

Sponsoring electronic sports contests in europe



While FIFA World Cup 2010 held in South Africa, one of the most recognized event in the sports calendar, has undoubtedly dominated media headline and brought the world together in anticipation and excitement, little do we know, a sports event of another kind is, in fact, taking place only three months later - the World Cyber Games Global Finals in Los Angeles, United States (FIFA, 2010). The World Cyber Games (WCG) is a global tournament within the medium of computer games, whereby nearly one million players from six continents compete for the title of the world champion in various disciplines (WCG, 2010).

Just like in the FIFA World Cup, participants represent their countries in a number of competitions and contend against the best of the world. However, unlike a traditional sporting event, contestants of the WCG compete against each other, as individuals or teams, on an alternate battlefield.

According to Christophers & Scholz (2010), Electronic Sports (eSports) is the practice of video games in a competitive way; it is the use of virtual platforms such as consoles or personal computers and its input methods (such as keyboard, mouse, and a headphone) in order to compete against other individuals in a computer-generated, yet highly interactive environment. Tactics, strategies, reflexes, daily training, and often teamwork, amongst others, are skills that need to be developed and brought to perfection in order to succeed in the realm of eSports, just like in traditional sports.

Disciplines vary, from real sports games like FIFA, a football game in which one player controls a whole team, to " first person shooters" (FPS) like

Counter-Strike and the Quake series as well as massive multiplayer online role-playing games (MMORPG) and real time strategy games (RTS) (ESL-GAMES, 2010). As in traditional sports, there are celebrities in eSports, successful teams or individuals performing on a high level over time.

Jonathan Wendel is one of the most famous eSports contestants worldwide, winning twelve world championship titles in five different disciplines, gaining an overall prize money of over US\$ 500. 000 (Caplan, 2007). Like Michael Jordan in the traditional sports, Wendel is famous in electronic sports.

Furthermore, the best individuals and teams obtain contracts from corporations, either directly or through representations, also called clans, which often provide a salary and support their contracted players. Clans are intermediaries between sponsors and players, providing support to enable the players to focus on their disciplines (Alternate, 2010).

The rise of eSports roots back to as early as 1995, where computer gamers found their first audience; local players were competing in order to win prizes such as new computer equipment. The eSports market has changed and evolved drastically over the past 15 years. The growing popularity of eSports is evidenced through the exponential increase in awareness towards the market. In 2009, 340. 000 individuals were reported to have been following an online TV channel presenting two major tournaments: the European Nations Championships (ENC) in Counter-Strike and the Intel Extreme Masters, a global Counter-Strike tournament held at the Gamescom, a games exhibition in Cologne, Germany (Turtle-Entertainment, 2009). Additionally, the computer gaming exhibition received 245. 000 visitors, during four days (Bayer, 2009).

This immense increase of spectators also denotes an amplified interest of sponsors, providing money and products for participants and hosts in attempt to promote their brand and to maximize exposure. The Intel Asus Gamezone's provision of seating and live coverage for the main eSports events at the Gamescom enabled the company to advertise and promote their brand to the audience of the event (Christophers, 2009) (ESL. gamescom, 2009). Witnessing the success of Intel and Asus, organisations such as Reebok, Dell, Intel, Razer and Geil, amongst others, are now sponsoring one of Germany's best teams, "mousesports" (mousesports, 2010).

Many still perceive virtual games as a hobby and often are not aware of professional teams and players, or the money which is involved. When Dennis Gehlen, a German Electronic Sports commentator asked 30 individuals ranging from age 14 to 70 in one of the main streets in Krefeld, Germany, not a single one knew what exactly Electronic Sports stands for, although companies such as PUMA, Reebok, Volkswagen, Suzuki and Dell are already sponsoring eSports. The existence of named sponsors represents the growing awareness of the marketing possibilities in the eSports sector and undoubtedly, the industry possess many lucrative and untapped opportunities for businesses interested in targeting the niche segment provided. As the US based Team Pandemic states, the sponsors are able to "reach an entire demographic" with their marketing campaigns in eSports and therefore the popularity of eSports as a marketing platform is increasing steadily (Pandemic LLC, 2010).

The aim of this dissertation is to analyse the eSports sector in Europe in order to evaluate whether it is a vital platform for businesses to pursue and be engaged in sponsorship activities. Also, future possibilities will then be highlighted and difficulties as well as possible causes of failure are presented. The topic has been chosen because of its timely relevance, previous personal involvement and the lack of a current deeper investigation of the subject.

Literature Review

Introduction and History

The aim of this review is to present, discuss and critically analyse the prevailing literatures available on the subject of the proposed research topic. Furthermore, its objective is to provide a historical background for the research performed and an overview of the context (Ridley, 2009).

The term Electronic Sports, often also known as “ gaming”, was established in the late nineties. One of the first reliable sources mentioning eSports appeared in 1999 when Bettington (1999) compared eSports to traditional sports after the Online Gamers Association was launched at the Sports Academy in London. Also in the same year, the first attempt of an official recognition of eSports as a sport was made in England, however, it was denied by the English Sports Council (Bennington, 1999). Literature views three different moments in the history marked the beginning of eSports:

The first tournament which was held in 1987, the “ Video Game Master Tournament” (Widman, 2009);

The release of the First Person Shooter (FPS) game, Doom in 1993, which was played on the personal computer or Atari (IGN. com, 2009) (Wagner, 2006);

The first large tournament held offline, the Cyberathlete Professional League (CPL) in 1997, when marketing in form of sponsorships was already widespread in the realm of eSports (Leunens, 2008).

Launch of the “ Deutsche Clan Liga”, now known as the Electronic Sports League

First Electronic Pro Series (eSports Premier League)

First Intel Extreme Master (eSports Champions League)

Offline events such as the European Nations Cup, World Cyber Games and the Electronic Sports World Cup (ESWC) drastically changed the industry and the marketing possibilities it represents as the money involved have escalated and the competitive angle of eSports is continuously capturing and retaining the awareness of the media. In addition, the Championship Gaming series (CGS) of 2007 further heightened the public’s recognition and perception of the eSports industry and is arguably the biggest event in the industry’s history. Players were drafted and contracted by franchises, then living and practicing together with the team and attending the CGS events around the world (CGS, 2007). The event received widespread media attention and was recorded live by online TV stations (IPTV) and the US based TV channel “ DirecTV”. A pay roll of 5 million US dollars, divided between 180 players and their 18 managers, and prize money of one million

US Dollars was distributed between the teams, which in result provided a competition of the highest level and therefore vastly attracted the public's interest (Averill, 2007) (Eddy, 2007) (Newman, 2007).

However, large tournaments including CGS and ESWC announced a lack of profits and were subsequently closed down (Lee, 2008) (Gebhardt, 2009). Thus, Lee (2008) questions whether such an immense concept is still raw and anonymous for an immediate acceptance from the contemporary marketplace and the general public. Similarly, Radford (2008) also adopts a sceptical view and contends that players are not bound to their franchises anymore and can participate in other competitions. This suggests that eSports is an uncertain industry where marketing concepts often seem promising in their initial stages, but the long-term vitality of the marketing platform remains dubious.

As literature suggests, the indicators whether eSports is a lucrative and profitable marketing platform for businesses will be analyzed through the following sections: Available channels, ethics, fraud, professionalism and the future of the industry.

Marketing Introduction

Marketing in general terms seeks to establish customers' long-term satisfaction and therefore highly relies on customers returning to purchase (Jobber, 2007). In order to keep customers however, new customers have to be attracted primarily (Drucker, 2007). Concluding, marketing is playing a central role for companies in consideration of increasing their tangible and also intangible product sales, whether to obtain higher profits or in order to

achieve social deprivation in the case of non-profit organisations. Once the right market for the product has been identified and knowledge about the customers has been acknowledged, the company presents the product to the market, using marketing communication tools, such as advertising, sales promotions and sponsorship amongst others (Davis, 2010).

Branding

To help customers relate their experience to a product, a collection of images and ideas is often being used, generally known as a brand (Dowling, 2002). Brands are often combined with slogans and are represented throughout visible marketing campaigns (APPENDIX logoerklärung nike e. g.). A brand stands for one item, a family of items or all items of a specific seller, and is aimed to represent the accumulation of experiences with the product (Godin, 2007). Also, brands are frequently being used in advertising to build awareness amongst the targeted market (Jaboe, 2006).

Another beneficial brand detail, which literature mostly leaves out or only regards as secondary, is the legal aspect. However, for companies it is highly important to protect their established product reputation. The protection of the brand name and logo restricts competitors to copy the name and use it for their own product, which does not only cause higher competition but also reflects on the brand image. An example is Intel: in the early '90s they painfully had to experience that their x86 product names were used also by their competition (Davis, 2010). Intel advertised their product names, however others benefited from it equally and hence the campaigns were not as profitable as hoped. Furthermore, competitor microchips often did not have the same power as the Intel processing units; however they had the <https://assignbuster.com/sponsoring-electronic-sports-contests-in-europe/>

same name and often a lower price. Ever since, Intel protects and advertises their products with brand names, such as “ Pentium” (Davis, 2010).

Sponsorship

According to Gwinner (1997), sponsorships were regarded rather as a charitable event in the past, whereby nowadays sponsors are expecting a profitable return on investment. However, the driver behind sponsorship, as Quester and Farelly (1998) and Lee et al. (1997) amongst others point out, is the increase of brand awareness and a strengthened brand image. Olson (2007) puts it in even more radical words, by saying that firms are “ expecting increased sales”. Sponsoring can reach from supporting local youth sports teams by providing jerseys (in-kind sponsorship) to being the official sponsor of the Olympics, whereby one is regarded as a social responsibility and the other as the exploit of commercial potential where only bottom-line results count (Gwinner & Swanson, 2003). In general terms, in the business world sponsorship is regarded as a marketing communication medium in order to communicate and form relationships with their target audience (Skildum-Reid & Grey, 2008).

What literature does not highlight substantially, however Kraft Europe chief marketing officer currently announced at The Annual, a marketing conference, is that nowadays „ you have to connect with something consumers are already interest in” (Baker, 2010).

In Electronic Sports, just like in traditional sports, players or teams compete against each other in front of an audience, either at an event and/or online via various channels. As the sponsors reach an extremely narrow target

audience and are able to establish an emotional connection, as they are not only visually presenting their products but it is also made clear that the players are using the presented products themselves, sponsoring in eSports is becoming more and more popular (APPENDIX STATISTICS).

A sponsorship in eSports is either provided as cash or in-kind support and is regarded as a critical necessity to the main stakeholders involved, which are the players and the events (Bowdin et al., 2011). Hence, to give a closer insight to sponsorship possibilities, this dissertation will distinguish between two kinds of sponsorship, whereby one relies on the other: event sponsorship and team/player sponsorship.

Event Sponsorship

Skinner & Rukavina (2003) declare that traditional marketing channels have diminished in popularity and companies are seeking the opportunity to achieve “ a more effective and efficient response mechanism”. Due to an in-kind or financial sponsorship, whether it is the local music festival or the Olympics, sponsors chase the chance to access an event’s commercial potential. Numerous objectives are considered as an incentive for event sponsorship, whereby heightening the visibility, often within specific target groups, shaping the consumer attitude as well as showcasing product attributes are considered as the main crucial opportunities (Papadimitriou et al., 2008). Furthermore, an event offers the possibility for sponsors to create merchandising opportunities and to differentiate their products from competitors. In simple words, sponsored events put the buyer and the seller together (Skinner & Rukavina, 2003). Literature correctly points out that it is doubtful that events of a bigger scale could exist without the support of

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sponsors; hence, event sponsorship has to be regarded as a mutually beneficial relationship between sponsors and event hosts.

What literature seems to be ignoring completely is the possible negative publicity an event can cause, which also influences the sponsors brand image. A drastic example is the “ Love Parade” 2010 in Germany, a sponsored music festival where due to a mass panic 19 people were killed. Events are mostly live shows which provide a platform for mistakes and accidents which can influence a sponsor’s image negatively as well.

Events such as the Intel Extreme Masters V Global Challenge, held at the GamesCom gaming exhibition 2010 in cologne, bring together eSports fanatics with a common interest: computers and games. Intel, as the head sponsor of the event, had their brand logo displayed on immense flags, located directly behind the players. Therefore, they were able to spread their brand image amongst individuals who identify themselves with the market (APPENDIX Intel logo auf event). Furthermore, the fact that the best players in Germany are using computers with an Intel processing unit highly builds up the company’s brand image.

Team and Player Sponsorship

Every successful sports person has one thing in common: they want to perform better than a set standard (Lagae, 2005). The urge to improve their skills and techniques is not only a common denominator for traditional sport professionals, but also for eSports contestants. The passive sports person, often referred to as a fan, however is interested in watching the athletes perform on the highest level. Hence, as Lagae (2005) states, supporters

often identify themselves strongly with athletes who “ have reached a high level of excellence”. Moreover, when a sports professional represents a certain brand, displayed on his jersey for example, the brand is automatically associated with the athlete’s performance (Bennett, 1999). Hence, companies target a certain audience by supporting an activity that is not directly linked to its normal business (Bennett, 1999). Top athletes show top performances; hence sponsoring those carries the promotional goal of connecting the individual’s excellence with the sponsor’s product image (Jalleh et al., 2002).

Although literature is thorough, profoundly researched and in agreement of the main advantages being increased sales, improved corporate image and reaching a narrow target market (Masterman, 2007; Miles, 1995; Lagae, 2005), it is lacking a deeper research in the negative aspects of team and player sponsorship. The positive aspects are highlighted efficiently, however the possible negative impacts are only a minor issue in most publications. Not only can top athletes make use of illegal substances to improve their performance, which causes a extremely negative image for the sponsor, but also the public appearance of the performer can influence the success of a sponsoring campaign.

In Germany the highest league of the Electronic Sports League (ESL) is the ESL Pro Series (EPS), which is hosting events every second Friday, the so called Intel Friday Night Games (IFNG). These events are open to the public and covered on IPTV (APPENDIX IPTV ERKLAERUNG). The events take place in a different city every time and the best German players are invited to compete against each other in different disciplines (games) and the

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competitors, who are playing computer games such as Counter-Strike on the highest level in Germany, are sponsored by companies such as Intel, Dell and Sennheiser amongst others. In contrast to traditional sports, the sponsors have the option to submit an image of technical performance to an interested, highly narrow target group.

Just like Barclays is sponsoring the English Premier League, companies sponsor events such as the IFNG to represent their brand logos in order to gain brand awareness and offer product sampling to strengthen their brand image (SHOW PIX IN APP). Equally, the attending competitors are sponsored by companies with logos on the players' jerseys and attached to the players name on the virtual playground, whereby the best teams receive mainly financial sponsorship in return; equally to Samsung sponsoring Chelsea Football Club, but in different dimensions.

In order to find out whether the eSports market (WHERE?) is a profitable (WHAT) investment, the following chapters will provide a detailed analysis of the electronic sports environment and the three main stakeholders affected: the sponsors, events and players.

Risks and Threats

The eSports industry remains largely untapped and primitive. Thus, there are limited literatures available that examines the risks and threats that can ultimately dictates the success and or failure of sponsorship efforts in this field. Although it is believed that a number of factors can influence the vitality of any industry as a lucrative sponsorship platform.

As Henthorne and Henthorne (1994) and McDonald (1991) suggest, bad publicity and unfavourable word of mouth can be extremely damaging to companies. eSports have been largely criticized by the media for the use of violent content and the encouragement of violent behaviour amongst young people. In effect, this is an immense concern for companies as it could potentially result in a negative image for the organization advertised and the industry as a whole. In fact, one of the major eSports game, which is also a discipline in the world's biggest league the ESL, was held responsible by the media for instigating a number of shootings at schools. The responsible individuals were said to have imitated popular first person shooter games such as Counter-Strike (IFNG, 2010) (Kupke, 2010). Despite direct linkage to eSports was never proven, however, the inherent risk and troubled image of eSports and the companies which are involved remain a concern.

Another issue that presents eSports unfavourably in the media is addiction. Empirical evidence shows that gaming and especially online gaming can be highly addictive (Lu & Wang, 2008). Consequently, this could result in a negative portrayal or brand association for the organization engaged in marketing efforts in the eSports industry. Though it is important to mention that much of the criticisms are alleged towards online-based role-playing games that are not a typical discipline competed within eSports tournaments.

Despite there has been improvement in recent years; however, professionalism of the players is another factor that impacts the vitality of eSports as a marketing platform (Kresse, 2010). Literature has suggested that computer players may lack commitment and responsibility as they often

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pursue a primary engagement at the same time such as work, university or school (MYM, 2009). Hence, the dedication towards their primary occupation is of high importance and might potentially result in conflicts. By joining agreements such as contracts however, players are bound to show a solid performance, which is important to the sponsors as the brands name is affected in the same turn.

FAIL IN SEEKING SPONSORS - NO Sponsorship Kits usw

In conclusion, literature highlights a number of threats and weaknesses, but also offers suggestions on how to succeed in sponsorship commitments. However, eSports is to be seen as a new market, providing new opportunities of marketing and therefore the main weakness established in the literature is the missing application of marketing strategies in this fairly new phenomenon.

Research Methodology

Introduction

A wide variety of methods are available in order to perform research, whereby certain procedures are more suitable than others, depending on the topic (Blaxter et al., 2006). As an example, the paradigms of quantitative and qualitative research produce dissimilar knowledge for the initiator, and therefore have to be differentiated and used in an appropriate mode to obtain essential information (Blaxter et al., 2006). The qualitative and quantitative frameworks provide two broad categories of research that can be performed, whereby only a limited number of alternatives are conducted

in this paper, as the gathered results provide the most relevant and valid information.

This chapter of the dissertation serves as a description of the research methodologies being used, why specific approaches were chosen and what effect it has on the obtained data in relation to the chosen topic. Also, it explains the reasons for not using certain approaches of acquiring knowledge and why specific methods resulted in invalid information. Hence, the methods used, the limitations experienced and the relevance of the gathered data in relation to the research question is presented.

Approaches and Techniques

Literature suggests various approaches and techniques in order to gather valid information. Blaxter et al., for example, divide research in two families, with a number of approaches and techniques (2006). The diagram below presents the approaches used.

Research

Families

Quantitative vs. Qualitative

Deskwork vs. Fieldwork

Interviews

Focus Groups

Questionnaires

Literature

Books, Magazines and Journals

Online Content

(adapted from Blaxter et al., 2006)

The stated research categories demonstrate dimensions of the research process, whereby it is important to mention that these can often be interlinked.

Quantitative vs. Qualitative

Social research methods, such as quantitative and qualitative approaches are conducted in diverse ways, each providing its own set of results (Neuman, 2005). Quantitative research, also regarded as empirical research, is based on numbers (Blaxter et al., 2006). The aim is to put a theory to test and prove it using statistical data. It is likely to consist of one or more hypotheses, which will then be approached, using tools such as surveys and observations amongst others, in order to obtain data. After acquiring the data, it is to be analysed so that connections can be established and information can be obtained. Phrases often associated with quantitative research are “ scientific method”, “ outer perspective” and “ experimental”, amongst others (Bogdan & Knopp Biklen, 2006).

The qualitative methods of acquiring functional data however, are a presentation of the understanding of “ individuals’ views, attitudes and behaviour” (Moore, 2000). Keith Punch highlights three main actions that have to be taken when performing a qualitative analysis; design, data collection and data analysis (2005). The initial design on how to acquire the

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information is followed by obtaining the actual data, which is then examined in order to present an inner perspective. However, this is often dependent on an interpretive analysis (Bogdan & Knopp Biklen, 2006). Whereby quantitative research is based on positivism, qualitative research is rather multidimensional, covering aspects of positivism, post positivism, critical theory as well as constructivism (Punch, 2005). Sensing experience and their positive verification, followed by basing knowledge on conjectures and a critical view, as well as the generation of knowledge, are respectively highlighted as main aspects covered by qualitative research.

The qualitative methods are predominantly used in this dissertation, whereby the reasoning is further explained in Limitations and Challenges, Chapter 3. 4.

Fieldwork vs. Deskwork

Furthermore, the research methods are differentiated between the ways in which data is obtained. Whereby fieldwork is based on actively collecting data and converting it to information, deskwork covers research which can be performed without “ going into the field” (Blaxter et al., 2006). Hence, the analysis of existing data, literature examination as well as online research is considered as deskwork.

In order to gather the necessary data, this dissertation is making use of both field and deskwork.

Deductive vs. Inductive

The deductive approach to research can be defined as the attempt of applying generalisations to specific instances. The inductive approach

however is observing a specific instance first and respectively trying to find generalisations (Hyde, 2000).

The deductive approach can be further explained with a graphical aid:

Theory

Hypothesis

Observation

Confirmation

The theory leads to a hypothesis, which has then to be observed and potentially confirmed. The inductive approach however is commencing with the observation and consequently leading to a possible theory.

Theory

Tentative Hypothesis

Observation

Pattern

(Trochim, 2006)

In this dissertation, both a deductive and inductive approach will be covered, as the primary research will often begin with an observation and lead to a theory, whereby examining the literature is based on theories that lead to an observation which then has to be confirmed.

The outlined possibilities of systematic investigations offer a highly differentiated output, whereby due to relevance and limitations, this dissertation focuses mainly on a restricted number of desk and fieldwork enquiries, both deductive and inductive approaches in order to perform a predominantly qualitative research.

Research Methods Used

The primary research is performed in several ways, whereby interviews, focus groups (based on online platforms) and questionnaires are the key methods used. The secondary research is mainly based on literature, television shows and online content provided by corporations in the form of teams, sponsors as well as homepages covering Electronic Sports news and content.

Interviews, a tool of qualitative research, exist in varied forms and serve to obtain experiential information from individuals (Gubrium & Holstein, 2001). A coordinated conversation with one or more individuals is performed with the intention of receiving information often presenting knowledge and personal experience, which he or she is a specialist in (Hollway & Jefferson, 2000). Interviews consist of different structures and a number of platforms, especially due to technological advancements, can be used. In earlier stages, face to face interviews were common, whereby new possibilities have shifted the “ construction site of knowledge” firstly to telephone interviews and lately to virtual meetings, whereby the voice over internet protocol is serving as utility in order for the interviewer to speak to the respondent and vice versa (Gubrium & Holstein, 2001). Programs such as “ Skype” do not only offer voice transmission, but also video covered conversations (Skype, <https://assignbuster.com/sponsoring-electronic-sports-contests-in-europe/>

2005). As further explained in “ Limitations and Challenges” in Chapter 3. 4, literature is limited, and therefore hand-on information from corporations, professional teams and players is regarded as highly important. The data-generation strategy can be employed in three major ways: structured, semi-structured and unstructured (Moyser & Wagstaffe, 1987). Unstructured interviews often provide a greater breadth of data, as they do not include a fixed categorisation that limits the research; structured interviews however aim at capturing precise data (Ratcliffe, 2002). Furthermore, a feature of structured interviews is pre-established questions, which tend to offer little room for response variation; however more precise information can be obtained (Ratcliffe, 2002).

As fully structured interviews are also inflexible, in this dissertation the author will make use of a semi-structured interview method, whereby sticking to a basic interview framework with varying format and order. This method was chosen in order to obtain specific information without limiting the respondent excessively. Main interview partners are Arlene Koh, Vice President of Razer USA Ltd., a peripheral manufacturer and sponsor in eSports; the professional gaming organisation “ mousesports Ltd.”; the EGM eSport & Gaming Media GmbH which is covering eSports relevant news and articles; and players, such as the former professional player Oliver Gaisford, amongst others. The interviews will be conducted face-to-face if possible; otherwise Skype will be used as a platform.

To gather information from non-eSports related individuals, various focus groups serve as the main mean of qualitative research. Experiences and opinions will be exchanged in group sessions, whereby the initiator takes the

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role of a moderator, hence providing guidelines and impulses (Morgan, 1997). The aim is to observe the position non eSports involved individuals encompass about professional computer gaming as well as their stance towards marketing possibilities and their effectiveness in eSports.

Questionnaires are designed in order to gather quantitative data with the intention of presenting an insight of the marketing effectiveness in eSports. Therefore, casual players and semi/professionals will be asked about specific marketing campaigns and their knowledge of existing sponsors and advertisers. Furthermore, a possible impact of marketing campaigns on