

Study on Business Model of the E-Sports Industry

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Abstract: E-sports are not simply video games, but rather a sport with electronic equipment that is intentionally structured and planned. E-sports distinguish themselves from video games and become a sport that must not only utilize the numerous platforms and resources provided by the sports industry, but also undergo standardization, scientific research, and professional self-reform. The rapid growth of e-sports has boosted the added value of the sports economy and fueled the expansion of neighboring sectors. It has garnered attention due to its enormous market potential. It is impossible to overestimate the economic significance of allied industries, which have become crucial to the sports business. The purpose of this study is to diagnose and analyze the business model of the e-sports industry and to draw conclusions about its ramifications. E-sports can be integrated with the cultural sector to encourage the development of the e-sports industry through a SWOT analysis of the potential and challenges of the e-sports business.

Keywords: e-sports, business model, SWOT analysis

1. Introduction

E-sports are competitions played online using computer software and hardware specifically designed for this purpose, in a controlled and regulated environment established by a set of standardized rules and regulations. This new sport pits mental and physical prowess against one another. In this context, "e-sports" refers to any competitive, organized gaming event, whether it takes place online or offline, with a single or multiple players, and with a clear winner and winner's prize in mind. E-sports are a great way to get in shape, build character, and foster a sense of community among its members by challenging and rewarding them on all of these fronts at once. There are similar demands for physical prowess in competitive e-sports. The expansion of e-sports has the potential to boost the economy, raise levels of self-awareness and comprehensive quality, encourage greater cross-industry cooperation, provide more room for club growth, and stimulate the expansion of related sectors. The growth of the e-sports industry can also aid in the healthy, standardized, and sensible growth of e-sports and online gaming, which plays an incalculable role and has a significant impact on the lives of countless young people.

2. Analysis

2.1. Business Model

From a worldwide viewpoint, the United States, Europe, South Korea, China, and other places all had head starts on the e-sports business. The e-sports sector has been around for a while, and its infrastructure and business model are now rather well developed [1]. Other regions' e-sports industries have also flourished and grown to become crucial components of the worldwide e-sports sector. E-sports, a relatively new genre of competitive video gaming, are experiencing rapid growth around the world. "E-sports" connotes two aspects of the industry. One of these features is that it is delivered digitally over the Internet; this applies to microtransactions for digital material as well as the novel payment structure of live broadcasting. The second is a rivalry-based revenue model that stands in contrast to the norm in sports.

Commercial success in e-sports is driven mostly by three streams of revenue: video game sales, profits made from e-sports derivatives, and gate receipts from actual competitions. The term "e-sports game income" is used to describe the sum of all money made from the sale of e-sports games (that is, the sum of all players). Payment, peripherals, and sponsorship commercials all contribute to the e-sports industry's bottom line, while the money of the competition club comes from the players, live broadcast platforms, and anchors. Sponsorship deals, online sales, commercial endeavors, prize money won in competitions, and the opportunity to have their matches broadcast all add up to significant revenue for e-sports teams. It's a common misconception that e-sports clubs can count on player bonuses to provide a sizable portion of their annual revenue. However, in actuality, the players own the majority of the prize money and the club will receive a relatively modest percentage. When e-sports reaches its next level of growth, a larger share of the industry's earnings will come from selling the rights to broadcast competitions [2].

2.2. Other Essential Parts of E-Sports

Authorization of material, which sits at the very top of the pyramid, is a potent weapon for attracting financial support. A healthy sports ecosystem isn't just made up of the best leagues. Top leagues have a lot of interest from spectators, but not from players. So there's a lot of opportunity for maneuver on the path to becoming participatory events for permitted events. In addition, the medium in which the message is disseminated is crucial. Content and media in e-sports can be thought of as complementary successes. Because to e-sports, the first wave of rapidly expanding live broadcasting options was largely spurred into being. The rise of e-sports has resulted in the decoupling of game live broadcasts from other types of live broadcasting [1]. The emergence of live broadcasts, on the other hand, has provided a platform for disseminating e-sports content, increasing its stickiness.

An additional crucial component is the video's anchor. The economic impact of e-sports fans on the live broadcast industry is directly proportional to the popularity of e-sports live broadcasts. Users rely heavily on anchors and are willing to pay a premium for their favorites. On the other hand, e-sports personalities can earn money from a wide variety of sources, such as platform registration fees, virtual props distribution, advertising marketing fees, and online store sales.

In addition, e-sports stars play an important role in this industry. The profits of professional athletes include of professional earnings, earnings from live broadcast platforms, and others. The key sources of income for players are the signing bonus and the daily wage, with the annual signing bonus for first-line players exceeding 2 million yuan. The rise of live-streaming services has increased both the influence and pay of professional players. In addition, by broadcasting live, retired athletes can continue to gain popularity and earn huge sums of money. Due to the fierce competition that has recently existed among platforms for live game broadcasting, the value of anchors has skyrocketed.

The impacts on fame and money are evident, with the top ten anchors worth more than 10 million yuan annually [1].

Moreover, all game functions count equally. E-sports events are becoming more and more like successful sports events as the industry grows and the fan base expands. Furthermore, e-sports attract a younger, wealthier demographic than more traditional sports. Because of these factors, strategically placing event attendees can yield substantial advertising returns. Many industries, including e-commerce, video websites, automotive brands, and quick-turnover items like beer, have started investing more in e-sports events in an effort to appeal to youthful audiences that share their target demographic.

The final option is a club operation. If we look at traditional sports clubs, we can see that sponsorship provides a significant portion of the club's operating budget. As is the case with traditional sports teams, e-sports teams have their own clubs. Manufacturers of gaming accessories like mouse, keyboards, monitors, headphones, etc., are typically the most fervent backers of e-sports teams. Some Internet-based businesses, including those involved with vehicles, fast-moving consumer products, online video sales, and more. Popular e-sports teams often receive financial support from other sources. Meanwhile, the e-sports club relies heavily on the prize money from events, player endorsements, and the selling of ancillary products [2].

3. SWOT Analysis

3.1. Strength

E-sports have a large fan base, and the support of the public is strong. In addition to having a large fan base, e-sports have received considerable government support. The market for e-sports is large, with ample market space and user base. Numerous e-sports fans, numerous tiny amateur events, and countless Internet cafes host [3]. The audience of e-sports events can be classified into "core audience" and "broad audience" in terms of viewing the game. Event attendees progressively become established players or potential customers.

3.2. Weakness

The public has more of an impact on e-sports games. The government's oversight of e-sports may be traced back to the General Administration of Sports. However, as a part of the culture business, the promotion and advertising of electronic games are hampered by the leadership of key cultural policies. The media and newspapers do not even give it enough good attention. There's a need to raise the bar for everyone involved in e-sports. Participants in the e-sports sector face an uncertain future due to the immaturity of the industry as a whole, which in turn creates an unfair age structure among players. Because of this, some would-be players are hesitant to fully commit to the profession.

3.3. Opportunity

As the e-sports sector has grown, it has attracted more and more professionals with advanced degrees, which has helped raise the bar for the quality of workers in the field. There is a wide variety of online games and revenue structures. Campaigns and marketing approaches from more established markets can help e-sports games fairly investigate viable revenue models. The global e-sports market is expanding rapidly and rapidly evolving at the present time. Investors have begun pouring money into the burgeoning e-sports industry, attracted by predictions of huge returns. The capital guarantee for the growth of the industry is a considerable financial commitment [4].

3.4. Threat

The TV transmission of e-sports contests is likewise subject to policy constraints. Due to a breakdown in the system, traditional avenues of communication have been severed, resulting in a lack of awareness for e-sports and widespread prejudice towards its participants. E-sports do not need to reach a certain level of popularity before becoming a viable business. Some investors will disregard market principles, engage in unfair competition, and harm the industrial environment in pursuit of quick financial returns. This temporary monetary gain does little to further the growth of e-sports in the long run [5].

4. Examples of World-Renowned E-Sports Events

4.1. League of Legends World Championship

The League of Legends Global Finals is the most prestigious, competitive, and well-known League of Legends competition. It is the highest honor in League of Legends and has been held for eleven consecutive sessions. Riot Games normally hosts the event from September to October each year. The tournament is conducted annually and consists of five stages: play-in, group stage, quarter-finals, semi-finals, and finals. It typically travels multiple cities in the host nation for around one month. Competitors are teams from global competition regions certified by Riot that have qualified for the finals. Each competition region chooses the number of teams it will send to the finals based on its size and strength. There are thirteen zones of competition in the world [6].

4.2. DOTA2 International Invitational

The International DOTA2 Invitational Championships, abbreviated as TI, is a global e-sports competition that was formed at the same time as the League of Legends Global Finals. It is hosted annually by Valve Corporation and begins in July or August. Typically, Seattle, U.S. Ten sessions of TI events have been held thus far with great success. The TI competition employs two mechanisms: invitation and selection, with directly invited teams and qualified teams from each region's qualifiers participating. The International DOTA2 Championships is a global event with the same level of popularity as the World Championship of League of Legends. Its peculiarity lies in the fact that its prize pool will always have a significant influence, far surpassing that of the League of Legends World Championship [6].

5. Discussion

The rise of e-sports can benefit connected enterprises, the city's economy, and urban culture [3]. China's e-sports scene emerged in Beijing, Shanghai, and Guangzhou. Shanghai's e-sports scene is relatively mature. Tengjing Sports, Hero Sports, Bilibili, EDG, RNG, and other gaming industry major hitters have set up shop here. Shanghai's extensive e-sports offers have helped it become recognized as the "global e-sports capital" [7]. Shenzhen, Chengdu, Chongqing, Wuhan, and other e-sports cities are spreading from a few key cities. Future looks bright as e-sports and urban sectors flourish. More municipalities may consider e-sports as a vital part of local economic growth as the e-sports business grows. E-sports can assist build urban identity badges.

Urban e-sports have fused online and offline culture. E-sports are becoming a symbol of youth culture and a new social language. Younger-targeted corporations have turned to e-sports. Unconventional business models test and deploy novel user experiences, enriching urban living. Franchises, co-branding, scene cooperation, and IP-themed industrial parks are examples. E-sports intellectual property is becoming more valuable as the business grows. E-sports cooperation goods

will boost user identity and community. As the world gets more networked, more new e-sports formats will emerge. As technology improves and mobile Internet application scenarios grow, development space will rise [8].

E-sports can be commercialized and monetized through ticket sales, copyright sales, sponsorship dollars, peripheral sales, content sales, and value-added sales (in-game purchases, live broadcast platform prizes, video platform paid services, etc.). e-sports IP ecosystem grows each year. Intellectual property (IP) value is rising in games, live events, books, comics, animation, music, and derivative products. Cross-pollination of e-sports game IP with cultural and derivative content boosts long-tail commercial value and helps realize e-sports. Distributing e-sports information via cultural communication carriers reduces the barrier to entry for users. The game's retail release supports its IP. Creating derivative game material and entering new niches might boost IP's ecological value. E-sports marketing and business models are maturing [3]. Over time, e-sports teams and their sponsors have collaborated more. Many firms invest in e-sports, from sponsorship and title cooperation to strategic partnership and content cooperation, brand empowerment, and integration into young life scenarios [9].

6. Conclusion

If we want to foster the continuous growth of the e-sports business and help it become an important cultural industrial sector, we should pay more attention to industry standards, establish institutions for industry oversight, and oversee the creation of relevant regulations. The electronic game competition business must simultaneously capitalize on its advantages to continuously expand the industrial supply chain, obtain support from its upstream and downstream markets to increase its profit margins, and promote the continued expansion of the industry. It is increasingly vital to recognize social groupings at the social level, and these groups should have the appropriate perspective on the electronic gaming competition industry. To enhance the reputation of the electronic game competition sector and earn the respect of society and the public, the industry must also make continual efforts to completely implement technical standards and different norms. E-sports are categorized as sports, hence the sports industry will undoubtedly influence their development. The development of e-sports as a competitive sport requires not only the support of the general public and the government, but also the promotion of traditional athletic events and the recruitment of professional athletes. By doing so, the competition for electronic games will have a greater chance of developing into an important cultural enterprise in the future.

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