

Esports: The Unexpected Traditional Sports Takeover

Written Assignment

submitted to

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List of Abbreviations

FIFA	International Federation of Association Football
MLS	Major League Soccer
NBA	National Basketball Association

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1 Introduction

The way in which humans participate and view sports is changing. Not only is the physical sports world becoming increasingly digital, but the virtual sports world is also quickly gaining the attention of many sports fans. The world's extreme push for digital advancement within the last couple of decades has led to the rise of esports. Esports (or electronic sports) are "a form of sports where the primary aspects of the sport are facilitated by electronic systems; the input of players and teams as well as the output of the eSports system are mediated by human-computer interfaces. In more practical terms, eSports refer to competitive video gaming (broadcasted on the internet)"¹

Although still developing and evolving, esports is changing the way that the average and avid fan experience sports. Even though this market is still relatively new, the growth potential is quite open. Because of its tremendous revenue growth, fan growth, number of players, and investment opportunities (among other factors), one hypothesis is that in less than one generation the digital form of esports will take over as first place when compared to the popularity of traditional sports.

2 Participation in Esports

2.1 Non-Professional Gamer

Just as playing or watching sports can be one's hobby, playing or watching video games are also activities that many people perform on a casual basis. The world is becoming increasingly digital and playing video games has now become a norm in many societies around the globe. Since there are around 2.2 billion gamers worldwide, it is conclusive that 28% of the world's population are labeled as gamers.² Instead of going to the movies with friends and family or spending time watching sports on television, many people also enjoy a hands-on approach and want to be directly involved in the action from the comfort of their homes.

¹ Hamari/Sjöblom 2017, p. 221.

² Cf. Gaimin 2018.

As interest in video game competition has grown, it is common for many gamers to decide that they want to compete at a competitive level even if that does not mean competing at a professional level. Playing against the artificial intelligence is enjoyable for many but offering the average player to play online with friends, family, and unknown real competitors was a brilliant addition to video gaming. Online gaming has led to the open sharing of ideas as well as allowing gamers to compete at a high level even if they are thousands of miles away from each other.

The gaming industry has continuously improved. As online gaming has become more and more popular, so has the growth of competition. As ranking systems have become more prevalent, avid gamers are eager to make their mark in their favorite video games on their favorite gaming systems. From the ranks of casual gamers, it is no surprise that some recognize that they have a serious talent and then decide that they want to pursue their abilities further at a professional level.

Being a professional is not a must. One benefit to online gaming is that the barriers to entry are low. Marina Zavertiaeva and Petr Parshakov confirm this in their journal entry entitled "Success in esports: Does Country Matter?". "Unlike traditional sports, the cost of participation in eSports is low, location and climate conditions are irrelevant, and players' physical abilities do not matter."³ Indeed In order to join a multi-player game online, most people just need an internet connection. Depending on what games one wants to play, one may also need a smart phone, computer or game system as well as controllers. With online gaming, everybody is accepted.

2.2 Teams Involved

Just like there are organizations for professional sports teams around the globe, the esports market also contain its own professional esports organizations. Today, there are over 500 esports organizations and some of the most prominent esports organizations have made great earnings through prize money, player transfers and team statements published on the internet. Some of the most prominent esports organizations are Team Liquid, OG, and Evil Geniuses who together have netted over \$90 million since inception.⁴

³ Parshakov/Zavertiaeva 2015, p. 2.

⁴ Cf. Esports Earnings 2019.

Based on these figures, it is not surprising that many sports clubs are also beginning to invest heavily in the esports market. One professional soccer team within the International Federation of Association Football (FIFA) in particular decided to be one of the first movers. On the 20th of January 2015, Beşiktaş Jimnastik Kulübü (JK) opened its first esports club and instead of making their aim to participate in the EA Sport's FIFA Soccer video game, they decided to compete in a more popular computer game, League of Legends.⁵ By stepping their foot into the world of League of Legends gamers and spectators, Beşiktaş JK made a bold move that will continue to enhance their brand awareness.

Joining the esports sector is becoming increasingly popular for professional sports teams as many American and European clubs have also followed suit. In the United States in particular, 17 National Basketball Association (NBA) teams agreed to participate in the inaugural NBA 2K esports league.⁶ This is a big step towards the acceptance and investment of esports for the years to come. If professional sports teams and clubs continue to invest in esports, the trend of esports popularity will continue to rise.

2.3 Professional Gamer

People naturally have many and various aspirations. Just as aspirations to grow up and become a professional athlete are common, becoming a professional esports gamer will be added to the list of professions that the youth want to pursue in their futures. This can be stated with confidence because according to two recent studies about young children from the Boston Children's Hospital, more than 80% of children aged 8 to 17 own a gaming console.⁷ Therefore, children are being exposed to the esports world and it is inevitable that many will see this as a future profession.

In previous years, many parents would worry about their child wanting to play video games excessively for many reasons. Nowadays, however, these reasons are diminishing as being a professional gamer is no longer unheard of. Incentives for the younger generation to start their esports career and compete with some of the best gamers around are continuing to increase. Many parents of gamers may also be intrigued to learn that "colleges are realizing that eSports are a serious enterprise, with

⁵ Cf. Paspalaris 2019.

⁶ NBA 2K League, LLC 2017.

⁷ Cf. Boston Children's Hospital 2019.

more than 120 US universities and colleges offering eSports programs.”⁸ Therefore, if one’s child is extremely interested in video gaming, they could possibly continue studying and playing their passion in college.

In addition, if one is really talented, they can attempt to compete at the international level as there are relatively big sums of money being awarded to players for winning competitions. Many esports organizations are starting to handle their players as if they were traditional athletes. This means that their players receive a salary, a contract and can even be traded if necessary.

Comparing professional gamers to professional athletes can be seen by looking at Table 1. As one would expect, there are not many pro gamers averaging over \$100,000 per year in winnings but that number is growing exponentially. In 1998, not a single esports player was winning more than \$50,000 per year. In 2016, 30 players were gaining \$100,000 or more per year.⁹ As the popularity for esports competition rises, this trend will likely rise as well.

3 Gamer Viewership

3.1 Online Viewership

The fact that many video games are now seamlessly broadcasted opens up the possibility of online gaming viewership to the masses. There is often a lot of buildup to esports events as a large percentage of professional esports gamers have built a following and continuously showcase their talent online. YouTube used to be the main video provider but now video game streaming platforms, like Twitch and Mixer, have emerged as competitors to showcase some of the most talented esports gamers on the planet. With the introduction of these platforms, the occasional viewer or enthusiast can now find and observe talented players within their game of interest at any time of the day or night.

The fact that people can watch these talented gamers essentially “practice” on their gaming platforms has led to a new form of entertainment. These gamers also tend to interact with their viewers directly so that makes the experience for the spectator even

⁸ Shefrin 2019.

⁹ Cf. Entertainment Software Association 2016.

better. Therefore, if one regularly follows a streamer from their daily gameplay all the way up to a major competition, they are susceptible to become loyal followers especially if the gamer gives a quality performance.

There are many games that are streamed on these platforms and the viewership numbers are significant. In 2019, Twitch had 2.2 million broadcasters and 15 million daily viewers.¹⁰ When considering that streamers also have the ability to stream on Mixer as well as other social media platforms, the potential for growth is evident. This notion can be reinforced as this year's Fortnite World Cup Finals at Arthur Ashe Stadium in New York City drew in 2.3 million viewers solely on YouTube and Twitch. These figures crowned The Fortnite World Cup as the "most-watched competitive gaming event in America of all time."¹¹

3.2 In-Person Viewership

Not only are people watching from home, esports live attendances are also continuing to hit record numbers. From the previously mentioned example, Fortnite Battle Royale has also proven that people really want to experience the joy of supporting esports live in the same way that people enjoy watching professional athletic events in arenas or stadiums. Over 200 countries participated in The Fortnite World Cup Finals, over 19,000 fans were present, and all three days were sold out.¹² These figures are better understandable when comparing them to those of lower attendance Major League Soccer (MLS) averages. In 2019, more than 50% of MLS teams did not manage to achieve the same average attendance as The Fortnite World Cup.¹³

Today, most people are limited to viewing esports from their home or on site. There is a rising trend of people wanting to watch esports events as a social event in the same way that people watch professional sports. Many gather and watch football, basketball, or soccer in a bar especially if the game is an important one, but this has yet to really take off in the esports world. Unsurprisingly, companies like Buffalo Wild Wings have noticed these trends and are trying to take advantage of the opportunity as quickly as possible. One prominent move (although not very successful) was their partnership with ELEAGUE as they attempted to broadcast ELEAGUE's tournament

¹⁰ Iqbal 2019.

¹¹ The Fortnite Team 2019.

¹² The Fortnite Team 2019.

¹³ Cf. Soccer Stadium Digest 2019.

on TBS at 1,175 of their locations.¹⁴ In this case, the employees were not well prepared to show the event and the experience was not satisfactory; however, as future events come up, there will likely be a rise in quality as competition arises.

4 Earning Potential within Esports

4.1 Player Salaries and Club Income

Player salaries in esports are relatively volatile; however, most esports organizations offer their players and participants a base salary among other advantages. “esports offers regular salaries to team participants, with average salaries in the \$3,000-to-\$5,000 monthly in gaming hotbeds like China and the U.S. Top echelon players can earn much more, up to \$15,000 for a single competition plus bonuses. Some teams even offer their players perks like health insurance and retirement plans.”¹⁵

The biggest incentive; however, is the prize money. “In the eSports context, the increase in the compensation of superstars was fueled by the huge increase in growing prize money being offered to tournament winners.”¹⁶ This is backed up by the fact that the 2018 International offered a first prize of over \$11 million.¹⁷ This is significant because many professional competition finals around the world do not offer nearly as much in prizes. One can look at the MLS Cup 2017 as an example. Although the MLS Cup does not have the same international interest as many of the ongoing esports competitions, one cannot ignore the differences in figures. In 2017, Toronto FC welcomed \$275,000 in prize money while the Seattle Sounders (runner ups) received \$80,000.¹⁸ Compared to The Fortnite World Cup Finals, this sum can be seen as quite low.

4.2 Sponsorships

There are many ways that sponsors can get exposure through esports, the most understood way is through large gaming events and through streaming platforms;

¹⁴ Cf. Maiberg 2016.

¹⁵ O’Connell 2019.

¹⁶ Ward/Harmon 2019, p. 992.

¹⁷ Shefrin 2019.

¹⁸ Cf. Davidson 2017.

however, additional opportunities exist. For example, in addition to these streaming platforms, these esports organizations have a generous following on their social media channels as well. Unfortunately, to this date financial figures are rarely given when it comes to sponsorships within the esports sector; however, one can get an idea of the confidence in this market by examining some of the big-name companies that are getting involved in the space.

Honda recently joined the esports game by making a sponsorship deal with Team Liquid, currently one of the top earning esports teams in the world. This is not the first car industry to get involved in esports, however, as Nissan, Kia Motors and BMW have also decided to invest their capital. Therefore, companies in the car industry genuinely feel that their brand and revenue can increase from these types of cooperation.¹⁹

“Additionally, major global brands like Coca-Cola, T-Mobile and Toyota, among other, are investing hundreds of millions of dollars in sponsorships.”²⁰ Diverse groups of companies are starting to jump in and act quickly as companies become increasingly aware of the exposure that they can receive from esports as the sector continues to grow and develop. The amount of money that a company pays now to get exposure will likely increase vastly as esports viewership starts to grow and other parties start to join so the decision to enter the market now must be taken seriously.

5 Challenges with Esports

5.1 Mental Health

The question will likely always be how long is too long to play or watch video games. One has to find a balance between the virtual world and the real world. At the moment, esports is still developing so there is no set structure on how to train people from a young age. Now, esports organizations basically scout talent; however, in the future it will be critical that esports organizations try to develop players from the ground up.

This development process can be an issue. There are so many gamers out there developing countless and unhealthy number of hours playing the games that they

¹⁹ Cf. Brierley 2019.

²⁰ O’Connell 2019.

love. This brings up the idea of team houses. In a team house, players spend almost all of their time together gaming and eating in order to be at their optimal level of competition. They rarely have time to themselves having maybe one day off per week and the rest of the week for training and matches. This may be what it takes to compete at the highest level but the likelihood that this would be acceptable training for a child is unlikely.

On another note, abuse is also a serious worry for players. These players are having their every move watched and every word they say recorded on stream. "When that monitor is the only place where you can go to talk to the world, the avalanche of hate messages, from trolls to people calling themselves 'real fans' can't be avoided."²¹ There is a huge possibility for abuse on the internet and many of these players do not have a true way out. These gamers attempt to block people and only speak to those who they know and trust but oftentimes this is not enough.

5.2 Gambling and Trading

Gambling on sports is done around the entire world. Therefore, the future possibility of betting on one's favorite streamer to win a match or competition is up in the air. If betting is allowed in traditional professional sports, then it should arguably also be allowed in esports. The issue with allowing gambling in esports is that the actual ramifications of competition is not controlled by an organization, but by the game creators themselves. Unlike in a traditional sport, esports have the possibility for glitches and the likelihood of cheaters is even greater.

In-game items are also controversial when it comes to esports gambling. One must ensure that these in-game items are not traded for real world currency. This can lead to another market and also opens up room for a lot of scams. One Forbes article states "In-game purchases for virtual items and currencies must be available and used only within a given game and should not be exchanged for real-world money"²²

5.3 Online Streaming Rights

The streaming world is going to become full of noise as soon as the number of people interested in viewing reaches unimaginable levels. Esports events are international

²¹ Erzberger 2018.

²² Morris et al. 2017.

and at the moment the main streaming platforms are Twitch, YouTube and Mixer. Many of these games also stream their events live through their own gaming platforms.

One must consider the rights and fairness for a new player to enter into the game. Therefore, the question will be whether or not these streaming platforms will only have the rights to stream in certain countries or regions. If this is the case, we may see a messy battle for who which platforms get to stream which games and the length of these contracts being challenged.

One must also note that illegal streaming is likely to occur in the future. At the moment, spectating esports gamers is free; however, this may change as the gaming sphere starts to grow. Sponsors will still find a way to get their messages out but the ones who are paying for the rights to broadcast these events will not be excited. Some type of parameters will need to be in place to reduce illegal streaming activities.

6 Conclusion

Esports is growing at a tremendous rate. Many sports clubs are aware of this and are slowly making the move to invest heavily in this sector. Soccer clubs like Beşiktaş JK and basketball organizations like the Philadelphia 76ers are among the group of teams to invest as they are expecting tremendous growth opportunity and awareness for their brand.

Sports clubs are not the only ones getting involved. Many sponsors are also seeing the growth potential and have already made lucrative deals with players as well as participating organizations. Over 80% of children aged 8 to 17 own a game console so this is a great opportunity for industries like the automotive industry, for example, to advertise and reach the minds of the youth early on in the game.

Attendances and viewership are continuing to rise. Watching most esports events online is currently free of charge as this is what Twitch and Mixer offer within their platforms. The interest of watching esports in sports bars is also rising as companies like Buffalo Wild Wings are continuously looking to make deals so that they can showcase esports within their establishments. Many spectators continue to show interest in watching gamers perform in person as well. In some cases, stadiums get sold out as people make long trips to watch their favorite gamers take on talented challengers.

Because of the ease of entry and the number of casual players, video gaming will continue to attract the interest of the masses. Multiplayer capabilities make online video gaming appealing as one can connect instantly with others around the globe. Many gamers are also making the decision to game with friends and family in lieu of doing other social activities such as playing or watching sports.

Esports are not without their problems. Because it is still in development, those wanting to get involved in playing video games at a competitive level have to be careful that they take care of their physical and mental health. Playing too many video games can lead to a sedentary lifestyle and too much pressure can lead to mental health issues. In addition, from a business perspective business and organizations will have to worry about legal issues such as those relating to sponsorships, streaming, and gambling.

The online video game industry is still relatively new. People have been playing video games competitively online for over 10 years now and we will continue to see quick-paced advancements in the industry. As the traditional sports industry has been around for decades, the growth rate of esports is exponential in comparison. Many people already prefer watching esports instead of regular sports and this is one reason many believe it will take over the sports and entertainment sector in as soon as one generation. Esports are here to stay and they will undoubtedly continue to fight for the attention and interest of consumers around the globe.

7 Appendix

Tab. 1: Number of Pro Gamers vs. Pro Athletes²³

American Esports Pros vs. Pro Athletes				
Year	Esports players winning 100K+/year	Esports players winning 50K+/year	Total Prof Athletes (BLS)	Athletes in Spectator Sports
1998	0	0		
1999	0	1		
2000	0	2		
2001	0	2		
2002	0	0		
2003	0	0	11,520	7,400
2004	0	0	12,250	8,100
2005	1	0	12,230	7,750
2006	1	2	12,500	8,190
2007	2	11	12,670	8,430
2008	1	2	13,960	9,380
2009	0	0	13,620	8,910
2010	2	0	12,660	8,690

²³ Own table in accordance with Entertainment Software Association 2018.

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Affirmation

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This thesis was written by me independently, and I have given indication of sources whenever content was taken directly or indirectly from other sources or media. Verbatim and analogous quotes have been indicated as such. Furthermore, I confirm that there is no factual concurrence with any dissertation, final paper or thesis that I may have submitted within the scope of any previous studies. This thesis has not been submitted to any other institution or individual within the framework of an examination.

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