Modelos de negocio en eSports: El rol de ESL en el desarrollo de CS:GO

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Resumen

Los deportes electrónicos se han convertido en una industria potencial para hacer negocios, para atraer jugadores, equipos y aficionados. Sin embargo, ¿cómo son los modelos de negocio en eSports? ¿Y cuál es el rol de ESL en el desarrollo de CS:GO? Esta tesis analiza el modelo de negocio del organizador de torneos ESL mediante la herramienta Business Model Canvas (BMC). El énfasis está en cuatro importantes building blocks: propuesta de valor (value proposition, VP), segmentos de clientes (customer segments, CS), socios clave (key partners, KP) y flujos de ingresos (revenue streams, R$). La autora explora los stakeholders de los eSports, y describe fuentes secundarias, literatura académica y cifras específicas de eSports orientadas al crecimiento y desarrollo de la industria. Los resultados indican que ESL tiene un papel como mediador en la industria, y además se encarga de hacer alianzas estratégicas con stakeholders de los eSports. Además se evidencia que ESL está trabajando por la estabilidad a largo plazo del modelo de negocio of CS:GO. Gracias a las ligas y torneos, CS:GO tiene una presencia activa en todo el mundo. En general, la industria del deporte electrónico está en constante expansión y crecimiento lo cual evidencia una gran oportunidad para el desarrollo de nuevos modelos de negocios.

Palabras clave: eSports; Modelos de Negocio; Business Model Canvas; BMC; ESL.

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Business models in eSports: The role of ESL in the development of CS:GO

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Abstract

Esports has become a potential industry for doing business, to attract players, teams and fans. But how Business Models in eSports are? And, what is the role of ESL in the development of *CS:GO?* This thesis analyzes the Business Model Canvas (BMC) of the tournament organizer ESL. Emphasis is on four important building blocks value proposition (VP), customer segments (CS), key partners (KP) and revenue streams (R$). The author explores eSports stakeholders as well as describes secondary sources from academic literature, and specific eSports figures oriented to the growth and development of the industry. The results indicate that ESL has a role as a mediator in the industry, as well as make strategic alliances with eSports stakeholders. ESL is moving towards the long-term stability of the business model of *CS:GO*. Thanks to the leagues and tournaments, *CS:GO* has an active presence throughout the world. Overall, the eSport industry is constantly expanding and growing which shows a big opportunity to develop new business models.

Keywords: eSports; Business Models; Business Model Canvas; BMC; ESL.

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BM	Business Model
BMC	Business Model Canvas
CH	Channels
CR	Costumer relationships
CS	Customer segments
CS:GO	Counter-Strike: Global Offensive is a first-person shooting game. Created by VALVE
C$	Cost structures
ESL	Electronic Sports League is the largest eSports company
eSports	Electronic Sports
Fps	First person shooter
IEM	Intel® Extreme Masters is the global league of eSports champions
KA	Key activities
KP	Key partnerships
KR	Key resources
PvP	Player versus Player
RCOV	Resources & competences, organizational structure and value proposition
R$	Revenue streams
Sync	Synchronization
VP	Value propositions
YTD	Year to Date

1. Introduction

1.1 Introduction and motivation

Competitive videogames broadcast on the internet, known as eSports[1], has become a potential industry for doing business, since the last ten years, many different stakeholders are part of the value network of this growing industry. They interact strategically building attractive synergies that nowadays is a trend worldwide. Hence, videogames are played by players who represent teams, who participate in leagues/tournaments, which are distributed on broadcast and media platforms to fans. Those videogames are created by game developers who in the company of Publishers take advantage of marketing strategies of eSports to extend monetization, in addition, they also organize tournaments with tournament organizers. Brands, investors, and advertisers use eSports communication channels to reach and engage their target. Additionally, sponsors offer a proper prize pool to make the tournament attractive for all the stakeholders interested. Then, tournaments organizers require money from sponsors, in exchange for visibility by advertisement. Those tournament organizers want to hold matches with the best teams, who are attracted to the millionaire prize pool. Thus, Investors' aim is that the eSports ecosystem grows to increase their return on investment. "In 2019 global eSports revenues will growth to 1.1 billion USD and the total eSports audience will grow to 453.8 million, which is up to 15% from 2018" (Newzoo, 2019, p. 7). The largest single prize was 3 million dollars in the world cup of the videogame *Fortnite* 2019 (CNBC, 2019).

Despite the increase in the eSports content worldwide, nowadays, there is little knowledge of the business side of eSports (Scholz, 2019). In order to contribute to the videogames ecosystem, the author is motivated to analyze Business Models (BM) in eSports, exploring the role of various stakeholders within the value network of the industry. Therefore, this thesis will focus on the business model (BM) of ESL[2] to describe how does the largest eSports company create, deliver and capture value by applying the Business Model Canvas (BMC) proposed by Osterwalder & Pigneur (2010). Furthermore, primary stakeholders involved in the ESL value chain will be identified, in addition, their role in the eSports sector will be described. Therefore, as sources of information and analysis, qualitative and quantitate variables of the BMC oriented to the growth and development of the industry will be analyzed. The author is going to address bibliography, and specific figures of the

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[1] eSports (electronic sports). The abbreviation eSports is used instead of e-Sports or Esports, since most of the recent papers use eSports (Seo, 2016; Jenny et al., 2018)

[2] ESL (Electronic Sports League) is the largest eSports company

eSports obtained from secondary sources such as academic literature, newspaper articles, interviews, reports, and data collection from official pages.

Emphasis will be oriented to the role of ESL in the development or promotion of the famous first-person shooting (Fps) videogame called *Counter-Strike Global Offensive* (*CS:GO*[3]). Besides, the word development is not understood as a game developer, instead, it refers more to the game promotion context, because ESL is a tournament organizer and not a game developer. According to the Cambridge Dictionary (2019), the word development means “the process of growing or changing and becoming more advanced” and promotion means “the act of raising something to a higher or more important position or rank”. The author will use the word development pointed to promotion since development focuses on the growth of *CS:GO* to make profits, and promotion refers to level *CS:GO* up in a higher position.

1.2 Goal of the thesis

The main goal of the thesis is to analyze the role of ESL in the development of *CS:GO* to understand the Business Model of a tournament organizer company in the eSports industry. A sub-goal is to explore the role of various stakeholders of the company ESL which influences the promotion of *CS:GO*. A further sub-goal is to apply Business Model Canvas (BMC) to the company ESL to describe its BM. Emphasis will be on customer segments (CS), value proposition (VP), revenue streams (R$) and key partners (KP).

1.3 Structure of the thesis

The thesis is split into four sections. Firstly, there is an introduction chapter, where the motivation and goal of the thesis are explained. Chapter 2 is a literature review of new business models and eSports industry. BMC applications in various industries, and the most important building blocks of BMC will be chosen to analyze the role of the tournament organizer ESL in the game *CS:GO*. Furthermore, the developing of eSports over time and the main Stakeholders involved in the eSports industry will be explained. Chapter 3 will evaluate and focus on the case study: ESL in the development and promotion of *CS:GO*. Therefore, the output BMC of ESL and its most important building blocks such as value proposition (VP), customer segments (CS), key partners (KP) and revenue streams (R$) will be explained. Chapter 4 will be the summary, conclusion, and review of the goal attainment of the thesis.

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[3] *CS:GO (Counter-Strike: Global Offensive*) is a first-person shooting (Fps) videogame

2. Literature review

2.1 Business Model Canvas

Starting this chapter, it is relevant to explain what a business model is. The business model is about "value creation, value delivery, and value capture" (Osterwalder & Pigneur, 2010, p. 14). If a company creates and delivers value but it cannot capture value, it does not have a good BM. Companies create and deliver value through quality offered, good characteristics and value proposition of the product to satisfy customers' needs and wishes. They capture value through the money and margins that they receive from their core business. Thus, a BM "is nothing else than a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, to generate profitable and sustainable revenue streams" (Osterwalder & Pigneur, 2002, p. 77).

According to the literature, the business model can help to describe the structure of the business itself (Carvalho, 2015), to address the organization's aims. Identifying the target's needs, creating a strong relationship with the customer, communicating the product that company offers through a strategic channel by the management of available resources and prime cost. All of them represent the purpose of an organization, which is "to create, deliver and capture value" (Osterwalder & Pigneur, 2010, p. 14). Accordingly, expertise and knowledge of managers are considered significant for achieving organizational goals, since they can learn from the market, adjust and design new strategies to make more likely to thrive organization. Thus, when old BM drops new ones are created, in addition, experimentation is required, because the new business model has variables that are not known at the beginning. Then, experimentation is basically mandatory for managers and crosswise industries to analyze the BM viability.

Carvalho (2015, p. 14), states that "A business model is more universal than a business strategy because a business strategy combines strategy and BM analysis. That is why a business model is more conceptual than a financial model of business", since, a BM is flexible and is adaptable, e.g. a BM established in one area can be replicated or adopted into another one. In addition, he claims that there are two business model approaches, the "static" one and the "transformational" one. The static approach is focused on description, classification of typologies and its relationship with performance, this is more like a recipe or blueprint. The transformational one is considered as a theory to address transformation and BM innovation focuses on the managerial question of how to change it. Furthermore, there are three core components for describing BM called "Resources and

Competences, Organizational structure and proposition for Value delivery which are named and their study as RCOV" (Demil & Lecocq quote by Carvalho, 2015, p. 14). These components enable us to design BM description capable of outset changes in the organization when external factors may disrupt the organization's performance affecting its viability as well as internal factors such as managers' decisions and dynamics of the core business. Structural shifts in cost and revenues must be generated for redesigning the organization process to deliver value through all the links of the value chain. Thus, the viability of a business model depends largely on the choices made regarding the components of the RVOC that lead to a sustainable performance scenario.

According to Osterwalder & Pigneur (2010, p. 15), a BM "can best be described through nine basic building blocks that show the logic of how a company intends to make money, these building blocks are customer segments (CS), value proposition (VP), channels (CH), customer relationship (CR), revenue streams (R$), key resources (KR), key activities (KA), key partnerships (KP) and cost structure (C$)".

In this chapter, the author displays a referential framework to identify and describe current trends of new business models in various industries toward using new technologies, online platforms, virtual products, and so on. Since nowadays, firms attempt to solve customers' needs and wish to offer attractive solutions that are oriented to innovation and value-added. Although the available eSports evidence seems to discuss more the social phenomenon pointed to connect people to the gaming ecosystem. There is also literature concerning virtual world addiction (Weiss & Schiele, 2013), or in diversity on eSports team performance (Parshakov, Coates, & Zavertiaeva, 2018), "trends in eSports spectator consumption, and eSports venues" (Jenny et al., 2018, pp. 34), "roles of stakeholders within the value network of eSports actors" (Seo, 2013, p. 1542), ranges of game addiction and problematic gambling, and so on. However, there is a lack of business side knowledge of eSports, regarding data, numbers, indicators to evaluate the risk in eSports business is still scarce. According to Scholz (2019, p. 7), "not much research is being done on the business model, the ecosystem, and the actors in the eSports industry". Furthermore, there is still a lack of figures in terms of data and numbers. This is a consequence of the fact that it is difficult to get a common understanding between several factors such as indicators, the creation without figures of a business model, lack of in-depth knowledge or the poor capacity to evaluate the risks of business endeavor in eSports (Scholz, 2019, p. 10). Further lacks strategic management, discusses the potential risks in eSports (Scholz, 2019, p. 137), and the lack of governance in the eSports industry is also observable.

2.1.1 BMC of various industries

Nowadays, there is a trend in new business models that involve the use of new technologies, online platforms, and even new monetization models to give value-added to exigent customers. Heberle et al. (2017, p. 1073) frames and defines key aspects of new BM, such as Airbnb (apartments), Uber (urban transportation) as two-side markets with network effects and sharing of products. Products could be virtual such as Nintendo (games), YouTube (videos) as well as physical such as Nike (shoes), Dior (fragrance), Tesla (cars). Besides, Companies such as Amazon (e-commerce) allows highly scalable business by using sales via virtual channels without regional market borders. Even, new monetization models are created, e.g., using Google (search engine), Facebook (social network) is for free, since they get paid by data and advertising. Spotify (music), Dropbox (cloud storage) works with the freemium model, offering free service access as well as payment for extra features. Netflix (movies) offers a subscription model by payment of fees to get access to the product.

In order to frame an outlook to identify value creation, delivery, and capture, the author is going to describe the business model Canvas of some firms such as Uber, YouTube, and Dropbox. It is an important insight for understanding the trends of new business models in order to describe the business model of ESL regarding *CS:GO*, because the reader will be involved and acquainted with BMC of known industries worldwide. It will attempt to highlight key aspects of successful BM, since the ESL's business model also has virtual products, applies freemium models and uses virtual channels.

Thus, to describe Uber BMC, it is mandatory to start with a brief explanation about what does Uber is. Uber is a self-driving technology and urban transport (Uber.com, n.d.) that offers different prices depends on the type of service and size of the car (Uber Taxi, Uber X, Uber Black, Uber XL, Taxi Van). Uber has two customer segments. On one hand is the rider, who wants to use a high quality of transportation, who does not have a car or does not want to drive. On the other hand, the driver, who wants extra income, and who likes driving. The value proposition of the business model of Uber connects driver-partners and riders by using an app. The rider can check driver information, time in minutes to the pickup, price, kilometers, location, map GPS. Further for the driver working with Uber means additional incomes, flexibility in the schedule, payment facilities. Both the driver and rider leave ratings and reviews. The driver becomes Uber's Partners, as well as GPS providers, payment processors, and investors. Uber platform and Uber drivers have revenue streams for the service that the rider paid. To understand further building blocks such as CS, CH, KA, KR, C$, the full Uber BMC is available in annex (Illustration 1).

Next, YouTube BMC will be described. YouTube is a video-sharing website. Its mission is "to give everyone a voice and show them the world" (YouTube, n.d.). This company has two customer segments, the mass market users and advertisers. The value proposition for the first segment is "give users a voice to be listened, to share and build community through their stories" (YouTube, n.d.). Furthermore, for the Content Creators, YouTube gives rewards for creating interesting content to keep people watching the videos. On the other hand, the value proposition for advertisers is to provide a platform to advertise campaigns of their products. Its key partners are content creators, influencers and media companies; therefore, the success of the video platform is to keep "people watching by giving them a constant stream of interesting video which improves the ad targeting which increases the effectiveness of advertisers campaigns" (Oakley, 2018). YouTube has revenue streams by selling advertising to companies. To understand the building blocks such as CS, CH, KA, KR, C$, the full YouTube is available in annexes (Illustration 2).

Regarding Dropbox BMC, this Company is a smart workspace, it is an accessible application for desktops (laptops) and mobiles (smartphones) to keep files in automatic synchronization (sync) in the cloud, connecting all the content, tools and folders, in one place. Its value proposition is focused on the easy access online and offline to data and shared folders, reducing busywork and helping people to be organized, to stay focused, working on shared folders, and to get in sync team members. Furthermore, Dropbox's mission is to design a more enlightened way of working (Dropbox, n.d.). As an innovative proposal, Droxbox's referral strategy is highlighted. The company rewarded its customers with 500MB of storage in exchange for references and recommendations to other users, which generated an increase of more than 3.5 million customers in more than a year (Berman, 2016).

The customer segments are internet users worldwide, people who want more storage space, online users, everyone using memory sticks or email to transfer data. Furthermore, key partners are Android users, Amazon's simple storage, Facebook, Microsoft, CloudOn (a company that provided mobile app for document editing and creation), further, photo-sharing company Loom and document-sharing startup Hackpad, both, were acquired for Dropbox (Vizologi.com, n.d.). The company focuses on the cloud storage that "uses the freemium model, which involves giving core products away for free, and free service access as well as payment for extra features, which is very counterintuitive to most businesspeople" (Osterwalder & Pigneur, 2010, p. 50). Dropbox has revenue streams by selling a monthly subscription of four types of plans for individual (plus and professional) and for teams (standard and advanced), that depends on the plan, offers different characteristics such as Dropbox core features, content & accident protection, sharing tools & productivity, team management, and support (Dropbox, n.d.). To understand the building blocks such as CS, CH, KA, KR, C$, the full Dropbox BMC is available in annexes (Illustration 3).

2.1.2 The most important building blocks of BMC

According to Osterwalder & Pigneur, (2010), all the nine building blocks together are important, nevertheless, they segment the BMC into 4 big groups (customer/target, value proposition, financial viability/revenue model and infrastructure). Due to the width of segments and to be more precise, the author will choose one block characteristic of each group to direct the investigation towards the chosen ones. Those will be customer segment, value proposition (VP), customer segments (CS), key partners (KP) and revenue streams (R$). However, the author is going to frame a brief definition about the nine building blocks, which will help to make an orientation more focused on four of them, highlighting that segment the BMC Therefore, the value proposition building block resides in the business model Canvas core, which is understood as the offer aimed at satisfying the needs and solving the problems of a specific customer segment. In addition, this is defined as the services and products that create value for this type of certain segments (Osterwalder & Pigneur, 2010).

For Osterwalder and Pigneur (2010), resources are one of the essential assets for the proper functioning of a business model. They are mandatory to achieve sustainable competitiveness and to carry out the creation, communication, and delivery of the value proposition. There are different types of resources such as financial, intellectual, physical and human resources.

Furthermore, the creation of value for the client is given by a series of key activities such as production, network activities or problem-solving. The BM intrinsically depends on these activities that can be optimally executed (Osterwalder & Pigneur, 2010).

Another element of the building block itself is the so-called customer segments. This is understood by some authors as the different groups of organizations and people that an organization intends to serve and reach (Osterwalder & Pigneur, 2010). The importance of these customer segments is that they allow organizations to offer products and services of the value proposition to satisfy the needs, wishes and expectations of clients. These segments are created as a result of knowledge of the size, variety or type of clients that share the same or similar characteristics. Therefore, an error in the segmentation of the client, a bad definition of the same or even a bias may negatively influence the BM and its value proposition (Osterwalder & Pigneur, 2010).

Therefore, one of the basic components in the relationship with the customer is knowing how to link the value proposition with the customer segment. These customer relationships represent the way customers connect and interact with organizations. One of the main objectives of organizations is the improvement of these relationships that will have the purpose of selling services or products to capture value (Osterwalder & Pigneur, 2010).

Channels are very important to deliver the value proposition to customer segments, because organizations seek to reach them by delivering value in each link of the chain, guiding the value proposition towards customers (Osterwalder & Pigneur, 2010).

A further building block is key partner. This one is represented by the network of partners and suppliers, necessary for the proper functioning of the BM. In addition, this block can condition the reduction of risks and costs and at the same time, it can provide the organization with a more efficient tool to acquire resources difficult to find in the market. Furthermore, as organizations do not have enough resources nor in-house activities to generate value proposition by itself, networking becomes a fundamental part of the key partner's building block for BM (Osterwalder & Pigneur, 2010).

After qualitative descriptions and definitions of the last 7 building block, the next 2 ones refer to figures, cost structures, and revenue streams, which are very important to manage available resources and capture value through profits. Then, the cost structure represents the total costs that the business has. They can be classified, as cost-driven, value-driven and fixed or variable costs (Osterwalder & Pigneur, 2010). Finally, as the objective of any business is to make profits, the last building block is called revenue streams. This is related to the income obtained from each of the different customer segments. In such a way that it is crucial to define the pricing mechanisms because the revenue stream it originates with a transaction of value that is subsequently paid with currency (Osterwalder & Pigneur, 2010).

After having made a brief description and differentiation of the nine building blocks of BMC, and based on previous researches, the author is going to choose four of them which are customer segments, value proposition, key partners and revenue streams. The reason for choosing them is to highlight at least one into the four big groups proposed by Osterwalder & Pigneur, (2010), customer/target, value proposition, infrastructure, and financial viability/revenue model, in order to focus this thesis and be more specific to achieve the aim of describing how does ESL create, deliver, and capture value for the development of *CS:GO*.

2.2 The eSports industry

Referring to the eSports industry's chapter it is relevant to start making a differentiation about sports and games to explain from the literature the different approaches and the birth of the newcomer eSports. According to Abad (2015), the main sports refer to the presence of any physic activity in a competitive field with a set of rules for determining a winner. There are two categories, physical sports and mind sports. The physical one is commonly a competition that follows rules to move physical competitors/objects with the aim of being a winner. The mind sport also has an element of competition with rules and intellectual skills for determining a winner (Stefani, R.T., 2017).

On the other hand, games adduce the wish of having fun, happiness, and focus more on the own survival of the player (Abad, 2015). From that playful perspective and by the using of an online platform, online games start as another dimension that attempts to make a difference and at the same time relating sports/games by the creation of explicit rules, the definition of specific games goals to win the game. It is an enjoyable process that transcends reality to play in virtual worlds, where instead of throwing a physical object or making one body have to move, a virtual avatar, an anime, an object, or a person plays in the online world.

Some authors such as Weiss & Schiele (2013) establish a strong link between the acceptance of the virtual world and the psychological processes of individuals who are attracted to the virtual worlds and their community. Each individual develops environments created for entertainment, work, and learning, where there is also space for cooperation and collaboration between these individuals.

Hence, following that line of online games, eSports (electronic sports) came, as a cultural phenomenon around the competition, with a growing community of videogames entertainment worldwide. According to Hamari & Sjöblom (2017, p. 211), "eSports is "competitive video gaming, broadcast on the internet. They can also be defined as a form of the sport whose primary aspects are supplied by electronic systems", formed in turn by players and teams. All of them are mediated by existing interfaces between humans and computers. Furthermore, eSport refers to the field of competitive (professional or amateur) video games, where there is often coordination between different leagues, tournaments, and ladders. In addition, it should be noted that, as a general rule, the players of this discipline are part of "sporting" organizations or teams where business organizations support them with their sponsorship.

In sum, eSports is understood as the idea of competitive video gaming, which uses existing internet platforms to be broadcasted. However, eSports are not perceived as part of its definition as a kind of electronic versions of traditional sports, regardless of whether it is possible to find simulations of traditional sports such as basketball, football or rugby as is the case of games like FIFA or the NBA (Hamari & Sjöblom, 2017, p. 212). Thus, eSports is the evolution of computer games, videogames, and online games. It was born as a result of globalization and therefore of the internet, web 2.0, social networks and cyberspace. In this new century, the gaming culture is part of the entertainment industry and the eSports industry.

The study of Hamari & Sjöblom (2017) found that reasons, why people spectate eSports on the internet, are mostly gratification-related determinants, such as novelty, knowledge of the game, escapism, as well as features shown by eSport athletes like aggressiveness, attract more and more followers.

Currently, some of the popular games present in the world of eSports, consisting of a wide selection of genres ranging from, strategy, racing or traditional sports to fighting games, first-person shooters (Fps) such as *CS:GO* and *Call of Duty* and multiplayer online battle arena (MOBA) games such as *Dota 2, League of Legends* (*LoL),* and *Fornite, etc.*

Furthermore, this newcomer industry comprises the integration of different stakeholders such as players, teams, audience/fans, etc. Besombes (2019) represents the eSports landscape (Illustration 4). Hence, videogames are played by players who represent teams, who participate in leagues/tournaments, which are distributed on broadcast and media platforms to fans. Those videogames are created by game developers who in the company of Publishers take advantage of marketing strategies of eSports to extend monetization, in addition, they also organize tournaments with tournament organizers. Brands, investors, and advertisers use eSports communication channels to reach and engage their target. Additionally, sponsors offer a proper prize pool to make the tournament attractive for all the stakeholders interested. Then, tournaments organizers require money for the prize pool from sponsors, in exchange for visibility by advertisement, those tournament organizers want to hold matches with the best teams, who are attracted to the millionaire prize pool. Thus, Investors' aim is that the eSports ecosystem grows to increase their return on investment.

2.2.1 Developing of eSports over time

As the purpose of this thesis is to describe how does ESL create, deliver, and capture value for the development of the Fps videogame *CS:GO*, this chapter provides a brief overview of the developing popularity of eSports, with special emphasis on potential figures of the industry to understanding the consumption in the value network of the organization of eSports events, and to evaluate the BM in eSports. A simplified overview of the eSports ecosystem will be presented.

Describing video games through the years, the author found that in 1962, one of the parents of video games was MIT student Steve Russell created and developed one of the first computer videogames called *Spacewar*. A decade later, video game machines began to proliferate throughout California, spreading across the country and other legends of video games are born such as the famous *Pong arcade*. Around the year 1977, a historical milestone occurs when Atari launches Atari 2600 developing its first video computer. It brought video games to millions of people home and inspired other companies that developed similar devices. Like Nintendo in 1986, selling up to 61 million units worldwide. In 2001, small contests and conventions related to video games such as the Tokyo Game Show began to germinate. However, it is not until 2011 that massive eSport events begin to proliferate, as the first season of the *LoL* world championship (Jin, 2010a). The volume of people who consumed eSport in 2013 was estimated up 70 million (Hamari & Sjöblom, 2017, p. 211). Nowadays, due to this evolution of eSports, there are universities offering eSports scholarships, like the University of Utah or the University of California-Irvine, etc., offering to gamers the opportunity to get more knowledge, practice, and understanding for the success in the competitive eSports industry. Even, "between 2018 and 2019, 200 colleges in the United States offered $16 million in eSports scholarships" (NBC NEWS, n.d.).

In order to describe the eSports ecosystem, the author is going to show general figures obtained from literature on eSports, newspaper articles, interviews from research, reports, and data collection from official pages. Therefore, an overview of the gaming industry will describe some qualitative and quantitative variables found, such as eSports revenues, annual viewers, key estimates of prize pools, monetization, audience, viewership, penetration, online population, channels, and so on.

A recent research on eSports made by Goldman Sachs (2018, p. 12), and in comparison to traditional sports annual viewers and revenues, statistics of the year 2017 show that NFL has nearly 275 million viewers and $14,000 million revenues, NBA has nearly 225 million viewers and $8,000 million revenues, MLB has nearly 125 million viewers and $10,000 million revenues, and NHL has nearly 75 million viewers and $4,500 million revenues, while eSports has nearly 150 million viewers and $655 million revenues (Illustration 5).

From that eSports annual revenue generated in 2017, only the 14% come from media rights, 38% is from sponsorship, licensing does not register data, 9% belongs to ticket revenue, and 39% are other revenues, while on average traditional professional sports generated 37% of total revenue from media rights, 10% was from sponsorship, 6% from licensing, 23% from ticket revenue and 25% other kind of revenues (Illustration 6). It is interesting to highlight that they expect the eSport industry revenue will grow from those $655 million to 3 billion in 2022 (Goldman Sachs, 2018, p. 4). As well as they stated that in 2017, advertising (22%) and sponsorship (38%) were the largest sources of eSports revenue, for 2022 media rights will become the largest revenue opportunity, generating 40% of the total eSports revenue (illustration 7), e.g., is the famous video game called *Fornite*, in April 2018 it generated $296 "millions of revenues across platforms, an annual run rate of $3.6 billion, more annual revenue than any major console or PC game today" (Goldman Sachs, 2018, p. 4)

Furthermore, for 2019 nearly $256 million have been registered for the eSports prize pool and $1,184 million for monetization. The forecast for 2020, price pool will rise to $307 million (+20%), and monetization of the gaming industry is going to increase 35% or $1,592 million (Illustration 8). Following the same study, in illustration 9 is it possible to observe that in 2017 *CS:GO* had on average a prize money of 19 million putting the game in the second place of the largest prize pool of all eSports, overcome only for *Dota* 2 with almost $38 million. Even, "the prize pool of the first year of *Fornite* was $100 million, nearly the total eSports prize pool in 2017" (Goldman Sachs, 2018, p. 6). Another example of one of the highest prize pools in the eSports history, the total one was $23 million *Dota 2* International 2017, which only $1.6mn was contributed by the key partner, Valve. The rest of the amount of $ 21mn was achieved thanks to the crowdfunding tool. Circumstances of this magnitude got for example that the international *Dota 2* surpassed Wimbledon ($ 16mn), Masters ($ 11mn) and Daytona 500 ($ 18mn) (Goldman Sachs, 2018, p. 9).

The eSports estimated audience will rise from 167 million viewers in 2017 to 276 million in 2022. Currently, 50% of eSports viewership is in Asia, and 79% of the eSports audience is under 35 years old (Goldman Sachs, 2018, p. 4). This outlook already outnumbers the audiences of the MLB (Major League Baseball), and NHL (National Hockey League) and for 2017, the *LoL* finals had 58 million viewers and *Fornite* reached 125 million global players on across PC, console, and mobile, which is the highest monetizing video game in the world. This gaming entertainment industry mostly attracts young people. Thus, the trend continuously increase the eSports fans, players, and the whole ecosystem over time.

Besides, *LoL* is the most played game in Europe and North America in terms of simultaneous participants and the number of hours played by them (Abad, 2015, p. 3). According to official data from the *LoL*'s web page, "in January 2014, more than 67 million people played it per month, 27 million per day, and more than 7.5 million at the same time during peak hours" (Abad, 2015, p. 3). the team winner of *LoL*'s world tournament 2016, won a prize pool of 3 million dollars by cash (Esports.net, n.d.). Hence, It had an audience of 40 thousand people and took place in the Seoul

World Cup Stadium and at the same time, it was streamed by another 32 million spectators worldwide. In illustration 10, the *LoL* final in 2017 got 58 million viewership, outnumber famous leagues such as MLB (38 million), NBA (32), NHL (11 million). Thus, the game selected for this research (*CS:GO*) has a similar number of participants, albeit somewhat smaller. In September 2019, the number *CS:GO* players was 18,123,251 (ESL, n.d.).

From illustration 11 where it was announced a comparison by global regions worldwide, with regard to eSports penetration and online population, statistics show that APAC's online population (1,900 million) is nearly 4 times that of any other region Europe (583 million), Latin America (418 million), MEA (317 million), and North America (296 million). However, the higher percentage of penetration is for North America with 7%, in comparison to APAC with 5%, same as Europe and Latin America, MEA only has a 2% of penetration. Thus, according to CNNIC (China Internet Network Information Center), for 2017, China's eSports market grew to 442 million gamers with a penetration rate of 57% of Chinese internet users, becoming the largest gamer base in the world (Goldman Sachs, 2018, p. 5).

Moreover, the speed of penetration is due to different eSports distribution channels. Following the report of Goldman Sachs, (2018, p. 6), Twitch and YouTube Gaming are the main channels to record and stream live eSports content in Western countries, data for 2017 showed that "Twitch had 54% of gaming content gross revenue market share, and YouTube had 22%. Currently, Twitch captures 84% of live-streaming viewership in North America, with approximately 355 billion minutes watched, it is going to rise with a rate of 22% year-over-year". About the Chinese live-streaming platform named Huya, active users daily spend an average of 98 minutes watching gaming content. Regarding monetization channels, advertising, tipping, and sponsorship are the primary three, their forecast by 2022 is going to rise to "$429mn (25% 5-year CAGR), $372mn (24% 5-year CAGR), and $1.1bn (34% 5-year CAGR), respectively7" (Goldman Sachs, 2018, p. 5).

It is also important to highlight that in 2013 "the venture capital investment in eSports-related start-ups was $3.3bn, further, in 2018, it increased a nearly 90% ($1.4bn) regarding the total amount of funding in 2017. "This uptick happened mostly due to large investments made by Tencent in Chinese online video platforms such as Douyu ($630mn) and Huya ($461mn,)" (Goldman Sachs, 2018, p. 5). Finally, throughout its history, the eSports sponsors have been generally from the same sector, such as hardware manufacturers. However, nowadays, many mainstream subscribers have wanted to adhere to the contest in search of the millennial audience and Generation Z of the eSports. For instance, *LoL* marked a milestone when Nissan, Axe or Coca-Cola opened in the eSports market a new place for different brands of sponsorship (Goldman Sachs, 2018, p. 14).

2.2.2 Main stakeholders involved in the eSports industry

Literature about stakeholders describes them as "groups without whose support the organization would cease to exist" (Freeman & Reed 1983, quote by Scholz, 2019, p. 44), as well as any individual or group who is directly or indirectly related to the objectives of the organization (Freeman 1984, quoted by Scholz, 2019, p. 44). Furthermore, a recent study from Scholz (2019, p. 44), makes categorization of stakeholders as primary and secondary, in order to reduce complexity for organizations. Thus, primary stakeholders are directly linked to the industry's value chain and between them play a cooperative role. While secondary stakeholders indirectly influence the impact on the eSports industry. These are not directly linked to the value chain; however, they exert some influence on the primary stakeholders, especially regarding investments, regulations, and opinions. It should be noted that primary stakeholders must respond to the actions of secondary stakeholders categorizing their legitimacy, power, and urgency. Furthermore, the audience becomes the main objective for both primary and secondary stakeholders to achieve monetization.

Currently, different stakeholders are involved in the eSports value chain, which keeps a close relationship and interaction (Laakkonen, 2014, p. 21), as well as a strong interconnection that empowers and creates a business around the audience, which demands different products offered by eSports industry. Therefore, the audience is considered as a shared target from both primary and secondary stakeholders, for value creation (Scholz, 2019, p. 86). In illustration 12, Scholz (2019, p. 46) develops a eSports stakeholder's categorization. On one hand, there are primary stakeholders such as game developers, tournament organizers, professional players, professional teams, providers and community. On the other hand, there are secondary stakeholders such as governing bodies sports organizations, general public, sponsors, entrepreneurs, investors, shareholders, and media. Next, a brief definition of the role of them in the eSports industry will be described.

Game developers "create the eSports title everybody is playing" (Scholz, 2019, p. 49), furthermore, they have a legal right to monetize any part of the game they have developed. (Adomnica 2018, quoted by Scholz, 2019, p. 58). Game developers require capabilities, competencies, and knowledge for eSports titles offered by the tournament organizers (Scholz 2019, p. 60).

Professional players are the growth target for game developers who make a huge effort to develop and launch interesting videogames to attract new amateur and professional consumers. Nowadays, due to the interesting possibility of building a career into eSports, "many amateurs want to become professional players and make money with gaming" (Scholz, 2019, p. 67). Thus, professional players who belong to Professional teams are attracted to proper prize pools (Laakkonen, 2014, p. 21). It is important to highlight currently eSports teams have developed rigorous training programs for gamers to train 8 hours a day, as well as trainers, nutritionists, and coaches to help improve performance. Furthermore, in many cases, they also receive a base salary, a characteristic that is very similar to any other professional sports league (Goldman Sachs, 2018).

Besides, Infrastructure, service, and hardware providers, as well as community enablers are also considered within primary stakeholders. Regarding infrastructure providers (e.g. Twitch), platforms are crucial to reach the audience and to satisfy the needs to consume eSports content whenever and wherever (Scholz, 2019, p. 70). Furthermore, service providers like eSports observers, consulting agencies are emerging to contribute to the business perspective, on market research and game analytics respectively. Even, law agencies represent individual players and betting and gambling agencies become potential for eSports (Scholz, 2019, p. 71). In addition, for playing videogames, players only require to use internet connection, computer network, console, handheld PC, display systems (Jin, 2010a, p. 79), therefore, hardware providers are essential, since they offer specialized equipment to the gaming industry such as keyboard, mouse, mousepad, headset. The last primary stakeholder is community enablers, they "are essential to bring the audience together and foster interaction" (Scholz, 2019, p. 72) since "there is a community of millions of online players worldwide who are ready to play at any time a day" (Goldman Sachs, 2018, p. 3).

Regarding secondary stakeholders, such as "sponsors, governing bodies, sports organizations, investors, the general public, entrepreneurs, shareholders, and media" (Scholz, 2019, p. 49), are not directly linked to the eSports value chain, only governing bodies, sponsors will be briefly described. Since this thesis is going to focus only on the relevance of primary stakeholders.

Governing bodies are essential to define governance, policies, and requirements necessary to establish the emerging eSport industry. However, "it is difficult to find the right method of governance, it is difficult to define what eSports is" (Scholz, 2019, p. 77). Finally, Sponsors have the possibility of accessing the commercial potential into tournaments, championships, and events as well as create a competitive advantage. However, nowadays, many business models related to this sector depend on some form of sponsorship, it has become a common feature of eSports (Scholz, 2019, p. 82).

According to Carvalho (2015), the role played by sponsorship within the field of communications is taking a strategic role, which fosters a sustainable competitive advantage by helping to achieve better market performance. For information on these characteristics, sponsorship will not require only financial resources, because to acquire a competitive advantage, it will be necessary to be supported by both top-level and brand-building skills. These will be necessary to achieve a perceptive match between two brands with a high level of organizational capabilities. It should be clarified that the multiple sources of advantage through simultaneous deployment will help to achieve sustained sponsorship advantages.

Thus, the eSports value chain works as a win-win, where players and teams get more followers from the Audience and online community, which can learn from the match and as well as get fun. The tournament organizer gets profits from the Audience willing to buy the ticket to join the match. Furthermore, Sponsors offers an attractive price pool for teams. They win through brand positioning, marketing, advertising, accessing the commercial potential and so on, during the match and even while it is being broadcasted by Streamers. Finally, the venues where the tournament takes place, allows all of the stakeholders to get the best performance.

The synergy of all of them, game developers, tournament organizers, professional players, professional teams, providers and community, further many other secondary stakeholders, have an essential role in maintaining and enriching eSport consumption. It seems that companies should focus on aspects of computer games, and also on developing new collaborative designs, as well as on the experience offered within the network of multiple marketing actors in the management of the eSports. This field is being a new emerging consumer landscape (Seo, 2013).

Although all primary and secondary stakeholders are essential for the video game sector, in this thesis, the author attempts focus only on primary stakeholders involved in the tournament organization of *CS:GO* (e.g. game developers, audience, players, teams, hardware, service, and infrastructure providers, and community enablers), highlighting collaborative roles in the eSports value chain. Because those primary stakeholders influence directly the eSports industry (Seo, 2013).

3. Empirical evidence – The case study

3.1 Case study: ESL in the development of CS:GO

Referring to the purpose of describing how does the Electronic Sports League (ESL) create, deliver, and capture value. This chapter has a special emphasis on the possibilities of new Business Models in eSports, describing the value proposition, customer segments, key partners and revenue streams of the tournament organizer ESL regarding the development of *CS:GO*. The author focuses on the BM of the largest tournament organizer company, due to its interconnected role as some form of mediator between stakeholders in the ecosystem. In addition, new ESL venues and tournaments such as ESL Pro tour for CS:GO will be presented, in order to identify the potential for current and new eSports businesses. Thus, to start, the company ESL and the Fps *CS:GO* are going to be detailed and contextualized.

ESL is the largest eSports company that was founded in the year 2000. The core business is developing international leagues and tournaments, covering event management, advertising, television production, services in eSports and gaming technology and storytelling (ESL, n.d.). Respecting its strategic framework, which could be comparable to the value preposition building block, the purpose, vision, mission of the Company will be described. The ESL aim is to "create a world where everybody can be somebody" (ESL, n.d.). Its vision is to make eSports the most attractive and the largest sport for tomorrow's world. Its mission is to build an auspicious scenario that gives players incredible moments that make them feel like stars of this new gaming generation, leading to unique moments in the development of eSports competitions.

Besides the strategic framework, ESL count with a strong infrastructure worldwide. It has 14 studios, offices and partners operating around the globe (ESL, n.d.). In the USA, in Latin America, in Europe, in Asia and in Oceania. Thus, the largest eSports company has more than 500 employees worldwide (ESL Report, 2019, p. 5).

Next, some of the most famous ESL leagues, tournaments and events will be named and explained. Its main grassroots amateur cups and branded international leagues and tournaments are: ESL One, Intel® Extreme Masters (IEM), Pro League – subdivided by 3 main regions Europe, America and APAC (Asia-Pacific Group)–, and National Championships, Intel Grand Slam, ESEA, Badlion, StarCraft II WCS, ESL Fantasy, which host popular video games such as "*Counter-Strike, Battlefield 4, Dota 2, Halo, Hearthstone, Mortal Kombat, Heroes of the Storm, StarCraft II, SMITE, World Of Tanks, Rainbow Six*. Within the ESL network highlighting ESL News, ESL Pro, ESL Play, ESL Shop, ESL Video, ESL Fantasy, and ESL Tickets (ESL, n.d.). Regarding some events and tournaments facts, in 2019 ESL has 4 large events such as ESL One New York 2019, ESL One Hamburg 2019, IEM Beijing-Haidian 2019, ESL Pro League Odense 2019. Furthermore, in February 2019, ESL reported more than 7 million unique registered users in Europe alone (ESL, 2019a). The ESL's major tournaments held on the 13th of August 2019 in Cologne Germany had record 90% growth in viewership where "the average minute audience (+90%), hours watched (+190%) and video views (+55%)" (ESL, 2019b).

According to ESL official website, their number of fans has raised to 242 million globally, 80% are between 18 and 34 years old, and yearly it has been registered on average 1500 content hours. This gaming company has more than 19 years of experience. In addition, ESL is the world's leading platform for eSports providing tournaments across famous games. In illustration 13, evidence shows the company has registered nearly 8,4 million playing members, 18,6 million matches fought out and 109 thousand tournaments played YTD.

The ESL numbers are consistent with the rise of the industry, thus, it has been the global leader eSports company with a fast-growing market. As well as has built eSports ecosystems by growing new players, audience, government, and fair play, with an experienced team with a proven track record and a very broad portfolio of publishers, brand sponsors and media partners. From the illustration 14, it is possible to identify that ESL focuses on the growth of eSports products, brands, B2C, and monetization. ESL products grow and build more full-grown properties and games' pyramids. B2C expands consumer offering from play and engage and learn and watch. The brand is open, and inclusive, to become the brand of the largest sport where everybody can be somebody (ESL Report, 2019, p. 36).

ESL is dedicated to growing the eSports industry. Fans, audience, players and teams, game publishers, brand sponsors, and media partners are some stakeholders of the eSports industry. Then, the Illustration 15 of annexes is going to show those primary stakeholders of ESL. ESL captures value from fans and audience throughout the merchandising and ticketing. Its role is as a mediator between all the stakeholders involved in the industry, the focus is on players and teams who are attracted by proper prize money, who at the same time attract the audience. Its partners, the game publishers have publisher contributions. Brand sponsors have advertisement fees and sponsorship. Finally, media partners have media rights fees (ESL Report, 2019, p. 35).

Since the focus of this thesis is the shooting videogame called *Counter-Strike: Global Offensive* (*CS:GO*) it will explain the important features. *CS:GO* is an online videogame of shooting, which was developed by Valve Corporation and Hidden Path Entertainment in 2012. *CS:GO* is an online tactical first-person shooter (Fps) videogame played by 2 teams. The match consists of two halves (teams), counter-terrorists play against terrorists, who after halftime they have to switch the role, one team is counter-terrorist site and another team is the opposite (terrorist site), they switch after halftime. The aim of the 2 teams is "to win enough rounds to win the match" (ESL, n.d.). The first team to acquire 16 rounds wins, each round needs 2 minutes approximately, plus 12 extra seconds to acquire weapons for each round. However, a match can be over after even 16 rounds (16:0). The first team to acquire 16 rounds wins or in the case of a draw they play out the overtime (usually 3 rounds per half, 6 in total). It can vary depending on various factors. For instance, to win there must be a differentiation of two games won, compared to the rival. In 2015, the longest game recorded lasted 88 rounds and took place in the United Kingdom. As a general rule, tournaments are usually played by 16 teams. However, since 2018, due to the increase in tournament participants, the quota increased to 24 teams as in the case of Counter-Strike: Global Offensive Major Championships. Furthermore, some types of events are major, international LAN, regional LAN, online, local LAN and other (meSports, n.d.).

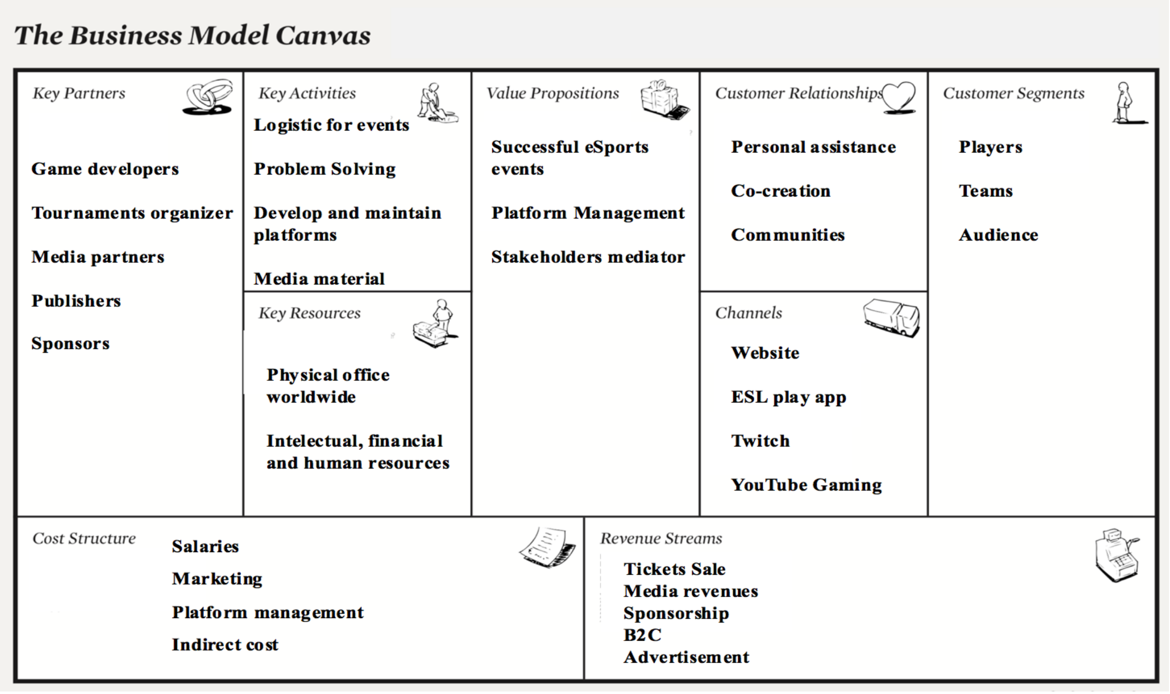
Although Majors and Minors are official Valve tournaments, usually large companies like ESL or Dreamhack organize *CS:GO* tournaments, and mostly, Valve host the most important ones, however, the organizer of those major events also vary. But its basic duty is deciding each major which organizer gets to host the major and minor event. Usually, big organizations like ESL get to do it. Then, Valve is merely the one setting the rules, giving the prizemoney. Nowadays, tournaments are hosted by mentioned companies.

Currently, *CS:GO* is available for PS3, XBOX 360, Windows, and Mac. The game modes are Competitive, Casual, Deathmatch, Wingman, Demolition, Arms Race, and Flying Scoutsman. Despite those mentioned modes, most of them like Arms Race, Demolition, Flying, etc., they do not play in the professional leagues. when it comes to *CS:GO* as an eSport it is only the competitive mode that matters. Hence, Competitive is the classic game mode that put *CS:GO* on the map, where two teams of five compete in a best-of-30 match. In addition, *CS:GO* features new maps, characters, and weapons and delivers updated versions of the classic *Counter-Strike* maps like Cache, Season, Dust 2, Mirage, Inferno, Nuke, Train, Cobblestone, Overpass, Tuscan, Vertigo, further, features online matchmaking and Competitive Skill Groups (Blog.counter-strike.net, 2019).

3.2 BMC of ESL and the most important building blocks

In order to make a description of the business model of ESL, the Business Model Canvas of ESL is going to be showed in illustration 16, following guidelines of specific questions proposed by Osterwalder & Pigneur, (2010), It is focused on actors involved in the eSports value network.

Illustration16: The BMC of ESL



Source: Own elaboration, (2019)

Furthermore, after to have illustrated briefly the BMC of ESL, in the next pages, the author is going to focus only on the 4 most important building blocks chosen, customer segments, value proposition, and revenue streams key partners of ESL. It will consider its primary stakeholders that make possible the industry works and grows, due to the interconnection between each other. Thus, it will be possible to understand how does ESL creates, deliver, and capture value, emphasizing the possibilities of new business models for *CS:GO*. For this reason, the consumer profile is available in annex (Table 1). Identifying characteristics of those potential clients that are those who consume video games and who influence the industry. As well as to describe specific figures regarding the role of ESL in the development of *CS:GO*. It will analyze who consume, age, gender, time of consumption, to contrast with the speed of growth of the industry. Besides the effectiveness of the joint work of all stakeholders involved and the success of this potential industry.

As it was mentioned in the goal of the thesis, the focus is on the four building blocks of the Business Model Canvas of ESL. Therefore, the customer segments, the value proposition, the revenue streams and the key partners of the tournament organizer will be detailed. Furthermore, emphasis will be done on primary eSports stakeholders.

3.2.1 Customer segments (CS) of ESL

According to Osterwalder & Pigneur (2010, p. 20), the different groups of organizations and people that are intended to reach and serve by an enterprise are defined by the so-called Customer Segments Building Block. ESL has different customer segments who are within the categorization of primary stakeholders of the eSports industry. Thus, actors such as professional players, professional teams, and audiences will be described. Regarding the question of this building block, for whom are ESL creating value? ESL attempts to create value for the audience, professional players and professional teams. Even, literature is more precise on the audience as a shared target for value creation, since, "each stakeholder wants to monetize the audience" (Scholz, 2019, p. 60). Furthermore, regarding the next question who are our most important customers? The niche market of ESL are players, and teams, the audience, and therefore the eSports mass market.

The ESL audience profile likes technology and gaming, and also have an internet connection, computer networks, display systems, handheld PC, power CPU characteristics, consoles, and so on. Furthermore, the average age is 35 and plays o stream games 4 hours a day approximately, and the percentage of audience male is higher than women. Following a recent study which "investigates relationships between a range of gambling activities and the consumption of video games in general, from 613 participants, 1,8% (11) did not provide an answer about type of gender, 91,4% (560) were male, while only 6,2% (38) were female and 0,7% answered to be other/non-binary" (Macey & Hamari, 2018, p. 347).

In September 2019, the official web site of ESL showed that the number of people who played *CS:GO* was 18,123,251 players worldwide, which 80% are between 18 and 34 years old, they play an average of 4 hours a day (ESL, n.d.). In fact, according to illustration 17, between October 2018 and October 2019, the range of ESL online users per day varied between 2000 and 7000. The highest peaks were presented in January, April and August 2019, mostly, when tournaments, leagues, and events are held (ESL PLAY, 2019). On a global level, women play video games as much as men. However, in the professional world of eSports the percentage is reduced (Infobae, 2019).

Regarding professional teams, they have almost the same player's profile. In the competitive world of eSports there are 22% of women who play eSports, although this number is starting to increase. South Korea is the leader in women's quota for eSports, reaching 32%, followed by China (30%) and Spain 29%, and in the US it barely reaches 17% in professional leagues (Infobae, 2019). There are prominent eSports teams that include women. For instance, in Europe are Riders, Giants, Team Queso, Fanatic, and so on (ESPORTS CHARTS, n.d.).

3.2.2 Value proposition (VP) of ESL

According to Osterwalder & Pigneur (2010, p. 22), it should be noted that the "value propositions building block describes the bundle of products and services that attempts to create value for the customer segment". The audience is the shared target for value creation, the ESL mission is to build an auspicious scenario for them and therefore, the eSports niche market. Thus, the author is going to follow guidelines and regarding the first question of what value does ESL deliver to the customer? ESL, as a tournament organizer, plays a highlighted role in the eSports ecosystem, as a mediator. Since, to offer the best experience for the audience, players, teams and the gaming mass market, ESL works in some form as a mediator, and looks for synergy between stakeholders, to keep the industry interconnected. Because, the audience want to watch, play, engage, and learn from the best players and teams, who want to win the prize pool, which is obtained from brand sponsors and others, as well as the tournament organizer, both, want revenues of advertisement, merchandising, ticketing respectively.

Consequently, to satisfy the needs and wishes of those stakeholders involved in the value network, it is possible to identify the complex role of the tournament organizer. To organize an event (e.g. of *CS:GO)*, ESL requires 1 year of suitable preparation, to fulfill main requirements, equipment transport, security, the infrastructure of the scenario, venues, and so on. Furthermore, it manages an attractive place to hold the event, for target and sponsors. ESL chooses the proper size of the tournament, games and professional teams to make it attractive. ESL avoids tournament overlaps. Besides, it creates synergies for interested parties. Accordingly, they start media material production 7 days before the event. Finally, the role of the leader of the event is to manage marketing, public relations, players, teams, staff, and so on. As well as supporting the event organization, defining the list staff, number of departments, promotion, ticket sales details, infrastructure, warm-up area, catering, press area, and all the additional services to cover the needs of the event are important.

Overall, those are key aspects attempts to generate added value to the customer segments, offering them the auspicious scenario that gives eSports community incredible and unique moments for eSports competitions. And furthermore, satisfying customer needs by offering accessibility to the best eSports competition experience. Thus, ESL vision to make eSports the largest and the most attractive sport for tomorrow's is achieved.

According to ESPORTS CHARTS, (n.d.), the total prize pool of ESL offered is $26,216,782 million. The peak viewers are 1,205,103 viewers. 332,727,091 are the total of hours watched, and the average air time is 9.308 hours.

3.2.3 Revenue streams (R$) of ESL

According to Osterwalder & Pigneur (2010, p. 30), the Revenue Streams Building Block is made up of the cash generated by a company relative to each customer segment, therefore profits are generated by subtracting costs from incomes. Thus, regarding the ESL revenues, figures related to the advertisement, media revenues, sponsorship, B2C & others, and publishers will be described.

Accordingly, the first question the BMC asks for this building block is, for what value are ESL customers really willing to pay? The audience is willing to pay for events tickets, like *CS:GO* tournaments. Furthermore, the player does not only pay for download or purchase the game but also for the acquisition of additional elements such as weapons, tricks, skills, clothing, new maps and scenarios, and other objects that are part of the game experience and that can mark a differentiation between other players.

On the other hand, ESL is in a full scaling mode with the business of eSports. They focus on high margin rights and sponsorship as key drivers. According to the process of grow the foundation from the illustration 18, its clue is added more and scale existing events to crate inventory, invest in the brand to grow audience and increase eyeballs and pursue a deepest game publisher relation globally. In addition, scale revenue will be gotten throughout slicing and dicing media rights creating new packages, shift towards not endemic sponsors and signing global exclusives and scale revenue on B2C monetize, upsell & cross-sell (ESL, 2017, p. 20).

The ESL sales per revenue type are an advertisement, media revenues, sponsorship, B2C & others, and publishers. In 2016, 13% of the revenues were an advertisement, while in 2017 it moved down to 10%, as well as publishers decrease from 46% to 35%, respectively. Furthermore, Illustration 19 compares the revenue types regarding years 2016 to 2017, B2C (from 20% to 22%), sponsorship (from 14% to 18%), and media rights (from 7% to 15%), increased respectively. This expansion of B2C has been through subscription services, tickets & merchandising, as well as new titles and adjacent. The growth of sponsorship has been subject to scaling non-endemic sponsors towards a global sponsor position. and media rights have become stronger (ESL, 2017, p. 22).

Regarding ESL (2017, p. 21) the product model operates tournaments and events on behalf of game publisher industry partners, or simply eSport Services (ESS) and furthermore, ESL owns and operates tournaments, platforms, and events (O&O). It should be clarified that both ESS and O&O product approaches are complementary. In relation to ESS, it is limited to ESL brand or no brand ownership, but guaranteed income with low-risk investment, all with a fixed margin. According to O&O, ESL owns or co-owns the brands. illustration 20, shows there is a full risk for initial setup investment and benefits from financial upside due to scalability. Finally, and referring to the scalable margins, ESL controls the commercial rights.

It is important to highlight from illustration 21, the eSport Services (ESS) have been reduced from 70% in 2015 to 38% in 2018. Meanwhile, the owns and operates tournaments, platforms and events (O&O) have increased to 62% in 2018 compared to 2015 (30%). Growing O&O properties to push brand, expand existing core products, create new pyramids and scale (ESL Report, 2019, p. 11).

Many Monetization opportunities are growing rapidly and are receiving a rapid reception. In the illustration 22, in 2017 there were 2.6 billion gamers whose growth projection was 5% for the next years. In addition, more than 150 million fans or eSports enthusiast that could grow 15% between 2016 and 2020, and finally, the average spends per fan is $3 dollars, which could be multiplied by 2 or 4 in the coming years. (ESL, 2017, p.19).

For instance, ESL ONE has a history of success, leading strong large partnerships, they began to grow and monetize events. Thus, illustration 23 shows the growth of the monetization of events. A clear example is shown that since 2016 in its event in Frankfurt am Main (German) there were 19 million spectators and 7000 visitors, it will only take another year for these numbers to grow rapidly. In 2017, the ESL ONE in Hamburg raised to 56 million spectators and more 10,000 visitors (ESL, 2017, p. 24).

Another example regarding ESL owns and operates tournaments, platforms, and events (O&O), a showcase of the IEM *CS:GO* Katowice Poland 2019, illustration 24 shows that 34% of the market share among 21 and 30 age group. Furthermore, during the Championship stage it was possible to register 52 million video sessions, up 80% regarding the year 2018, and a peak of 1 million on the main Twitch channel. The largest Twitch channel ESL *CS:GO* gained 375 thousand followers, it has 2,9 million followers approximately YTD. It is also interesting to highlight it was broadcasted to 20 languages as well as streamed in 12 linear TV takers. Besides, in 2019 merchandising revenues increased 137%, and ticketing revenue raised 67%, both regarding 2018 (ESL Report, 2019, p. 12).

Finally, scaling the O&O events of ESL, sponsorship, and media rights have a high margin. Regarding an event life cycle, its break-even cost-revenue is approximately 3 years. Furthermore, about the profitability drivers of the event, illustration 25 describes that "event costs increase 10 - 20% yearly, additionally, viewership grows the more established the event is. Also, the revenue out-pacing cost is mainly driven by growing inventory, sponsorship and media rights, high willingness to invest from partners and finally ticketing and merchandising" (ESL, 2017, p. 25). However, it should be mentioned that the cost of prize money is not a key driver.

3.2.4 Key partners (KP) of ESL

According to Osterwalder & Pigneur (2010, p. 38), the key partnership building block describes the network of partners and suppliers that make possible the success of the BM. Thus, regarding ESL key partners, game developers, content creators, casters, venues, and sponsors, will be described. Among the premium ESL partners are Intel (the biggest manufacturer of integrated circuits of the world), and TRTO, (the northern Europe's largest hub and high-tech ecosystem). On the other hand, official partners are Betway (a betting website), Paysafecard, a leader in the prepaid online system and GameFuel that has developed the first beverage design just for gamers. Moreover, ESL has as official supplier the German company Need for Seat which is specialized in seats for gamers.

In illustration 26 there is a list of ESL media partners, game publishers, and brand sponsors partners like Intel, Coca-Cola, Omega, P&G, Toyota, Samsung, Pepsi, FedEx, Bose, Microsoft, Visa, Bridgestone, Adidas, Watar, Wanda group, Visa, Hyundai, Rolex, DHL, Heineken, Emirates, AWS, Pirelli, AT&T, Vodafone, Mercedes-Benz, Olympics, FIFA, among others.

Regarding the brand showcase, Intel is the longest standing partnership in eSport with more than 70 Intel extreme masters (IEM) events. In the year 2000 intel became one of the first investors in eSports and started supporting ESL early events in Germany. In 2006, the cooperation between Intel and ESL turns global. Since IEM property was launched, between 2016 and 2018, according illustration 27, Intel became ESL global technical partner extending beyond IEM, furthermore, intel grand slam is launched for $1 million. Nowadays, Intel and ESL commit to long-term eSports partnership (ESL Report, 2019, p. 28).

On the other hand, media distribution in eSports is evolving and getting more local. The illustration 28, will show the selection of the distribution of ESL partners. For instance, the global video streaming continues being raking by Twitch and YouTube, explored by Facebook, added to caffeine TV, explored by Oculus VR. Considering local video streaming new companies had been developed. In China, HuamoaTV, HuyaTV, in the US, Mixer, PlutoTV, in Germany, ProSiebenTV. Furthermore, some brands work for both local and global markets, BBC, Telefonica, sport1, and so on (ESL Report, 2019, p. 30).

About the linear media partner showcase pro7, it shown in illustration 29. There is an interesting potential for magazines, live and analysis. Since magazines are getting more attractive due to well-known eSports faces as casters, reaching to more than150 thousand per week and more than 5 million per year. Live has potential pro players as co-commentators. The analysis makes eSports understandable for everyone (ESL Report, 2019, p. 31). According the digital media partner showcase, in 2019, ESL expanded digital media distribution partnerships with the Chinese platforms Huya and HuomaoTV. Furthermore, China accounted for 18% of the global eSports revenue in 2018, according data of illustration 30.

ESL is backed by two giants in the development of video game software industry. On the one hand, Valve Corporation is game developers, Steam and hardware that debuted with success from the well-known game Half-life (Valve, 2019). And on the other hand, Hidden Path Entertainment whose company was established for the development and production of interactive entertainment software (Hidden Path Entertainment, 2019).

The creators of content or community enable are intended to entertain, inform and solve the problems that the audience has. In this regard, the *CS:GO* has provided extensive material to content creators from feature gameplay, tutorials, strategy guides, and funny highlights. On the YouTube platform they stand out as YouTubers, Sparkles, ChaBoyyHD, and Anomaly. Furthermore, in recent years the Casters have had great relevance. They fulfill the function of commenting on the game. As in traditional sports such as Soccer or Basketball, in eSports the figures of the Casters has also been established. It adds value to the broadcast of the eSport in addition to encouraging with excitement the best live plays and put melody and word in many games where silence reigns, heating the mood of the audience. Viewers love them, even knowing their names and their most iconic phrases. When it comes to *CS:GO* some of the most well-known Casters, are presented in illustration 31. Among them, it can highlight Bardolf, Anders, Sadokist, Moses or Henryg among many others such as Semmler, Machine or Babam.

Due all this factors, the increase in eSport consumers in recent years has experienced unprecedented growth. In the case *CS:GO* they have had the need to move the realization of tournaments in to large stadiums with capacity for thousands of people, because of the increased demand for the eSports audience. Currently, ESL Pro League has held its 10th season of the game *CS:GO*, around 4 continents (America, Europe, Asia, and Oceania) were the prizes to the winner range between $ 14,000 and $ 62,000. All of them are held in large sports venues or stadiums (Liquipedia, n.d.). In 2018, the Asia world championship of *CS:GO* took place at the Shanghai Indoor Stadium with a capacity for 12,000 spectators (HLTV.org., n.d). In 2019, the Mercedes-Benz Arena Berlin Stadium hosted the 15th largest *CS:GO* tournament whose stadium seats 17,000 people. In 2020, in Cologne 2020 will be held a big event at the Lanxess Arena considered the Cathedral of the Counter-Strike whose capacity is 18,000 people (ESL ONE, n.d.).

3.3 Evaluation of the role of ESL in the development of CS:GO

In the book *eSports is business: Management in the world of competitive gaming*, the author Scholz (2019, p. 49), had a talk with Chris Flato, who is the Senior Communications Manager, ESL Global. Therefore, the role of ESL as a tournament organizer company will be described.

Initially, there is a great complexity in preparing an eSport tournament, because each tournament is unique and faces different challenges. It is important to note that ESL organizes events almost one year in advance. That is why finding a good place to hold the event is essential, especially when the event does not have a specific location. It will depend on the existence of an attractive crowd and as well as of the host city support, and laying the most suitable bases for potential sponsors.

The organizer must also know the scope and size of the tournament either internationally or locally. So, the selection of the place will be conditioned by the type of event, as well as the most played video games in the area. In addition, the organization is vital to avoid tournament overlaps, to avoid the potential for cannibalization. Therefore, all these factors influence when selecting a location. On the other hand, ESL creates synergies for interested parties. A clear example was when Mercedes showed interest in an ESL One event held in Malaysia with the intention of promoting its brand in the Asian market.

Having found a suitable location for the celebration of the event, it is necessary to find the sponsors, the venue, the selection of games and the professional teams, who must qualify or get invited to the event based on their prestige and ranking. There is a normal intention to have all organizational aspects ready 6 months in advance in order to announce the event. It promotes the event, sponsors, players, and teams. It is after the announcement, where the real preparations for the correct planning of the event begin. And some of its main requirements.

Everything must be well organized, so the list of staff evolves, as well as the number of departments. And on the other hand, if there is the possibility that some regional ESL has some way of supporting the event. However, marketing is one of the most effective tools, through the announcement of equipment, promotions and ticket sales. During the preparation of the group stage, other factors come into play. Finding a suitable infrastructure requires a warm-up area, catering and press area, and personnel needs. Depending on the event, they could be around 20 to 100 people, on a team of 20 to 30 people, Additional to dozens else of security personnel, catering or rigging team.

Often a week before the event (usually on Mondays) the media material must be developed, creating promotional videos of the teams and players cover images. At this time, it is where the group stage begins that takes place from Tuesday to Thursday and that is usually played in hotels at the same time the main stage is built. On Friday the group phase is previously fixed because the main tournament is usually reserved for the weekend. The head of the event manages public relations, marketing, and players' business. “The need to plan everything in detail has become ESL one of the most professional tournament organizers in the world” (Scholz, 2019, p. 60).

Furthermore, during holding the event, a phenomenon created in the eSports ecosystem, regarding the possibility for fans of taking “selfies” with their favorite teams and players rise marketing, for sharing those selfies on different social networks and impact on the audience. It works as a fan multiplier for those who want to consume eSports online o even for new events.

This is only a small example of the complex organizational structure of ESL and of all the details of which it should pay attention for the organizer to operate in a healthy way within the ecosystem of the event and the business model network (Scholz, 2019, p. 62).

Highlighting ESL level of professionalization, discipline, experience, organization, management, engagement, and insight for long-term stability, it is possible to determine that the organic business model of the tournament organizer works into the sustainable growth of the eSports ecosystem. Even, due to its role as a mediator in the industry, recently, ESL with partnership DreamHack announced the ESL Pro Tour whose vision is one open ecosystem in *CS:GO* connecting every one of their competitions around the world. The aim of offers a solution connecting the eSports value network. Where will be possible to find “One world for leagues and tournaments, one place to start your journey, one place to finish it. And one path from rookie amateur to the global icon” (ESL PRO TOUR, n.d.) This becomes an interesting solution to create strategic alliances to level the industry up.

ESL does not only want to create a successful eSports event, instead of that, ESL wants to move towards long-term stability, connecting strong links around the business model for *CS:GO,* and that its well explain in illustration 32. This business model is focus on tournament oriented in which it plays on a video game (Counter-Strike: Global Offensive) establish by the list of players represent a team (Team Vitality) and whose intellectual property belongs Valve (a publisher). "In this case, the game publisher delegates most of the time the organization of the consecutive stages of the competitive circuit (ESL One) to a third party organization (operator) specialized in eSports events (ESL) whose tournament is broadcast on the dedicated channel of the streaming platform Twitch" (Besombes, 2019).

4. Summary and conclusion

4.1 Summary

A business model is about value creation, value delivery, and value capture. This thesis did a description of BMC of Uber, YouTube, and Dropbox, and the most important building blocks chosen for the case study were CS, VP, R$, and KP. Nowadays, eSports have become an attractive opportunity for building new business models. However, there is no consensus for an eSports definition, since some authors understand it as a virtual sport, whereas others argue eSports is not sport. In addition, there is a lack of business side knowledge of eSports, as well as scarcity regarding data, figures, indicators, actually more guesswork than solid data collection (compared to other industries). Despite the limits, eSports has evolved through years, which had attracted new stakeholders, who want to get profit in the competitive eSports ecosystem. That is why the author did the analysis of ESL by using Business Model Canvas for describing its customer segments, value proposition, revenue streams, and key partners. Understanding that the BM of ESL is complex and relevant for the suitable preparation of tournaments, in particular for the Fps game *CS:GO*. Recently, ESL Pro Tour was launch for ESL and DreamHack whose vision is connecting all their *CS:GO* competitions in one open ecosystem for *CS:GO*. Therefore, the role of ESL in the ecosystem as mediator for creating and delivering and capturing value with eSports stakeholders.

4.2 Review of goal attainment of the thesis

This thesis analyzed the mediator role of the company ESL in the development of *CS:GO* to understand eSports BM. It explored primary stakeholders involved in the business. It also described the Business Model Canvas of ESL, emphasizing in CS, VP, R$, and KP. Thus, the author believes that beyond creating a successful eSports event, ESL is moving towards making strategic alliances to seek a sustainable long-term business model for *CS:GO*.

4.3 Conclusion

After the analysis developed in this thesis, it is possible to conclude that ESL has a role as mediator in the industry, as well as establishing strategic alliances with eSports stakeholders. ESL not only wants to create a successful eSports event but wants to move towards long-term stability, connecting strong links around the business model for CS:GO. That is why nowadays ESL announced the ESL Pro Tour at the CS:GO level by connecting all its competitions around the world, making it possible to find a whole universe for leagues and tournaments of this videogame within the eSport industry. This becomes an interesting solution to create strategic alliances and work on the sustainable growth of the eSports ecosystem.

It is important to note that in analyzing the business model of ESL, according to the information and data available (collected from secondary sources that address figures, statistics, sources, and studies), the author has found certain existing limitations. Because the eSport industry constantly reinvents itself as a result of its recent development. This is added to the fact that ESL does not facilitate access to all the data that accurately back up the company's role in the industry, compared to other business models in other sectors. Despite this, at the moment there is no consensus on the numbers, either a precise definition of eSport, and little knowledge of the business side of eSports as an emerging industry, the data collected speak for themselves. The eSport industry is constantly expanding and growing, in some cases displacing other traditional sports. Thanks to the leagues and tournaments, the *CS:GO* has an active and booming presence throughout the world. Game developers are fed back from the role of the organizers as ESL leading us to a future of better games, better tournaments and certainly great investment opportunities within the eSports industry.

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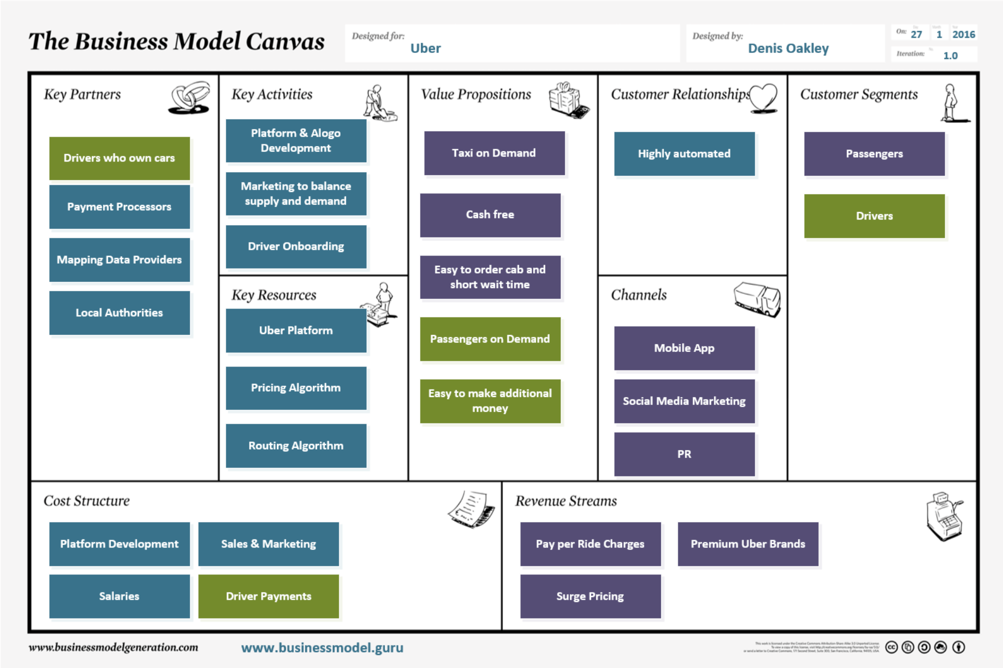
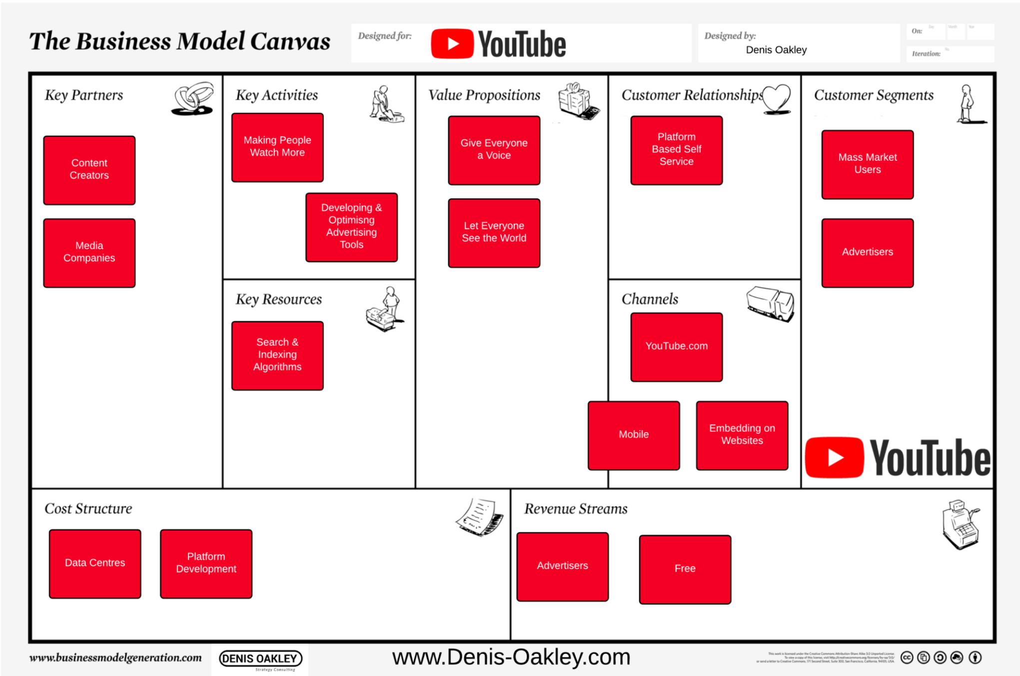
Annex

Illustration 1: The Uber Business Model Canvas.



Source: Oakley, Denis (2016)

Illustration 2: The YouTube Business Model Canvas.

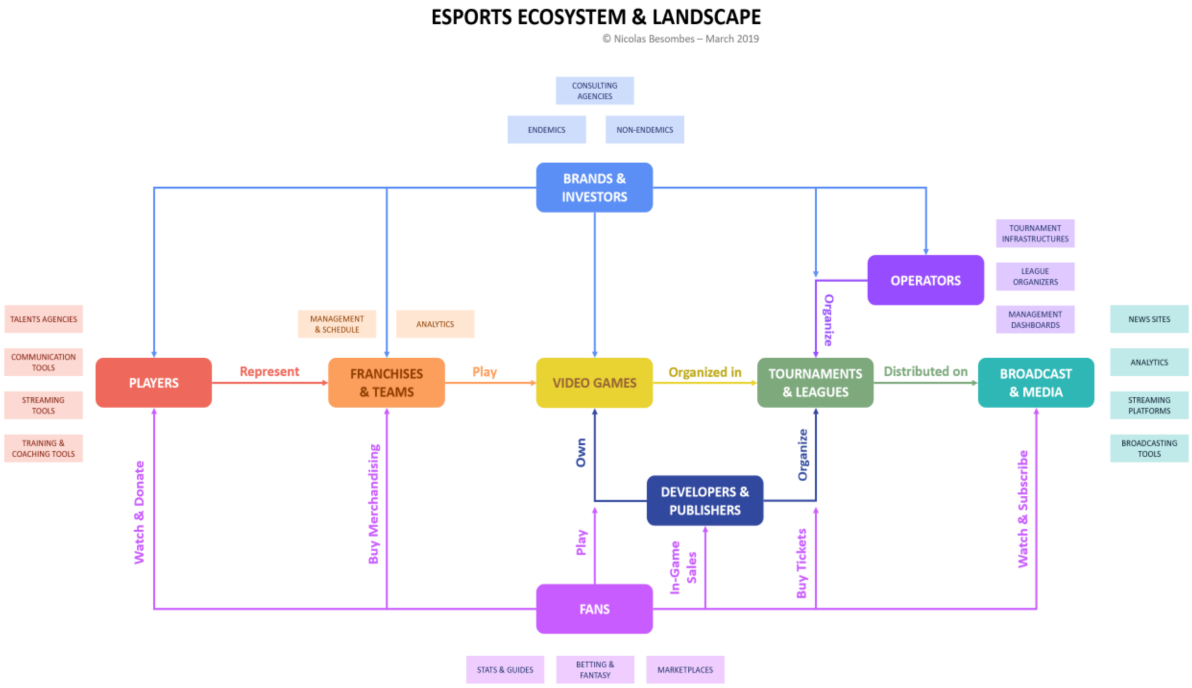


Source: Oakley, Denis (2018)

Illustration 3: The Dropbox Business Model Canvas.

Source: Vizologi.com, (n.d.).

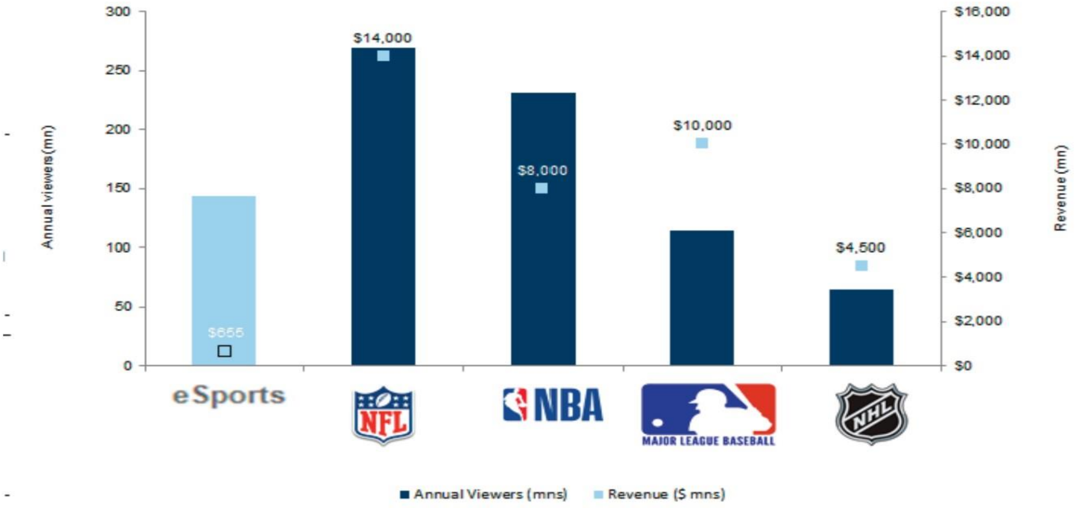
Illustration 4: eSports Ecosystem & Landscape



Source: Besombes, (2019)

Illustration 5: Annual viewership and revenue for eSports and professional leagues

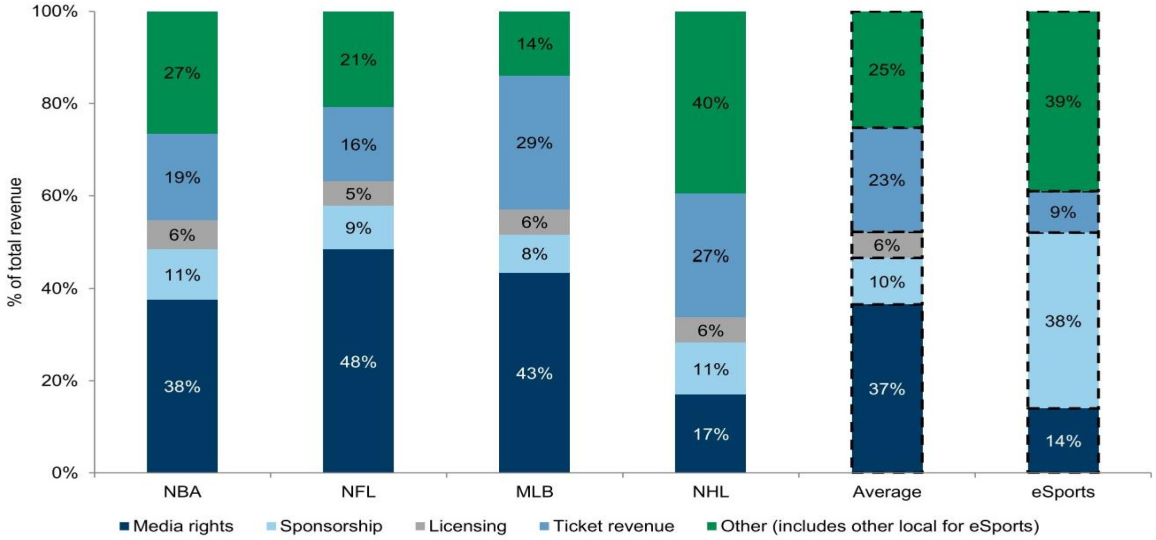
Exhibit 15: eSports dramatically under-index on monetization relative to established sports leagues
Annual viewership (mn) and revenue ($mn) for eSports and professional sports leagues, 2017A



Source: eSports annual viewership and revenue from NewZoo; shows enthusiasts only, Marketwatch, CBS, Forbes, Goldman Sachs Global Investment Research

Source: Goldman Sachs, (2018, p. 12)

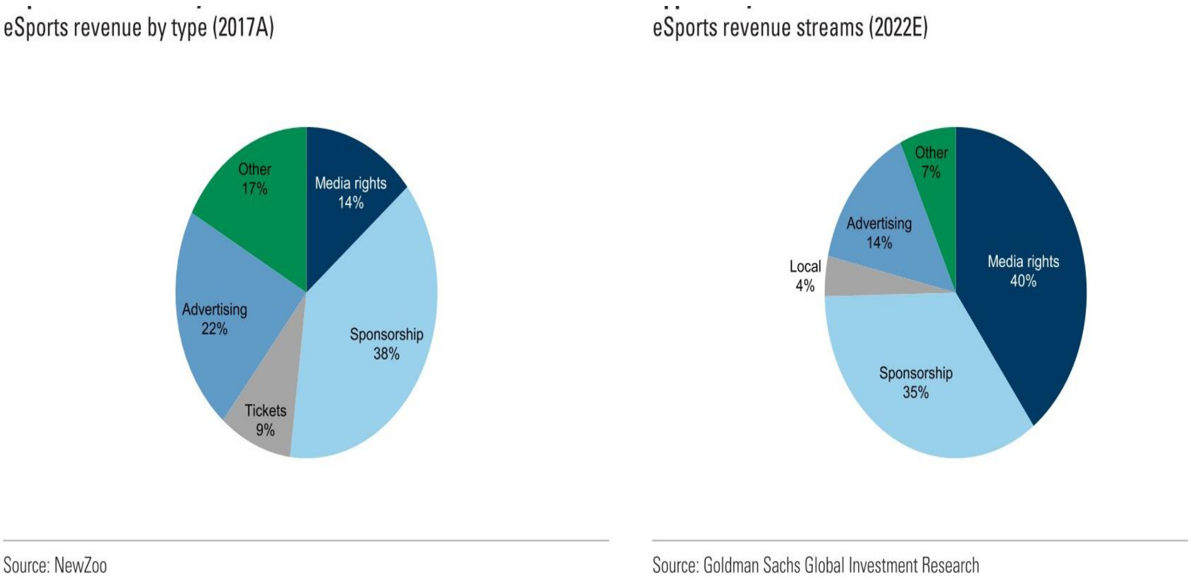
Illustration 6: % distribution of total eSports revenue and traditional professional sports



Source: Goldman Sachs Global Investment Research, Sports Business Daily, New York Times, Wall Street Journal, CBSSports, ESPN, Forbes, MLB.com, Liberty Media

Source: Goldman Sachs, (2018, p. 13)

Illustration 7: Sources of eSports revenue 2017 and 2022



Source: Goldman Sachs, (2018, p. 13)

Illustration 8: Key estimates of eSports audience, prize pool, and monetization (2018E-2022E)

	2018E	2019E	2020E	2021E	2022E
Audience (mns)	**167**	**194**	**225**	**250**	**276**
y/y growth %	*17%*	*16%*	*16%*	*12%*	*10%*
Prize Pool ($ mns)	**$170**	**$256**	**$307**	**$359**	**$413**
y/y growth %	*50%*	*50%*	*20%*	*17%*	*15%*
Monetization ($ mns)	**$869**	**$1,184**	**$1,592**	**$2,173**	**$2,963**
y/y growth %	*33%*	*36%*	*35%*	*37%*	*36%*

Source: Goldman Sachs Global Investment Research, Newzoo

Source: Goldman Sachs, (2018, p. 4)

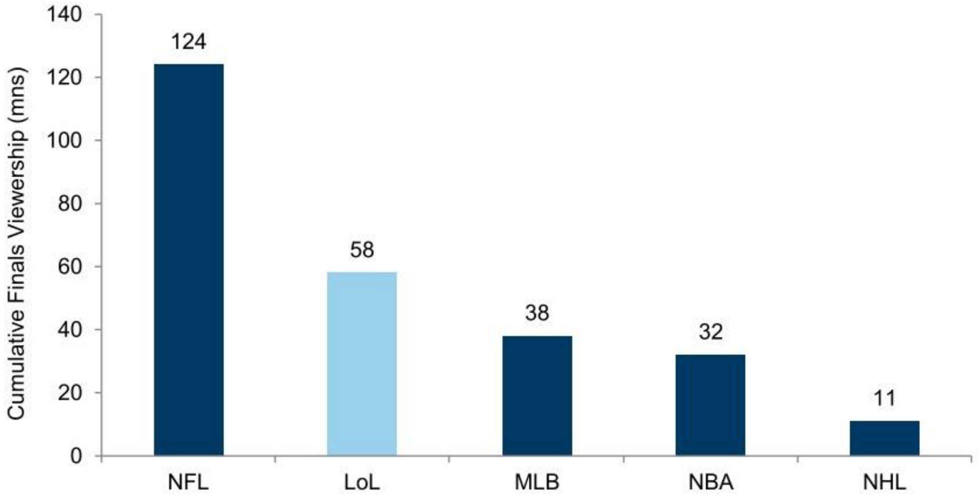
Illustration 9: Prize pool of all eSports titles year 2017

Title	Prize Money (2017)	Tournaments
Dota 2	**$38,053,795**	**159**
Counter-Strike: Global Offensive	$19,252,556	894
League of Legends	$12,060,789	153
Heroes of the Storm	$4,783,333	31
Call of Duty: Infinite Warfare	$4,027,895	72
Hearthstone	$3,452,684	112
Overwatch	$3,408,254	259
StarCraft II	$3,386,454	612
Halo 5: Guardians	$1,748,000	14
SMITE	$1,567,900	8
Other Games	$21,511,703	1,619
Total	**$113,253,364**	**3,933**

Source: Goldman Sachs Global Investment Research

Source: Goldman Sachs, (2018, p. 9)

Illustration 10: *LoL* finals in comparison to other major sports finals (2017)

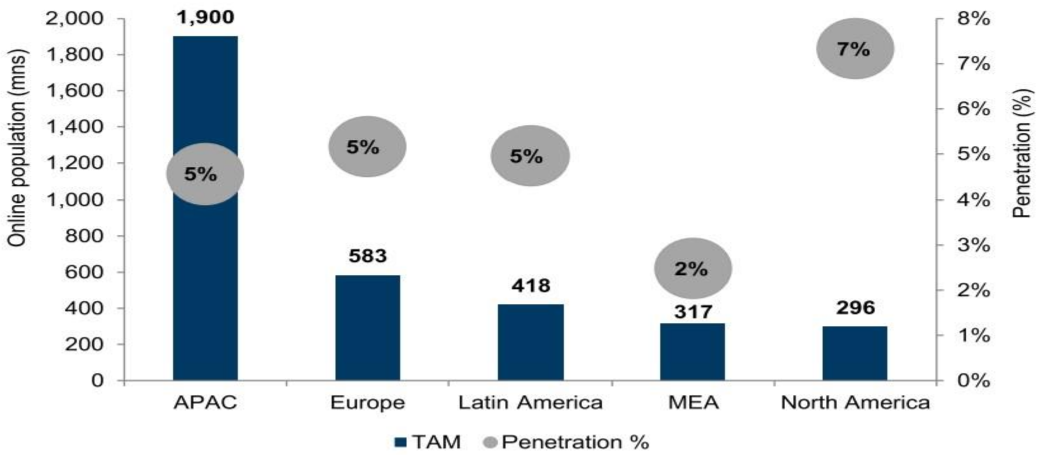


Source: LoLesports.com, Goldman Sachs Global Investment Research, Nielson, Rentrak

Source: Goldman Sachs, (2018, p. 8)

Illustration 11: Global regions worldwide, with regard to eSports penetration and online population

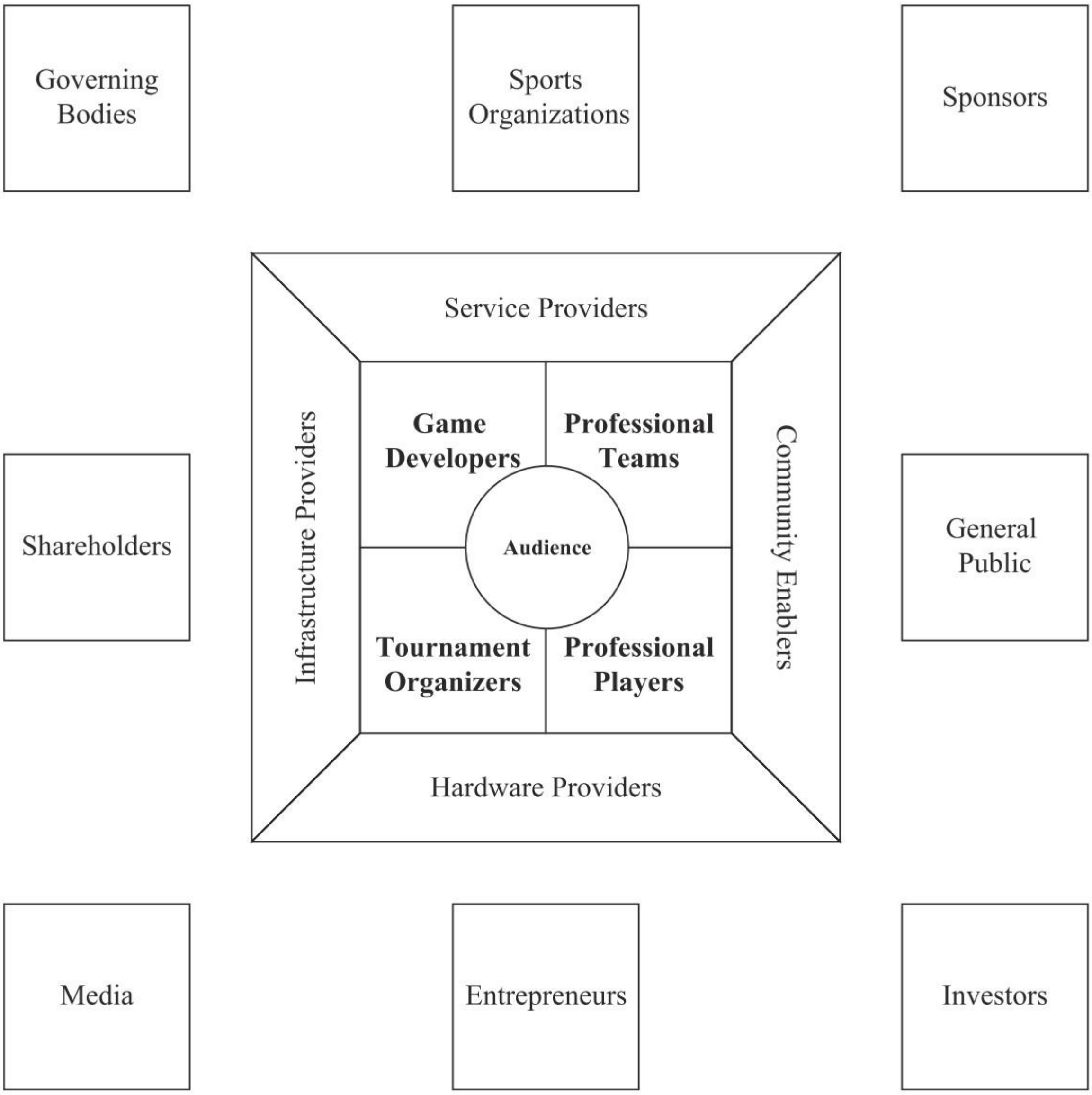
Exhibit 6: APAC's TAM is nearly 4x that of any other region
eSports TAM (online population; mns) and penetration (%)



Source: eMarketer, Goldman Sachs Global Investment Research

Source: Goldman Sachs, (2018, p. 8)

Illustration 12: Primary and secondary Stakeholders in the eSports industry

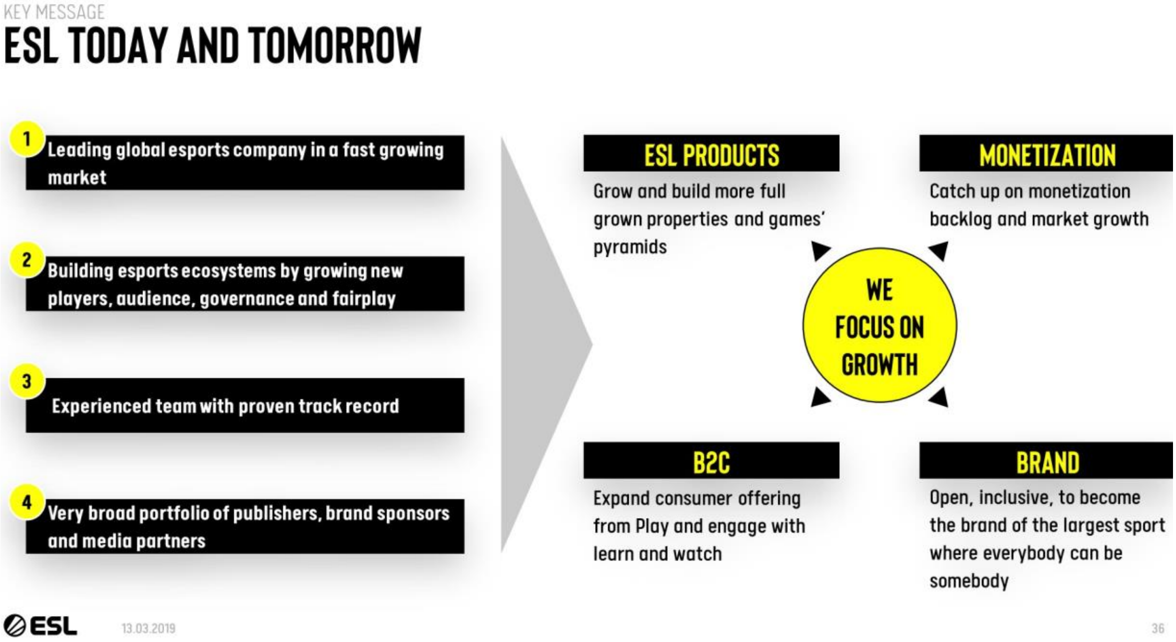


Source: Scholz, (2019, p. 49)

Illustration 13: ESL facts

Source: ESL, (2019)

Illustration 14: ESL today and tomorrow

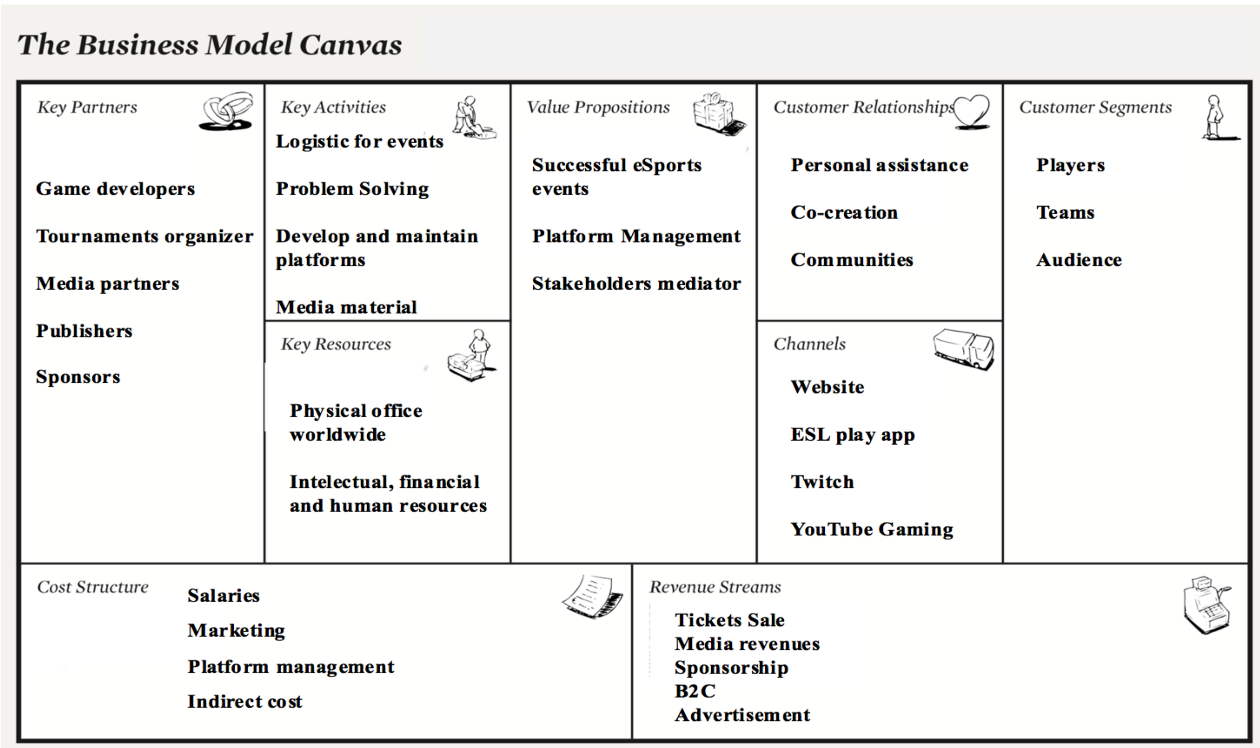


Source: ESL Report, (2019, p. 36)

Illustration 15: ESL is dedicated to grow the eSports industry

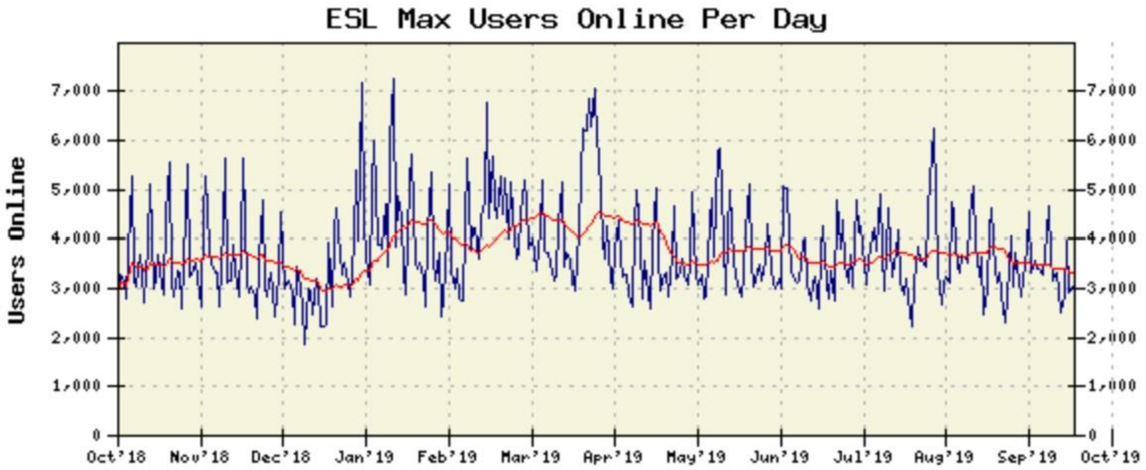
Source: ESL Report, (2019, p. 35)

Illustration16: The BMC of ESL



Source: Own elaboration, (2019)

Illustration 17: ESL Max Users Online Per Day

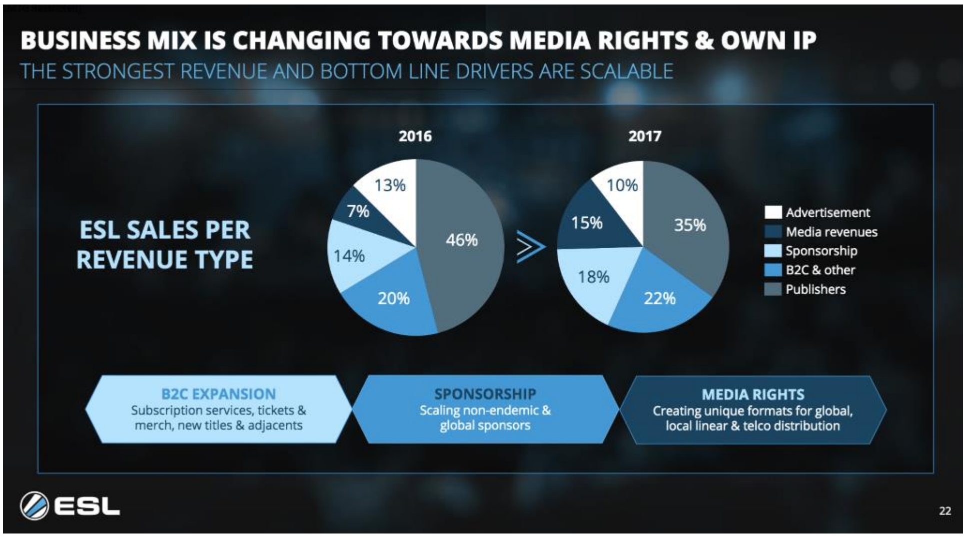


Source: ESL PLAY, (2019, https://play.eslgaming.com/archive/esl-europe/eu/statistics/)

Illustration 18: Full scaling mode of ESL business

Source: ESL, (2017, p. 20)

Illustration 19: Business mix is changing towards media rights & own IP

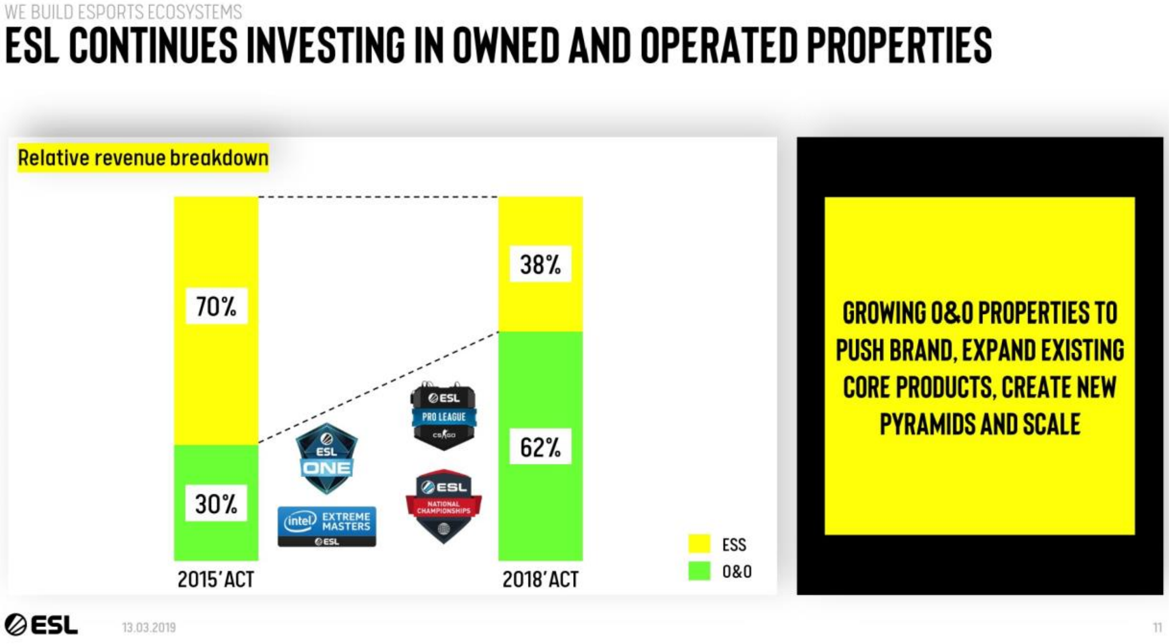


Source: ESL, (2017, p. 22)

Illustration 20: ESS and O&O product approaches are complementary

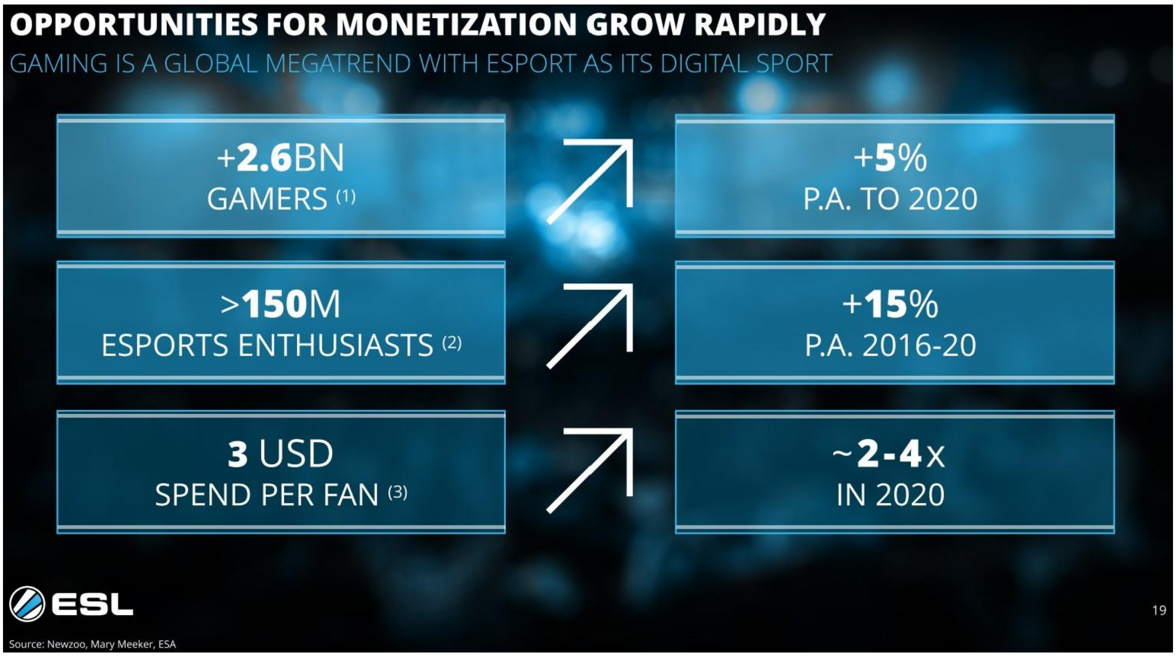
Source: ESL, (2017, p. 21)

Illustration 21: ESL continues investing in owned and operated properties



Source: ESL Report, (2019, p. 11)

Illustration 22: Opportunities for monetization grow rapidly

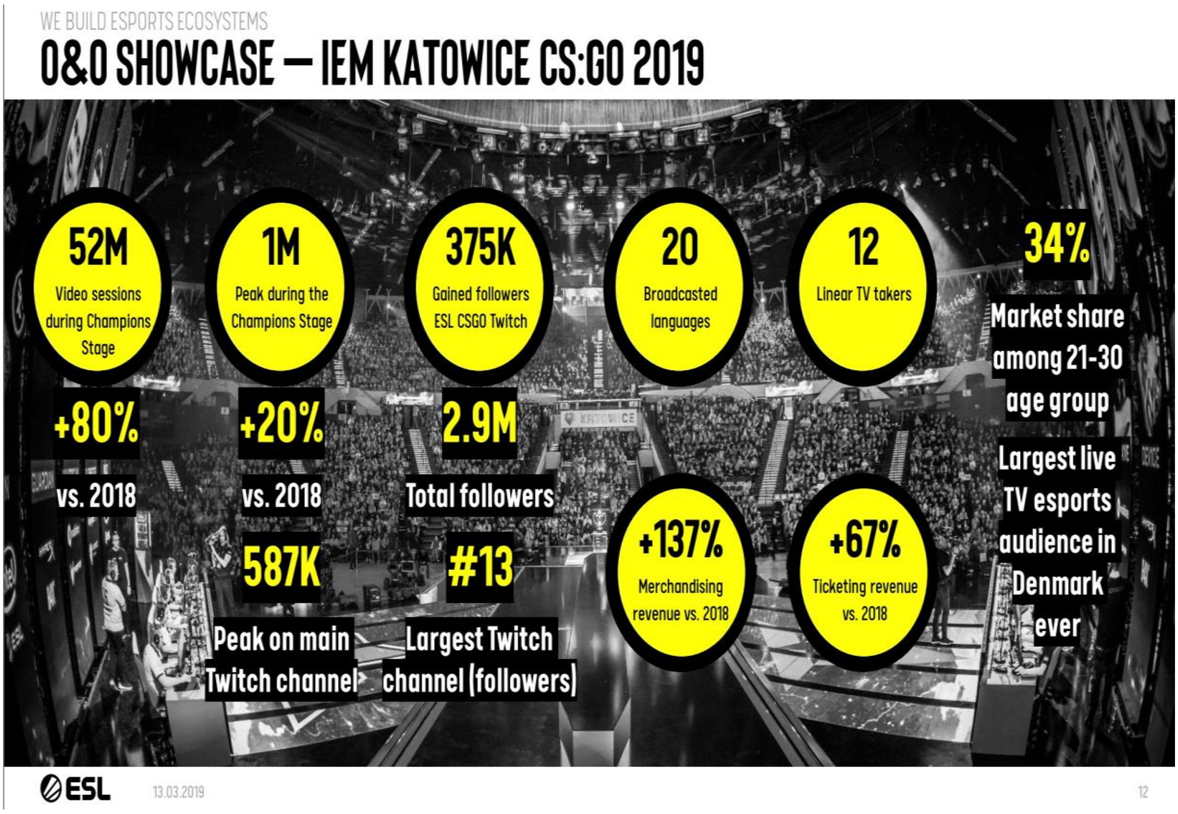


Source: ESL, (2017, p.19)

Illustration 23: ESL ONE success story

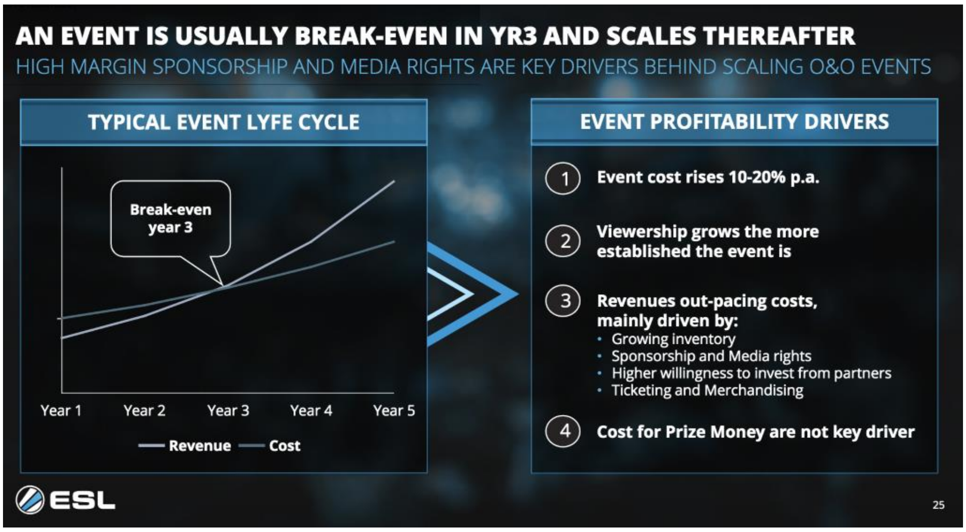
Source: ESL, (2017, p. 24)

Illustration 24: O&O showcase of IEM Katowice Poland *CS:GO* 2019



Source: ESL Report, (2019, p. 12)

Illustration 25: An event is usually break-even in YR3 and scales thereafter

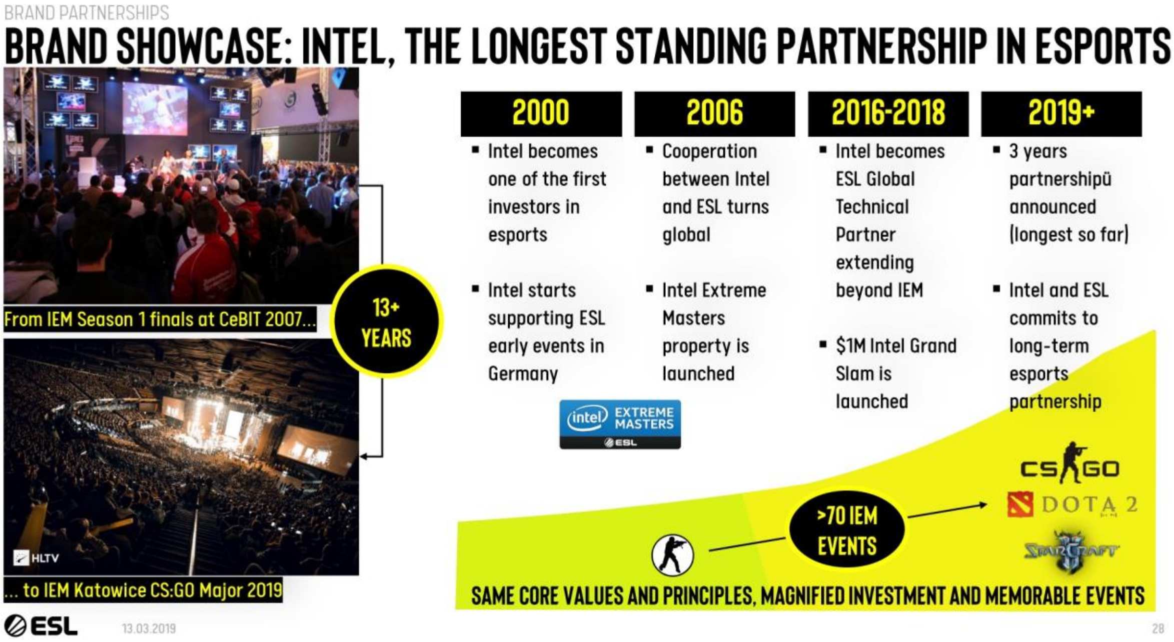


Source: ESL, (2017, p. 25)

Illustration 26: Reaching the level of larger sports

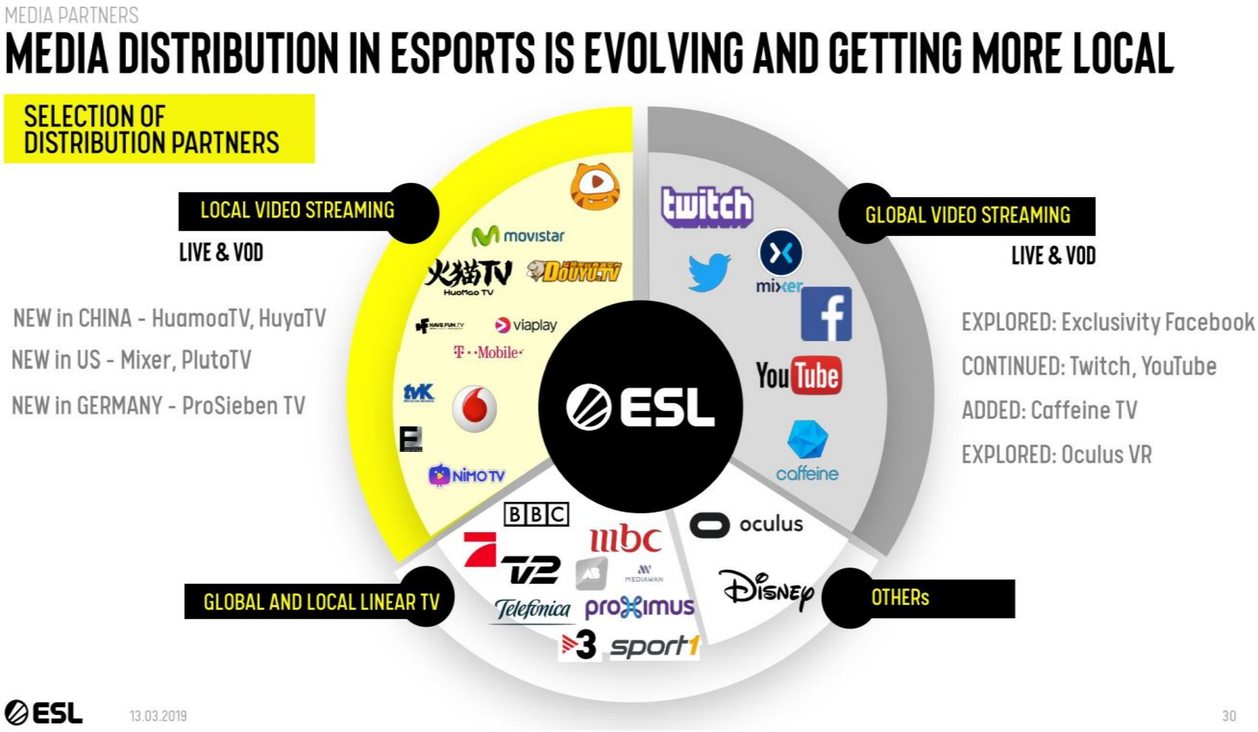
Source: ESL Report, (2019, p. 25)

Illustration 27: Brand showcase: Intel, the longest standing partnership in eSport



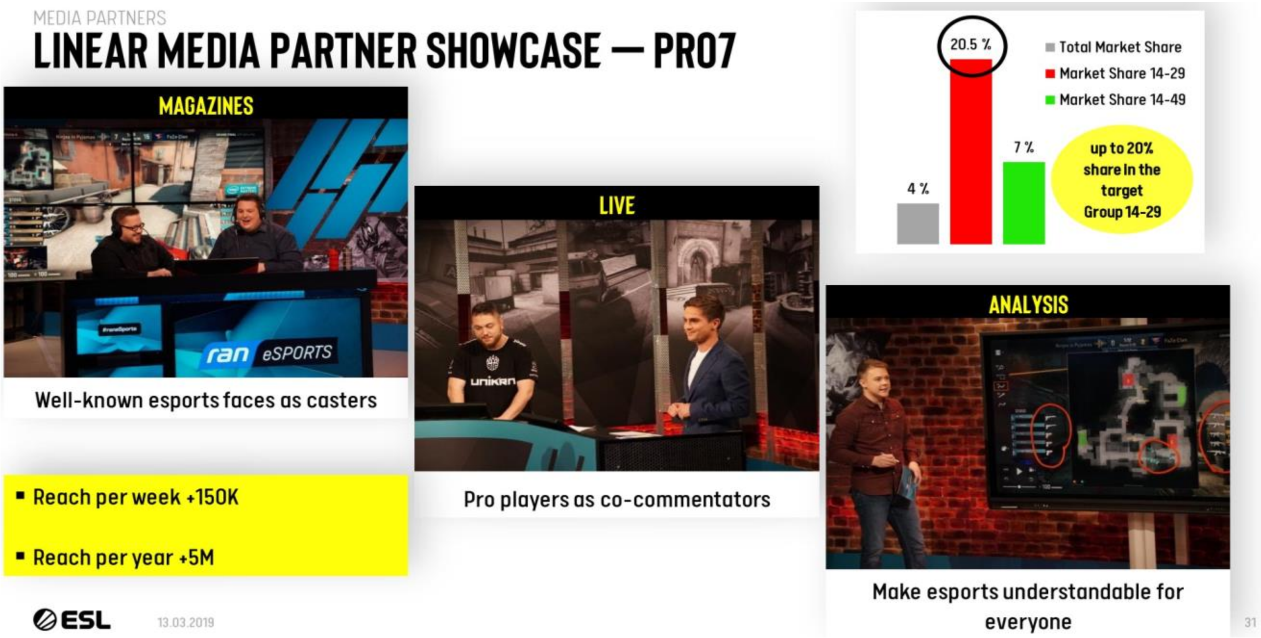
Source: ESL Report, (2019, p. 28)

Illustration 28: Media distribution in eSports is evolving and getting more local



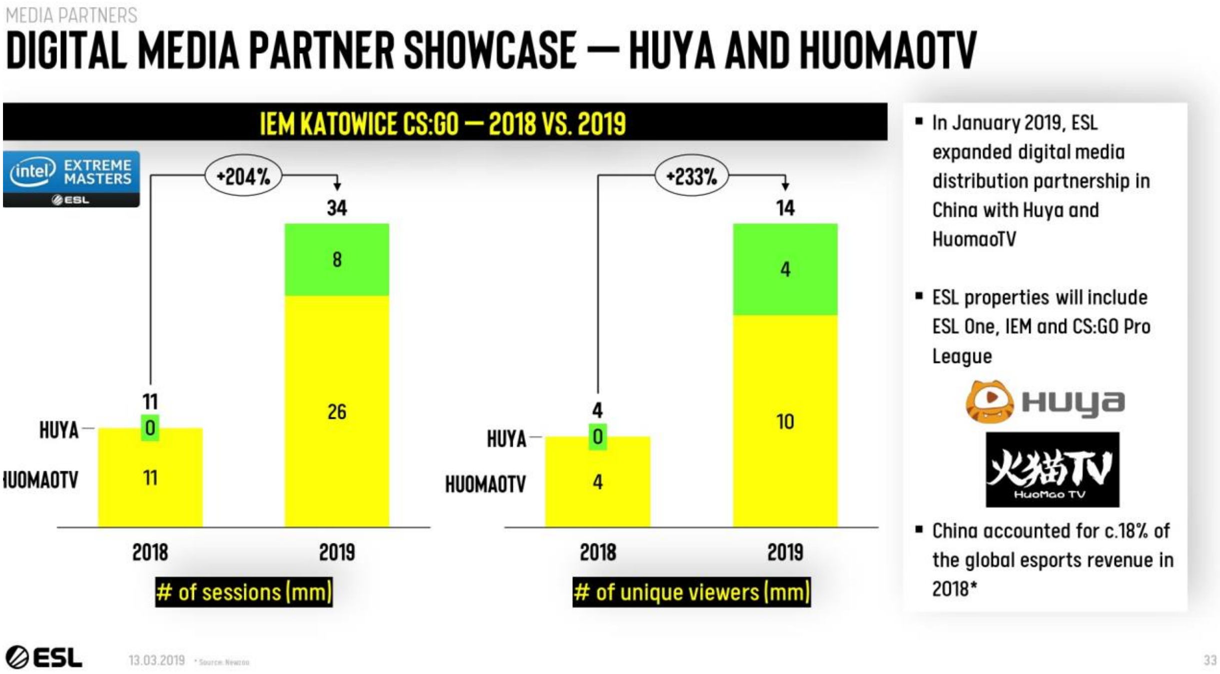
Source: ESL Report, (2019, p. 30)

Illustration 29: Linear media partner showcase pro7



Source: ESL Report, (2019, p. 31)

Illustration 30: About the digital media partner showcase – Huya and HuomaoTV

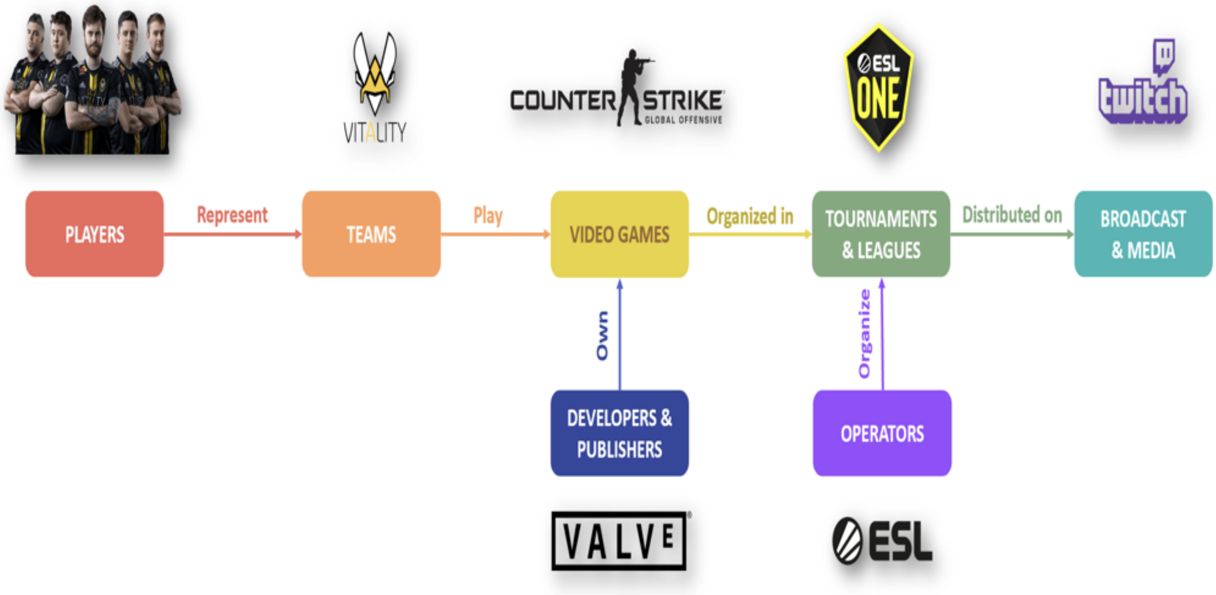


Source: ESL Report, (2019, p. 33)

Illustration 31: Casters

Source: eSports.com, (2018)

Illustration 32: Tournament-oriented model (CS:GO)



Source: Besombes, (2019)

Table 1: Consumer profile

Variable	Characteristic
Age	Age becomes a characteristic that will possibly determine the potential of players and teams since this industry attempts to reach the millennial & Generation Z audience of eSports.
Gender	Gender statistics could show the trend regarding the predominance of involving men in the eSports industry, as well as the potential for women.
Hours played	The average time-consuming videogames allow understanding the orientation to the consumption of the ESL products, arguing that in a long time, greater satisfaction and greater willingness to become a professional gamer.
Purchase frequency	The purchase frequency allows to identify the averages of the gamer buys an eSports product

Source: Own elaboration, (2019)

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Gil Silva, Diana Carolina

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