Julian Heinz Anton Ströh

The eSports Market and eSports Sponsoring

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Dedicated with deep gratitude to my beloved mother Doris
and my beloved father Michael who left us too early on 31st of July 2016

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List of Abbreviations

AMM	Automatic Matchmaking
CBLoL	Circuito Brasileiro de League of Legends
CEO	Chief Executive Officer
CPL	Cyberathlete Professional League
CS:GO	Counterstrike: Global Offensive
DDoS	Distributed Denial of Service
DeCL	Deutsche Clanliga
DotA 2	Defense of the Ancients 2
GEICO	Government Employees Insurance Company
GSL	Global StarCraft II League
E3	Electronic Entertainment Expo
EE	ESports Entrepreneur
EEDAR	Electronic Entertainment Design and Research
e.g.	for example
ESB	Deutscher eSports Bund
ESIC	ESports Integrity Coalition
ESPN	Entertainment and Sports Programming Network
ESL	Electronic Sports League
ESLM	ESL Meisterschaft
ESWC	Electronic Sports World Cup

EU LCS	European League of Legends Championship Series
e. V.	Eingetragener Verein
FPS	First-Person Shooter
IeSF	International e-Sports Federation
IEM	ESL Intel Extreme Masters
IOC	International Olympic Committee
IPTV	Internet Protocol Television
KeSPA	Korean eSports Association
LAN	Local Area Network
LCS	League of Legends Championship Series
MIT	Massachusetts Institute of Technology
MLG	Major League Gaming
MMO	Massive Multiplayer Online Game
MOBA	Multiplayer Online Battle Arena
MTG	Modern Times Group AB
PC	Personal Computer
PS4	Playstation 4
RTS	Real Time Strategy
TBS	Turner Broadcasting System
USA	United States of America
VACS	Valve Anti-Cheat System
VR	Virtual Reality

VRH	Virtual Reality Headset
WADA	World Anti Doping Agency
WCA	World Cyber Arena
WCG	World Cyber Games
WESA	World ESports Association

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1 Introduction

1.1 Problem Statement

In the last decades, the market for digital games has grown to nearly $100 billion.[1] During this growth, a special gaming segment and community formed surrounding the direct competitive aspect of games: eSports. The core of eSports is similar to traditional types of sport. Players train to become better, clubs are established, tournaments are organized to compete against each other, and fans enjoy watching their game being played on the highest level of performance. Media expert Michael Wagner identifies the growth of eSports as "a logical and irreversible consequence of a transition from an industrial society to the information and communication based society of today."[2]

In South-Korea this transition has already put eSports on a level of maturity and social acceptance that is in no way inferior to traditional sports. ESports in Western cultures still lags behind this status, but recent developments show that it is steadily catching up. Historically, gaming as competitive sports started in university labs, got popular in amusement arcades and went on at LAN-parties and on the Internet. Finally eSports rose to become a new media sport attracting millions of viewers and filling large arenas for live competitions. In such a live competition, The International DotA 2 Championships 2015, all five players of the victorious team Evil Geniuses became millionaires by winning record prize money of approximately 1.32 million U.S. Dollars each.[3] This exemplifies that eSports cannot be seen as a marginal or regional phenomenon anymore, but has grown into a whole new globally spread industry with athletic professionalism and economical significance.

Due to this significance, the eSports ecosystem and its key components are investigated as first main objective of this thesis. This investigation reveals, that companies from the computer and gaming industry acting as sponsors to present and promote their products are the most important financial pillars and key drivers of eSports. Additionally, with progressing professionalization and growing viewership numbers in the past years, eSports increasingly attracts sponsors from outside the computer and gaming sphere as well. This importance and ongoing diversification of sponsors make sponsoring in eSports with its unique aspects, risks and opportunities a marketing field especially worth researching. Consequently, sponsoring within the eSports ecosystem with a regional focus on America and Europe has been chosen as second main objective to be analyzed in depth in this thesis. Sponsoring of endemic companies is naturally rooted in the eSports clockwork and eSports affine consumers are a fit by definition for those sponsors. Considering this, the current increase of attention from non-endemic companies in Western eSports, and the major consequences their entrance may have for the whole ecosystem, the exigency for research on non-endemic sponsoring is higher in comparison in the author's opinion. Furthermore, no former scientific efforts were taken in this specific subject according to the author's state of knowledge. Thus, non-endemic sponsoring was chosen as the center of the analyses and the consumer behavioral aspects of such sponsoring are the focus of the conducted primary empirical research. To gain insights into these aspects - which are decisive factors for effective and successful sponsoring - a recent example of non-endemic sponsorship in Germany is used as case study and evaluation approaches for sponsorship effectiveness used in sports sponsorship literature are modified for eSports and this example.

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[1] Cf. Newzoo (2016f), pp. 10-13

[2] Wagner (2006), p. 3

[3] Cf. Tassi (2015)

1.2 Disambiguation

To disambiguate the term ***eSports***[4] (abbr.: electronical sports) for this specific thesis, a broader definition of Wagner is introduced first. He defines eSports as "an area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies"[5] in which the term sport is mainly defined via the attributes of 1) voluntary engagement, 2) conscious development of mental or physical abilities, 3) comparison with others and 4) acceptance of rules according to the definition of sport scientist Tiedemann.[6] Taken this as basis to describe the fundamental activity, in this thesis eSports refers to the playing of digital games on a platform such as a PC, a gaming console or a handheld device for the primary aspect of competition mostly in an organized framework, e.g. in leagues, tournaments and ladders, on an amateur or professional level. To exclusively describe the professional level the term pro-gaming (professional gaming) is often used in culture and literature.

This definition clarifies, that eSports does not describe a single type of sport but is a superior collective term, comparable to e.g. water sports. ESports contains different eSports game genres, each requiring different specific abilities to play. These genres consist of games that require rather similar basic abilities. As used by Wagner (2006), Müller-Lietzkow (2008) and Breuer (2011), the term eSports discipline is used in this thesis as synonym for a game that is relevant for eSports.

The term ***sponsoring*** needs to be disambiguated from the term patronage. A definition in the matter of marketing determined by Hermanns (1997, pp. 36-37) and used by Drees (2003, p. 49-50) states, that "a company acts as a sponsor when it supplies a sponsored counterpart (e.g. a person, group, organization or institution) that is part of its social environment with financial capital, products or services in exchange for rights to use the sponsored counterpart and/or its activities for communication purposes on a contractual basis."[7,8] The emphasized difference to patronage is a clear expected benefit by the sponsor to reach commercial targets, while a patron's contributions are donations without own commercial, but only altruistic, underlying motives.[9]

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[4] Other notations: esports, e-sports

[5] Wagner (2006), p. 2

[6] Cf. Tiedemann (2004) as cited in Wagner (2006), p. 1

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[7] Congruent translation in regards to content as seen in Drees (2003), p. 49

[8] Comparable definition also to be found in Gross (2015), p. 34 and Bruhn (2010), pp. 6-7

[9] Cf. Drees (2003), p. 49; also see Bruhn (1987), p. 190; Bruhn (2010), pp. 3-7

2 The eSports Market

2.1 Historical Development

At first, the development of eSports and its way to the shape it got in the 21st century is explained.

1970-1990: The First Tournaments and the Arcade Era

While the first video game in history Tennis for Two[10] was already developed in 1958[11], the first recorded video game competition took place on October 19 in 1972 at Stanford University, USA, for the game Spacewar!.[12] This two-players game was developed by the student Steve Russell and his colleagues in 1961-1962 and became a leisure time activity for workers in research labs.[13] The tournament was called Intergalactic Spacewar Olympics and the first prize was a year's subscription to the Rolling Stone magazine.[14]

In 1980, the video games company Atari hosted one of the first sponsored tournaments for its game Space Invaders, which was visited by over 10.000 people in the USA.[15] In the late 70s built in high score lists enabled competition on arcade games in amusement arcades.[16] In 1982, the arcade company Twin Galaxies launched the Twin Galaxies National Scoreboard to accumulate high scores from the USA and soon from all over the world.[17] In July of the following year, this company established the first professional video gaming team called U.S. National Video Game Team. This team toured through the USA to show their abilities and organize competitions, even a World Championship against Japan, Great Britain and Italy, covered by famous magazines, e.g. LIFE and The Washington Post and television broadcasting companies, e.g. ABC-TV and NBC.[18,19]

1990-2000: Rise of Modern eSports Structures

This period of arcade-focused competitions took an end when arcade gaming was to a high degree squeezed out of the market by home gaming consoles, such as the

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[10] There are debates about the title "first video game" as there are different definitions of related terminologies

[11] Cf. Baker (2013), p. 9; Stanton, R. (2015), p. 19

[12] Cf. Hiltscher (2015), p. 9

[13] Cf. Kent (2010), part: Forgotten Fathers; Good (2012)

[14] Cf. Brand (1972) - Transcription: http://www.wheels.org/spacewar/stone/rolling_stone.html

[15] Cf. Winnan (2016), part: Introduction; Taylor (2014)

[16] Cf. Zahard (2015)

[17] Cf. Angelides/Agius (2014), part: 20.3.2

[18] Cf. Stammermann/Thomas (2007), p. 44; Wolf (2012), p. 651

[19] Video of the North American Video Game Challenge in the TV show That's Incredible! on ABC-TV is available at Settle it on the Screen (2008)

Nintendo Entertainment System,[20] and personal computers (PC). Due to this, eSports was transformed to an at-home-activity.[21] In the early and mid 90s, it was the PC gaming alongside with major developments, that shaped eSports towards its form it has today: 1) The introduction of Wolfenstein 3D by the studio id Software as first-person-shooter (FPS) (s. chapter 2.2) for PC in 1992 and its followers Doom (1993), Doom II (1994) and Quake (1996)[22] and 2) The increase in network capabilities and connectivity that made it possible to play in a local area network (LAN) to compete against each other at home on so called LAN-parties[23] and also online via the Internet against other players.[24]

Besides id Software, several other game developers started to integrate online clients into their games, most famously Blizzard Entertainment's Battle.net, which made automatic matchmaking (AMM)[25] popular and thus finding similar skilled opponents to play and train easier.[26,27] In this time players started to organize themselves in teams, so called clans, and leagues and tournaments started to arise creating the fundamental structure of modern eSports.[28] Important milestones, all reached in 1997, were the Red Annihilation Quake Tournament at the Electronic Entertainment Expo (E3) in Atlanta, USA, that offered valuable prices such as a Ferrari car,[29] and the establishing of the Cyberathlete Professional League (CPL) as well as the Deutsche Clanliga (DeCL) which became the Electronic Sports League (ESL) (s. chapter 2.3.4) in the year 2000.[30]

Yet, it is South Korea, that is seen as *"the Mecca of eSports"*[31] and *"the cradle of professional eSports"*[32], as the subsidized expansion of broadband internet connections ignited a high increase of players and a high social acceptance of pro-gaming, emphasized by the rise of TV channels dedicated to eSports[33], especially the dominant real time strategy (RTS) game StarCraft (s. chapter 2.2).[34] In the USA and Europe, the FPS Counter-Strike, released in 2000,[35] was the most important contributor to a following growth in prize money and viewership.[36] In this time, the term ***eSports*** was created. One of the first sources for the use of this term dates back to 1999 to Mat Battinson and an article about the Online Gamers Association (OGA) at eurogamer.net.[37]

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[20] Cf. Nintendo of Europe GmbH (2016)

[21] Cf. Taylor (2012), part: Playing for Keeps

[22] Cf. Taylor (2012), part: Playing for Keeps

[23] Cf. Stammermann/Thomas (2007), p. 41

[24] Cf. Winnan (2016), part: Introduction; Taylor (2012), part: Playing for Keeps; Taylor (2014); Armitage et al. (2006), pp. 12-18

[25] AMM systems automatically match players (of similar skill level) that are looking for an opponent on a provided server to play against each other

[26] Cf. Winnan (2016), part: Introduction, p. 2

[27] Cf. http://classic.battle.net

[28] Cf. Armitage et al. (2006), p. 21; Stammermann/Thomas (2007), p. 44; Wagner (2006), p. 1

[29] Cf. Winnan (2016), part: Introduction; Taylor (2012), part: Playing for Keeps

[30] Cf. Stammermann/Thomas (2007), p. 44; Taylor (2012), part: Playing for Keeps

[31] Winnan (2016), subchapter: South Korea, the Mecca of eSports

[32] Stammermann/Thomas (2007), p. 44

[33] Cf. Winnan (2016), subchapter: South Korea, the Mecca of eSports; Stammermann/Thomas (2007), p. 44; Wagner (2006), p. 2

[34] Cf. Gackenbach/Snyder (2012), Chapter 2; Seo (2013), p. 1545

2000-Today: Steady Growth and Financial Crisis

As in the previous period, decreasing costs and technological advancements of internet connections and personal computers are the catalyzing framework for eSports and its growth.[38] Next to widespread leagues like ESL and CPL, the World Cyber Games, largely sponsored by Samsung and South-Korean ministries, became the most important yearly competition after its start in 2000.[39] The basic concept was to create an eSports equivalent to the Olympic Games featuring e.g. national teams, medal tables and fair play awards. In 2005, approximately 800 players from 70 different nations participated in the final event in Singapore. Over a million joined the preliminary national qualifiers.[40,41] The WCG shut down all activities in 2014 after some years of decline.[42]

The financial crisis in 2009 had a significant impact on eSports which in consequence led to a significant decrease in prize money, sponsorships and leagues despite of a growing number of eSports players.[43] This struggle clarifies that eSports is already firmly rooted within industry and economy. Nevertheless, the eSports ecosystem recovered and experienced a rapid growth within the past five years as the next chapters illustrate.

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[35] Cf. Jakobsson et al. (2007), p. 157

[36] Cf. Diserens/Lindahl (2012), p. 15; Taylor (2012), part: Playing for Keeps

[37] Cf. www.eurogamer.net

[38] Cf. Hjorth (2011), p. 143; Breuer (2011), pp. 9-10; Hutchins (2008), p. 852

[39] Cf. Arora (2014); Tayor (2012), part: Playing for Keeps

[40] Cf. Farquharson/Marjoribanks (2012), p. 208

[41] Recommended documentation: Starcraft: World Cyber Games 2005 from National Geographic, available at MickeyToss (2010)

[42] Cf. Arora (2014)

[43] Cf. Messier (2011), p. 54; Breuer (2011), pp. 83-84