



## The Infancy of the Esports Industry as a Risk to its Sponsors

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**Abstract:** In less than 10 years, esports have turned into a global phenomenon with a large following that rivals the audience size of popular established sports. This has resulted in a massive influx of esports sponsors. However, because it appeared and evolved so rapidly, sponsors have no idea of what esports really are nor of what risks they may face. Ergo, this research aimed to determine what issues are being caused by the infancy of the esports industry that is threatening sponsors. Hence, this exploratory research used a convergent-parallel mixed method with equal status. Empirical data was obtained through interviews with 22 experts in esports sponsoring and the application of a survey to 5,638 esports fans. Quantitative data was analysed with SPSS 25 and qualitative data with NVIVO 10. The results showed that the majority of experts considered that the problems associated with the infancy of the esports industry are a risk to esports sponsors and almost all esports fans reckon that the competitive gaming market has infancy-related issues to solve. Esports are not like general sports, so sponsors must holistically study this industry to mitigate the dangers of suffering from the problems of this new and unknown market.

**Keywords:** esports; sponsoring; threats; market analysis; market infancy.

**JEL classification:** M30.

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## 1. INTRODUCTION

Esports – short for *electronic sports* and also known as *professional* or *competitive gaming* – are professionally orchestrated, and widely popular, videogame tournaments where the best videogame players – often called *pro-players* or *pro-gamers* – participate (Shabir, 2017) with the objective of obtaining prestige, money, prizes, etc. (Mooney, 2018). Similarly to water sports, competitive gaming is a collective term because it is composed of multiple constructs (i.e. videogames), with a single tournament being able to hold competitions of different videogames (Ströh, 2017). Esports' past is intimately connected to the old LAN (Local Area Network) parties, where individuals would join in a predetermined real-world place to participate in small-scale friendly videogame competitions (Shabir, 2017). At present, thanks to high-speed internet, streaming platforms have become commonplace (Carter & Gibbs, 2013) and allowed videogame competitions to become grander, more serious, and to spread over the world (Ströh, 2017).

Tournaments are divided into tiers (Shabir, 2017), like amateur (Hamari & Sjöblom, 2017), semi-professional, and professional (SuperData, 2017). Regarding low-tier events, most occur at a distance, with pro-players participating via an internet connection from the comfort of their homes (Stein & Scholz, 2016). In relation to high-tier events, most take place in real-world locales (e.g. sport stadiums), with pro-players going there to compete and fans going to see their favourite pro-gamers (Gifford, 2017). In both cases, these events are streamed to millions of fans (Ströh, 2017).

The popularity of esports started to gain relevance very recently in the early 2010s (Ströh, 2017). Still, in just a decade, they rapidly grew (Shabir, 2017) to become a global phenomenon, and now some countries already recognize esports as a legitimate sport, including South Korea (Hiltscher & Scholz, 2017). The evolution of esports is so fast that they are now seen, not only as the fastest-growing sport in the world (Sylvester & Rennie, 2017), but also as one of the fastest-growing markets in general (Winnan, 2016). This significant popularity (Europe, 2015), along with a powerful worldwide reach (Intelligence & Elder, 2017) and a relevant economic power (Shabir, 2017), is attracting the eyes of multiple consumer brands looking to use it as a new and meaningful marketing channel (Europe, 2015). Because of this, just in 2016, over 600 brands signed esports sponsorship contracts (Shabir, 2017). Some of these include, Red Bull, Samsung, Microsoft (Funk *et al.*, 2018), Vodafone, Coca-Cola (Ströh, 2017), Nissan, Audi, Sony, Google, Paris Saint-Germain, and Manchester City (Shabir, 2017).

Competitive gaming sponsors are reaping substantial ROIs (Freitas *et al.*, 2020), particularly an increase in brand awareness (Ströh, 2017). According to market reports, in 2021, there were 474 million esports fans, and it is estimated that this figure will increase to 577 million in 2024 (Statista, 2022), a number that is on par with several popular sports and larger than the number of fans in the NFL (Shabir, 2017). In fact, esports already has higher viewership figures than some popular sports (Winnan, 2016). For instance, the match between the USA and Germany during the 2014 edition of the Football World Championship was viewed by 1.7 million individuals on ESPN (Europe, 2015), but esports tournament Intel Extreme Masters in Katowice was viewed by 46 million individuals on YouTube and Twitch (Statista, 2018). Sponsors are also reporting an increase in sales (Winnan, 2016; Freitas *et al.*, 2020). Research has concluded that most esports fans' income is above the average person (Ströh, 2017), that they are compulsive buyers, early technological adopters (Winnan, 2016) and important influencers of the buying behaviour of their social circles (Ströh, 2017).

Moreover, in 2021, the esports market was valued at \$1.08 billion, and it is expected that, in 2024, it will be valued at \$1.6 billion (Statista, 2022). Also, contrary to most developed sports, which do not depend completely on sponsor money, competitive gaming is still an underdeveloped industry that cannot survive, by any means, without sponsors (Ströh, 2017). Because this market is entirely dependent on sponsor funds, it is considerably cheaper to sponsor them when compared to general sports (Winnan, 2016).

As evidenced, competitive gaming is a novel and exciting market filled with benefits for sponsors (Freitas *et al.*, 2020). However, the videogame industry is very recent (Hansen, 2016), which means that esports market is even younger (AEVI, 2018; Funk *et al.*, 2018; Freitas, 2021). When referring to esports, (Fields, 2011), a journalist, retired esports player, and current president at VT Gaming, mentioned that “overall, it’s still an industry in its adolescence” (p. 41). The truth is that, despite enjoying a rapid increase in popularity since the early 2010s (Franke, 2015), in terms of industry growth, competitive gaming is still between a niche and a mainstream market (Taylor, 2012). This infancy is quite concerning, and it is one of the main issues of the esports industry (Shabir, 2017).

In terms of economic development, esports are still at an early stage, meaning that they still need time to mature and reach their full potential (AEVI, 2018). It is true that this industry is already offering a vast array of attractive opportunities to those who enter it now (Shabir, 2017), but its underdevelopment also means that these early investors will be faced with a plethora of challenges (Keiper *et al.*, 2017). This is quite concerning because, if sponsors stop supporting competitive gaming due to its infancy issues, then the esports-dependent industry will likely crumble (Freitas, 2021).

According to McTee (2014), the current state of the esports market has already been compared to the state early baseball was in when it was struggling to be recognized as an official sport with legitimate leagues. Just like baseball, esports will continue to suffer from complex policies and doctrinal issues from multiple field of the law until they evolve into a mature and stable market (McTee, 2014). In light of these problems, a review of the literature will now analyse the multiple elements that contribute to the issues connected to the infancy of the esports industry that are threatening esports sponsors.

## 2. LITERATURE REVIEW

### 2.1 Lack of main governing body, regulation, and standardization

As stated by Salice (2010), federations have always been vital elements of regular sports because they are respected entities – like FIFA – that oversee and manage all elements of their sport. These federations try, not only to make their sport easily available to everyone, but also to create a valid and standardized ruleset (Salice, 2010). Yet, competitive gaming lacks a clearly identifiable governing body (Sylvester & Rennie, 2017). Because of this, its industry suffers from fragmentation (Europe, 2015), and is seriously lacking in organization (Winnan, 2016).

Contrary to the majority of regular sports, esports lack a hierarchically organized pyramid governance structure (Brickell, 2017). In particular, the issue with competitive gaming is not the lack of esports federations, it is the lack of a main one (Salice, 2010). There are dozens of esports leagues, governing bodies (Winnan, 2016), and national federations, but they are all different (Salice, 2010). The situation is so dire that the current state of the esports industry is being compared to the “wild west” (Shabir, 2017, p. 198).

The reason why esports have no main governing body is because their industry is still very young (Shabir, 2017). Also, according to Salice (2010), competitive gaming's lack of geographical boundaries made them have a very different development when compared to other sports. The author states that esports developed extremely fast and simultaneously throughout the entire world. Because of this, federations developed independently, with unique visions and needs, and with different stakeholders who also possess specific interests and influence. Salice defends that all the different views and interests from all the different entities make it extremely hard (and unlikely) that a decision can be made that makes everyone happy. This makes it very hard for these entities to reach a consensus and even harder for them to choose a federation to be the main one (Salice, 2010).

Schaeperkoetter *et al.* (2017) state that competitive gaming also still has not reached institutional stability because various companies are mainly worried about increasing their profits. The authors note that the little number of governing bodies that esports currently possess have the main objective of attaining commercial success, not of improving the scene for everyone. Moreover, the infancy of this market implies that the competition to take control of the whole structure of the industry will tend to escalate even more as time passes (Schaeperkoetter *et al.*, 2017).

However, another author, Salice (2010), mentions that this problem is not exclusive to competitive gaming. The author states that there are some regular sports, like boxing, that also lack a unique governing body. Salice stresses that, for over 40 years, multiple boxing federations have, and still act, like they are the main governing entity from this sport, with each one declaring their own world champion. The result is a confusing landscape for people outside boxing and it drastically reduces the prestige of the title of world champion (Salice, 2010).

Likewise, since there is no main governing body in competitive gaming, there are important leagues and tournaments occurring all the time and, sometimes, at the same time (Stein & Scholz, 2016). Despite some attempts at rearranging the time at which these competitions happen (Messier, 2011), currently, there still exist conflicting tournaments (Winnan, 2016), with each crowning their version of the best player or team for a particular videogame (Salice, 2010). To make things worse, there is no consistency in the yearly tournament structure (Nichols, 2017). Some events appear at random times throughout the year (Messier, 2011), which leads to a confusing, chaotic, and unorganized landscape (Winnan, 2016). This decreases the likelihood of competitive gaming obtaining a consistent image, which makes it difficult for traditional media to comprehend this confusing market where a league's prestige drastically changes over time (Salice, 2010).

In the same vein, there is very little regulation in esports (Li, 2016). Most tournaments do not have a thorough a clear set of rules that is applicable and prepared for all possible situations (Taylor, 2012). To make things worse, different tournaments possess different rulesets (Salice, 2010), which leads to a lack of coherency (Sylvester & Rennie, 2017) and of standardized rules that can be equally applied to all competitions (Taylor, 2012).

The two main reasons for this lack of established and clear legal framework is because of the underdevelopment and infancy of the esports market (Shabir, 2017; ONTIER, 2018) and due to each league entity establishing its own ruleset (Salice, 2010). However, this issue is also promoted by the continuous release of new videogames and by each of these intellectual properties (i.e. videogames) being owned by a specific company (Chao, 2017). For instance, Li (2016) mentions that *League of Legends'* copyright is tightly controlled by Riot Games. The publisher applies and controls a ruleset to every competition that features its videogame and all

tournament managers are required to abide by these regulations (Li, 2016). There are also some instances where event managers must purchase a license from the game developers to be able to feature and broadcast the videogame in their tournaments (Taylor, 2012).

As is evident, contrary to regular sports (where governing bodies possess control over the rulesets and the standardization of their specific sport), in esports, rulesets are created and applied by the creators of the videogame, not by the tournament's governing body (Schaeperkoetter *et al.*, 2017). According to Brickell (2017), this means that there multiple stakeholders (i.e. publishers and game developers) that have complete control over the videogames' rights. This is an element that is exclusive to esports, and it greatly complicates the implementation of a governance and regulatory model akin to that found in regular sports (Brickell, 2017) and makes it near impossible to establish a single governing structure that standardizes and stabilizes the industry (Schaeperkoetter *et al.*, 2017).

Just as Taylor (2012) states, the main difficulty in regulating and managing esports is not necessarily caused by the problematics of the rulesets. Instead, it is caused by the larger political, organizational, and structural elements that involve contractual arrangements, legal arguments, and governmental and nongovernmental entities (Taylor, 2012). Unfortunately, these competing companies cannot find ways to establish common rulesets and it is here that esports would benefit from the presence of a major, resourceful, and competent international federation (Salice, 2010).

According to Salice (2010), the contrasting and conflicting rulesets of esports have worsened the chaos of its market. There are various disputes, frustrations (Salice, 2010), and the scene is full of uncertainty (Shabir, 2017). As reported by Taylor (2012), some pro-players have even been accused of exploiting videogame glitches during competitions. However, the author defends that some of these scandals occur because some tournaments' rules allow for the exploitation of these glitches (because they perceive it as an integral element of the videogame), while others either allow the exploitation of just a selection of glitches or do not allow them at all. Taylor stresses that this confuses players who may be used to a particular playstyle and have difficulties adapting to the different rules from all the tournaments. Still, to avoid the unintentional exploit of certain glitches, some competitions have modified certain videogames (to fix prohibited glitches) so that pro-players cannot use them (Taylor, 2012).

Likewise, when the issue is centred on little regulation, there will always be people who try to exploit the rulesets and other people to gain short-term advantages (Winnan, 2016). For instance, according to Hollist (2015), pro-gamers are usually unknowledgeable about how to handle contracts or ensure adequate working conditions. The author states that even Riot Games (who is seen as a popular and friendly tournament organizer and videogame developer) allows pro-gamers (some of them minors) to work for illegal amounts of hours. Still, the main issue in this does not come from the nefarious nature of some developers and tournament organizers, it comes from the pro-players' inability to advance their particular interests (Hollist, 2015).

As stated by Hollist (2015), the ease of substituting pro-players, along with their short careers, means that it is very hard for them to form unions that would allow them to demand improved conditions. Although esports associations in some countries have tried to defend the pro-players' interests, and were even able to negotiate better terms in some aspects, other countries, like the USA, do not have these types of institutions (Hollist, 2015).

In conformity with Shabir (2017), because esports is a market with complex legal relationships, it is susceptible to conflicts of interest, collusive agreements, and anti-competitive practices. At the moment, it is not possible to determine if the actual provisions

and laws are sufficient to control every legal element that could lead to abusive situations inside the competitive gaming sphere, like dominant entities trying to impose their own regulations (Shabir, 2017). These behaviours drive out the competition a lead to monopolies (Winnan, 2016) that may jeopardize the integrity of the competitions and even of esports themselves (Shabir, 2017).

Based on Mooney (2018), the multiple problems that challenge the esports market have led several individuals to demand for more regulatory measures. This has promoted the creation of multiple institutions, like the World eSports Council, the World Esports Association (WESA), and the Esports Integrity Coalition (ESIC), which aim to manage the integrity of this market (Mooney, 2018) and standardize numerous policies from a multitude of competitions (Holden *et al.*, 2017b).

The esports industry is in dire need of a public intervention that regulates and protects its public interests and any parties that could be in a disadvantageous position (Shabir, 2017). For instance, Hollist (2015) states that, regarding the exploitation of pro-gamers, most barriers to a collectively bargained agreement would fall if pro-gamers were labelled as employees, instead of as independent contractors. Hollist stresses that, although this legislature would have to pass a law that labelled pro-players as employees (and that there would be some barriers for doing this), there are more than enough argument to label pro-gamers as employees. The author notes that this would be most beneficial since almost all law provisions protect employees but not independent contractors. Hollist comments that, by implementing this law, pro-gamers would be able to form unions and it would enable the application of multiple current laws that govern the amount of employee working hours and the nuances related to underage pro-players. Because of all these potential benefits, this solution is the best option (Hollist, 2015).

Still, according to Hollist (2015), no matter how beneficial these solutions are, they must not hinder the independence of leagues nor prevent the orchestration of casual competitions. The securement of safe and healthy working conditions for pro-gamers may be important to secure, but the new regulatory measures should only restrict elements that allow the accomplishment of the aforementioned well defined objectives (Hollist, 2015).

As esports evolve, the need of an objective legal framework that regulates and provides certainty inside this market will become more evident (Shabir, 2017). The improved regulations would mitigate numerous problems that are damaging the esports scene (Mooney, 2018). Yet, regulatory bodies must consider that overregulation of this industry may endanger its activities and future (ONTIER, 2018). In this sense, and in conformity with Chao (2017), regulatory agents should form an esports governing body capacitated to mitigate all anticompetitive conduct and standardize the market. To secure its independence, this governing body must not orchestrate its own competitions or leagues, but it must seek to mitigate the amount of leagues that overlap or vanish (Chao, 2017).

According to Chao (2017), the more the esports market grows, the more evident the need to manage the regulatory shortages that plague this industry at a holistic level. However, the author stresses that regulatory bodies should not implement an ecosystem that mimics the infrastructure of regular sports. Hence, Chao notes that this new independent governing body should be able to adapt to esports' rapid evolution, while also forming new legal rights and obligations. This idealized governing entity would have the power to conceive, promote, and apply regulations across all the esports industry (Chao, 2017).

Currently, no official and worldwide governing body exists capable of standardizing the global regulations and rules of the market, and it is not even clear if there is an entity in a more

dominant position to do that (Shabir, 2017). For instance, Brickell (2017) indicates that multiple organizations are trying to be the central regulatory agent of this industry. Some of these include: the Esports Integrity Coalition, the E-Sports International Federation, the International Esports Federation (IESF), the World Esports Association (Brickell, 2017), Major League Gaming, and the Cyberathlete Professional League (Schaeperkoetter *et al.*, 2017). At present, the most developed governing entity is the International Esports Federation (Shabir, 2017), which has 98 member nations (IESF, 2021). It aims to standardize the industry, promote esports and pro-players (Shabir, 2017), and improve every elements of competitive gaming (Salice, 2010). But, several other entities are trying to do the exact same thing (Shabir, 2017).

As per Shabir (2017), multiple people and institutions have been asking for a governing body for a long time. One of these is the International Olympic Committee, who mentioned that, for competitive gaming to be seen as an Olympic sport, it must first possess an entity that ensures compliance with the Olympic Movement's rules and regulations (Shabir, 2017).

With the aim of easing the formation of a unique entity, Brickell (2017) proposed guidelines on what each branch of this market should do. As stated by the author, one of the little things sponsors may do to reduce these issues is to promote integrity and good practices, abide by good behaviour clauses (e.g. regulations and codes of conduct), and demand more robust integrity measures. Videogame developers must not ignore the issues of esports and should begin allowing and investing in an independent regulatory entity. Tournament organizers should abide by the jurisdiction of this new regulatory entity and apply a ruleset that is equal for all the different leagues. Regulatory institutions must create a complete and independent regulation that applies to the whole industry (despite every videogame being different, it is possible to develop a harmonized regulation applicable to all intellectual properties), be transparent about every disciplinary decision and sanctions, and provide jurisdiction to one or multiple connected regulatory entities. Players should create a representative institution that protect their personal interests, inform regulatory agents of potential perpetrators, and take responsibility for learning and obeying the rules. Teams should protect players and teach them about the dangers they may be exposed to. Wagering companies must study this industry to better understand how it works, share data with regulatory institutions to better identify possible events of match-fixing, and ensure that they are able to effectively monitor the betting scene of this industry. Lastly, law enforcers and betting regulators should provide clear regulations, share data with esports regulators, teach publishers and tournament organizers about the dangers that some videogames pose in some countries, punish misconduct (e.g. unlicensed or underage gambling), and identify which esports videogames can be labelled as gambling (Brickell, 2017).

The most effective way for these organizations to reach the goal of a unique regulatory body is for all them to cooperate (Brickell, 2017; Holden *et al.*, 2017b) and forgo a part of their authority for the overall good of the industry (Holden *et al.*, 2017b). As stated by Hollist (2015), an institution that functions independently from tournaments, videogame developers, and pro-gamers would guarantee better uniformity and solve several of the industry's most severe issues. Furthermore, the author notes that if that institution operates globally, it could apply a homogenous ruleset applicable throughout the globe. This would also make it possible for entrepreneurs to engage with international markets without having to adapt to the specificities of each country (Hollist, 2015). Still, while there are several regulators trying to be the main one, this will be a difficult goal to reach (Brickell, 2017).

All agents of this scene must comprehend that a market of this size requires a clearly identifiable governing entity and a clear ruleset to guarantee sustainability and balance (Sylvester & Rennie, 2017). According to Salice (2010), the creation of an international and independent governing body will provide the market with more legitimization and credibility, and will make it easier to solve any irregularities. Moreover, if national federations accept to be part of this international federation, they are likely to obtain higher value and credibility (Salice, 2010).

Interestingly, Ströh (2017) indicates that the enhanced acceptance and awareness of esports in the west also has caused legal and political changes. This occurred because some governments have started looking at esports and are now evaluating its need for regulations (Ströh, 2017).

Based on Hollist (2015), governments should implement some strategies to provide pro-gamers with a better working environment while also enhancing the recognition of this market. Some examples provided by Hollist include: labelling pro-gamers as employees or making a pro-player association. The author notes that the latter option is the most viable option since governments could, for example, create national pro-gamers' associations. Although the USA has not create an association like this, China has created the Association for Chinese Esports (ACE), Korea has formed the Korea e-Sports Association (KeSPA), and the UK has created the United Kingdom eSports Association (UKeSA) (Hollist, 2015).

As stated by the AEVI (2018), the present amount of esports regulation in Spain is already sufficient to ensure the effective and safe operation of esports in that country. AEVI also indicates that regulatory bodies must be cautious not to misunderstand this sector and overregulate it, which could hinder and limit the development of competitive gaming in a specific country.

Likewise, France has started implementing some regulations and recognized the esports professional scene in their country (Shabir, 2017). According to Ströh (2017), a report has been filled by the French parliament that lists eleven propositions on how the government should regulate esports. Some examples include: pro-player rights, tax regulations, and the status of tournaments. Moreover, Ströh states that pro-gamers have started to be labelled as professional athletes in some countries, like the USA in 2013. If competitive gaming is recognized as a sport (like what happened in Denmark, Italy, and Russia), it will be fit to apply for governmental sport funding programs (Ströh, 2017). However, despite some positive steps like these, there is still an overwhelming lack of regulation around the globe (Shabir, 2017).

The large number of globally popular brands, like Amazon and Coca-Cola, that have demonstrated an ever increasing interest in competitive gaming shows that this market is very likely to be a main entertainment source in the near future, and one that will benefit and require a lot of regulation (Hollist, 2015). In this sense, Brickell (2017) states that, if there is not a proactive management of esports' regulatory problems, it will probably suffer from several reputational and commercial issues, which will require a large amount of time and money to fix. Due to this, this industry would greatly benefit from forward thinking strategists (Brickell, 2017).

As indicated by Salice (2010), prior to esports becoming an international sensation, they did not urgently required a main governing body. However, with the relevancy they have today, it is very notorious that such an organization is lacking (Salice, 2010). This issue has become so severe that some people have stressed that esports is a wild west in need of a sheriff (Hollist, 2015). Still, Salice (2010) points out that esports will never be able to be structured or regulated like football, with an international governing body, like FIFA, controlling

basically every element of it. Because of this, competitive gaming must aim for a balance, with governing bodies and private companies working together (Salice, 2010).

The fragmentation of this industry is creating numerous challenges (Sylvester & Rennie, 2017). According to Brickell (2017), when the credibility of a sport is severely damaged, it will lead to a decrease in viewership figures, less broadcasting, and fewer brands wanting to sponsor it. Due to this, the author states that it is vital to effectively manage the integrity of all sports that all stakeholders in esports must have the same aim in competitive gaming. However, the complex and fragmented state of esports means that this will not be an easy task (Brickell, 2017).

With that being said, it is expected that, sometime in the future, competitive gaming will be recognized in the west as an official sport and will benefit from clear and standardized regulations, governmental support, player rights, anti-doping policies, an overall better reputation, and an increased standardization and organizational efficiency (Ströh, 2017). As stated by Franke (2015), as the esports industry evolves, they are likely to slowly become more organized and standardized, and possess a strong support from global and national organizations. The competitive gaming audience has also demonstrated to prefer a better structured, organized, and regulated esports market (Franke, 2015).

## 2.2 Volatile market

It does not matter how internationally popular an industry is, their early years are always likely to have several issues of volatility (Winnan, 2016). For instance, according to Shabir (2017), in 1949, the NBA was established with 16 teams and, by 1955, this number had reduced to only eight. The NFL also suffered from a similar issue with franchises coming and going; and because one of its only four teams disbanded, NHL almost did not survive its first year (Shabir, 2017). Likewise, Winnan (2016) points out that, in 1910, Leicester Fosse and the Clapton Orient were some of the best teams in the English Football League, but these teams have either disappeared or changed their names. From all these sport changes, the most shocking one probably happened in 1902 when the Newton Heath LYR Football Club (a team that very few people today recognize) changed its name to Manchester United (Winnan, 2016).

In the same way, despite the popularity of esports (Winnan, 2016), the infancy of this industry (Taylor, 2012; Franke, 2015), means that it is very volatile (Shabir, 2017), unstable (Franke, 2015), and fragile (Taylor, 2012). At the present time, there is already a plethora of teams, pro-gamers, organizations, and websites that disappeared (Li, 2016). Esports are currently a start-up market with numerous start-up companies within it (Shabir, 2017). As stated by (AEVI, 2018), the large interest that competitive gaming is creating has promoted the appearance of increasingly more projects, but several are struggling with disappearing as fast as they appeared. Unfortunately this is very common in young and dynamic markets (AEVI, 2018).

There are several esports tournaments lacking enough funds (Sylvester & Rennie, 2017), and some have even been cancelled midway through because of monetary issues or because of sponsor withdrawal (Lu, 2016). Even one of the most popular esports tournaments (i.e. the League of Legends World Championship) is supported by fan crowdfunding campaigns promoted by the videogame developer Riot Games (Sylvester & Rennie, 2017). In addition, Taylor (2012) adds that esports are also highly susceptible to economic turbulence and recessions. The author provides the example of the 2009 economic recession, which resulted in multiple popular esports tournaments being closed, sponsors terminating their contracts,

and a decrease in cash prizes. Unfortunately, the severe economic fragility of the esports market is mainly rooted in its extreme dependence on sponsor funds (Taylor, 2012).

Moreover, it must be understood that, unlike in regular sports, the videogames are owned and controlled by the companies that developed those games and these enterprises have the legal power to shut down all competitions that feature their videogame (Li, 2016). According to Winnan (2016), since these videogame companies are the sole owners of these intellectual properties (i.e. the videogames or IPs), they can exert exclusive right and prohibit any broadcasting channel or competition that they do not like from featuring their games (even if it is just a small-scale tournament at a local library). The author gives the example of Nintendo, which has shut down numerous tournaments featuring their videogame *Super Smash Bros.*, and Capcom, which usually asks for royalty payments anytime a competition features their videogame *Street Fighter*. Winnan indicates that game developers can do this because videogames belong in the virtual world which, under the current archaic copyright laws, classifies them an audio-visual work. In other words, videogames must abide by the same legal laws of movies, which require a proper license to be publicly shown. However, the author stresses that, while the movie industry has a website where people can purchase legal performance rights, the videogame industry does not have any similar entity that provides legal clearance. Winnan states that this allows videogame developers to freely choose which competitions can feature their IPs and this law is open to abuse. It does not matter if a competitions features a plethora of different videogames, it can be completely shut down if just one developer does not allow its IP to be used in the tournament (Winnan, 2016).

As attested by Winnan (2016), at the present time, most videogame developers have recognized that showing their games at these competitions is a highly effective advertising tool and that these tournaments promote the creation of a community for their IPs but, even so, some developers still do not want their videogames to be shown to the public in an unsupervised manner. Winnan provides the example of Sega in 2012, where the company forced YouTube to delete any video showing the videogame *Shining Force III* because the company wanted to release a sequel for that IP and did not want people on YouTube to confuse the previous videogame with the newer one. The author notes that, due to this, all videos, including gameplay clips, walkthroughs, and even videos of fans simply commenting about the videogame and showing no footage of the IP were deleted under the justification of copyright violation. Winnan comments that this created a strong backlash from both fans of the IP and from the gaming community in general since it felt more like a total censorship than a copyright strike. The author mentions that this led multiple gamers in disgust to delete every piece of content from their YouTube channels that was connected to Sega or to any of its videogames, and this put Sega under a serious PR nightmare. These corporate acts of bullying and of abuse of power show the fragility of both the videogame and esports markets and how much they require a reform in their copyright laws (Winnan, 2016).

Pro-teams can also suddenly change, disappear, or disband (Winnan, 2016). It does not matter if the team has earned lots of money, fame, or if they seem economically stable, they are all susceptible to disappearing (Shabir, 2017). The volatility of these teams is promoted by numerous elements (Winnan, 2016). The infancy of this market creates a fragile setting where pro-gamers and pro-teams suddenly vanish (Shabir, 2017). This market infancy also means that the corporations controlling esports, pro-players, pro-teams, and tournaments are inexperienced (Quintana, 2012). And the corporal degradation (Zolides, 2015), like wrist and hand injuries, brought about by years of prolonged gaming sessions (Stivers, 2017; Wilson,

2017), and slower response times and weaker alertness from aging (Zolides, 2015), means that a pro-player's career tends to only last about three to five years, which is extremely shorter when compared to the career time of most athletes in regular sports (Lu, 2016).

Based on Winnan (2016), another element that promotes the volatility of pro-players and teams is their extreme dependence on sponsor funds. The author indicates the rare exception of some videogame developers, like Riot Games, who offer gaming houses and stable salaries to some esports teams of their game (i.e. *League of Legends*) so that these individuals do not become dependent on sponsor money to maintain their esports career. Winnan states that this increases the pro-players' feeling of security and allows them to completely focus on becoming better esports athletes which, in turn, has made them one of the best pro-teams in the world. Unfortunately, most teams are not so lucky. For example, Valve, the developers of the massively popular esports game, *CS:GO*, have not yet provided gaming houses or stable salaries to the pro-players of its game (Winnan, 2016). Moreover, Shabir (2017) points out that, for an industry that greatly capitalizes on esports as an advertising tool, earning billions of dollars every year in the process, the average pro-player salary is considerably low. Bearing in mind that pro-players are the celebrities of esports, this is a severe issue that must be addressed (Shabir, 2017).

The volatility is also affecting tournaments, with numerous competitions having already been closed (Winnan, 2016). According to Ströh (2017), the prize pools are one of the main promoters of this volatility. The author mentions that the constant increase of the prize pool sizes in major competitions is starting to create pressure because, if a yearly competitions appears with a prize pool that is smaller than the one in the year before, both the fans and the pro-players could perceive that the tournament's popularity and relevance is declining. This can be dangerous as it can quickly mean a severe drop in viewership figures (Ströh, 2017).

Authors like Li (2016), commonly state that, even with all the monetary investment that goes into esports, the industry is still considered a wild west. Although the large viewership numbers and intense focus on the celebrity status of pro-players seems to indicate that most of these players benefit from large fortunes and glory, the reality is that most suffer from job instability and uncertainty (Li, 2016). These underlying feelings are generating a sense of distrust and unpredictability about this market (AEVI, 2018), which is making sponsors less confident about investing too much into corporations and pro-teams that might suddenly vanish (Shabir, 2017).

### 2.3 Dependence on sponsors

The esports' economy is almost entirely dependent on sponsors (Hiltscher & Scholz, 2017; Shabir, 2017; Ströh, 2017; ONTIER, 2018). Even licencing of partners, and what initially seem to be other revenue sources, are frequently based on sponsorship structures (Donschen, 2010). This is proven by multiple data sources. For instance, SuperData Research notes that approximately three quarters of esports' revenue come from sponsorships (Ströh, 2017). Likewise, ONTIER (2018) indicates that between 70% and 80% of competitive gaming's worldwide income originates from sponsorships and advertisements. Comparatively, Winnan (2016) states that, regarding regular sports, the selling of media rights and sponsorships make up solely 57% of the revenues.

This dependence gives sponsors great power over esports and poses a severe threat for this market (Ströh, 2017). It is not viable to have a business model with such a high dependency on

sponsors (Hiltscher & Scholz, 2017) since it facilitates volatility (Salice, 2010). Unfortunately, revenue sources are dependent on a small number of clients, with most being sponsors (ONTIER, 2018), which places esports' sustainability in the hands of these select brands (Ströh, 2017). When a market, like esports, is dependent on sponsors, it means that any time a sponsorship is not renewed, the sponsored entity is at risk of closing (Silvers, 2008).

According to Donschen (2010), despite this dependence on sponsors not being sustainable, it is nevertheless the most used business model in all of competitive gaming. The author stresses that even the largest esports companies are highly dependent on sponsors. For example, the World Cyber Games (WCG) would hardly survive without Samsung's sponsorship, and numerous Electronic Sports League (ESL) competitions, like the ESL Pro Series (EPS) or the Intel Extreme Masters, owe their existence to Intel (Donschen, 2010).

Based on Donschen (2010), this extreme dependency has turned into a severe problem, particularly during economic crises. The author states that economic recessions can potentially place multiple esports organizations at risk because several brands will put an end to their sponsorships to minimize their marketing expenses. Since economic recessions promote the reduction of stock values, money loss, and a decline in sales, brands become much more cautious about their investments in these difficult times (Donschen, 2010).

As attested by Messier (2011), during the financial recession of 2007, competitive gaming's economic dependence on sponsors put the scene under pressure when brands decided it was too risky to invest. The author notes that this led the general visibility and buzz around esports to decrease over time. Bearing in mind how dependent esports are on sponsors, it is very concerning to observe that esports were one of the first markets that brands scratched off from their investment lists (Messier, 2011).

Since marketing budgets are usually among the first things that companies cut during economic recessions, multiple esports competitions have been left without sponsors (Avallone, 2010). For instance, as per (Donschen, 2010), during the 2007 economic recession, NVIDIA stopped sponsoring the company Games-Services (GS), which caused serious issues for GS. Donschen states that, since most of GS's income comes from sponsors (particularly from NVIDIA), the company went bankrupt because they had no way of paying employees nor of covering running costs. The author mentions that, although GS tried to find other sponsors, the economic recession at that time made brands extremely cautious about their budgets and on what to invest. Since stock values and sales were declining, sponsors knew it would not be long before they started losing money, so they chose to lower their communication and marketing budgets, and this left no room for sponsorship investments (Donschen, 2010).

On the report of Donschen (2010), GS even tried to locate a broadcasting platform that would pay for broadcasting rights. The author notes that GS attempted to change their esports events to be better suited for TV audiences (i.e. more thrilling and comprehensible for non-esports fans), but there was no interest. Donschen states that, even if a TV channel had bought the broadcasting rights, it would probably not be successful because the large majority of the esports fanbase watches these competitions via the internet. Moreover, the author stresses that it is important to keep in mind that videogame developers decide if they allow their IPs to be shown on TV, particularly since the TV channel will be profiting from displaying that videogame. In the end, regardless of all of GS's efforts to locate more revenue sources (other than sponsors), they could not escape bankruptcy. The reality is that after just one year without sponsor revenue they closed (Donschen, 2010), and were sold (Ströh, 2017).

As attested by [Donschen \(2010\)](#), since the closure of GS, there are still multiple pro-gamers who have not been paid their prize money, which range from \$1,000 to \$14,500. The author defends that this is unfair and harmful both for pro-gamers and esports in general, particularly for pro-players who do not have a lot of money or do not win competition money regularly. Donschen further mentions that some pro-gamers stated, in online forums, that they were in desperate need of their prize money, and that one of them had a son. These pro-gamers dedicated a lot of their time and energy to win these competitions and now they feel that the organizations they once respected have betrayed them ([Donschen, 2010](#)).

It is further stated by [Donschen \(2010\)](#) that GS's bankruptcy resulted in the closure of Electronic Sports World Cup (ESWC), which was its flagship tournament. Donschen stresses that the situation around GS scared the esports industry because GS was a company that did multiple things the right way and even better than the competition. This included: promoting esports as a lifestyle; attracting a large audience with a significant percentage of women; filling esports venues with 31,000 to 35,000 attendants, attracting popular pro-gamers, dramatizing matches, nourishing live audiences, and developing apps that provided information and emotion in real-time. The author states that, if all of these efforts were not enough to convince brands to invest in sponsorships, then all other tournament organizers are susceptible to struggle with their economy sustainability, particularly during financial crises. And the truth is that other esports companies have also suffered from sponsorship cutback ([Donschen, 2010](#)), including the Irish World Cyber Games ([O'Beirne, 2010](#)).

Interestingly, [Hiltscher and Scholz \(2017\)](#) note that South Korean esports competitions are even more dependent on sponsor funds than the ones in Europe or the United States. For example, the South Korea's high dependence on sponsors resulted in the closure of numerous *StarCraft II* pro-teams and in the eradication of the StarCraft II League. The authors stress that, although South Korea is the leading country in terms of esports, several incidents are demonstrating that can become fragile even where they thrive the most. [Hiltscher and Scholz \(2017\)](#) state that the several esports incidents that occurred in South Korea led the marketing manager of a popular Korean videogame development brand to state that "eSports is dead" (p. 7). By contrast, the authors note that popular European esports corporations like DreamHack, Fnatic, and Turtle Entertainment, are not as dependent on sponsors, while still managing to be profitable. These attractive corporations have made numerous South Korean pro-players (who are usually perceived as the best), such as Polt or Jaedong, change to non-Korean corporations ([Hiltscher & Scholz, 2017](#)).

According to [Ströh \(2017\)](#), despite the recent evolution of the esports scene, with it not being as dependent on sponsor revenue as it once was, the truth is that this industry was, is, and will continue being extremely dependent on sponsors. To make things worse, the sponsors' large investments put esports under pressure to meet their high expectations and not lose their contracts ([Ströh, 2017](#)).

As stated by [Messier \(2011\)](#), it seems that the state of the competitive gaming industry is highly correlated with the number and value of the sponsorships. The more investments there are from sponsors, the higher the growth and, the fewer the investments, the higher the volatility and regression of the market. Unfortunately, for the time being, competitive gaming is no sustainable ([Messier, 2011](#)). This is creating concerns because some esports fans have demonstrated signs of possible dislike towards companies that, after terminating their sponsorships, caused some esports companies to close ([Winnan, 2016](#)).

## 2.4 Unknown market

Regardless of the success of some vanguards of competitive gaming marketing, most marketing and advertising professional from other areas, along with brand managers (Europe, 2015), general population, sponsors and investors, and the overall political spheres (AEVI, 2018) are still unaware of what esports really are (Taylor, 2012; AEVI, 2018). The large majority of these entities are still unfamiliar with the potentials and benefits that this market offers (Europe, 2015). According to Nichols (2017), Nicolas Maurer, the manager of Team Vitality, indicated that, although esports' exposure is constantly increasing, numerous sponsors still do not know or understand esports. This happens because esports has not yet entered the mainstream, it is still largely broadcasted solely on gaming-related streaming platforms, like Twitch (Nichols, 2017). To complicate things, there have been little efforts to promote esports and its business achievements of corporations and pro-gamers outside the esports sphere (AEVI, 2018).

As stated by Pike and Master (2017), comprehending all the nuanced specificities and intricacies of esports is actually one of the main barriers that sponsors face. There is a large number of competitions, pro-teams and pro-gamers, broadcasting channels, and videogames (Pike & Master, 2017). Furthermore, there is a massive exposure of incorrect and ambiguous data (AEVI, 2018).

As claimed by AEVI (2018), there have been several instances of data and figures being published about the videogame and esports markets that did not show a truthful image of the sectors. Although there is plenty of information about esports' triumphs, several hold overly optimistic forecasts or misinterpreted figures. AEVI notes that, despite the sectors' promising future, every piece of information that is published must be realistic and avoid setting unrealistic expectations for investors, sponsors, consumers, and other stakeholders. The author also indicates that, other times, the data shows an overly negative image of the market. For these reasons, it is crucial to be transparent and regularly educate consumers, the media, administrators, etc. (AEVI, 2018).

According to Taylor (2012), since most sponsors only know that esports are related to the negative gaming stereotypes, they frequently need to be educated that competitive gaming is not a nerd or niche industry, but a brand-new and exciting market. Taylor states that esports-related organizations often need to inform potential sponsors of what competitive gaming really is, what occurs there, how leagues work, and that pro-gamers are not nerds but beneficial endorsers for their products. In other words, esports organizations need to convince consumer brands that sponsoring competitive gaming will grant them attractive marketing opportunities (Taylor, 2012).

In the same vein, since this market is still very young, with scant data available (particularly when compared to regular sports), most measurements and forecasts greatly differ (Nichols, 2017; Likhman *et al.*, 2018). For instance, as reported by Nichols (2017), both the predicted percentage growth and revenue of this market tend to greatly fluctuate depending on who made the study. For example, while Newzoo predicted that, in 2015, the esports market made \$325 million in revenue, SuperData reported \$750 million, and Deloitte \$400 million. The same occurred in 2016, with Newzoo estimating \$493 million, SuperData \$892 million, and Deloitte \$500 million (Nichols, 2017).

As stated by Nichols (2017), since there is a lot of dissimilar data, Yvonne Hobden, the lead of consumer marketing at HP, commented that, while they, as a brand, are serious about

esports, they still consider their involvement to be a leap of faith because all effective sponsorships are driven by data and need reliable figures to ensure positive ROIs. And this is not something that esports have (Nichols, 2017).

According to Korpimies (2017), in comparison to regular sport sponsorships, the method of creating and maintaining an esports sponsorship is not nearly as refined. Regular sports presents fewer uncertainties during the negotiations period and both parties effectively understand what they can offer from the start (Korpimies, 2017).

In the opinion of Nichols (2017), the esports industry still requires time to develop, mature, and show sponsors that it is a reliable marketing tool. The author notes that, as of now, several brands are still being cautious about esports and opt not to risk a sponsorship that may fail. Before diving into esports, they want to see proof that sponsors can be successful. In this sense, if an industry can solidify and clarify its organizational structure and show viable data and case studies that indicate that these investments are profitable, the amount of sponsors is going to increase (Nichols, 2017). As stated by Härig (2015), an example that should be shown to all brands that are doubtful about sponsoring esports is the case of Red Bull and its commitment to competitive gaming. This non-endemic consumer brand was one of the first esports sponsors and established its own esports league, sponsored esports pro-teams, and was very successful in its sponsoring activities (Härig, 2015).

Even so, some authors stress that the esports industry still has not proved its relevance (Franke, 2015) nor its commercial or social significance (Burk, 2013). The unique characteristics and quick evolution of esports means that they must overcome several barriers to ensure a continuous positive development (AEVI, 2018). Due to this, the future of competitive gaming is unknown and there is little proof to support the idea that they will rival the prestige, profitability, and function of regular sports (Bayliss, 2016).

Although the competitive gaming market has shown constant progress, this continuous evolution, which has been accompanied by numerous changes, implies that it is hard to not lose track of everything that is occurring in the esports industry (Parmar, 2012). This causes a lack of knowledge about competitive gaming and creates numerous barriers to access, promotes misunderstandings, and causes preconceptions that prevent this market from evolving at a faster speed (AEVI, 2018).

Numerous sponsors still find it difficult to profit from competitive gaming (Stein & Scholz, 2016). According to AEVI (2018), there have been several instances of brands that, without a proper understanding of esports or of how it operates, orchestrated failed or ineffective sponsorships. This creates a negative image, struggles, and distrust between sponsors, investors, and other stakeholders (AEVI, 2018). Since the esports audience is extremely vocal (Nichols, 2017; Freitas *et al.*, 2022) and critical (Europe, 2015; Freitas *et al.*, 2022), a sponsor that communicates with the esports fans without a proper knowledge of this industry is at risk of suffering negative repercussions (Nichols, 2017).

## 2.5 Hypothesis

Based on the literature review, we pose the following:

**H:** The problems associated with the infancy of the esports industry (e.g. lack of main governing body, regulation, and standardization; volatile market; dependence on sponsors; and lack of knowledge about the market) are a risk to esports sponsors.

### 3. METHODOLOGY

This research used an exploratory and convergent-parallel mixed method with equal status. In particular, data was collected from two samples simultaneously. On the one hand, from sample 1, mostly qualitative data was gathered. On the other hand, from sample 2, mostly quantitative data was obtained. The two datasets were firstly analysed separately and, afterwards, they were compared and given the same level of importance when drawing conclusions. That is to say, conclusions were reached by triangulating the results of samples 1 and 2. During the entirety of the study, the researchers adopted an overt stance, the time horizon was cross-sectional, and the study setting was non-contrived.

Sample 1 comprised of 22 experts in esports sponsoring who were working at companies with experience in these commercial partnerships. Specifically, sample 1 consisted of seven marketing agencies (MAs), eight non-endemic esports sponsors (NEESs), and seven endemic esports sponsors (EESs). The sampling methodology was nonprobability purposive expert heterogeneous. Particularly, diverse companies were purposeful contacted to promote the acquisition of heterogeneous perspectives, which allowed to better understand the topic under scrutiny. It must be stated that, for an organization to be included in this research, it had to possess at least two years of experience in competitive gaming sponsoring. This limitation was set to ensure that members of sample 1 provided knowledgeable and reliable data. The limitation was of just two years since – as stated by [Ströh \(2017\)](#) – esports, as an official industry, as only existed for less than a decade. The companies were contacted via publicly available email addresses or contact sections in their websites.

The empirical data of sample 1 was obtained through skype interviews – sometimes other platforms, like Zoom or Microsoft Teams, were used at the request of the interviewee. The members of sample 1 were asked about the characteristics of the companies they worked in and they were presented with a 6-point Likert scale accompanied by the statement “The problems associated with the infancy of the esports industry (for example: lack of main governing body, regulation and standardization; volatile market; dependence on sponsors; and lack of knowledge about the market) are a risk to esports sponsors” and were asked to select their agreement or disagreement level with it (i.e. Strongly disagree, Disagree, Somewhat disagree, Somewhat agree, Agree, or Strongly agree). A neutral option was not included since – as stressed by [Lavrakas \(2008\)](#) and [Mooi \*et al.\* \(2018\)](#) – people tend to not take a stance or to select the safest option. Nonetheless, they were presented with a follow up open-ended question asking “Please justify your selection”, which gave participants the chance to freely express themselves and provide rich and deep qualitative information. A structured questionnaire was used to guide the interviews. This questionnaire was pretested between 14 April 2019 and 21 May 2019 on nine individuals from the fields of marketing, management, and social research. The data collection of sample 1 began on 15 August 2019 and ended on 12 December 2019. [Tables no. 1](#) and [no. 2](#) present the detailed characteristics of sample 1’s members.

Table no. 1 – Characteristics of sample 1 – esports sponsors

ID	Industry	Interviewee position	Year of foundation	Years sponsoring esports	Current no. of sponsorships						Total no. of sponsorships						No. of connected games <sup>a</sup>		
					Players & teams	Commentators & leagues	Videogames	Other	Players & teams	Commentators & leagues	Videogames	Other							
EES1	Gaming chair	Country General Manager in Brazil, Portugal, Spain, and UK	2010s	7	≥6	3	≥6	1	≥6	1	≥6	1	≥6	1	≥11	≥11	1-2	≥11	41
EES2	Gaming peripherals	Marketing Manager in Spain and Portugal	2000s	≥10	≥6	3	1	3	1	≥11	≥11	≥11	≥11	≥11	≥11	≥11	1-2	≥11	20
EES3	Gaming retail	Head of Partnerships	1980s	2	5	0	2	0	1	5-6	0	1-2	0	1-2	0	1-2	0	1-2	7
EES4	Gaming computer hardware and peripherals	Gaming Partnership Specialist	1990s	9	≥6	≥6	≥6	0	0	≥11	≥11	9-10	0	0	0	0	0	0	13
EES5	Gaming computer hardware and peripherals	UK Marketing Manager	1990s	4	1	1	0	0	2	3-4	1-2	1-2	0	3-4	0	0	0	0	10
EES6	Gaming computers and peripherals	Esports Specialist	2000s	≥10	≥6	≥6	≥6	≥6	3	≥11	≥11	≥11	≥11	≥11	≥11	≥11	≥11	≥11	34
EES7	Gaming computers, hardware, and peripherals	Esports and Partnerships Manager	1980s	8	2	0	3	0	3	≥11	1-2	5-6	9-10	≥11	0	0	0	0	10
NEES1	Consumer electronics (smartphones)	Head of Global Brand Partnerships	2010s	3	1	0	0	1	0	1-2	0	0	1-2	0	0	0	0	0	11
NEES2	Automotive	Head of Sponsoring and UEFA	1930s	3	1	0	1	0	1	1-2	0	1-2	1-2	1-2	1-2	1-2	1-2	1-2	5
NEES3	Software development, computer hardware, consumer electronics, etc.	Brand Partnerships Manager	1970s	≤1	1	0	0	0	0	1-2	0	0	0	0	0	0	0	0	9
NEES4	Craft beer and brewing	Community, Partnerships, Sponsorships, and Major Events Manager	1990s	2	5	1	4	0	2	5-6	1-2	3-4	0	1-2	0	0	0	0	6
NEES5	Energy drink	Esports Manager	1980s	≥10	≥6	≥6	≥6	≥6	≥6	≥11	≥11	≥11	≥11	≥11	≥11	≥11	≥11	≥11	25
NEES6	Insurance	Marketing Director, Media, and Sponsorships	1920s	2	1	0	2	1	0	1-2	0	3-4	5-6	0	0	0	0	0	6
NEES7	Online payments	EEA Chief Executive Officer	2000s	6	2	0	≥6	0	0	1-2	0	9-10	0	0	0	0	0	0	8
NEES8	Conglomerate (consumer electronics, medical equipment, computer hardware, ships, automotive, apparel, chemicals, etc.)	Head of Mobile Marketing Partnerships in America	1930s	5	≥6	0	2	3	0	≥11	1-2	3-4	3-4	1-2	1-2	1-2	1-2	1-2	4

Note. EES = Endemic esports sponsor; NEES = Non-endemic esports sponsor. NEES2 and NEES3 function at a national level. All other EESs and NEESs function internationally.

<sup>a</sup>No. of connected games is associated with the number of different videogames that the brands' sponsored entities are tied to (e.g. games featured in sponsored tournaments, games sponsored by the brand, games played by sponsored players and teams, games linked to other sponsored entities).

**Table no. 2 – Characteristics of sample 1 – marketing agencies**

ID	Interviewee position	Year of foundation	Years connected to esports	Provide marketing advice outside videogames	Approximate no. of esports sponsors assisted	No. of connected games <sup>a</sup>
MA1	Founder and Director	2010s	2	No	40	39
MA2	Member of the Board of Directors	2010s	4	No	50	6
MA3	Founder and Director	2010s	2	No	100	9
MA4	Account Director and Esports Specialist	1990s	4	Yes	15	15
MA5	Founder and Director	2010s	3	No	10	21
MA6	Sr. Market Analyst and Esports Specialist	2000s	6	No	50	43
MA7	Founder and Director	2000s	11	No	100	35

*Note:* MA = Marketing agency.

<sup>a</sup> No. of connected games refers to the number of the different videogames related to the sponsors and brands that the marketing agencies assisted.

Regarding sample 2, it was composed of 5,638 esports fans. The sampling method was nonprobability purposive heterogeneous. Specifically, esports fans were reached with a purposeful intent of collecting a heterogeneous cluster to promote the gathering of different fan perspectives. To effectively reach esports fans, a database of the existing most popular esports videogames was developed and used to identify online communities of these popular IPs on two digital platforms: Reddit and Discord. Communities within Reddit are called *Subreddits* and communities inside Discord are called *Discord channels*. These two platforms were used because, as stated by Roth (2017), they are the most popular social websites for esports and gaming-related socialization. The database was put together by merging the names of the 20 most-watched esports videogames between January 2019 and May 2019 – data obtained from Newzoo (2020) – and the names of the 100 esports games with the highest prize money awarded – data obtained from Esports Earnings (2020). Esports Earnings and Newzoo are esports-related databases that are highly sought out by numerous researcher and authors like Jenny *et al.* (2018), Ströh (2017), Cunningham *et al.* (2018), Owens (2016), Menasce (2019), Shabir (2017), and Sylvester and Rennie (2017). The database made use of 103 esports games and can be consulted in Table no. 3.

**Table no. 3 – Most watched and highest prize money awarded esports videogames**

Esports videogames	
Project Gotham Racing 3	Painkiller
Blade & Soul	Halo 5: Guardians
Halo 2 Anniversary	Point Blank
Street Fighter V: Arcade Edition	Magic: The Gathering Arena
Halo 4	Turbo Racing League

**Esports videogames**

Pokémon Sword/Shield	FIFA 13
Call of Duty: Ghosts	FIFA Online 3
Halo: Combat Evolved	rFactor 2
Call of Duty: Black Ops III	Call of Duty: Black Ops
PlayerUnknown's Battlegrounds Mobile	Super Smash Bros. Ultimate
NBA 2K18	Counter-Strike Online
Free Fire	Guild Wars 2
KartRider	Arena of Valor
Magic: The Gathering Online	Madden NFL 2018
Heroes of Newerth	Call of Duty: Modern Warfare
Paladins	Apex Legends
Call of Duty 4: Modern Warfare	Counter-Strike: Source
Shadowverse	Super Smash Bros. Melee
Counter-Strike: Global Offensive	Call of Duty: Infinite Warfare
World in Conflict	Clash of Clans
Teamfight Tactics	Dead or Alive 4
Super Street Fighter IV Arcade Edition	Vainglory
League of Legends	Mortal Kombat 11
PlayerUnknown's Battlegrounds	Fortnite
Rocket League	Call of Duty: Modern Warfare 3
Super Smash Bros. for Wii U	Tom Clancy's Rainbow Six: Siege
Quake Live	Quake 4
StarCraft II	Madden NFL 2017
F1 2019	Heroes of the Storm
Gwent	Quake III Arena
FIFA 18	Defense of the Ancients
Team Fortress 2	Hearthstone
CrossFire	Age of Empires II
Ultra Street Fighter IV	FIFA 19
World of WarCraft	FIFA 17
FIFA 20	WarCraft III
iRacing.com	Call of Duty: Advanced Warfare
Clash Royale	Tekken 7
Call of Duty: Black Ops 2	Pro Evolution Soccer 2017
H1Z1	Call of Duty: Black Ops 4
Forza Motorsport 7	Brawlhalla
Pokémon: Let's Go, Pikachu! and Eevee!	Call of Duty: World War II
World of Tanks	StarCraft: Brood War
SMITE	Gears of War 4
Halo 3	TEPPEN
Halo 2	Injustice 2
Counter-Strike	Mortal Kombat X
Old School Runescape	Attack on Titan Tribute Game
Dota 2	Street Fighter V
Halo: Reach	Auto Chess
Quake Champions	Overwatch
Madden NFL 2013	

*Note.* Table based on data from [Esports \(2020\)](#) and [Newzoo \(2020\)](#).

Because esports fans spend most of their time in the online world, an online survey was used to gather their empirical data. Their questionnaire was largely closed-ended and it was applied via self-recruitment and self-administration. Google Forms was used to design the questionnaire, which is a digital platform specially developed to create and apply surveys. It is recommended by various social research experts, like [Cohen \*et al.\* \(2018\)](#). Overall, the requests to participate in the survey – and a link to the survey – were placed in 392 subreddits and 263 Discord channels.

The starting question of the questionnaire was a filter yes/no item asking “Do you regularly watch and/or participate in esports?” so that those who select “No” would not be eligible to fill out the survey. Subsequently, besides demographic items, participants were asked the closed-ended question “Do you think that esports have problems related to their infancy to solve?” and the answer options were “Yes” and “No”. Those who answered “Yes” were asked the closed-ended question “What are the main infancy-related problems of the esports industry? (Select all that apply)” and the answer-options were: “Lack of a main governing body (for example, FIFA largely governs football; FIBA largely controls Basketball; but no organization is governing esports)”, “Lack of regulation”, “Lack of standardization (for example: different tournaments have different rules for the same videogames; etc.)”, “Volatility (tournaments, pro-players, teams, etc. disappear as quickly as they appeared)”, “Dependence on sponsors”, “Lack of knowledge about the esports industry (sponsors still do not have enough knowledge about esports)”, and “Other”. The last item of the questionnaire was an optional open-ended question asking “Would you like to add anything else about what was addressed in this survey? (Optional)”.

Overall, 167 individuals from subreddits and Discord channels related to esports and videogames participated in a pretest phase that occurred between 14 April 2019 and 25 May 2019. The real data collection occurred between 29 June 2019 and 3 December 2019. The demographic characteristics of sample 2 can be observed in [Table no. 4](#).

**Table no. 4 – Demographic characteristics of esports fans**

			<i>N</i> = 5,638			
	Valid	No answer	Valid %	Mean	SD	Mode
<i>Gender</i>	5,560	78				
Female	407		7.3			
Male	5,153		92.7			
<i>Age</i>	5,412	226		23.05	6.062	18
<i>Marital status</i>	5,510	128				
Single	4,056		73.6			
Cohabiting	932		16.9			
Married	480		8.7			
Divorced	33		.6			
Widowed	9		.2			
<i>Ethnicity</i>	5,477	161				
American Indian or Alaska Native	71		1.3			
Asian	824		15			
Black or African American	147		2.7			
Hispanic, Latino or Spanish origin	421		7.7			
Middle Eastern or North African	116		2.1			
Native Hawaiian or other Pacific Islander	38		.7			
White	4,255		77.7			

	<i>N</i> = 5,638			Mean	SD	Mode
	Valid	No answer	Valid %			
Other	197		3.6			
<i>Employment status</i>	5,527	111				
Student	2,720		49.2			
Employed	2,293		41.5			
Homemaker	40		.7			
Unemployed	324		5.9			
Retired	17		.3			
Other	133		2.4			
<i>Education</i>	5,497	141				
6 <sup>th</sup> grade or less	11		.2			
7 <sup>th</sup> to 12 <sup>th</sup> grade	2,178		39.6			
Bachelor degree	2,332		42.4			
Master degree	525		9.6			
PhD	90		1.6			
Post-doctorate	16		.3			
Other	345		6.3			
<i>Region</i>	5,553	85				
Africa	32		.6			
Asia	322		5.8			
Europe	1,860		33.5			
North America	3,013		54.3			
Oceania	191		3.4			
South America	135		2.4			

*Note.* *N* = Sample size, SD = Standard deviation. For ethnicity, participants were able to select more than one option.

It was verified that the demographic characteristics of sample 2 are closely related to those from the literature on esports fans. Particularly, while Zolides (2015) indicates that 90% of esports fans are male, and Billings *et al.* (2019) state 92.4%, sample 2 was 92.7% male. Similarly, while Pike and Master (2017) reports that the average age of esports fans is 26 years-old, and Mooney (2018) mentions that it is between 18 and 25 years-old, sample 2's average was 23.05. Since there is a high lack of viable literature on the demographic information of esports fans, a comparison of other demographic data was not possible.

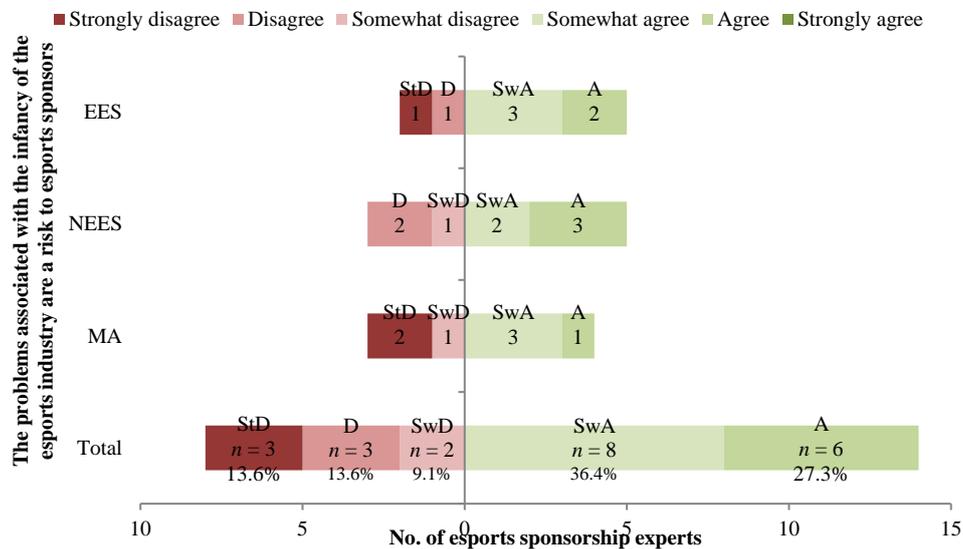
Because there are so few studies on esports sponsorships, the number of questions on the questionnaire was limited so that it would be possible to attract several participants. If participants were presented with too many questions, the easily bored competitive gaming fans would not want to participate and the experts on esports sponsorships might have not had enough time for such a long interview. Therefore, the large samples promoted the relevance and reliability of the results and mitigate the limitation of a scarce literature.

The software NVivo 10 was used to assist in the analysis of qualitative data and IBM SPSS Statistics 25 was used to analyse quantitative data. To abide by the ethics of confidentiality and social research, all sensitive information that could be used to identify or trace participants (e.g. names of companies or interviewees, and year of foundation) were excluded or altered. Sample 1's unit of observation and unit of analysis was the organization and sample 2's unit of observation was the individual and the unit of analysis was the organization.

## 4. RESULTS

### 4.1 H<sub>2c</sub> – Infancy of the industry (Sample 1)

In [Figure no. 1](#), it is possible to observe the frequencies of the data from the esports sponsoring experts when asked to indicate their level of disagreement or agreement with the statement “The problems associated with the infancy of the esports industry (for example: lack of main governing body, regulation and standardization; volatile market; dependence on sponsors; and lack of knowledge about the market) are a risk to esports sponsors”. The closed-ended response options were: “Strongly disagree”, “Disagree”, “Somewhat disagree”, “Somewhat agree”, “Agree”, and “Strongly agree”. In general, the figure shows that 36.4% (i.e.  $n = 8/22$ ) of participants expressed disagreement and 63.6% (i.e.  $n = 14/22$ ) expressed agreement.



**Figure no. 1 – Esports sponsoring experts’ opinion on whether the problems associated with the infancy of the competitive gaming industry are a risk to its sponsors**

Note.  $N = 22$ ;  $n = 22$ ; No answer = 0. StD = Strongly disagree; D = Disagree; SwD = Somewhat disagree; SwA = Somewhat agree; A = Agree; StA = Strongly agree

In [Table no. 5](#), it is possible to observe the most relevant quotes from the esports sponsoring experts when asked to justify their agreement or disagreement level with the statement “The problems associated with the infancy of the esports industry (for example: lack of main governing body, regulation and standardization; volatile market; dependence on sponsors; and lack of knowledge about the market) are a risk to esports sponsors”. Overall, 19 participants provided arguments supporting the statement, 14 provided arguments refuting it, and one claimed that it depends (some participants provided arguments for and against the statement). Afterwards, [Table no. 6](#) presents the most important of these quotes in thematic categories.

**Table no. 5 – Experts’ most relevant quotes on whether the problems associated with the infancy of the esports industry are a risk to esports sponsors**

<i>ID</i>	<i>Quote</i>		
	<i>Stance</i>	<i>Agreeing</i>	<i>Disagreeing</i>
<i>EES7</i> Strongly disagree			“I actually don’t think that this is something that is happening in the esports industry. . . . Now I think we have more standardized tournaments than we ever had before, with ESL going out and having a lot of different tournaments, regular tournaments as well, we have formats like Majors and Minors now, in the segments, where you have to apply to get the points, you need to have a certain amount of rules, you need to have a certain amount of money like price pools to be a part of this Minor and Major. There are different rules you need to follow for you to actually be a part of this circuit and in the different games. So, I actually think it’s very mature at the moment. At least for the bigger tournaments. And also just in general, when we talk about our sponsoring teams and all this stuff, it’s very much a more professional now than it was years ago when we first started. The players are more professional now as well. The organizations are more professional now as well. And also because they have to, because there are a lot more sponsors now, there is a lot more money in the scene now. So, the times of course have to follow the professionalism as well when the money does it.”
<i>EES6</i> Somewhat agree		“Sponsorship value may not be maximized . . . by inexperienced partners, which can decrease the ROI of the sponsorship. . . . You have a lot of people . . . who don’t have professional experience outside of gaming, right? So you don’t have somebody who’s activated brand partnerships for the NFL for 20 years, right? That person knows how to do that more effectively than somebody who wasn’t, right?”	
<i>EES5</i> Somewhat agree		“We know it’s a volatile market so that’s why we don’t invest too much or we don’t invest too little. All of our contracts have a maximum of 1 year because we don’t know what is going to happen next year. . . . It is a risk and it’s a fear for non-endemic companies such as big companies like car companies. All of those companies obviously it is a risk because they don’t know what is happening here or they don’t understand what could happen in the near future, so sometimes they don’t invest because of that.”	“Endemic companies such as our company [EES3], we completely know everything that is inside this market . . . For endemics it is not a risk at all.”
<i>EES4</i> Disagree		“ <i>Fortnite</i> is gigantic, but in esports it’s still not that strong and teams come in and out all the time. This won’t happen in sports. You won’t be sponsoring Paris Saint-Germain and all of a sudden Paris Saint-Germain doesn’t have a football team anymore. That doesn’t happen.”	“No, that is actually a benefit. . . . For the esports institutions that are more reasonable and you know a little about how much they’re really worth, you can have a very good return by sponsoring esports.”

<i>ID</i>	<i>Quote</i>		<i>Depends</i>
	<i>Agreeing</i>	<i>Disagreeing</i>	
<i>EES3</i> Somewhat agree	“There’s a risk factor involved with all of that.”	“It’s worth the risk in my opinion if you are smart enough to do your research and do it properly.”	
<i>EES2</i> Agree	“Several companies and teams suddenly disappear and it can be a problem to the brands that already created partnerships with them.”		
<i>EES1</i> Agree	“The scene is just so new and it hasn’t been established to the point in which I think it should be. . . . As of now I would say there is still a risk in terms of, I would say, smaller tournaments or newer games that come out.”	“A lot of the big mainstream publishers are getting it very right though. I would say Riot, when they’re working with their franchise league for LCS, they’re acting as the main governing body, they have a ruleset in place, they fine teams when they kind of are trying to poach different players, things like that. And so, they’re really really working very heavily on the regulation and standardization of the scene. You have other publishers like Blizzard that are, you know, working with Overwatch League, <i>Call of Duty</i> , and they’re all really really working heavily to work on the regulation and standardization. But I think it’s definitely improving and I think it’s going to get there very very soon.”	
<i>NEES7</i> Somewhat agree	“I’m pretty sure that the industry will learn . . . Even with this risk, it will still grow.”		
<i>NEES6</i> Agree	“That is definitely scary. For esports, sponsoring when everything is so volatile, you see leagues popping up and disbanding, you see teams popping up and disbanding. . . . If you do like an advertising campaign around a specific, like let’s say the Cloud9 <i>League of Legends</i> team . . . if you partner with them and you do an ad about the five starters and then they slit and there’s only one remaining, that’s a weird thing because you were showcasing your athletes you’d have to pull down the ads and things like that. So that can be seen as a risk if there’s not much stability.”		
<i>NEES5</i> Somewhat disagree		“The benefit is bigger than the risk here. There’s still a lot of development which is more interesting than it’s a risk. It will be very interesting to see how certain things will develop. But it’s also kind of like a fresh field and not too overregulated. There’s also more room for creativity. So that’s definitely positive.”	
<i>NEES4</i> Disagree		“I wouldn’t call it a risk, I would call it a challenge.”	
<i>NEES3</i> Agree	“On the esports side of the world it’s been less than 2 years since <i>Fortnite</i> has been introduced and now it’s the biggest game in the world, but I’ll tell you, right before <i>Fortnite</i> came out people were all clamouring about <i>PUBG</i> and how great it was, and now there’s very little talk about <i>PUBG</i> . And so, it’s more about the volatility and the fickleness of the esports marketplace and the gamers themselves wanting to move on to the new, fun, hot thing. And		

ID	Quote		
	Agreeing	Disagreeing	Depends
	so that has some problems in that it's hard to want to make a long-term bet. It's very easy for me to make a long-term bet on the NFL or College basketball because I know it's going to be there, it's not going away. . . . It's really about what has the staying power and that becomes an issue around long-term investment in the space. We all know it's going to be here, it's just where are the consumers going to be? And what game are they going to be playing?"		
NEES2 Agree	"Without a governing body or kind of an overarching ideal of how this works. . . again it is the wild west . . . Can the market hold its own self? . . . Risks in the esports community is esports itself. Being so new, how does it grow in a manner that is safe and makes money and keeps it healthy for the players?"		
NEES1 Disagree	"There is a lack of true understanding of, not just the problems with esports, but with esports as a whole. That's the biggest challenge I face working in a major company. Every single executive I talk to about gaming in general, it's like I'm talking to a 5 year-old. I have to teach them everything about this. So I think there's just so much unfamiliarity with it, other than maybe a Netflix video they watched at some point. And anything that you don't understand you're hesitant to participate in."	"This is just making it slower for sponsors to get involved . . . This is less about the problems and more about educating brands about the benefits here and the long-term benefits here."	
NEES8 Somewhat agree	"Esports may become a 'black hole' for a budget of a company if it doesn't know what it is doing when investing into esports. A lot of brands sign large contracts with esports organization just because it's a new and popular trend without a good and comprehensive marketing strategy around it."		
MA7 Somewhat agree	"It's the lack of knowledge and the other is not being concerned but they are always in the table when you're talking about that."	"It's not relevant."	
MA6 Somewhat agree	"Volatile, yeah, it probably is . . . it's more the lack of understanding."	"I think standardization we have plenty, that's relatively fine. . . . Dependence on sponsors, actually I would say we've now left the top area of dependency on sponsors, now it's just venture capital money . . . Riot has fantastic governing body, it's Riot, fantastic regulation and standardization, there is no volatility in it and no teams are truly dependent on sponsors so actually with that one, no it's perfectly fine."	
MA5 Strongly disagree	"Non-regulation also means a higher rate of issues. You know? Criminal people trying to not perform, run away with money, etc. . . . There's a higher risk attached compared to a fully governed industry. . . . With the infancy there's also a lack of education, sometimes the bad black sheep are not sorted out yet. So there's also a certain risk level which is higher than in an industry that is 20 years old, fully governed, and everybody knows each other, right? You know that guys are not messing around with your money."	"In terms of governing bodies, rules and regulations, it goes into the same direction because you as a brand, you're not very much dependent on if a sport or esports is actually regulated you don't really care. In fact, not having franchise league, certain rules or business rules applied to a whole IP . . . Let's say <i>Counter-Strike</i> would be governed and they would say like 'Hey, a sponsorships package has to be about 50,000\$', then a lot of brands would stop investing into <i>Counter-Strike</i> because a lot of them just sponsor here a guy for 1,000\$, there for 5,000\$, a	

ID	Quote		Depends
	Agreeing	Disagreeing	
		tournament for 20,000\$, etc. So, the non-regulation is always good for sponsors in terms of budget . . . It's beneficial to sponsor . . . I think the infancy aspect of esports is not an issue, it's actually an advantage."	
MA4 Strongly disagree	"You can have volatile trends like <i>Apex Legends</i> or <i>Fortnite</i> who's still popular but no one knows if it's still going to last in the next 2 years."	"The market has really structured in the past 2 years with game publishers regaining control over competitions and their games . . . I wouldn't say these are all volatile companies . . . we see a real structuration around the top 15 or 20 global top teams that are raising millions of dollars back-to-back, they are very serious venture capitalists and private investors who are hiring professional marketers and finance people etc. . . . If we take a global look at the market I'd say volatility is less a thing than it was 2 or 3 years ago."	
MA3 Somewhat disagree	"A lack of knowledge about the market is the biggest risk because there's a lot to know about the market and the community. For example, one potential client approached us with an event they wanted to sponsor and wasn't aware that it was a <i>Counter-Strike</i> event. Knowing them from their traditional communications, where they're positioned as a PG 12 brand, a PG 16 game would have been a problem for them. But they just didn't know what it was. To them, esports was one large, amorphous mass of games and they had no idea what they were buying."	"Lack of a main governing body also means that, as a sponsor, I'm much freer in what I want to do. The dependence on sponsors is also, in fact, a good aspect from a sponsor's perspective because that means you get more say."	"A lot of these have two sides."
MA2 Somewhat agree	"Governing oversight indeed makes the market more volatile, it makes it more prone to still having match-fixing or other types of cheating, or toxicity, player scandals that happen, so I definitely think that this increases the risk for those things to happen. . . . It would definitely help to have more governing and I think that would also make it less of a risk to sponsors."	"There are organizations that look into this, I think that's a big plus that there is big organizers and companies involved with things like the Esports Integrity Coalition and other types of bodies that do try to work on countering and regulating things. I also think that big game publishers, for example Riot Games, they do everything mainly in-house, so they do a lot of the events themselves so they're very actively involved with regulating, standardizing, their mainly almost a governing body of their industry. . . . It gives some market stability in large parts which I think those environments are very welcoming to sponsors, there's not a lot of risks or concerns there."	
MA1 Agree	"[Publisher] behaviour can really influence how the industry works. For example, in a <i>Fortnite</i> event at the very last moment they changed advertisements and the teams had to hide their sponsors which they had already made partnerships with. Valve has not this strict policy on whether pro-players can stream a <i>CS:GO</i> major or not. But this is an issue of standardization and regulation I would say. And yeah I think that in the future some governing body will appear that will be able to manage all this."		

Note. EES = Endemic esports sponsor; NEES = Non-endemic esports sponsor; MA = Marketing agency; . . . = edited cut; . . . = interviewee break.

**Table no. 6 – Categorization of the experts’ most relevant quotes on whether the problems associated with the infancy of the esports industry are a risk to esports sponsors**

Theme	ID	Quotes agreeing
Lack of a main governing body, regulation, or standardization	NEES2	“Without a governing body or kind of an overarching ideal of how this works... again it is the wild west . . . Can the market hold its own self?”
	MA5	“Non-regulation also means a higher rate of issues. You know? Criminal people trying to not perform, run away with money, etc. . . . There’s a higher risk attached compared to a fully governed industry.”
	MA2	“Governing oversight indeed makes the market more volatile, it makes it more prone to still having match-fixing or other types of cheating, or toxicity, player scandals that happen, so I definitely think that this increases the risk for those things to happen. . . . It would definitely help to have more governing and I think that would also make it less of a risk to sponsors.”
	MA1	“This is an issue of standardization and regulation I would say. And yeah I think that in the future some governing body will appear that will be able to manage all this.”
Volatility of esports	EES5	“We know it’s a volatile market so that’s why we don’t invest too much or we don’t invest too little. All of our contracts have a maximum of 1 year because we don’t know what is going to happen next year.”
	EES4	“ <i>Fortnite</i> is gigantic, but in esports it’s still not that strong and teams come in and out all the time. This won’t happen in sports. You won’t be sponsoring Paris Saint-Germain and all of a sudden Paris Saint-Germain doesn’t have a football team anymore. That doesn’t happen.”
	EES2	“Several companies and teams suddenly disappear and it can be a problem to the brands that already created partnerships with them.”
	NEES6	“That is definitely scary. For esports, sponsoring when everything is so volatile, you see leagues popping up and disbanding, you see teams popping up and disbanding. . . . If you do like an advertising campaign around a specific, like let’s say the <i>Cloud9 League of Legends</i> team . . . if you partner with them and you do an ad about the five starters and then they split and there’s only one remaining, that’s a weird thing because you were showcasing your athletes you’d have to pull down the ads and things like that. So that can be seen as a risk if there’s not much stability.”
	NEES3	“On the esports side of the world it’s been less than 2 years since <i>Fortnite</i> has been introduced and now it’s the biggest game in the world, but I’ll tell you, right before <i>Fortnite</i> came out people were all clamouring about <i>PUBG</i> and how great it was, and now there’s very little talk about <i>PUBG</i> . And so, it’s more about the volatility and the fickleness of the esports marketplace and the gamers themselves wanting to move on to the new, fun, hot thing. And so that has some problems in that it’s hard to want to make a long-term bet. It’s very easy for me to make a long-term bet on the NFL or College basketball because I know it’s going to be there, it’s not going away. . . . It’s really about what has the staying power and that becomes an issue around long-term investment in the space. We all know it’s going to be here, it’s just where are the consumers going to be? And what game are they going to be playing?”
	MA6	“Volatile, yeah, it probably is.”
	MA4	“You can have volatile trends like <i>Apex Legends</i> or <i>Fortnite</i> who’s still popular but no one knows if it’s still going to last in the next 2 years.”
	MA2	“Governing oversight indeed makes the market more volatile.”
	MA1	“[Publisher] behaviour can really influence how the industry works. For example, in a <i>Fortnite</i> event at the very last moment they changed advertisements and the teams had to hide their sponsors which they had already made partnerships with.”
	Esports are a very unknown market	EES5
NEES1		“There is a lack of true understanding of, not just the problems with esports, but with esports as a whole. That’s the biggest challenge I face working in a major company. Every single executive I talk to about gaming in general, it’s like I’m talking to a 5 year-old. I have to teach them everything about this. So I think there’s just so much unfamiliarity with it, other than maybe a Netflix video they watched at some point. And anything that you don’t understand you’re hesitant to participate in.”

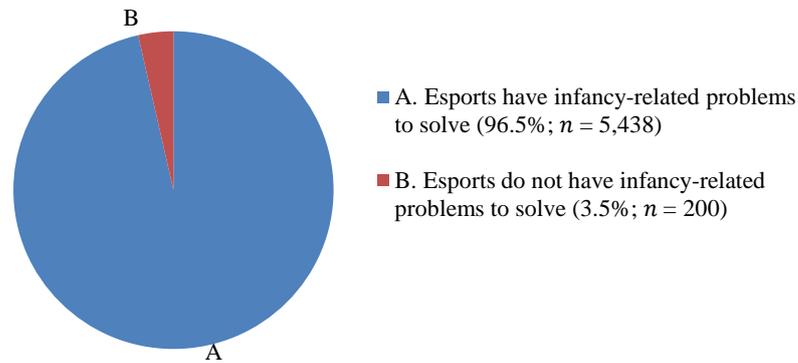
Theme	ID	Quotes agreeing
	NEES8	“Esports may become a 'black hole' for a budget of a company if it doesn't know what it is doing when investing into esports. A lot of brands sign large contracts with esports organization just because it's a new and popular trend without a good and comprehensive marketing strategy around it.”
	MA7	“It's the lack of knowledge and the other is not being concerned but they are always in the table when you're talking about that.”
	MA6	“It's more the lack of understanding.”
	MA3	“A lack of knowledge about the market is the biggest risk because there's a lot to know about the market and the community. For example, one potential client approached us with an event they wanted to sponsor and wasn't aware that it was a <i>Counter-Strike</i> event. Knowing them from their traditional communications, where they're positioned as a PG 12 brand, a PG 16 game would have been a problem for them. But they just didn't know what it was. To them, esports was one large, amorphous mass of games and they had no idea what they were buying.”
Esports entities are commercially inexperienced	EES6	“Sponsorship value may not be maximized . . . by inexperienced partners, which can decrease the ROI of the sponsorship. . . . You have a lot of people . . . who don't have professional experience outside of gaming, right? So you don't have somebody who's activated brand partnerships for the NFL for 20 years, right? That person knows how to do that more effectively than somebody who wasn't, right?”
Esports are underdeveloped	EES1	“The scene is just so new and it hasn't been established to the point in which I think it should be.”
	NEES7	“I'm pretty sure that the industry will learn . . . Even with this risk, it will still grow.”
	NEES2	“Risks in the esports community is esports itself. Being so new, how does it grow in a manner that is safe and makes money and keeps it healthy for the players?”
	MA5	“With the infancy there's also a lack of education, sometimes the bad black sheep are not sorted out yet. So there's also a certain risk level which is higher than in an industry that is 20 years old, fully governed, and everybody knows each other, right? You know that guys are not messing around with your money.”
Esports are now more regulated and standardized	EES7	“Now I think we have more standardized tournaments than we ever had before, with ESL going out and having a lot of different tournaments, regular tournaments as well, we have formats like Majors and Minors now, in the segments, where you have to apply to get the points, you need to have a certain amount of rules, you need to have a certain amount of money like price pools to be a part of this Minor and Major. . . . There are different rules you need to follow for you to actually be a part of this circuit and in the different games.”
	EES1	“A lot of the big mainstream publishers are getting it very right though. I would say Riot, when they're working with their franchise league for LCS, they're acting as the main governing body, they have a ruleset in place, they fine teams when they kind of are trying to poach different players, things like that. And so, they're really really working very heavily on the regulation and standardization of the scene. You have other publishers like Blizzard that are, you know, working with Overwatch League, <i>Call of Duty</i> , and they're all really really working heavily to work on the regulation and standardization. But I think it's definitely improving and I think it's going to get there very very soon.”
	MA6	“I think standardization we have plenty, that's relatively fine. . . . Riot [has] fantastic regulation and standardization.”
	MA2	“There are organizations that look into this, I think that's a big plus that there is big organizers and companies involved with things like the Esports Integrity Coalition and other types of bodies that do try to work on countering and regulating things. I also think that big game publishers, for example Riot Games, they do everything mainly in-house, so they do a lot of the events themselves so they're very actively involved with regulating, standardizing, their mainly almost a governing body of their industry.”
Lack of main governing	NEES5	“It's also kind of like a fresh field and not too overregulated. There's also more room for creativity. So that's definitely positive.”

Theme	ID	Quotes agreeing
body, regulation, and standardization is good	MA5	“In terms of governing bodies, rules and regulations, it goes into the same direction because you as a brand, you’re not very much dependent on if a sport or esports is actually regulated you don’t really care. In fact, not having franchise league, certain rules or business rules applied to a whole IP . . . Let’s say <i>Counter-Strike</i> would be governed and they would say like ‘Hey, a sponsorships package has to be about 50,000\$’, then a lot of brands would stop investing into <i>Counter-Strike</i> because a lot of them just sponsor here a guy for 1,000\$, there for 5,000\$, a tournament for 20,000\$, etc. So, the non-regulation is always good for sponsors in terms of budget.”
	MA3	“Lack of a main governing body also means that, as a sponsor, I’m much freer in what I want to do.”
Some parts of esports are not volatile	MA6	“Riot . . . [has] no volatility in it.”
	MA4	“The market has really structured in the past 2 years with game publishers regaining control over competitions and their games . . . I wouldn’t say these are all volatile companies . . . we see a real structuration around the top 15 or 20 global top teams that are raising millions of dollars back-to-back, they are very serious venture capitalists and private investors who are hiring professional marketers and finance people etc. . . . If we take a global look at the market I’d say volatility is less a thing than it was 2 or 3 years ago.”
	MA2	“[Some esports organizations give] some market stability in large parts which I think those environments are very welcoming to sponsors, there’s not a lot of risks or concerns there.”
Esports are not as dependent on sponsors as they were	MA6	“Dependence on sponsors, actually I would say we’ve now left the top area of dependency on sponsors, now it’s just venture capital money . . . [With] Riot . . . no teams are truly dependent on sponsors so actually with that one, no it’s perfectly fine.”
Dependence on sponsors is good	MA3	“The dependence on sponsors is also, in fact, a good aspect from a sponsor’s perspective because that means you get more say.”
Not a risk for endemic companies because they know the esports market	EES5	“Endemic companies such as our company [EES5], we completely know everything that is inside this market . . . For endemics it is not a risk at all.”
Some esports entities are commercially experienced	EES4	“No, that is actually a benefit. . . . For the esports institutions that are more reasonable and you know a little about how much they’re really worth, you can have a very good return by sponsoring esports.”
Esports is now more developed	EES7	“It’s very mature at the moment. At least for the bigger tournaments. And also just in general, when we talk about our sponsoring teams and all this stuff, it’s very much a more professional now than it was years ago when we first started. The players are more professional now as well. The organizations are more professional now as well. And also because they have to, because there are a lot more sponsors now, there is a lot more money in the scene now. So, the times of course have to follow the professionalism as well when the money does it.”
Not a risk if the sponsor has esports expertise	EES4	“No, that is actually a benefit. . . . [If] you know a little about how much they’re really worth, you can have a very good return by sponsoring esports.”
	EES3 NEES1	“It’s worth the risk in my opinion if you are smart enough to do your research and do it properly.” “This is less about the problems and more about educating brands about the benefits here and the long-term benefits here.”
The benefits outweigh the risks	EES3	“It’s worth the risk in my opinion.”
	NEES5	“The benefit is bigger than the risk here. There’s still a lot of development which is more interesting than it’s a risk.”
The infancy of the esports industry is a benefit	EES4	“No, that is actually a benefit.”
	MA5	“It’s beneficial to sponsor . . . I think the infancy aspect of esports is not an issue, it’s actually an advantage.”

Note. EES = Endemic esports sponsor; NEES = Non-endemic esports sponsor; MA = Marketing agency; . . . = edited cut; ... = interviewee break.

#### 4.2 H<sub>2c</sub> – Infancy of the industry (Sample 2)

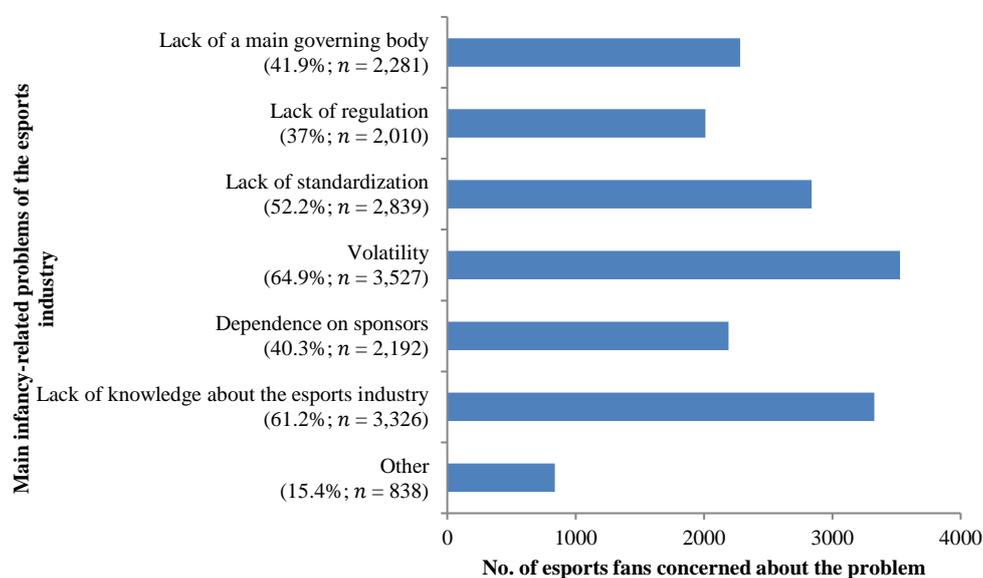
Figure no. 2 shows the frequencies of the empirical data from esports fans when answering to the closed-ended question “Do you think that esports have problems related to their infancy to solve?” The answer options were “Yes” and “No”.



**Figure no. 2 – Fans’ opinion on whether the esports industry has infancy-related problems to solve**  
*Note.*  $N = 5,638$ ;  $n = 5,638$ ; No answer = 0

In Figure no. 3 it is possible to observe the frequencies of the data from the esports fans when answering to the closed-ended item “What are the main infancy-related problems of the esports industry? (Select all that apply)”. The answer options were: “Lack of knowledge about the esports industry (sponsors still do not have enough knowledge about esports)”, “Dependence on sponsors”, “Volatility (tournaments, pro-players, teams, etc. disappear as quickly as they appeared)”, “Lack of standardization (for example: different tournaments have different rules for the same videogames; etc.)”, “Lack of regulation”, “Lack of a main governing body (for example, FIFA largely governs football; FIBA largely controls Basketball; but no organization is governing esports)”, and “Other”. This item was a contingency question to the filter question “Do you think that esports have problems related to their infancy to solve?” and just the participants who answered “Yes” were able to answer it.

In the last question of the survey, which was an open-ended and optional item asking “Would you like to add anything else about what was addressed in this survey?”, there were 11 participants who provided answers related to the topic of the infancy of the esports industry as a risk to sponsors. Table no. 7 shows the partial or full quotes from these esports fans. In this last open-ended question, there were also five fans who indicated that the infancy of the esports market sometimes leads to disreputable behaviour. The full or partial quotes from these participants are present in Table no. 8.



**Figure no. 3 – Fans’ opinion on what are the main infancy-related problems of the esports industry**  
 Note:  $N = 5,638$ ;  $n = 5,438$ ; No answer = 200. This was a multiple response question.

**Table no. 7 – Fan quotes supporting the main risk of the infancy of the esports industry**

Subtheme and quote	Fan ID
<i>Lack of main governing body, regulation, and standardization</i>	
“Lack of authority and uniformed rules.”	45
“I feel very strongly about having a regulating body for esports/streamers there need to be more rules in place so that players do not get screwed over so often.”	262
“Governing bodies should be put in place solely for disciplinary purposes, i.e. the recent ban by blizzard should have been filtered through a higher power other than the chinese-influenced (bought) board members of a money centered corporation.”	325
“One of the core issues is that the video game publisher typically also owns the primary tournament scene for that game. The result is business practices are pushed down into the tournament and they may vary from game to game or business to business.”	38
<i>Volatile market</i>	
“The esports industry is inconsistent and changes shape with every game.”	38
“Unionize esports staff and players. Give stability.”	20
“Old/burnt-out players, that are retiring at an almost alarmingly high rate in some titles.”	30
“There needs to be an established pro-gaming circuit that has great consistency.”	147
“Sponsors giving up on sponsoring of teams because of roster stability.”	196
“I truly think the main problem of esports currently is that it's very volatile and uncertain whether an aspiring professional can live off of playing the game, even if they are topping leaderboards. There needs to be more stability financially and higher wages in the t2-t3 scene.”	208
“Lots of games die from lack of money for participating. It needs to be economically viable to aim for a career doing this before it'll become truly mainstream.”	220
“From my point of view, volatility is the biggest problem that esports face.”	390

**Table no. 8 – Fan quotes indicating that the infancy of the esports market leads to disreputable behaviour**

Quote	Fan ID
“I wouldn't like for sponsors to push agendas”	78
“People should be wary of the possible predatory aspect of esports sponsorships”	101
“Any time brands sink their teeth too deep into something they end up calling the shots for monetary purposes. . . . The biggest appeal of esports to me is the loose and fun feel of the commentating/community . . . Putting the players and the organizationz under the thumb of one company makes it much easier for said company to sway their decision making”	211
“There are definitely cases where it is incredibly problematic . . . which I believe is related to the one sponsor having too much say”	267
“I don't see any other options for pro players other than accepting sponsorships. So sponsors possess a lot of power over pro players and teams, so we need to hope they do right by the players themselves”	270

## 5. DISCUSSION

The general results confirmed the hypothesis that the problems associated with the infancy of the esports industry are a risk to esports sponsors. While the fans' data strongly supported the hypothesis, the experts' data moderately supported it.

For sample 1, the results showed that the majority of experts (i.e. 63.6%;  $n = 14/22$ ) agreed with the phrase “The problems associated with the infancy of the esports industry (for example: lack of main governing body, regulation and standardization; volatile market; dependence on sponsors; and lack of knowledge about the market) are a risk to esports sponsors”. However, it cannot be forgotten that there was still a significant percentage (i.e. 36.4%;  $n = 8/22$ ) who disagreed. Nevertheless, because the majority of experts indicated to agree with the phrase, their data supported the hypothesis.

The most voted option was “Somewhat agree” (i.e. 36.4%;  $n = 8/22$ ). This was followed by “Agree” (i.e. 27.3%;  $n = 6/22$ ), “Strongly disagree” (i.e. 13.6%;  $n = 3/22$ ), “Disagree” (i.e. 13.6%;  $n = 3/22$ ), and “Somewhat disagree” (i.e. 9.1%;  $n = 2/22$ ). Overall, the options “Somewhat agree” and “Agree” were selected by over half of sample 1 (i.e. 63.6%;  $n = 14/22$ ). Also, there was not a single disagreement option that was more voted than any of the agreement options. Even so, the majority of participants who indicated disagreement had a medium to high confidence level with their stance. By contrast, the majority of the participants who indicated agreement had a medium to low confidence level with their stance. Another interesting aspect was that the amount of non-endemic and endemic sponsors who indicated the infancy of esports as a risk was relatively the same (i.e. 71.4% or  $n = 5/7$  EESs vs 62.5% or  $n = 5/8$  NEESs), hence the results did not indicate that this could be a significantly higher risk to a specific brand type.

Overall, sample 1's data showed that most esports experts perceive the infancy of this market as a risk to esports sponsors. The most mentioned problems that promote this risk are the lack of a main governing body, the unknown and volatile market, the commercial inexperience from esports entities, and underdevelopment of this industry. However, there were still some experts who stated that esports are becoming increasingly more regulated, developed, and standardized, as well as less dependent on sponsors and less volatile. One

expert stressed that this risk is a two-sided coin and that comment gained more credibility when several other experts pointed out that this risk can, in fact, be beneficial. According to these participants, the lack of a main governing body, regulation, and standardization was positive because it provided them with higher control to create partnerships. One expert also defended that the dependence on sponsors was beneficial because it granted the sponsors with greater control of the sponsorship. Even so, the overall sentiment was that the infancy of this market provided them with more risks than benefits.

For sample 2, the results showed that almost all esports fans (i.e. 96.5%;  $n = 5,438/5,638$ ) reckon that the competitive gaming market has infancy-related issues to solve. This strongly supported the hypothesis. By contrast, only a very small group expressed disagreement (i.e. 3.5%;  $n = 200/5,638$ ). From those who agreed, the most commented types of infancy-related problems that this market must solve were: volatility (i.e. 64.9%;  $n = 3,527/5,438$ ), lack of knowledge about the competitive gaming market (i.e. 61.2%;  $n = 3,326/5,438$ ), lack of standardization (i.e. 52.2%;  $n = 2,839/5,438$ ), lack of a main governing body (i.e. 41.9%;  $n = 2,281/5,438$ ), dependence on sponsors (i.e. 40.3%;  $n = 2,192/5,438$ ), and lack of regulation (i.e. 37%;  $n = 2,010/5,438$ ).

From the last item of the fans' survey (which asked them to add any information they believed to be relevant for the topic under study), it was possible to verify that the most commented issue about the infancy of esports is the market's volatility. This is in line with the fans' most voted problem created by the infancy-related issues (i.e. volatility) and is also in line with the experts' most commented problems, which was volatility and the lack of knowledge about the esports market.

The results from both sample 1 and 2 were mostly in line with the literature. EES1, NEES2, NEES7, and MA5, were in sync with [AEVI \(2018\)](#), [Funk et al. \(2018\)](#), [Ströh \(2017\)](#), [Keiper et al. \(2017\)](#), [Shabir \(2017\)](#), [Winnan \(2016\)](#), [Bayliss \(2016\)](#), [Seo \(2013\)](#), [Taylor \(2012\)](#), and [Fields \(2011\)](#), who state that the esports market is still too young. NEES2, MA1, MA2, MA5, and 2,281 fans were in sync with [Sylvester and Rennie \(2017\)](#), [Stein and Scholz \(2016\)](#), and [Salice \(2010\)](#), who mention that competitive gaming does not have a clearly identifiable main governing body. NEES2, MA1, MA5, and 2,010 fans were in accordance with [ONTIER \(2018\)](#), [Ströh \(2017\)](#), [Shabir \(2017\)](#), [Li \(2016\)](#), and [Hollist \(2015\)](#), who comment that there is a high lack of regulation competitive gaming. NEES2, MA1, and 2,839 fans were in conformity with [Sylvester and Rennie \(2017\)](#), [Shabir \(2017\)](#), [Taylor \(2012\)](#), and [Salice \(2010\)](#), who point out to the lack of a standardized ruleset in esports. EES2, EES4, EES5, NEES3, NEES6, MA1, MA2, MA4, MA6, and 3,527 fans were on the same page as [AEVI \(2018\)](#), [Shabir \(2017\)](#), [Li \(2016\)](#), [Winnan \(2016\)](#), [Franke \(2015\)](#), and [Taylor \(2012\)](#), who mention that this industry is highly volatile. EES5 stated that competitive gaming's volatility prevents them from committing to high investments, which is in sync with [Shabir \(2017\)](#), who comments that esports' severe volatility discourages sponsors from making large investments in esports entities that may suddenly disappear. EES5, NEES1, NEES8, MA3, MA6, MA7, and 3,326 fans were in sync with [AEVI \(2018\)](#), [Nichols \(2017\)](#), [Europe \(2015\)](#), and [Taylor \(2012\)](#), who report that sponsors are still not completely aware of what esports really are.

Interestingly, although MA6 commented that esports are no longer as dependent on sponsors as they once were, 2,192 fans stated otherwise. This still prevalent dependence on sponsors is further supported by numerous authors like [ONTIER \(2018\)](#), [Ströh \(2017\)](#), [Shabir \(2017\)](#), [Nichols \(2017\)](#), [Holden et al. \(2017a\)](#), [Hiltscher and Scholz \(2017\)](#), [Callus and Potter](#)

(2017), Winnan (2016), Europe (2015), and Taylor (2012). Even the latest report from Newzoo (2022) states that roughly 60% of esports' revenue comes from sponsors.

The overall findings reveal highly significant and relevant implications for every consumer brand interested in sponsoring competitive gaming and to become better acquainted with how the esports' market infancy may negatively affect their brands. One of the most effective tactics to avoid the infancy-related problems of the esports market is to acquire esports expertise before beginning or committing to any sort of sponsorship. This will allow brands to quickly identify which are the most secure and best entities to sponsor. In other words, sponsors must be capacitated to enter esports and effectively locate and partner with the most stable, sustainable, commercially experienced, and professional esports entities. This will prevent brands from sponsoring (and suffering from the issues connected to) commercially inexperienced esports entities. Regarding the sponsoring of tournaments, it is advised for brands to limit their sponsorships to the most standardized and regulated competitions as this provides them with a more predictable and secure environment. It is even more important for non-endemic sponsors to carefully study the esports industry because, as EES5 stated, endemic brands are more aware of what is happening inside esports. This is because, while endemic sponsors are much more intimately connected with the videogame market, the large majority of non-endemic companies do not have a habit of analysing the evolution of this industry.

MA3 also gave some important observations regarding esports' dependence on sponsors. According to MA3, this dependency is actually a positive aspect since it provides brands with more power over the entity they are sponsoring. However, although this is beneficial for the brands, it also incentivises sponsors to exert too much control and pressure over the sponsored entities and this is exactly what some fans mentioned in the last open-ended question when they stressed that the infancy of esports is leading to disreputable behaviours from some sponsors. The most common topics that the fans stated here were that they do not want brands to abuse the power they possess over the sponsored entities. Equally important is that sponsors should not try to control or change the sponsored party's behaviour nor constantly trying to micromanage them or having too much say over them. Therefore, although this industry's dependence on sponsors may be beneficial for brands, sponsors should be cautious about how they use their power because this may quickly backfire in the form of fan backlashes against the sponsors, which may severely damage their brand image and result in negative ROIs.

Despite some esports experts defending that the esports market is now less volatile, as well as more regulated, developed, and standardized, sponsors must still cautiously navigate over esports because these aspects are still significantly below the standards present in the majority of established sports. All this highlights the importance of holistically studying the esports industry in detail or acquiring individuals who actually understand the ins and outs of esports. This strategy will greatly mitigate the dangers of sponsors suffering from the problems of this new and unknown market.

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