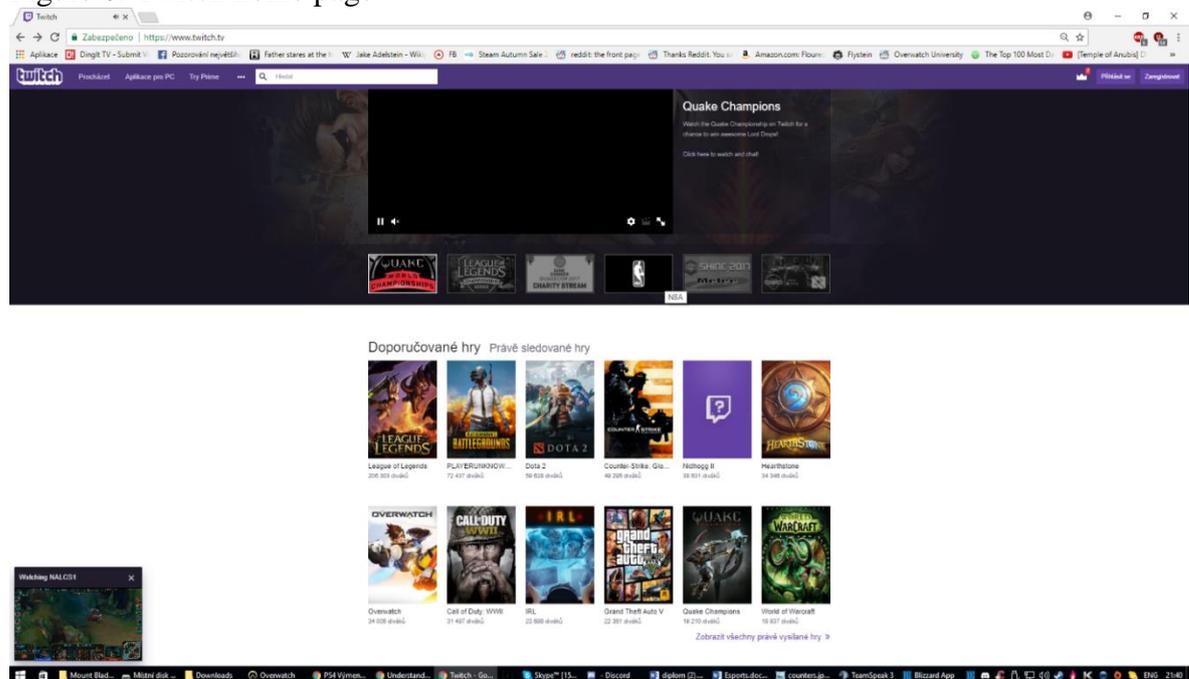
On the graph below it is visible which tournaments have been the most watched.

Figure 7: Most Esports watched tournaments on twitch



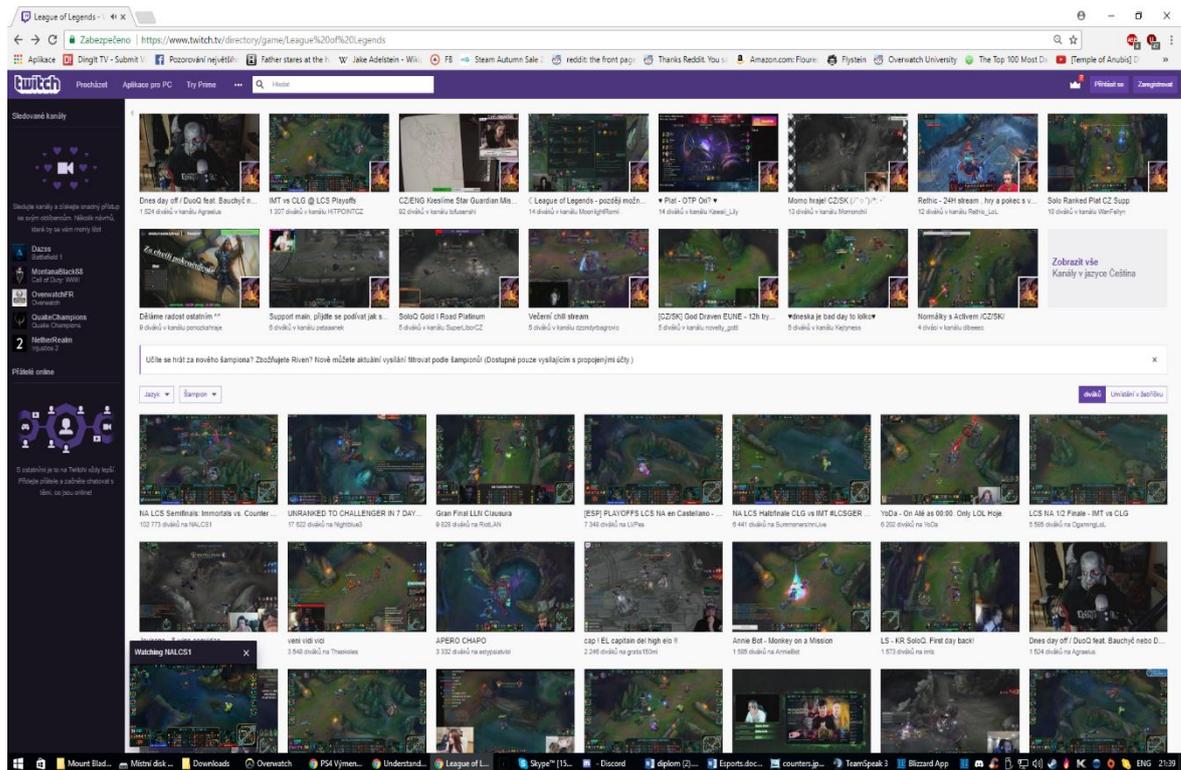
Source: businessinsider.com, Most spectated tournaments, 2017

Figure 8: Twitch home page



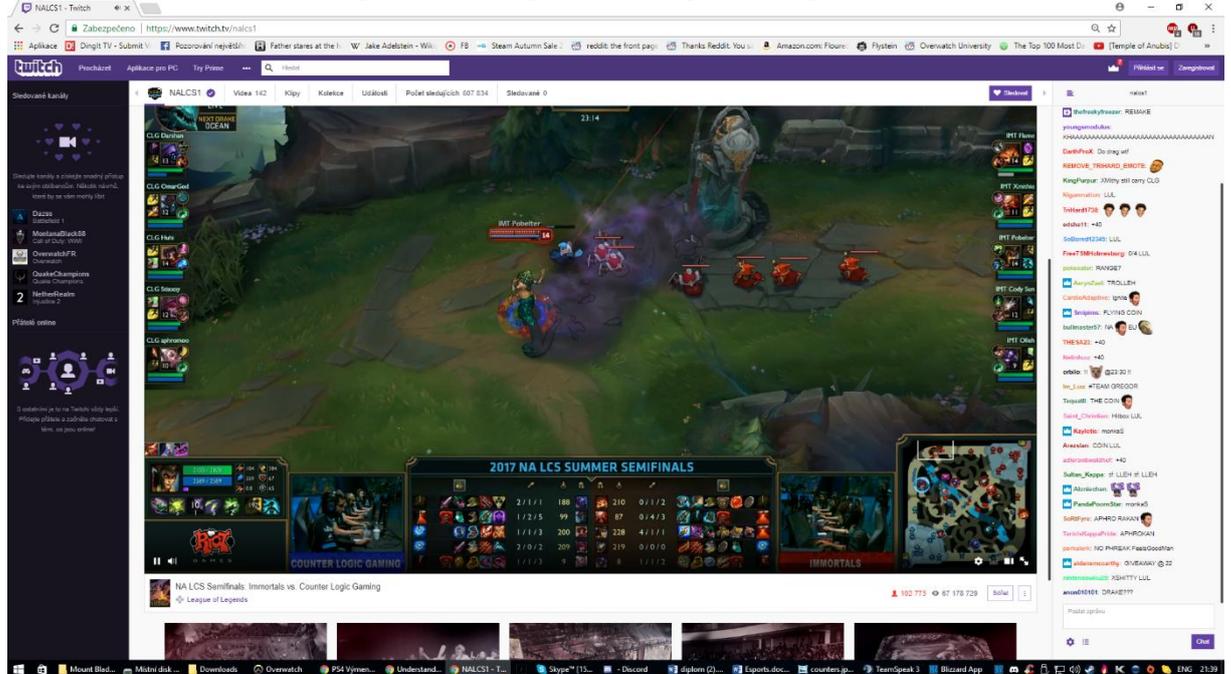
Source: twitch.tv, picture taken by author using „SnappingTool“.

Figure 9: Twitch selected subchannel of the game



Source: twitch.tv, picture taken by author using ,SnappingTool‘.

Figure 10: Livestream of a professional game in League of Legends



Source: twitch.tv, picture taken by author using ,SnappingTool‘.

Twitch.tv is a project of a scale like facebook or youtube. Twitch.tv gave opportunity to perform an activity in front of tens, hundreds or even a thousand people without going out or doing any special promotion. In 2017, twitch.tv is not only for games, but for artist, performers, comedians, everyone can stream live on twitch, nomatter what hobby, as long as it stays withing the ruleset.

Twitch.tv has been bought by amazon, and as of 2018, the deal flourishe and viewership increased, it also provides a service ‘twitch prime’ which is a premium experience on Twitch that is included with Amazon Prime and Prime Video memberships. Twitch Prime includes games and in-game content, a channel subscription every 30 day at no additional cost. It is a system that works on subscription and it enables the customer to subscribe freely to channels, which otherwise the customer would have needed to play 5, euro for each subscription. Innovations such as this are making the customers satisfied and it is visible on the viewership as it has been in a stable increase.

#### **4.1.2 Problematic of E-Sport from the outside perspective**

One of the main issues that is e-sports facing at the moment is the question ‘How Serious is E-Sports’ ? This question and the seriousness of E-Sports is being questioned by journalists, reporters and news media all over the world. Jimmy Kimmel is one of the journalists and media giants who has spoken against E-Sports and brought some interesting points of how an outside viewer can enjoy a PC game that he never saw before? (Forbes, Jimmy Kimmel make’s fun of Esports, 2015 [Online]). [18] The answer for this question may be simple, it is the same as with any sport other sport, how can a individual enjoy watching a hockey match if he never have seen it before? Without the knowledge of the rules, offsides, have no knowledge of the game, therefore the individual probably won ‘t enjoy it as a Hockey fan. An example most hockey fans don’t actually play hockey and it the same with esports an interesting survey states that 42% of viewers of esports don’t actually play the game that they are watching, that indicated that esports is truly a spectator entertainment. (Kotaku news media, Survey: 42% viewers do not play the game, 2016) [Online]. [26] With every new ‘phenomenon’ there comes speculations and thoughts of doubt, therefore it is expected that media or people will have negative opinions about esports.

But not all media are seeing things as for example Jimmy Kimmel, ESPN is one of the main sport media in the world and it has taken interest in E-Sports in 2013. Nowadays ESPN holds

early awards such as the Best Player of the year, which is the equivalent of the Golden Ball of FIFA and other awards such as best moment of E-Sports of the year and many others.

NBA players like Shaq O’Neill and Rick Fox are co-owners of E-Sports organizations and actively bring up news about E-Sports in the NBA, because NBA and E-League (Counter Strike Global Offensive league) have signed a partnership in late 2015.

Another counter-point to the question asked ‘How Serious is E-Sports’.

We can use for example the numbers of how much Prize Money Increased in the Esports Business. We can see that it increased more than 200x since 2000, and these numbers go only to 2012, because the current business is a multibillion and increasing.

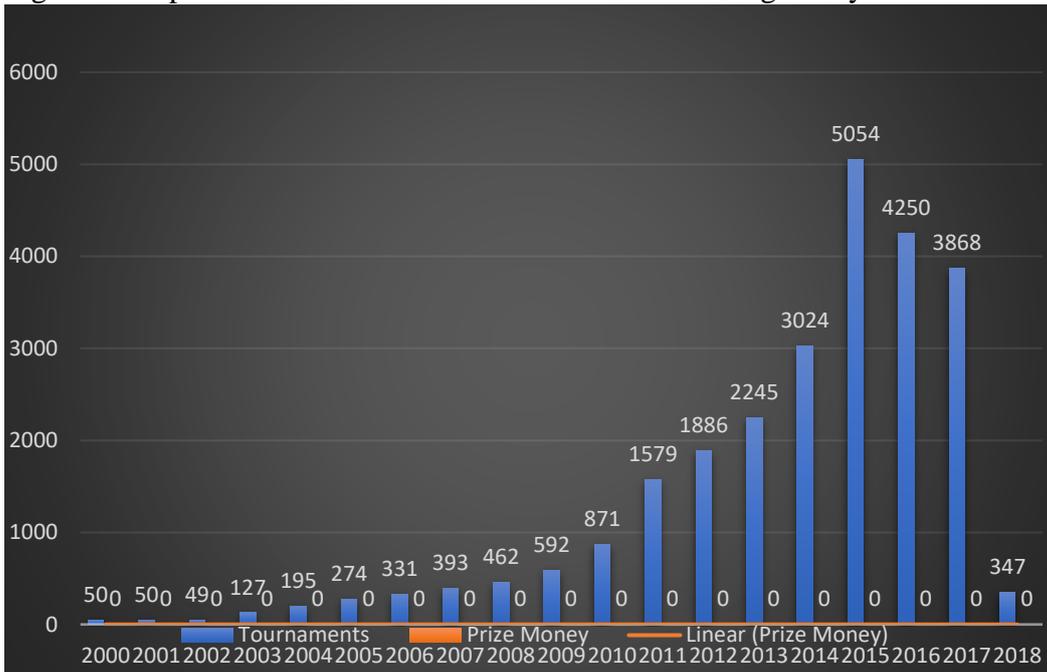
Table 1: Yearly total amount of prize money and number of tournaments

YEAR	Tournaments	Prize Money
2000	50	\$672,539.19
2001	50	\$858,123.17
2002	49	\$892,982.82
2003	127	\$1,615,548.50
2004	195	\$2,351,340.89
2005	274	\$3,933,652.65
2006	331	\$5,031,320.97
2007	393	\$6,774,207.29
2008	462	\$6,932,490.75
2009	592	\$3,736,552.25
2010	871	\$5,831,375.12
2011	1579	\$10,105,633.71
2012	1886	\$13,829,930.99
2013	2245	\$22,055,058.98
2014	3024	\$37,138,908.33
2015	5054	\$66,453,122.30
2016	4250	\$97,078,769.45
2017	3868	\$112,211,155.69
2018	347	\$11,245,550.96

Source: Compiled by author with withdrawn data from [esportsearning.com](http://esportsearning.com)

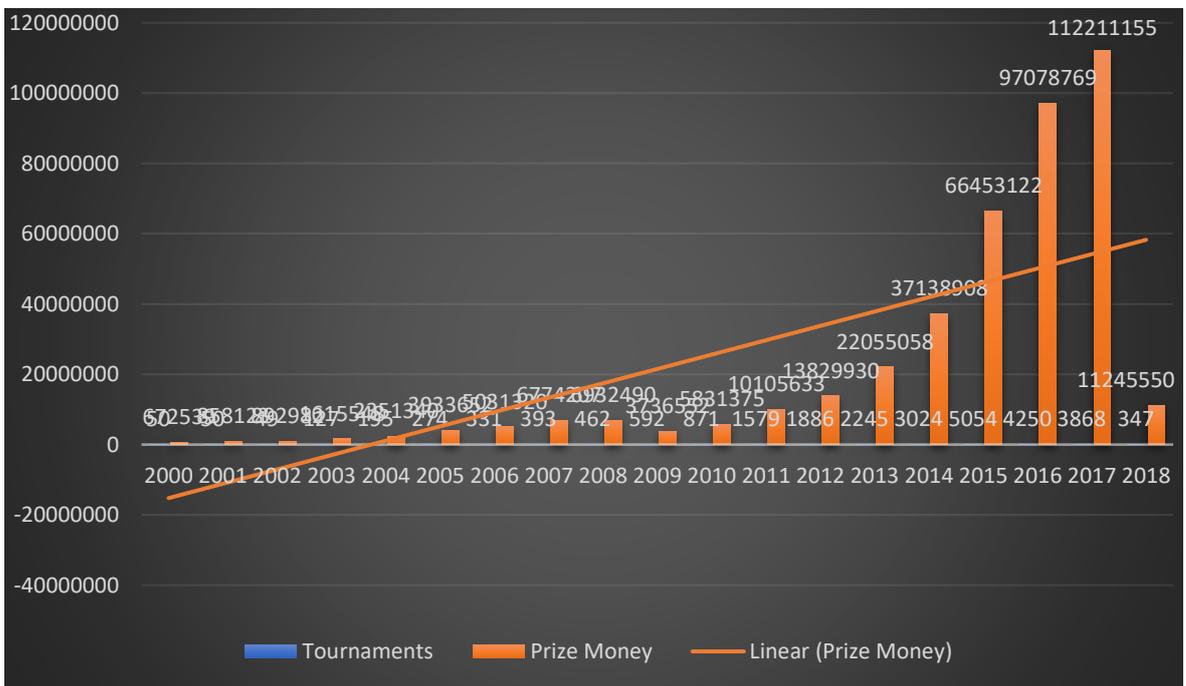
This table shows the nubers of tournaments and prize money for each years from 2000-2018, NOTE\* the current number is ongoig therefore it might have changed from the time this table has been made.

Figure 11: Upward trend of increase of Tournaments through the year.



Source: Compiled by author with data taken from esportsarnings, [Online]. [32]

Figure 12: Upward trend, increase of prize money through the years



Source: Compiled by author with data taken from esportsarning, [Online]. [32]

The tables shows us that the esports industry has been growing massively with each year. In 2000 there was a number of 50 tournaments and overall prize money through the year in all competitions was estimated to be, 672,539 USD, in 2003 the tournament number was one number lower, 49 but the prize money increased almost three times more to, 1,615,548 USD. In the table its clearly visible that the prize money has been increasing every year, last year, 2017 it has peaked to a total number of 112.211.155 USD. This amout of money involved just for prize money in competitions, shows that esport is a serious enterteinment, it has its own infrastructure as any other athletic sport team, where organization involve professionals from over all sectors to help to develop balance between a organization and player as it the past there have been bad experiences with organization taking advantage over the player.

#### **4.1.3 Psychological Aspects and its Downsides**

As One of the biggest issues esports is facing right now is how to ensure that the ‘kid’ will have a normal life? Education? How it will affect him psychologically? The amount of money in such a young age could bring bad habits to the kid? Growing up too quickly?

Esports after all it is an entertainment business and with that it brings many of the taboo question to light “If you are a gamer, it’s time to get over any regret you might feel about spending so much time playing games. You have not been wasting your time. You have been building up a wealth of virtual experience that, as the first half of this book will show you, can teach you about your true self: what your core strengths are, what really motivates you, and what make you happiest.” (Jane McGonigal, Reality is Broken, 2011). [4] Jane McGonigal is studying gamer behaviour and she herself is a Game Developer, in the book, “Reality is Broken” Jane is pointing out different skillsets that gamers acquire , for example McGonigal is saying that gamers that are playing cooperative/competitive games are more likely to cooperate with their close family members, friends helping with their home works or washing the dishes at home. One of the points McGonigal brought is that, competitive gamers are more likely to be better at school, job than other type of gamers, as they have a set of goals and a different mindset, an achiever mindset. (Jane McGonigal, Reality is Broken, 2011). [4]

It might be hard to grasp that maybe your kid that is playing alone in the room could actually make potentially a career out of it? But does the kid have a chance to became successful? The psychological mindset of parents could be important as the mindset of the kid Of course, not every gamer, who admit themselves as talented player could become a successful athlete easily like Olofmaister (one of the most popular and skilled players in Counter Strike: Global Offensive). In fact, professional gamers and semi-pro gamers can live a stressful life with

salaries lower than the national average and rough schedule with fourteen to sixteen hours training per day for two to three days to pursuit the glory/ When decided to involve in Professional scene or at least living with gaming career, many gamers must sacrifice some of their personal hobbies. (Dal Young Jin, Korea's Online Gaming Empire, 2010) [30], through his research, has mentioned about pro gamer's life in South Korea, a true empire in professional e-sports Industry nowadays. Successful professional gamers are actually considered to be important element of Korea's digital economy and society in general. The images of pro gamers, particularly star players, also affect the images of companies and the sales of goods of those companies they belong to. For that reason, Korean corporations rigorously control the daily life of pro gamers through the team manager and coaches, keep their gamers in tight and hard schedule to get ready for coming competitions without any distracts from outside. For example, through quoting some Korean managers, gamers must practice hardly for thirteen to fourteen hours on average, keep away from drinking and smoking, dating also be prohibited because of bothering practice. To be more specific, Dal Yong Jin (Dal Young Jin, Korea's Online Gaming Empire, 2010) [30], gives a particular example about rough schedule of pro gamers. Samsung, the largest corporation in Korea that is also involved in professional e-sports scene, keep their athletes into a dormitory in downtown Seoul in which they train and live together in five days a week. In training day, pro gamers in Korea get up at six in the morning, after using breakfast they spend up to thirteen hours to watch the game material to study moves, making finger exercises to improve their agility, train with players online or from other organizations. This all may bring negative effects to the player as it is a lot of stress, playing every day to stay competitive and not lose the job. Organizations are providing external professional help in order for their players to stay mentally healthy as sometimes the schedule can get longer. Psychologists have been around esports for a while and are helping players with their issues. Esports is worldspread and players sometimes can find themselves out of their country, family and friends for a while as they can play in an international team from a different continent. Player transactions have started to experience a boom in 2016, where United States of America made a regulation change an esports players were enabled to get athletic visa. Player transaction can be rough experience for a person as cultural an continental habits may be too different, this has been happening mostly with a solo player from Asia going to America, Europe.

The Esports industry has been adapting to this for the past years, however it still needs some more experience to identify and correct the issues.

#### 4.1.4 The Esports market

“Videogame industry to reach 82 billion of Dollars” (Forbes, Prediction, 2017). [20] Forbes has forecasted that the videogame industry may reach 82 billion of USD in revenues by the end of 2017, other sources estimated a value 108-116 billion of Dollars (Venturebeat; Gaming Industry growing faster than expected; 2017; tweaktown; games industry to earn 108-109 billion of USD in 2017). [21] Videogame industry has unlimited potential as new videogames are being published every day on almost all technological platforms (iOS, PC, PlayStation, Xbox, Android and many more) The gaming industry however has many different ‘types’ of video games and not all are being spectated by millions of people. Competitive games are being played on the internet or through ‘LAN’ and players have to compete against each other as a team or individuals, depending on the ‘type’ of video game or competition format (rules), it could be shooting, strategic simulation of war, cards or any other type of competitive video game. Most popular competitive esports game such as Counter Strike: Global Offensive has tournaments and league matches on weekly basis, one such tournament holds a record on the broadcasting website twitch.tv for the most concurrent viewers, it happened at Major tournament, ESL One Cologne, Germany 2015, more than one million concurrent viewers were watching the finals of this game’s competition. The thesis observation defines that esports revenues are spread globally and twitch.tv’s major of audience comes from Europe and Americas; Asian continent has different broadcasting platforms, such as douyu.com. Esports market has been estimated to be approximately \$612 Million in annual revenues with Asia, primarily China and Korea, dominating the industry controlling a 61% share 19 This is a continually growing industry as viewership continues to rapidly grow annually. While 2012 featured approximately 58 million viewers, 2013 74 million, 2014 boasted 89 million viewers globally.

While one may expect prize money to be a large sum of these earnings especially as the League of Legends World Championships 2015 boasted prize pools of over \$2 million over half of which are claimed by the victor. However, to firms sponsoring their Esport teams, the prize money only represents a small portion of their earnings. In addition to the income from merchandise, a large portion of profits are made from advertising and streaming services such as twitch.tv.

League of Legends garnered 20 Million viewers in their last World Championships and

On-Game.net made \$203 million last year from adverts played during streams and subscription fees alone.<sup>30</sup>(theverge.com, League of Legends watched by millions of people, 2013) A stream/live broadcast in the modern day is an equivalent of a cable tv or a reality show in some cases. A company may choose to 'stream', that is to say, essentially broadcast, live events directly to computers all over the world. Viewing is generally free of charge but viewers may have the option to enjoy the stream at a higher quality for a small subscription fee. Therefore, streams are not limited to large gaming events, but rather, anyone can stream a game on platforms such as Twitch Tv. Companies, organizations and individuals can make a profit from the subscriptions to their 'channel' or the optional donations individuals may make to freely support their favourite entertainers, otherwise known as 'streamers'. Last year, corporate sponsorship in North America totalled \$111 million even including basketball legend Rick Fox purchasing his own team to compete in the Spring Split], of the North American LCS AND Counter Strike: Global Offensive E-League. (Echofox.gg, Rick Fox to buy Echofox, 2016) [Online]. [24]

Observing as the trend esports causing a very positive influx of important investors, that could speed the process of esports becoming legitimate towards the public view, which esports organization are trying to do.

One of the questions has been raised by a vast number of relevant reporters and news media, many believe that Esports is just a 'fluke' and will likely decrease its revenues and viewership in future. However, to find out the answer to the question of Esports longevity the study will try to predict its future using Statistical analysis such as the Trend analysis.

In the table below, we can see how the prize pool for Counter Strike Global Offensive tournaments has been increasing slowly through the years, the study will use the trend function to test its longevity.

#### 4.1.5 Trend Analysis using Price Pool Data

Using SAS and data taken specific data from tournaments, prize pool, trimesters of the most important tournaments throughout the years until now. Trend function was defined as:

$$y' = 11.364 + 94.406 * t$$

So, for the next period (1<sup>st</sup> of 2018) predictions are:

$$y' (13) = 11.364 + 94.406 * 13 * 1.38 = 1.705.000 \text{ USD}$$

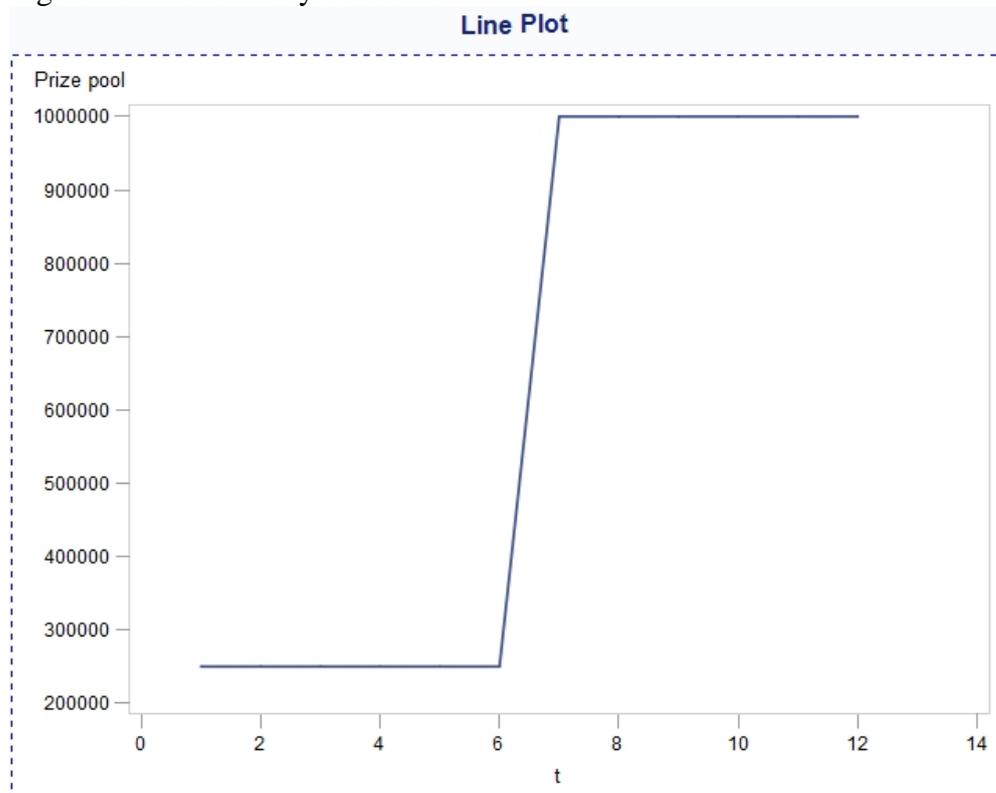
Table 2: Prize Pool over trimester periods.

Year	Period	Prize pool,USD	t
2014	1	250000	1
2014	2	250000	2
2014	3	250000	3
2015	1	250000	4
2015	2	250000	5
2015	3	250000	6
2016	1	1000000	7
2016	2	1000000	8
2016	3	1000000	9
2017	1	1000000	10
2017	2	1000000	11
2017	3	1000000	12
2018	1		13

Source: Compiled by author and data has been taken from [esportearning.com](http://esportearning.com). [32]

In the data above describes every prize pool increase throught the trimesters for Counter Strike: Global Offensive major tournaments.

Figure 13: Trend Analysis Source



Source: Compiled by author using SAS Enterprise Guide with withdrawn data from esportsearning

Table 3: Coefficient of determination of Trend Function

Root MSE	203230	R-Square	0.7552
Dependent Mean	625000	Adj R-Sq	0.7308
Coeff Var	32.51681		

Source: Compiled by author using SAS Enterprise Guide

R-squared is a statistical measure that represents the percentage of security of the made analysis. In the describing Trend function's coefficient of determination is 0,75, which means that the model is described by 75%, Consequently that can be interpreted as that model proves to be reliable in regards to performed analysis.

Table 4: Trend function parameters

<b>Parameter Estimates</b>					
<b>Variable</b>	<b>DF</b>	<b>Parameter Estimate</b>	<b>Standard Error</b>	<b>t Value</b>	<b>Pr &gt;  t </b>
Intercept	1	11364	125079	0.09	0.9294
t	1	94406	16995	5.55	0.0002

Source: Compiled by author using SAS Enterprise Guide

Based on the table above was determined the function of Trend Analysis with following parameter estimates with standard errors for each.

Table 5: Seasonal Index

<b>Analysis Variable :</b>	
<b>Calculation</b>	
<b>Seasonal Index</b>	
<b>Period</b>	<b>Mean</b>
1	1.3851600
2	1.0057685
3	0.8291783

Source: Compiled by author using SAS Enterprise Guide

Usage of previous analysis has defined that the prize pool, will continue to increase in 2018 and in the future, therefore it is safe to predict its safety of investment. However, it proves once more that Esports is fast growing and developing market with increasing tournaments' rewarding value. Prize Pool raising every two years and, therefore, higher tournaments compensations are expected.

#### 4.1.6 SWOT ANALYSIS

##### Strengths:

- 'Hype' Everyone is talking about it (In the media you hear it all over the world, now in Czech Republic even Alza.cz (the biggest electronics store in Czech Republic) has picked up a team in Counter Strike: Global Offensive, and more companies are joining.
- Global Market (The Gaming and Esports market is popular all over the world even countries like Pakistan, Iran, Vietnam, Cambodia and so on are participating in tournaments)
- Unlimited Potential (Esports is a new booming entertainment industry and no-one knows its limitation)
- New Games/ New Players = new fans = more money
- Increase of income is inevitable for investors (Increase of new games which are broadcasted and have audience, new organization getting involved, sports club also getting involved, everyone wants to be able to 'hop' in in the 'hype train')

##### Weaknesses:

- New Type of Customers (With new customers there comes new demands and it might be hard to grasp, what those demands can be, and if the provider can do it in the right direction, it could backfire).
- Educated Gamblers (Can take advantage of some current situation, manipulate players to lose intentionally to gain wealth). – ex. Page:
- Regulation Changes (There have been cases where Countries banned third party website, mostly betting websites, because underaged would bet on it, therefore websites had to change their regulations and some sports companies also since they were sponsored by these gambling third party companies).
- Scandals (Like in any other Sport, Scandal can ruin a career or even the legitimacy of the game, in 2010 there was a huge scandal where eleven professional players have been proven guilty of match fixing and many companies in Korea were affected by it, the game StarCraft Blood War, lost all the credibility and the game 'died'.)

#### Threats:

- Game titles owned by third party companies (Third Party companies were always shady, as their only care is Money and Not Customer Satisfaction)
- New Technology (it's in its baby process, we just know it's going to be the future of entertainment).
- Match Fixing (there have been cases of players losing matches on purpose when the odds were high on them, in some cases player have been charged of felony).
- Non-Sustainable growth (we cannot control the growth of Esports, it is out of hand increasing constantly)

#### Opportunities:

- New Market (possibility to explore, join the 'hype')
- Betting just like in Sports (new possibility of income, new job opportunities, bet analyst, brokers etc,)
- Content creation (possibility to help grow you 'community', game, organization = create content for PR)
- New Games (with a new game there comes a completely free market, where it is possible to jump in, but it may be risky since the game can also fail)
- Broadcasting (new job opportunities, be a professional player, organization, commentator, anything involved in the broadcasting = new job opportunities)

#### **SWOT Observation**

The study has put an emphasis on objectively study the phenomenon and take to count all the strengths, weaknesses, threats and opportunities.

The thesis result is that Esports is a new phenomenon and that it needs more experienced management or more time to define the credibility of the competitiveness in electronical games to the general public. The market has shown tremendous improvements over the last five years, however it is a risky investment as the customer's needs haven't been discovered yet and the community tends to be very active on the social media and public news. These threats considered, the opportunity is keen as the market prize to own an organization or be involved in the market, didn't reach its peak yet. The thesis identified that Esports most important advantages are broadcasting and new games on the market. Broadcasting (twitch.tv) is the reason why Esports got media visibility and increasing numbers in viewership, table.2 confirms that twitch.tv viewership increased from 2012 to 2015 four time more. New market/new games,

the gaming industry has a marketable advantage, as every month, new games are being published and with the current strategy gaming companies are pushing 'extra' product, which prize can range from ten of dollas to ten's of thousand, <sup>32</sup>(steampowered.com,) with every game on which the companies generates revenues. The betting market in esports is also experiencing a free roll, as governments haven't yet made any laws to regulate the betting market and the government might do so, as underaged kids are often 'victim' of these gambling websites. After some regulation however, the betting market will probably experience a small decrease as many potential customers could be lost.

## 5 Conclusion

The study main question has been How serious is Esports and will it survive in the long run? As established at the beginning of this thesis, the main focus was to observe the phenomenon Esports, it's strengths, threats, opportunities and weaknesses in order to do that, the study emphasized on the known literature to therefore use as knowledge.

The made analyses to focus on viewing the organizational structure and broadcasted tournaments its customers and the future longevity of the phenomenon. The study has used trend analysis to test this theory. Trend Analysis shows that in 2014 prize money in Counter Strike Global Offensive has been estimated at 250,000 Dollars and in only 2 years it has increased of a total number, 750,000, reaching a total number of 1,000,000 Dollars. The Trend analysis also established that prize money in tournaments will increase in 2018 of a number 705.000 Dollars, reaching a total number of 1.705.000 dollars.

The use of analyses enabled the thesis to determinate that Esports will keep to increase its prize money and revenues in the future. Viewership count will also keep on increasing as the table.2 shows, viewership in 2013 peaked 2.3 million and in 2015 13.5 million of viewers on twitch.tv, however globally in 2012 it peaked to 58 in 2014 it peaked to 89. The Estimated market in 2017 in Esports is to be 612 million of Dollars and in 2012 it was estimated to be 2012, 130 million of Dollars. (ESPN, Esport to reach 600millions USD 2017). [15]

Esports have shown massive growth over the years, but it has weaknesses and it could be potentially a risky investment without the knowledge of the market and its customers, on the other hand it has a massive potential to grow and initial investment should not be so high as in any other professional sport as Esports players require less equipment investments, no need of a stadium or a gym. Esports and the gaming industry has unlimited potential as Don Quixote once said 'The sky is the limit' and with such a global and vast market, anyone can become an investor, journalist, merchandize designer or anything if the person of interest will have the determinate knowledge. The Study concludes with the statement; Esports is a trend that will keep at increasing its viewership and revenues, diminishing its risks and with improving of the technology, regulations as it will stabilize the Esports market.

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