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Praca magisterska

E-sports market 2014-2019 - analysis and forecast. A comparison of strategies adopted by Activision Blizzard and Ubisoft Entertainment

Rynek sportu elektronicznego 2014-2019 - analiza i prognozy. Porównanie strategii przyjętych przez Activision Blizzard oraz Ubisoft Entertainment

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Abstract

E-sports market has been growing at a rapid pace over the last few years in terms of viewership, revenues and the number of games that can be played competitively. This thesis presents the analysis of global e-sports market between 2014 and 2019. The key elements analyzed in the thesis include sources of revenue such as ticket sales, live streams and advertising, geographical segmentation of this market and possible directions of the future development. What is more, the analysis also includes the most popular video game genres, leading vendors, most successful e-sports teams and largest broadcasters. The concluding part of the thesis is focused on comparison between two large video game developers – Activision Blizzard and Ubisoft Entertainment. The analysis of financial performance and strategic actions taken by those companies shows that it is necessary to make substantial investments in developing e-sports games and hosting tournaments in order to attract gaming enthusiasts and obtain strong competitive position on the market in the upcoming years. As a result of incorrect strategic decisions Ubisoft Entertainment currently is not present among e-sports market leaders. That is why there are recommendations for this company described in the thesis that might prevent it from achieving negative financial results in the future. The recommendations include development of a new, simple, free-to-play collectible card game that could be played competitively during tournaments, introduction of frequent bug fixing patches for Ubisoft's digital distribution platform named Uplay and increased presence in social media and live stream channels. In order not to be dependent to a large extent on sales results of new games and maintain stable revenues, the company might also consider introduction of cross-platform free-to-play games based on the system of micro transactions.

Keywords

E-Sports, video games, market analysis, experience economy



Streszczenie

Rynek sportu elektronicznego (e-sportu) charakteryzował się wysokim tempem wzrostu w ciągu ostatnich lat pod względem oglądalności, przychodów oraz liczby gier, w których można współzawodniczyć. Niniejsza praca przedstawia analizę globalnego rynku e-sportowego w latach 2014 – 2019. Kluczowe elementy przeanalizowane w tej pracy obejmują źródła przychodów takie jak sprzedaż biletów, transmisje na żywo i reklamy, segmentację geograficzną tego rynku oraz możliwe kierunki rozwoju w przyszłości. Co więcej, analiza obejmuje również najpopularniejsze gatunki gier video, czołowych producentów, najbardziej utytułowane drużyny sportu elektronicznego oraz największych nadawców. Końcowa część pracy skupia się na porównaniu dwóch dużych wydawców gier video – Activision Blizzard oraz Ubisoft Entertainment. Analiza wyników finansowych i działań strategicznych podjętych przez te firmy pokazuje, że koniecznym jest poczynienie wysokich inwestycji w rozwój gier e-sportowych i organizowanie turniejów, aby przyciągnąć pasjonatów gier i zdobyć silną pozycję na rynku w nadchodzących latach. W wyniku podjęcia niewłaściwych decyzji strategicznych Ubisoft Entertainment obecnie nie znajduje się wśród liderów rynku e-sportowego. Z tego powodu w pracy zostały przedstawione rekomendacje dla tej firmy, które mogą ją uchronić od osiągnięcia negatywnych wyników finansowych w przyszłości. Rekomendacje dotyczą produkcji nowej, prostej gry karcianej typu free-to-play, w której można współzawodniczyć podczas turniejów, udostępniania częstych łatek poprawiających błędy w platformie cyfrowej dystrybucji firmy Ubisoft o nazwie Uplay oraz zwiększenia obecności w mediach społecznościowych i kanałach transmisji na żywo. Aby nie być zależnym w głównej mierze od wyników sprzedaży nowych gier i utrzymywać stabilne przychody, firma może również rozważyć wprowadzenie wieloplatformowych gier typu free-to-play bazujących na systemie mikro transakcji.

Słowa kluczowe

e-sport, gry video, analiza rynku, ekonomia doświadczeń



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1. Introduction

The purpose of this thesis is to analyze various different areas of the global E-Sports market. The analysis will include Porter's five forces methodology. Three main geographical segments analyzed in the paper are Americas, Asian-Pacific region (APAC) and Europe-Middle East area (EMEA). Leading countries from each region, that are characterized by high awareness and popularity of E-Sports, will be described in more details. The analyzed countries include the global E-Sports market leader – the United States, the market with the biggest amount of gamers and highest popularity of mobile E-Sports – China, the birthplace of electronic sports – South Korea and a European country with big percentage of gaming enthusiasts – Sweden. Most frequently played gaming genres including MOBA, FPS and RTS will be analyzed in terms of their market share, current valuation and growth rate in the upcoming years. Moreover, this thesis will present main sources of revenue - advertising, ticket sales and live streams - for companies present on the E-Sports market. This section will also include the emerging electronic sports betting sector, prize pools dedicated for winning teams and description of the first school in Poland that has the E-Sports profiled class in its offer. Furthermore, there are seven leading vendors described in the next part of the paper with the exclusion of Activision Blizzard that is discussed in the concluding part. The leading developers include for example Riot Games which is the producer of the most well-known E-Sports game in the world – League of Legends or Valve Corporation that hosts tournaments with the highest prize pools in the E-Sports history. Subsequent sections will present the most successful teams, most important tournaments together with their prize pools and major E-Sports broadcasters.

Comparison between two leading video game vendors forms the concluding, empirical part of the thesis. The financial performance of Activision Blizzard, that has been focusing more attention over the last few years on developing games that are suitable for E-Sports competition, will be compared with the results achieved by Ubisoft that pays more attention to developing numerous sequels of their games. The thesis will present the effects that the introduction of very popular competitive games like Heroes of the Storm, Hearthstone and StarCraft II had on the performance achieved by Activision Blizzard. Potential negative effects of Ubisoft not investing into E-Sports will also be examined. The main question that this thesis aims to answer is whether involvement in electronic sports has a crucial effect on the overall condition of gaming companies and



popularity of their products and whether it is possible to neglected this area and still perform well on the video games market. Finally, there will be recommendations presented that concern the future decisions that the company, which does not perform well, might be willing to take in order to maintain their competitive position on the gaming market.

1.1 Definition

E-sports definition that can be found in the Oxford Dictionary reads that this type of sport involves multiplayer games that are played competitively by professional players for spectators.¹ In short, E-Sports is aimed at creating entertainment value through competitive video games. It is becoming a global phenomenon and allows people to enjoy watching games played by the best professional gamers from around the globe and to learn from them. E-Sports market is gaining a growing popularity all around the world. Gaming is no longer perceived simply as a pastime activity but also as a way for the “e-athletes” to make a living. It is also considered by as the most popular online pastime in the world. However, many people continue to question whether eSports can be perceived as a sport in a first place. According to the critics mouse clicking and typing on a keyboard cannot be compared to the physical effort required in conventional sports. Roland Li - the author of “Good Luck Have Fun: The Rise of eSports” book claims that E-Sports should not be treated in a different way than chess, poker or NASCAR. All these disciplines are transmitted via ESPN which is an American sports channel that has launched the special E-sports section on their website in January 2016.² The idea of E-Sports also fits very well in the concept of experience economy. As the name indicates this segment is not solely focused on selling goods and providing services but rather on selling experiences to other people. That is why vendors and game developers strive to create the impressions that the audience desires in order to build strong and positive experiences.³

Even though the growing popularity of E-Sports is still very controversial and incomprehensible to many, it is proven by the history of humanity that people like watching others play games. Board game of Patolli that was played by Mesoamericans approximately 200 years B.C. can be perceived as the first recorded case of a game watched by an actual audience.

¹ Oxford Dictionaries, <http://www.oxforddictionaries.com/definition/english/e-sport> (20.08.2016).

² R. Li, Good Luck Have Fun: The Rise of eSports, Skyhorse Publishing, Inc., 7 June 2016 p. 4.

³ B. J. Pine II, J. H. Gilmore, Welcome to the Experience Economy, <https://hbr.org/1998/07/welcome-to-the-experience-economy> (07.06.2016).



Image 1. Macuilxochitl spectating a game of Patolli.



Source: S. Llamas, eSports: Where are the big sponsors?, <http://www.gamesindustry.biz/articles/2015-11-03-esports-are-big-advertising-should-be-bigger> (20.08.2016).

The picture above presents Macuilxóchitl, the Aztec god of games, art, dance, beauty song and flowers⁴, who is observing people playing a game of Patolli. Over centuries we have progressed from physical games to digital ones. It required introduction of advanced computers and there are many people, who claim that this were the video games that led to the birth of the personal computer, not the other way round. As Eric Zimmer, an Arts Professor at the NYU Game Center, stated - the previous centuries were defined by cinema and novels but this century will be the one defined by games.⁵

⁴ M. Cartwright, Ancient History Encyclopedia - Xochipilli, <http://www.ancient.eu/Xochipilli/> (20.08.2016).

⁵ E. Zimmerman, H. Chaplin, Manifesto: The 21st Century Will Be Defined By Games, <http://kotaku.com/manifesto-the-21st-century-will-be-defined-by-games-1275355204> (20.08.2016).

1.2 Market summary

As it has been already mentioned in the previous paragraphs E-Sports market is expected to achieve very high rate of growth in the nearest future. In the period that was chosen for this analysis it is expected that the level of competition between vendors present on this market will be very high. E-Sports market can be described as an extremely fragmented one. Due to very low entry barriers we can observe a growing number of new developers, who decide to enter this market. The importance of console gaming in the E-Sports market has been systematically increasing. There are also new, very original marketing strategies introduced by the vendors that are aimed on increasing sales of games. Finally, there are many leading producers, who were able to gain a very strong position on this market. That is the reason why it is not likely that there will be any major changes which could threaten their leadership in the analyzed period.



1.3 Target audience

Even though it is generally assumed that most eSports enthusiasts are PC gamers, the research conducted by Nielsen Media Research gave different results. As shown in the picture below, only 35% of the eSports fans in the United States use a PC as their primary gaming platform. Consoles were chosen by 78% of the analyzed group. It is worth to mention that almost a half of gamers use the newest generation of consoles that include PlayStation 4, Xbox One and Wii U. What is more 10% of eSports fans in the United States do not play any games themselves - they choose to watch competitions involving professional gamers. The best proof supporting the assumption that gaming became a spectator activity is the fact that over 40% of the global eSports viewers do not play any games from the list of top 10 gaming franchises.⁶

Chart 1. Gaming platforms chosen by eSports fans.



Source: Nielsen Media Research eSports Report, <http://www.nielsen.com/us/en/insights/news/2015/us-esports-fans-arent-just-pc-gamers.html> (09.09.2016).

⁶ Newzoo, The Global Growth of Esports, https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (09.09.2016).

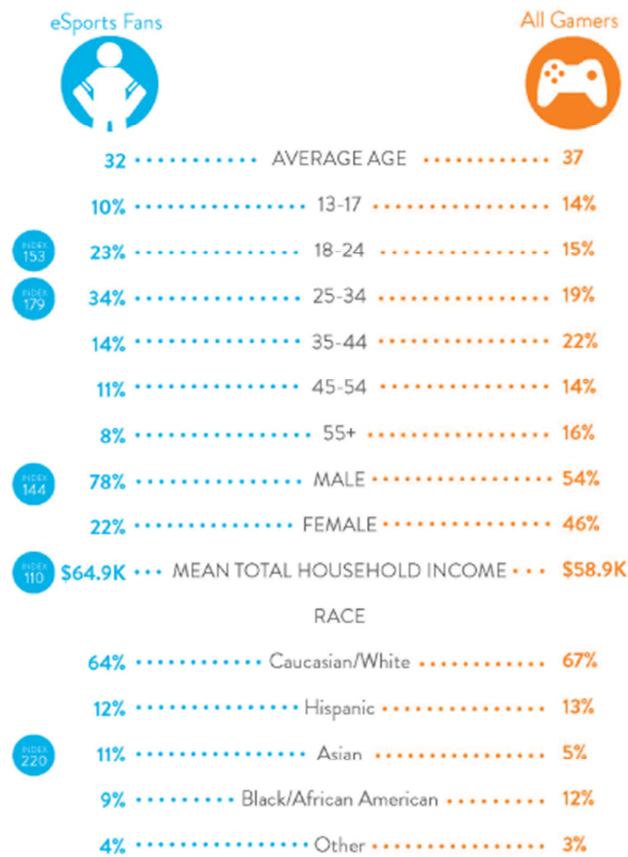
When it comes to the demographical profile of an eSports fan it is presented in the picture below. According to the research, fans of electronic sports are young males – over 34% are aged between 25 and 34 years old. Total household income in case of eSports fans is estimated at \$64.9 thousand in 2015 which is approximately 10% more than the mean total household income of all gamers in general. If we take the race and ethnicity into consideration it turns out that much higher percentage of Asian people are eSports fans (11%) than gamers (5%). It makes this racial group different than the rest that were analyzed, where the number of fans and gamers is very similar. This may be linked to the fact that Asia is the birthplace of eSports which is very popular among local people.⁷ Furthermore, in 2014 it was estimated that 29% of eSports enthusiast had a budget for a headset of over \$100 compared to 13% of all gamers and 53% of enthusiasts had a full-time job as compared to 37% of total population.⁸

⁷ Nielsen Media Research, U.S. eSports fans aren't just PC gamers,
<http://www.nielsen.com/us/en/insights/news/2015/us-esports-fans-arent-just-pc-gamers.html> (09.09.2016).

⁸ Newzoo, The Global Growth of Esports,
https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (09.09.2016).



Chart 2. Comparison between eSports fans and the general population of gamers.



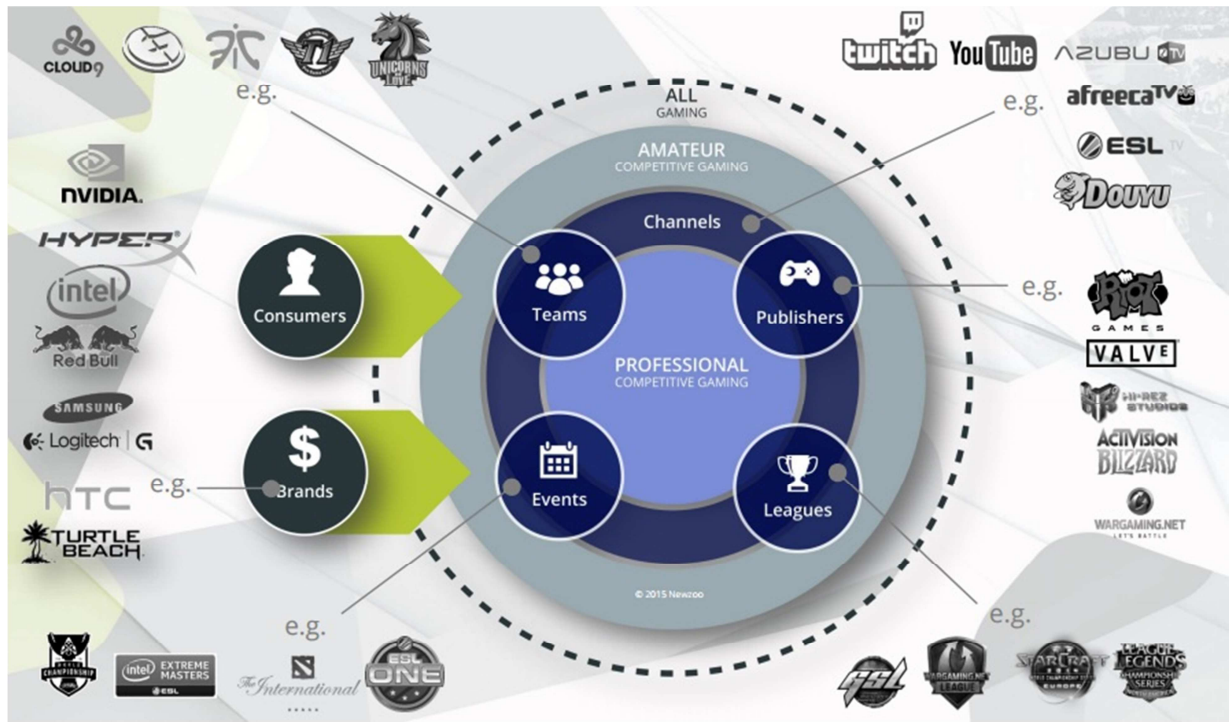
Source: Nielsen Media Research eSports Report, <http://www.nielsen.com/us/en/insights/news/2015/us-esports-fans-arent-just-pc-gamers.html> (09.09.2016).

1.4 Market components

There are six most important building blocks of the eSports market presented on the graph below. First of all, there game developers and publishers of live broadcasts. There are also gaming teams of different sizes that include gamers and coaches. The teams compete within several big leagues. Furthermore, there are big eSports events with substantial prize pools that attract both players and consumers. Finally, there are big brands including producers of gaming equipment and the biggest companies in the world like Red Bull that are involved in sponsorships and organization of tournaments.



Image 2. Elements of competitive gaming.

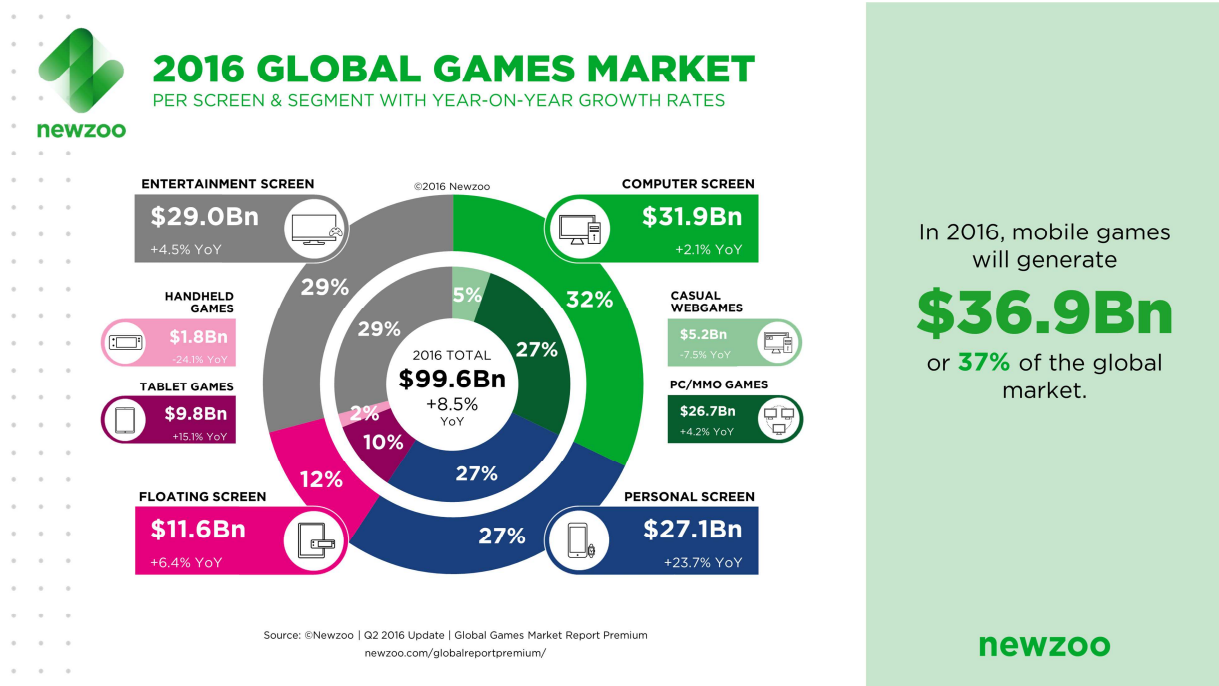


Source: Newzoo, The Global Growth of Esports,
https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (09.09.2016).



1.5 Games market size

Chart 3. Games market per screen in 2016.

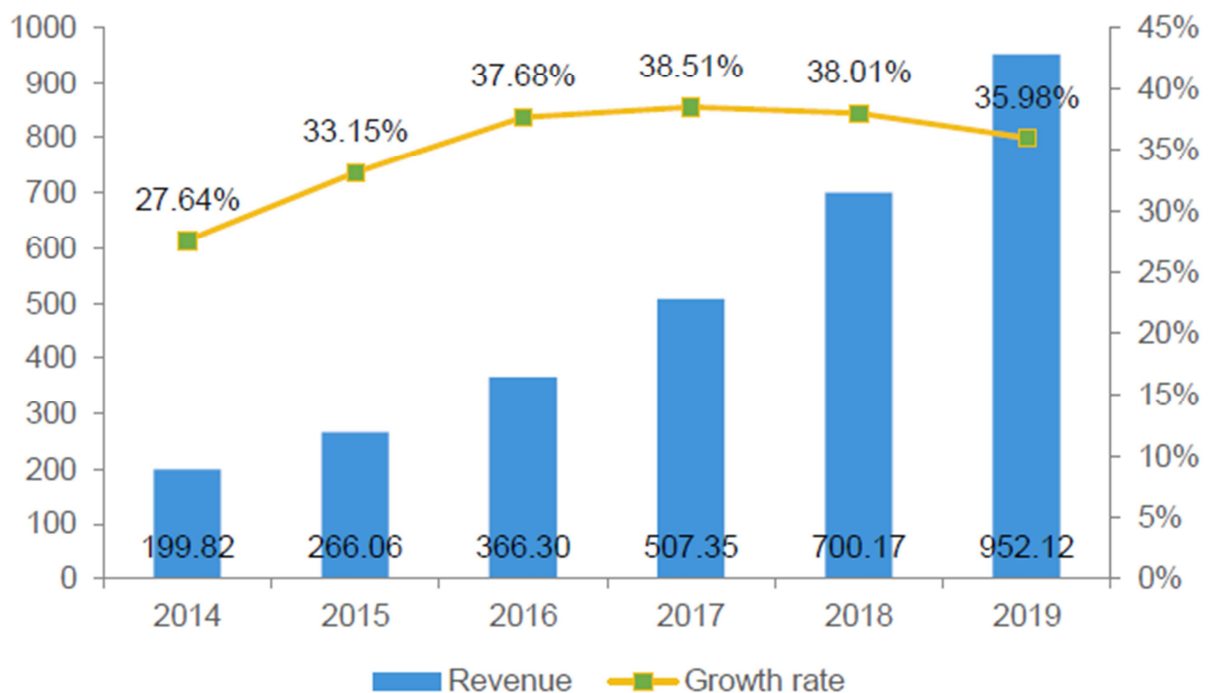


Source: Newzoo, The Global Growth of Esports, <https://newzoo.com/insights/articles/global-games-market-reaches-99-6-billion-2016-mobile-generating-37/> (09.09.2016).

The picture above presents the worth of the global video game market per system. The total value of this market as of 2016 was estimated to be \$99.6 billion. The market achieved 8.5% growth year-over-year from 2015. Two biggest segments in this market are computer screens that accounted for \$31.8 billion of the total worth and entertainment screens (gaming consoles) with \$29 billion result. PC and MMO games form the most valuable category in the computer screen segment which is estimated at \$26.7 billion. Personal screens form the third most valuable category because of the increasing popularity of smartphones. Finally, the last category called floating screen with \$11.6 billion was divided into two sub-categories – handheld games (\$1.8 billion) and tablet games (\$9.8 billion).

As shown on the chart below, the size of global E-Sports market (which is a sub-market of the video games one) in 2015 amounted to \$266.06 million with a growth rate of 33.15%. It was also estimated in the report prepared by Technavio⁹ that by 2019 this market is going to achieve the level of \$952.12 million and an increase in the growth rate to 35.98%. The compounded annual growth rate for the analyzed period is expected to reach 36.65%. The leading and the fastest growing E-Sports region is The Americas followed by APAC and EMEA placed third.

Chart 4. Market size and forecast 2014-2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

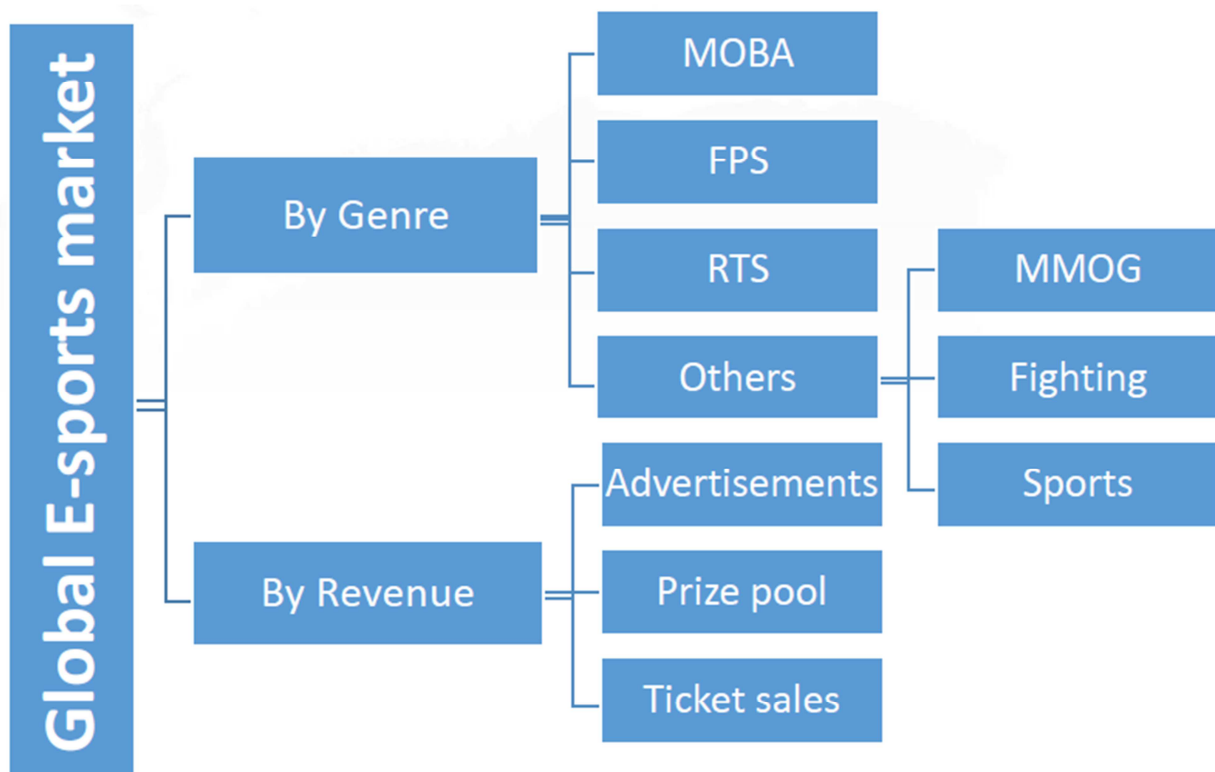
The E-Sports market's growth rate has reached its all-time high in 2016 and its growth trend is expected to persist until the end of next year. It is estimated that in 2018 the growth will slightly drop from the level of 38.51% to 38.01%. More significant decrease in growth rate is estimated to take place between 2018 and 2019 however the revenue level will continue to increase over the years.

⁹ Technavio, Global E-sports Market 2015-2019.



According to the Technavio analysis, the highest paid gamer received as much money as a member of the third-placed team at the FIFA World Cup 2014. It is worth to mention that the FIFA World Cup is placed second among most viewed sports events and is the most popular quadrennial sports event globally. It also has a far longer history than any of the E-Sports events because the World Cup has been organized since 1930. Growing popularity of E-Sports was followed by legislation changes – US E-Sports gamers, who represented their motherland in tournaments abroad, have been granted the same visa as professional athletes since 2013. There have also been major shifts of interest in this market from massively multiplayer online games (MMOG) to real-time strategy (RTS) games followed by first-person shooters (FPS) and multiplayer online battle arena (MOBA) games. It is forecasted that such changes in popularity of different gaming genres will continue in the future.

Chart 5. Global E-Sports market segmentation.

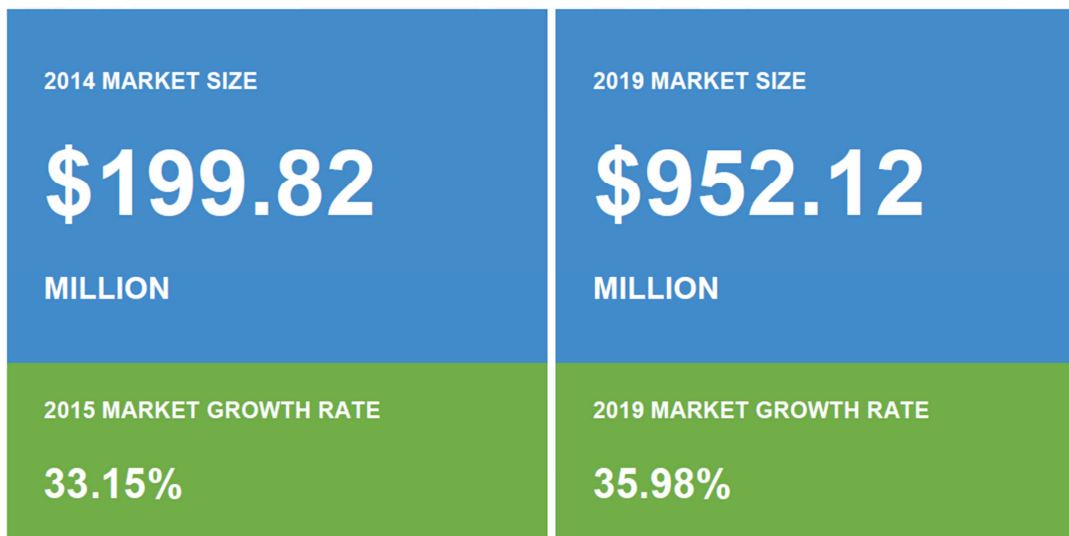


Source: Technavio.com, Global E-sports Market 2015-2019.



A game called Dota 2 developed by Valve accounted for more than 50% of the total market's revenue. The prize pool of Dota 2 Internationals which is an annual E-Sports event hosted by Valve corporation in 2015 was \$18.5 million. It is a massive increase from \$1.6 million prize pool in 2011 which is a great proof for increasing popularity and profitability of this market. The revenue per awareness ratio generated by E-Sports is the highest among all other sports.

Chart 6. E-Sports market size in 2014 and predictions for 2019.



Source: Technavio.com, Global E-sports Market 2015-2019.

The growth predictions are very optimistic and it is assumed that this market will achieve approximately \$1 billion valuation in 2019. However, it should be kept in mind that some external occurrences might inhibit the potential growth. The example of South Korea can be cited at this point. In 2009 the government introduced some kind of a “curfew” for gamers allowing only those players, who are above 18 years old to play online multiplayer games after 6 p.m. What is more, the adults are obliged to provide their detailed personal data in order to verify if they should be allowed to play or not. Such legal issues led to a decreasing amount of sponsorship money and reduction in popularity of very important games like StarCraft. It caused South Korea to fall behind the United States in terms of eSports popularity and this country has not been able to fully recover since then.¹⁰ That is why such factors should be taken into consideration while analyzing even the most optimistic market growth prospects.

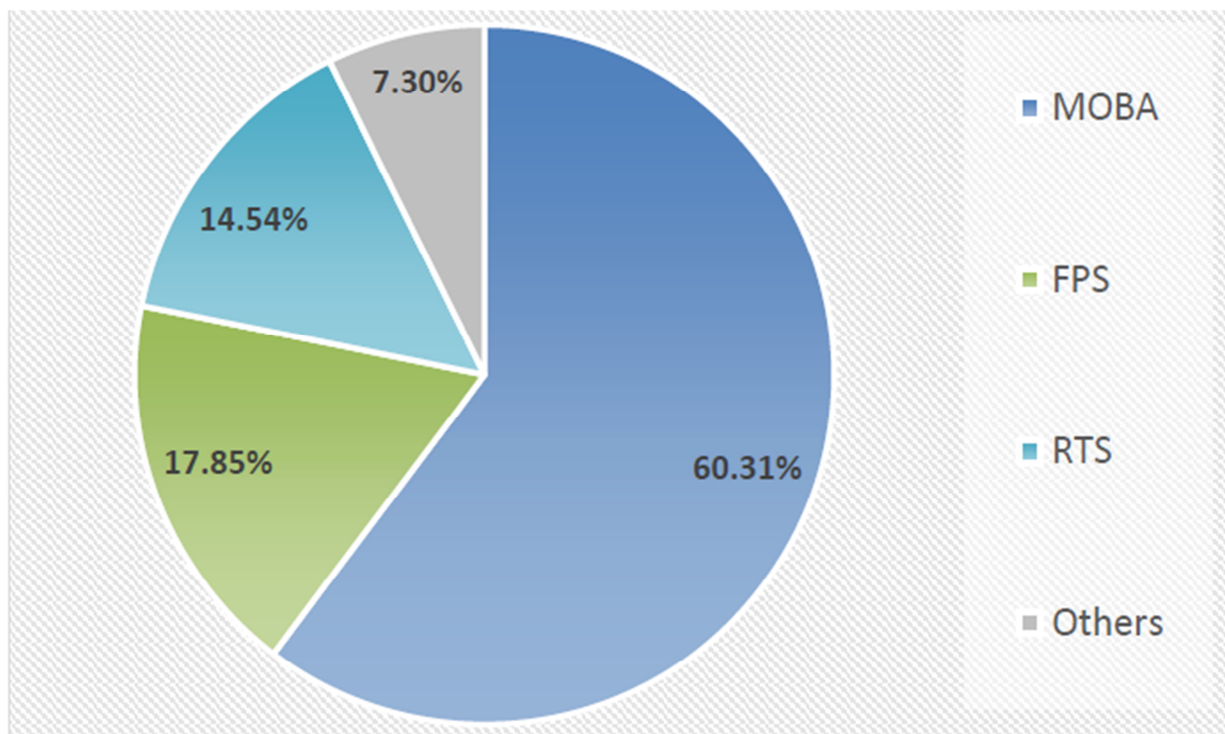
¹⁰ Newzoo, The eSports Industry to date, <https://newzoo.com/wp-content/uploads/2011/06/Newzoo-eSports-Conference-Slides-2015.pdf> (10.09.2016).



2. Gaming segments (genres)

As show in the chart below, there are three major gaming genres present on the E-Sports market. Multiplayer online battle arena games are the most popular ones on the E-Sports market with 60.31% share. They are followed by First Person Shooters with 17.85% share and Real Time Strategies with 14.54% result. Other E-Sports gaming genres account for 7.30% of the total market. The aforementioned genres will be described in the following paragraphs.

Chart 7. E-Sports games genres in 2014.

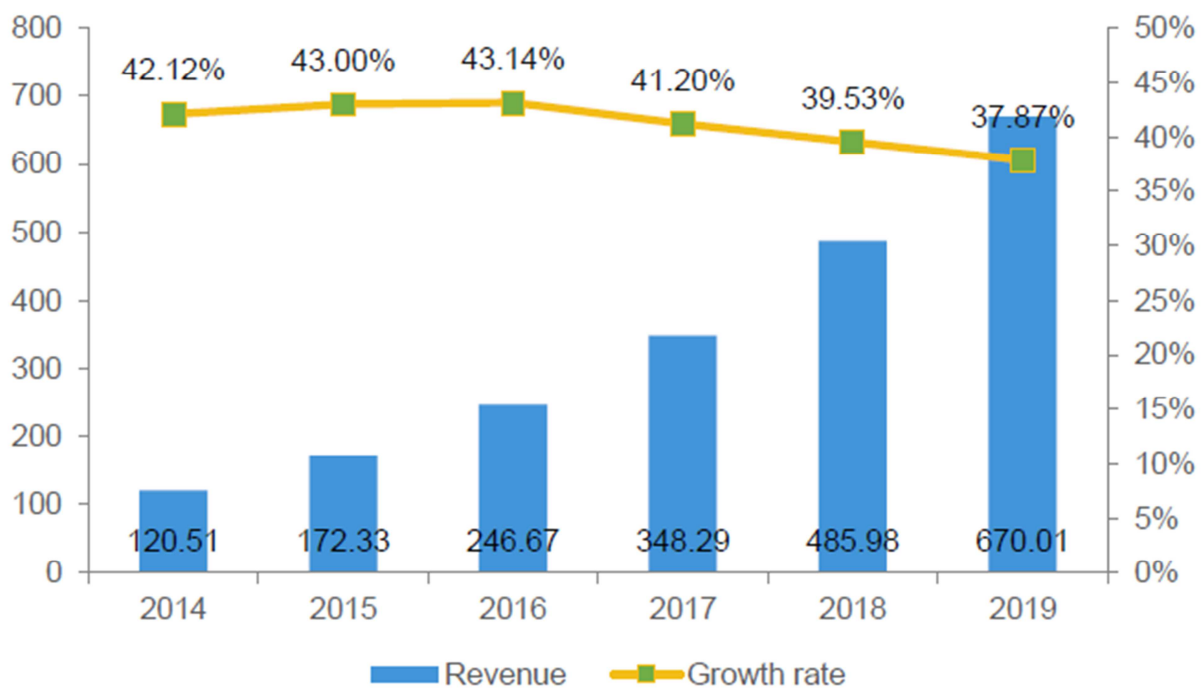


Source: Technavio.com, Global E-sports Market 2015-2019.

2.1 MOBA

This genre includes such games as League of Legends, Smite and DOTA. It is a sub-genre of real time strategy games. In most cases there are two teams of players that compete with one another and each player controls one character.¹¹

Chart 8. Revenues and growth rates of MOBA games 2014-2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

The growth rate of MOBA games is the highest among all genres present in the E-Sports market. Two most popular games that dominate this genre are League of Legends and Dota 2. According to Technavio's analysis, in 2014 these two games only accounted for 55% of the total E-Sports revenue. This gaming segment is gaining increasing numbers of fans and players which leads to substantial revenues from sponsorship and advertising. In 2012 MOBA games took over the lead of the market that previously was dominated by first person shooters.

¹¹ Encyclopedia Gama, Multi-player online battle arena video games, http://gaming.wikia.com/wiki/Multi-player_online_battle_arena_video_games (19.07.2016).



One of the reasons why this type of games has been gaining so much popularity over the years is its focus on the team play aspect. Coordination and cohesion between team members is mandatory for a team to be successful in this genre. Everybody plays a unique role and every weak link can be easily spotted and exploited by the enemy team. MOBA games are very immersive and engaging because they require constant communication between team members in order to reach the ultimate goal.

An interesting factor that makes the business and gaming worlds similar is the fact that in both cases there are certain barriers to entry. However, when it comes to gaming, such barriers do not include tax benefits for established companies, brand identity or patents.¹² Entry barriers in this case are understood as hardware requirements that have to be met in order to play a certain game. MOBA games in general are characterized by low barriers to entry and can be played on an inexpensive system. This factor contributed to the rapid growth of MOBA games in Southeast Asia, where state-of-the-art gaming PCs are treated as a luxury and many people simply cannot afford to purchase them. New players can also find multiple opportunities to practice, so that eventually they can be ready to compete against those, who are more experienced. The gameplay of MOBAs is based on the free-to-play business model which can be related to the Freemium model described in the Business Model Generation book by Alexander Osterwalder and Yves Pigneur. The main assumption of this model is that a small customer base that decides to pay for a premium service can subsidize a much larger base of those unwilling to pay.¹³ In this case it means that most of the characters are initially unlocked and the decision to unlock the remaining ones or some additional content is absolutely voluntary.

This segment have been enjoying growth in the player base and revenues over the last few years but now it faces a serious challenge of its gameplay's oversaturation. Because of the fact that all of games present in this segment are very similar to one another, a person who has played one MOBA can be sure that they would have the same experience when playing other games of this type. There are some attempts from the developers' side like the introduction of mounts that increase movement speed or a possibility to adopt a pet however the scope for possible expansion is minimal despite all these efforts. Innovations are also strongly inhibited because of a vast set of rules that they have to strictly comply with.

¹² Investopedia, Barriers To Entry, <http://www.investopedia.com/terms/b/barrierstoentry.asp> (22.07.2016).

¹³ A. Osterwalder, Y. Pigneur, Business Model Generation: A Handbook for Visionaries, Game Changers and Challengers, John Wiley & Sons, New Jersey, 01.02.2013, p. 88.



The MOBA segment was valued at \$120.51 million in 2014 and it is expected by the analysts from Technavio that it is going to reach \$670.01 million by 2019 with the compounded annual growth rate of 40.93% over the analyzed period.

2.2 FPS

First person shooters are video games that are played from the protagonist's point of view. They are seen by many gaming enthusiasts as the type of games that had the biggest contribution to the birth of eSports. Crucial games from this genre like Wolfenstein 3D (1992), Doom (1993) or Quake (1996) provided a solid foundation for further development of competitive gaming scene because these were the first titles that could be played via a network.¹⁴ Games map the movement of the player and display a view in the game that would be seen by an actual person. In general there are two modes of FPS games:

1. The mission or quest mode that is dedicated for a single player
2. Multiplayer mode

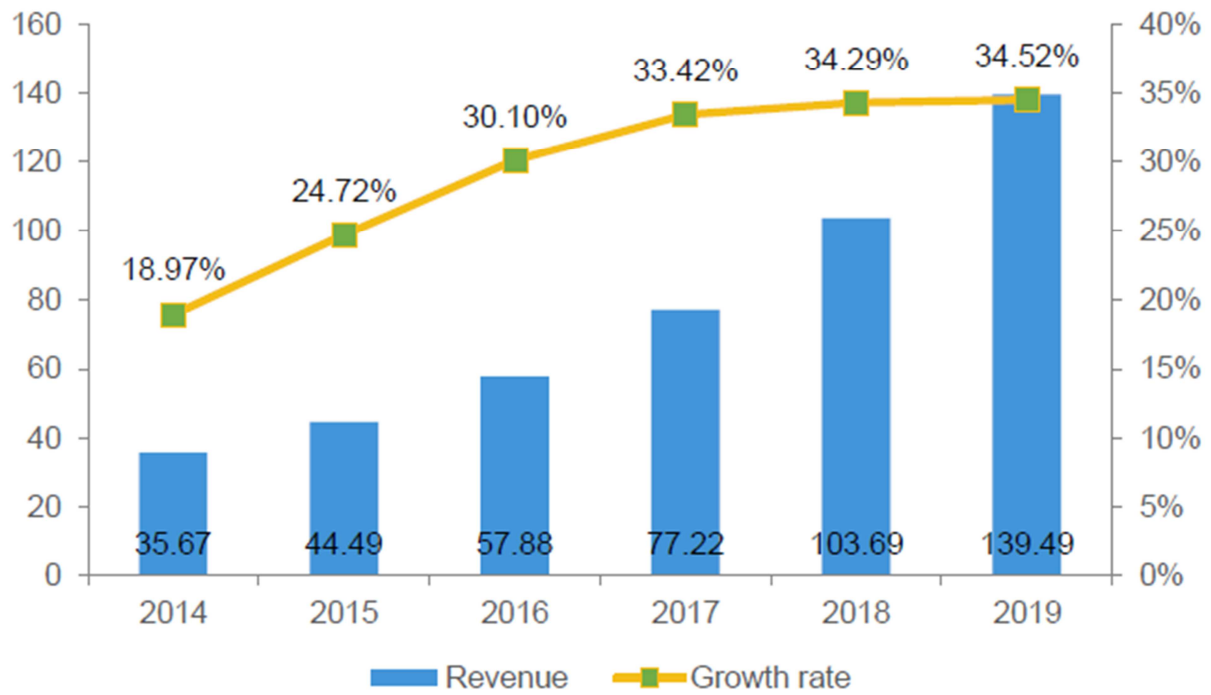
Mission mode offers progressively harder levels that are leading to the ultimate goal of the game. The multiplayer mode gives an opportunity for multiple players to participate in a shared game environment via a network.¹⁵ The multiplayer mode is crucial for the E-Sports scene and includes numerous game mods such as deathmatches (DM), capture the flag (CTF), last man standing or search and destroy.

¹⁴ T. L. Taylor, *Raising the Stakes: E-Sports and the Professionalization of Computer Gaming*, MIT Press, 23.03.2012.

¹⁵ Techopedia, *First Person Shooter (FPS)*, <https://www.techopedia.com/definition/241/first-person-shooter-fps> (20.07.2016).



Chart 9. Revenues and growth rates of FPS games 2014-2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

The FPS used to be the most popular E-Sports segment until 2012 and there were numerous games of this genre available on the market. Engaging gameplay is definitely the major factor contributing to immense popularity of this type of games. Gamers who play first person shooters have a feeling as if they were put in a soldier's shoes, seeing the world through his eyes. This contributes to a high quality role playing experience and allows to assume an alternate personality in the combat environment that is very different to what most of us experience in our everyday lives. These games can be very addictive due to the fact that they might evoke emotional impulses in players. That is the reason why the attractiveness of this type of games is not likely to slump in the nearest future.

Like in case of MOBAs, the team play aspect makes this genre very interesting because such games require introduction of advanced tactics and familiarity with the environment of the game in order to outwit the opposite team. FPS games face a similar problem to multiplayer online



battle arena games – there is very little scope available for improvements in the gameplay. As it was mentioned in the initial part of this section, there are two types of FPS gameplay: the campaign or story mode which is dedicated to single-player entertainment and the on-line multiplayer mode. Both these dimensions have been perfected by many different games over the years to such extent that this genre has simply reached stagnation. Most of the improvements that can create competitive advantage for a company present in the first person shooters market nowadays are focused on the introduction of more realistic graphics.

It is predicted by Technavio that the FPS segment will continue to grow despite some minor impediments in the past. This market was valued at \$35.67 million and it is expected that by 2019 it will reach \$139.49 million with a compounded annual growth rate of 31.36% between 2014 and 2019.

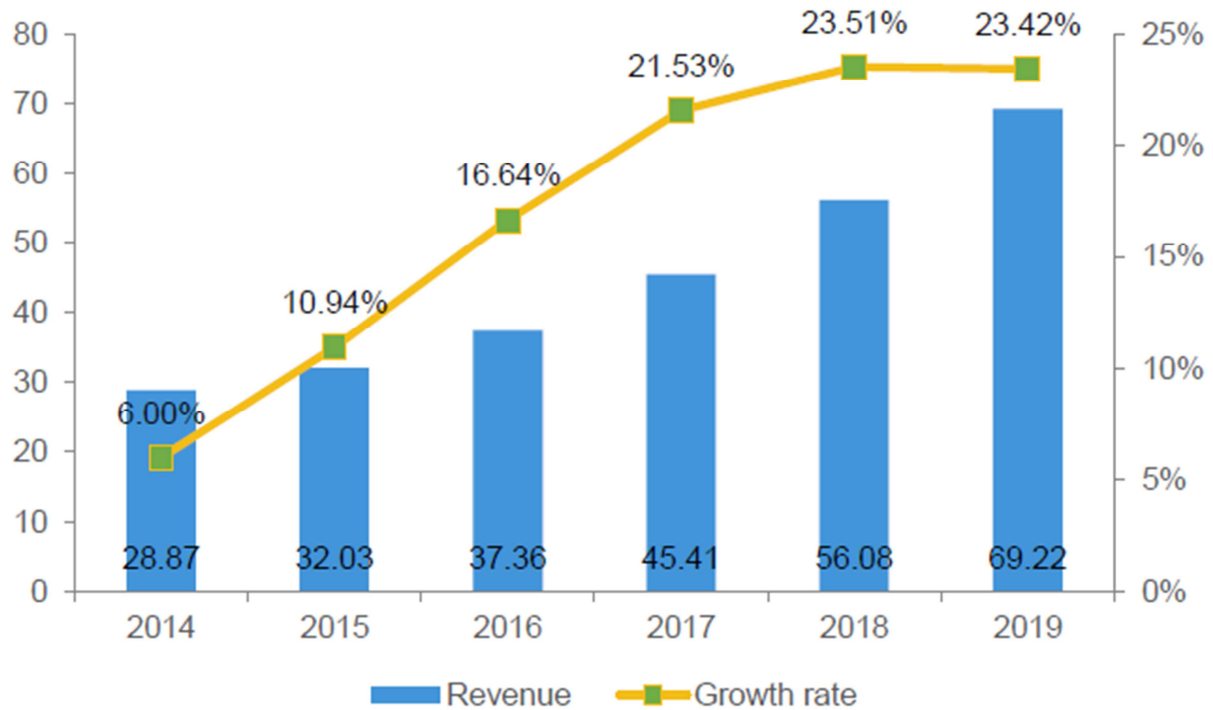
2.3 RTS

RTS is a time-based video game that assumes using resources to create buildings and units in order to defeat the opponent. RTS games are compared to turn-based strategy games however they are placed on the other side of the spectrum. In case of turn-based games a player has time to carefully make a decision during his turn and does not have to worry about the moves of his opponent. In case of real-time strategy games all the actions like resource gathering or unit creation must be taken while keeping in mind the possibility of an attack from the side of the opponent.¹⁶

¹⁶ Techopedia, Real-Time Strategy (RTS), <https://www.techopedia.com/definition/1923/real-time-strategy-rts> (20.07.2016).



Chart 10. Revenues and growth rates of RTS games 2014-2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

RTS games form probably the oldest sector in the E-Sports market. Their most attractive feature is the fact that that the hand-eye coordination or speed of action do not play the major role in the gameplay. Two major types of actions performed by players in RTS games like StarCraft II include the “micro” and the “macro” areas. Macro actions are focused around construction of buildings, recruiting units, gathering and efficiently using the resources. The micro management is all about giving orders to units and sending them in the appropriate directions.¹⁷ As the name indicates the most important skill required from gamers in this genre is effective strategic thinking. It includes efficient resource management and giving the right orders to the units.

¹⁷ J. Christophers, T. M. Scholz, Esports Yearbook 2011/12, BoD – Books on Demand 2013, p. 19-20.



However, RTS gaming is the segment that loses its popularity at the highest rate. That is why many game developers were forced to change their area of focus on other genres or even shut down their companies. Some RTS games like Sins of Dark Age are slowly moving towards becoming a MOBA game. Another trend is a higher inclination of developers to introduce their games on mobile devices like tablets and smartphones. Such games might gain popularity because of the convenience offered by the touchscreen and the accelerometer in giving orders and controlling the troops. RTS sector was valued at \$28.87 million in 2014 and by 2019 is expected to reach \$69.22 million. The compounded annual growth rate for the analyzed period is 19.11%

2.4 Other games

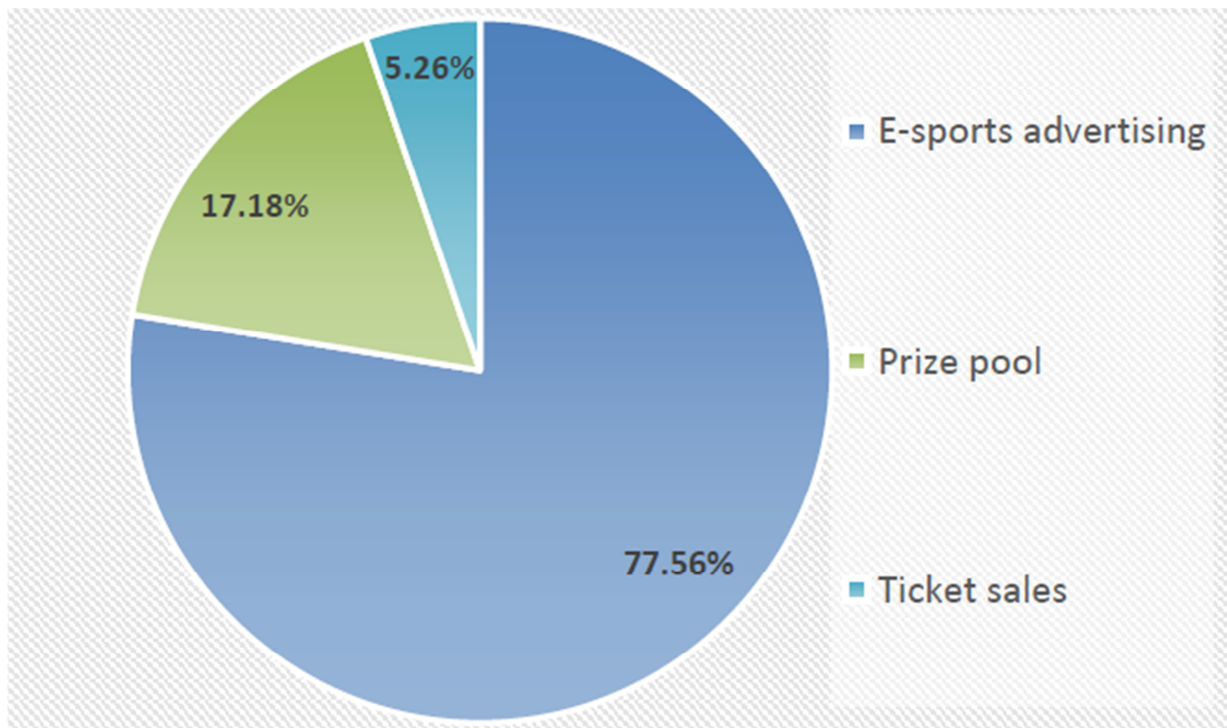
There are also other major types of games present in E-Sports that include fighting games, sports games and massively multiplayer online games (MMOG). However, these types of games are slowly losing popularity in favor of MOBA and FPS genres. An interesting example of a game genre that has become very popular in the recent years is multiplayer online collectible card game. The leading game in this segment is called Hearthstone: Heroes of Warcraft and was developed by Blizzard Entertainment. It is already compatible with smartphones and tablets so that the potential user base can be further expanded.



3. Sources of revenue

The three main sources of revenue in the E-Sports market include advertising, prize pools and ticket sales. The percentage of each of those sources of revenue in 2014 is presented on the pie chart below.

Chart 11. Sources of revenue in the E-Sports market as of 2014.



Source: Technavio.com, Global E-sports Market 2015-2019.

3.1 Advertising

Because of the fact that the E-Sports market is growing rapidly, advertising becomes a very lucrative investment. Growing popularity of this market also led to growth in the number of tournaments that are sponsored by numerous companies. Gaming events create a great opportunity for publishers to present their offer to potential customers and also let fans have a closer interaction with their beloved characters. Professional gaming teams, tournaments and leagues are sponsored by leading brands like Red Bull, Coca Cola, Razer or Samsung.

As we can observe in the chart above, in 2014 advertising accounted for 77.56% of the total revenue generated in the E-Sports market which according to Technavio amounts to \$154.98 million.

3.2 Prize pool

The size of prize pools is a great indicator in estimating the popularity and growth potential of a given sport. So far the biggest prize pool was offered at “The International” which is a tournament that has been held since 2011 and hosts Dota 2 game. This prize pool amounted to \$18.5 million in 2015. It is an impressive sum especially if we compare it for example with the 2015 US Open golf tournament’s prize pool of \$10 million¹⁸. What makes this result even more astounding is the fact that the US Open has been organized for 120 years. It is estimated that the E-Sports prize pool will continue to increase and by 2019 will be placed among the top 10 sports events globally. In 2014 the prize pool share of the total revenue was 17.18% and valued at \$34.32 million.

¹⁸ S. Wagner-McGough, 2015 US Open prize money: What every golfer will earn from \$10M pool, <http://www.cbssports.com/golf/news/2015-us-open-prize-money-what-every-golfer-will-earn-from-10m-pool/> (21.08.2016).



3.3 Ticket sales

The contribution of this type of revenue was the smallest one in the E-Sports market and amounted to 5.26% in 2014 which was valued at \$10.51 million. The reason for that is the fact that live events are still not very popular among gaming fans. The vast majority of E-Sports enthusiasts prefer to watch on-line streams using services like Twitch or Hitbox. United States and South Korea are the countries where sales of tickets are the highest however in the majority of countries E-Sports ticket sales are equal to zero. Online advertisements and TV commercials still pose a better source of revenue than tickets sales.

3.4 Streams

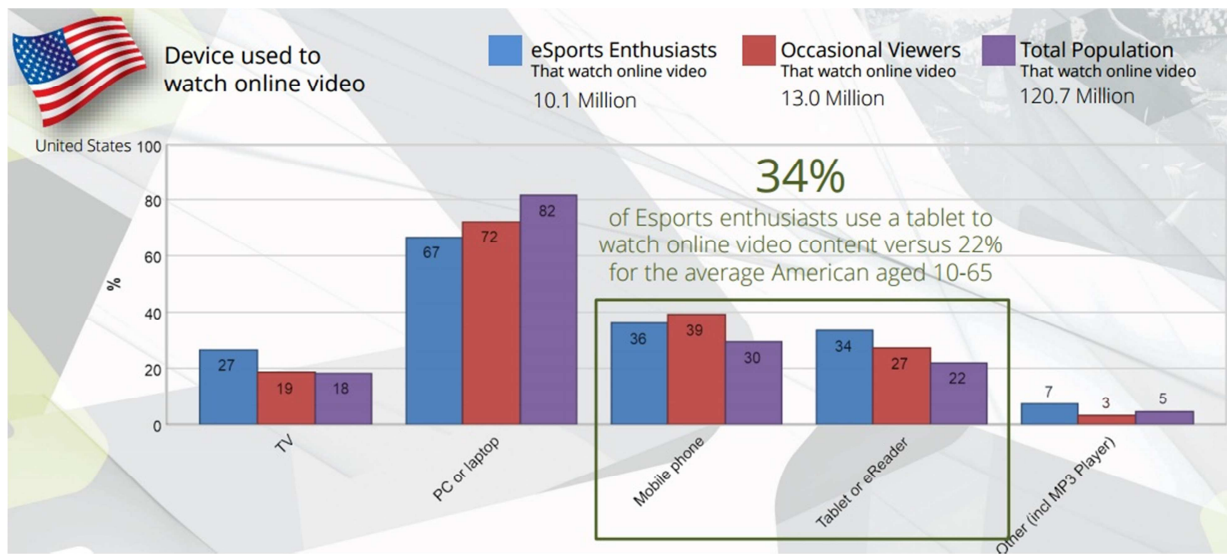
Constantly growing popularity of E-Sports created multiple new career opportunities for example for professional gaming commentators. They are able to attract huge masses of people thanks to their charisma, thorough knowledge and in many cases because of the fact that they have had some experience with the competitive games on semi-professional or professional level. The most popular Polish video streamer and commentator of Counter-Strike: Global Offensive game is Piotr "Izak" Skowyrski. His twitch channel has been viewed over 63 million times and has almost 700,000 followers¹⁹. Even though he specializes in Counter-Strike, we could also listen to his commentary on the website of the Polish Television (TVP) at UEFA Euro 2016 during the games in which the Polish national team took part.²⁰

¹⁹ Twitch channel, <https://www.twitch.tv/izakooo> (21.08.2016).

²⁰ SPORT.TVP.PL, Polska – Niemcy na Euro z komentarzem "Izaka" w SPORT.TVP.PL, <http://sport.tvp.pl/25696262/polska-niemcy-na-euro-z-komentarzem-izaka-w-sporttvpl> (21.08.2016).



Chart 12. Online video devices chosen by eSports enthusiasts.



Source: Newzoo eSports conference, <https://newzoo.com/wp-content/uploads/2011/06/Newzoo-eSports-Conference-Slides-2015.pdf> (10.09.2016).

The picture above shows that 67% of eSports enthusiasts and 72% of occasional viewers in the United States choose personal computers or laptops for watching tournaments. It means that these two types of devices are the most popular ones and 82% of people use them for watching online videos. It is worth to take a closer look at the area on the chart that shows the popularity of mobile phones and tablets. According to Newzoo analysis, the percentage of eSports enthusiasts and occasional viewers is bigger on these particular devices than the result achieved by the total population in general. It means that mobile devices are particularly important for this sector which should be kept in mind by event broadcasters.

3.5 Betting

The birth of electronic sports created a profitable niche for betting companies. A company called Pinnacle was one of the first ones involved in E-Sports betting. It tested this market in 2010 and by 2014 achieved the total number of one million bets. Furthermore, their market share has been doubled over the course of four years. E-sports has become the seventh biggest type of sport for this company achieving a better result than rugby and golf. Other companies involved in E-Sports betting are bet365, DatBet, E-sport bets and Nitrogen Sports. Finally, the betting volume in China during E-Sports tournaments can even be higher than the volume during very important Premier League football matches.²¹

3.6 E-Sports profiled class

Schools with E-Sports profiles are commonplace nowadays especially in Asian countries where this type of sport is considered as the national one and in many cases is financed by the government. Local players can also benefit from the extensive help of professional coaches and leaders of E-Sports organizations. However, in many European countries such classes are perceived as something outlandish. Development of E-Sports in Poland is a very difficult issue. Sponsors are unwilling to cooperate with teams, which is a result of unfavorable opinions about the gaming industry presented by the press and local authorities. That is why the E-Sports profiled class has also been recently introduced in this country to counter these negative trends. The idea was implemented by a school named Zespół Szkół Technicznych i Ogólnokształcących located in Kędzierzyn-Koźle. This was a response to the sports academies dedicated to conventional sports. Students of this technical school will be able to enroll for the E-Sports and video game development learning profile. However, E-Sports classes are meant to be extracurricular, which means that students will have to focus mostly on participating and passing the courses included in the standard curriculum introduced by the Ministry of Education.²² According to Adam Bugiel, who is one of the teachers working in this school, the class is meant

²¹ Newzoo, The Global Growth of Esports, https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (09.09.2016).

²² Zespół Szkół Technicznych i Ogólnokształcących w Kędzierzynie-Koźlu, <http://www.zstio.net/rekrutacja> (21.08.2016).



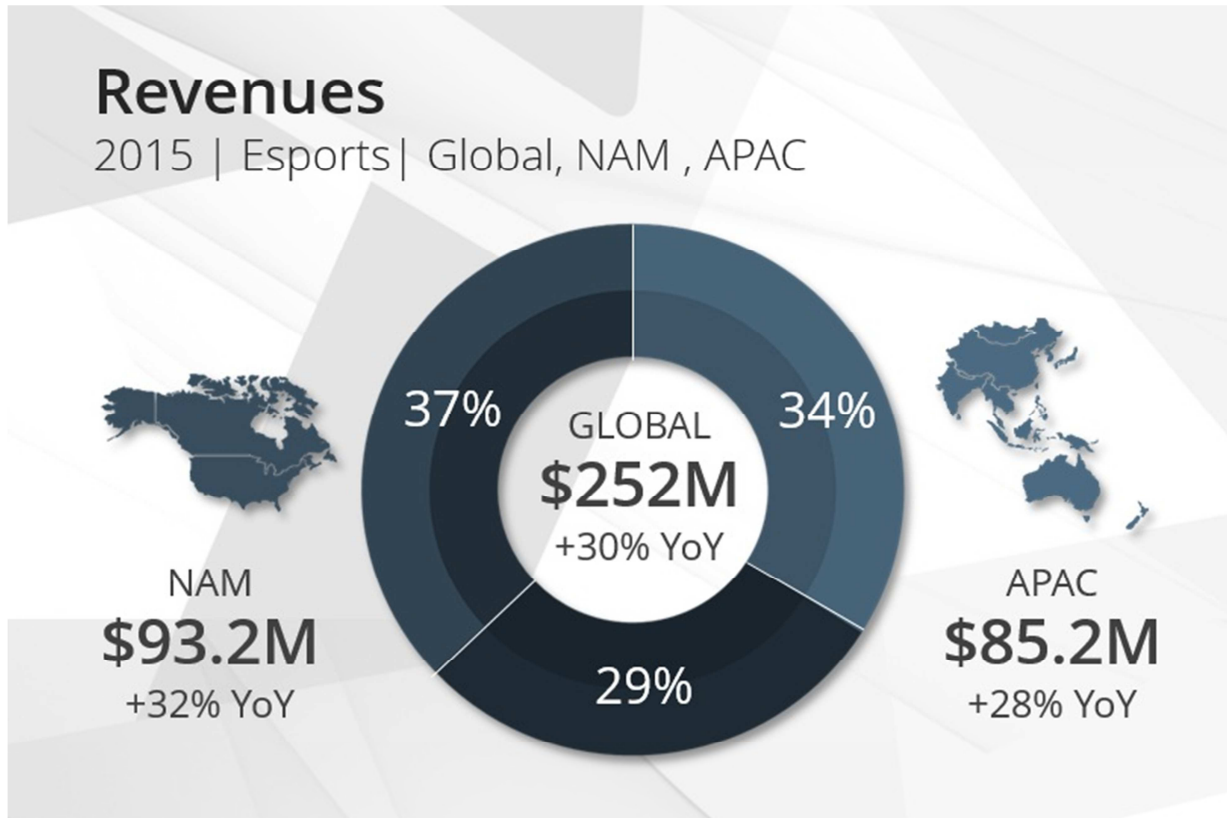
to have three 5-person E-Sports teams. One of them will be taking part in tournaments and members of two other ones will serve as reserve players. The school declared to provide aspiring gamers with the necessary equipment, pay for their accommodation, cover the costs of tournament trips and also support them with help of a team psychologist which is very important in case of maturing teenagers. School authorities also hope to establish cooperation with E-Sports organizations and consult experienced, professional players.²³ Counter-Strike: Global Offensive was chosen as the game on which the school wants to focus its full attention. The efforts put in the realization of this idea are aimed on promotion of E-Sports on the Polish market and fighting stereotypes that concern this area of entertainment among parents and the elderly people. It also creates numerous opportunities for potential sponsors and partners, who want to participate in organization of local events and conferences. In return for they involvement and financial support they can be granted advertisement space in the school's promotional materials as well as on the website, banners and T-shirts.

²³ All Play, Pierwsze w Polsce technikum esportowe nabiera kształtów!, <http://allplay.pl/pl/news/counter-strike-global-offensive/pierwsze-w-polsce-technikum-esportowe-nabiera-kszt/> (21.08.2016).



4. Geographical segmentation

Chart 13. E-Sports revenues by region.



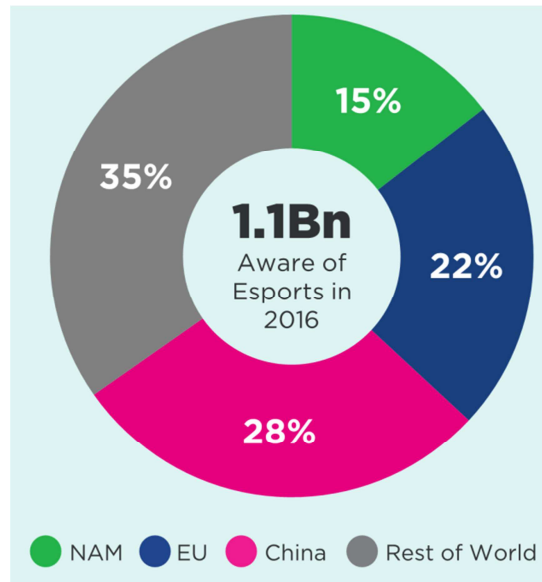
Source: Newzoo eSports conference, <https://newzoo.com/wp-content/uploads/2011/06/Newzoo-eSports-Conference-Slides-2015.pdf> (23.07.2016).

The North American region is the biggest E-Sports market which is a result of a growing number of sponsors that invest their money in organizing tournaments. As of 2015, revenues generated from this region amounted to \$93.2 million according to Newzoo.com analysts. Revenues in this region achieved 32% year-over-year growth which is the highest result among all geographical regions.

APAC region pioneered E-Sports and this kind of entertainment is very popular in that area. However, the market has already reached its maturity which leads to stagnation in the growth rate. The Americas region benefits from this stagnation and slowly takes over the APAC region's market share. In 2015 APAC generated \$85.2 million in revenues and enjoyed 28% year-over-

year growth. China, which is an APAC country accounts for 28% of total E-Sports awareness in 2016 as presented in the chart below.

Chart 14. eSports awareness in 2016 per geographical region.

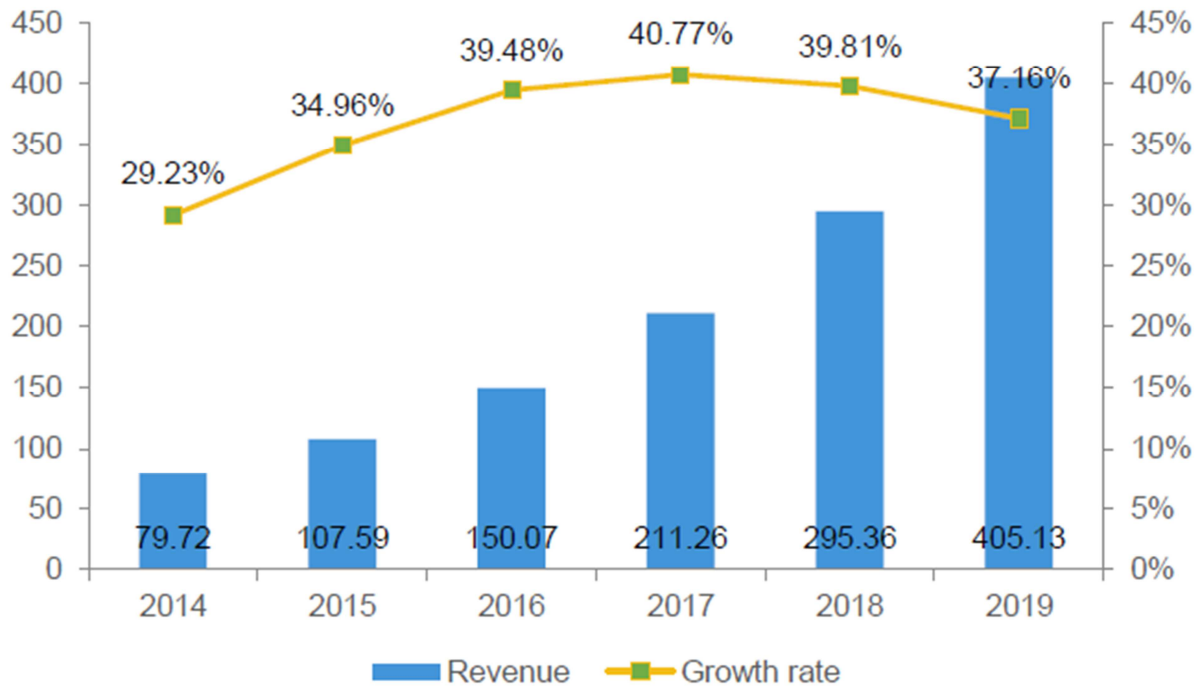


Source: Newzoo, <https://newzoo.com/insights/articles/global-esports-awareness-exceeds-1-billion-as-new-initiatives-launched/> (23.07.2016).

Despite the fact that it covers Europe, the Middle East and Africa the percentage of revenues generated in the EMEA region is currently the smallest one. The Eurozone crisis is the major factor contributing to this situation. Easter European countries stand out in this region because of a large number of hard-core players which is also expected to grow in the upcoming years. In 2015 revenues generated from EMEA amounted to 29% of the global E-Sports revenues and were valued at \$73.6 million.

4.1 Americas

Chart 15. Revenues and growth rates in Americas between 2014 and 2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

The popularity of E-Sports in the Americas region has reached its all-time high and is still expected to grow until 2018. It is the fastest growing sector in E-Sports with its compounded annual growth rate of 38.42% in the analyzed period. A huge popularity and viewership of the Major League Gaming (MLG) substantially contributes to the growth rate. This league has a high worldwide recognition and the number of its viewers grew by 100% in 2014.

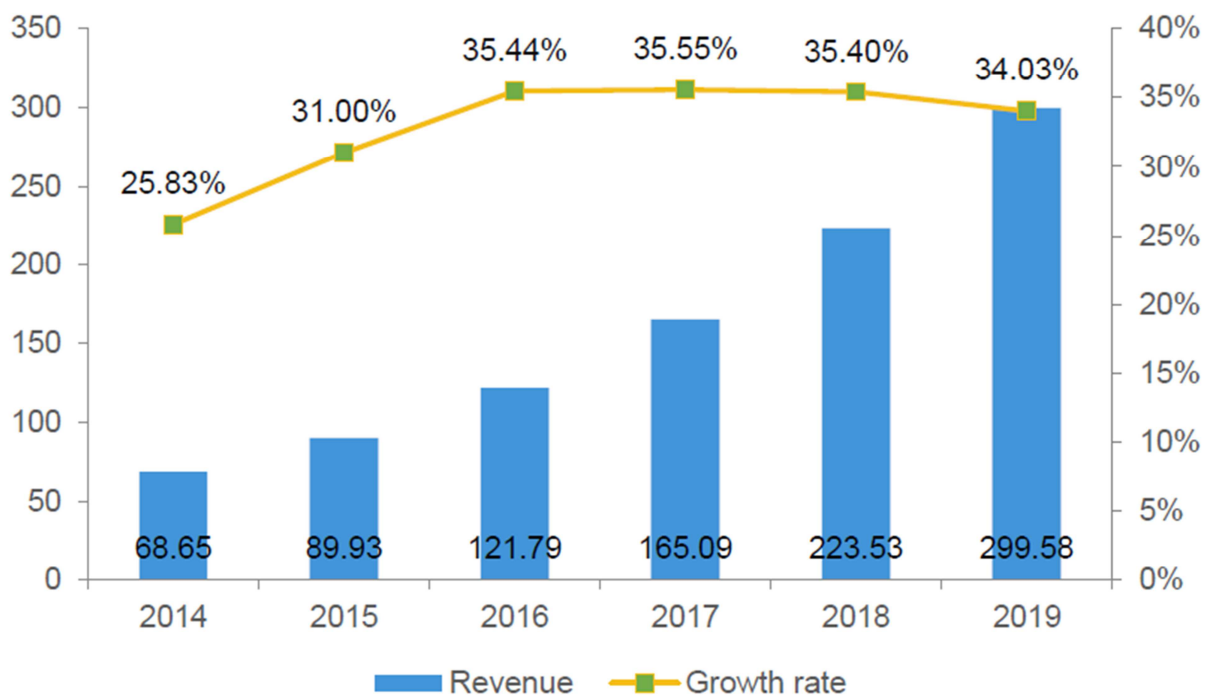
Thanks to the functionalities offered by services like YouTube, Twitch and Hitbox the ease of viewing has been significantly increased. These channels offer an opportunity to watch E-Sports tournaments free of charge which further increases the popularity of E-Sports in this region. Gamers are also treated equally to professional athletes in the USA for example when being granted the same visas to represent their country at international tournaments. It also encourages many aspiring players to start thinking about this type of professional occupation more seriously. Unfortunately, there are still many small-scale events that suffer from lack of respect from the American viewers. Due to insufficient funds they are often organized in small venues which



make it difficult to obtain financing from advertising. As it has been previously mentioned, revenues from advertising form the most significant part of the total E-Sports revenue. Substantial advertising revenues allow charging lower entry fees and thus increasing the viewership and popularity of any event. That is why when the scale of an event is not large enough it is not perceived as an attractive revenue source by potential sponsors and advertisers.

4.2 APAC

Chart 16. Revenues and growth rates in the APAC region between 2014 and 2019 (\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

There is the largest agglomeration of professional gamers located in the APAC region. It includes South Korea – the country that pioneered E-Sports and used to have the biggest market for digital entertainment. However, the growth rate of the E-Sports market in this country is stagnant because it has achieved its maturity.

Personal Computer gaming is extremely popular in this region and this factor substantially influences the growth rate in the APAC area. That is why the impact of console gaming on the



eSports market in this region is declining. This situation stays in contrast to the trends visible in the remaining regions, where console gaming is starting to dominate the marketplace and popularity of PC games is constantly decreasing.

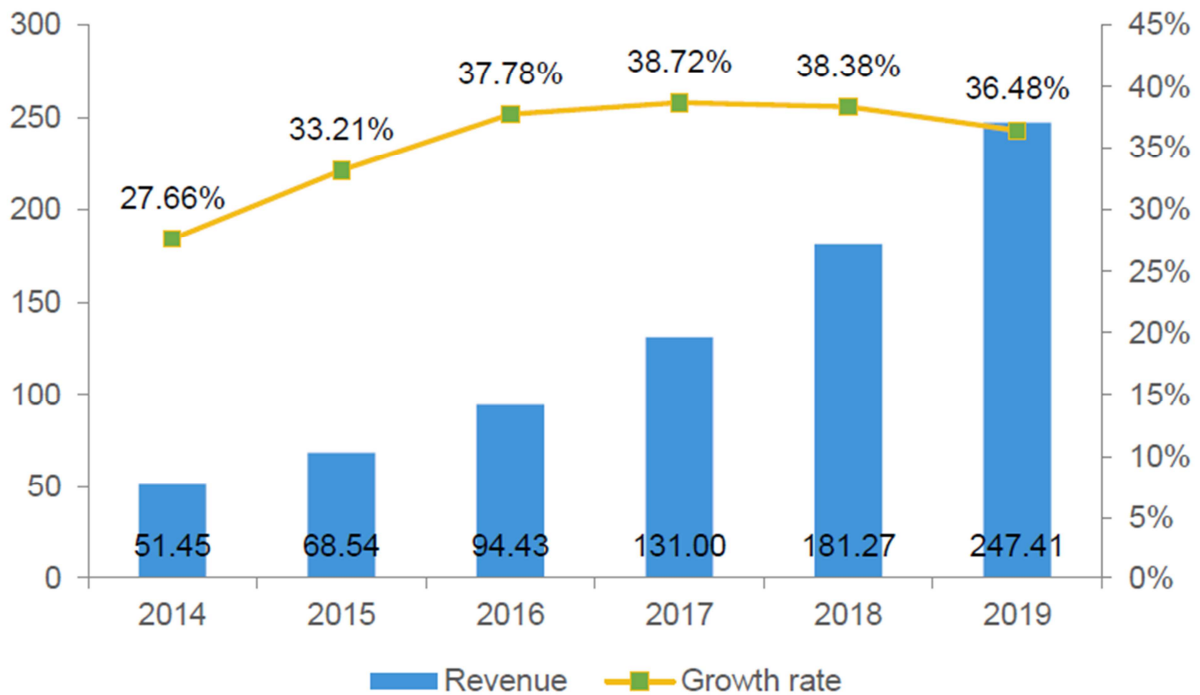
Despite the fact that the share of major markets in this area including Japan and South Korea is declining quite rapidly there is a growing penetration of the E-Sports market visible in developing countries like Singapore, Malaysia or Taiwan. These smaller countries have a big impact on the market growth in the APAC area during the analyzed period.

According to Technavio analysts the E-Sports market in this region was worth \$68.65 million in 2014 and by 2019 is expected to amount to \$299.58 million with a compounded annual growth rate of 34.27%.



4.3 EMEA

Chart 17. Revenues and growth rates in the EMEA region between 2014 and 2019(\$ millions).



Source: Technavio.com, Global E-sports Market 2015-2019.

Europe enjoys the highest popularity of E-Sports in the entire EMEA region. There are many amateur gamers willing to become professionals and this entails a growing number of viewers, who want to support their idols. Technavio in its analysis claims that in 2014 there were approximately 80 million E-Sports viewers coming from the EMEA region out of 200 million people who chose to watch this type of competitions globally.

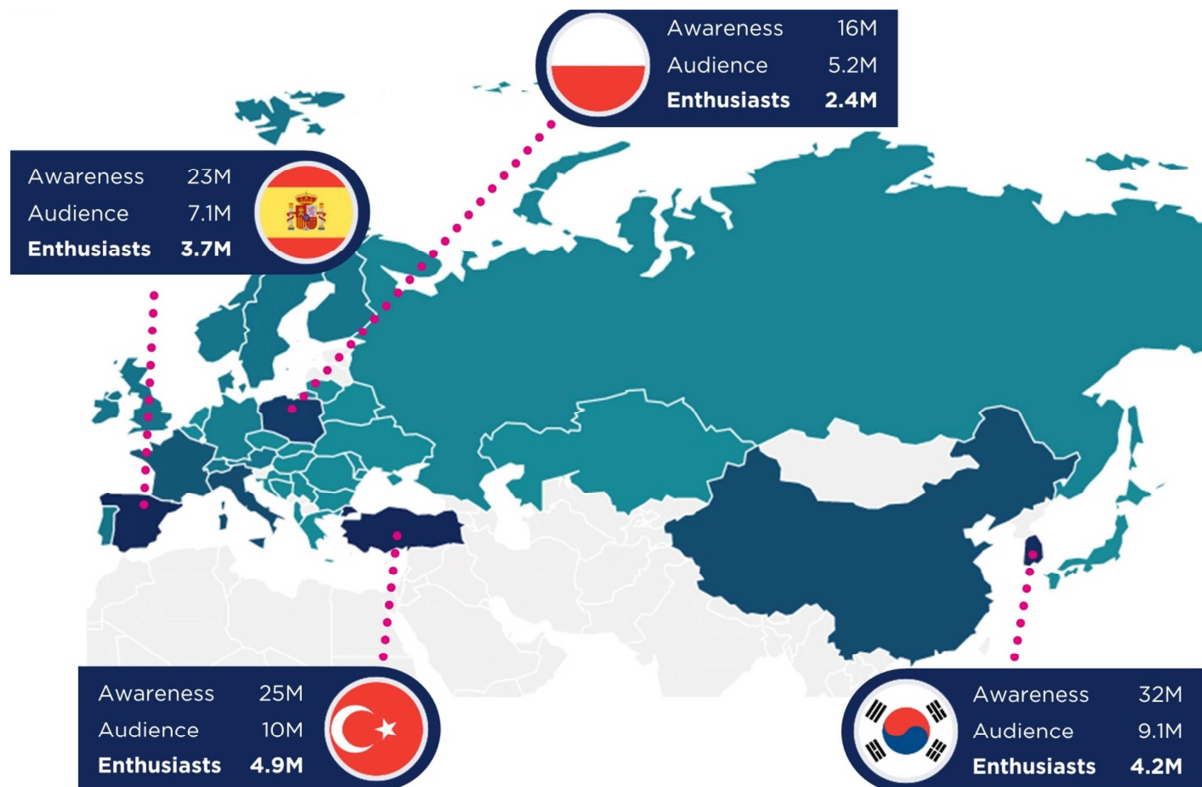
The European gaming league contributes significantly to the increase in popularity of E-Sports in this area. It is the most popular gaming league in Europe and tournaments organized in this area include such prominent games as League of Legends, Counter-Strike: Global Offensive or Dota.

The picture below presents countries with the highest density of E-Sports. Three countries located in the EMEA region – Poland, Spain and Turkey have densities similar to the global leader South Korea. Turkey was even able to slightly overtake South Korea when it comes to the number of E-Sports enthusiasts in the online population achieving 10.6% result. Poland is also a



crucial country for E-Sports because it organizes IEM Katowice which is the biggest one-week electronic sports event in the world.

Chart 18. Density of eSports enthusiasts in selected countries.



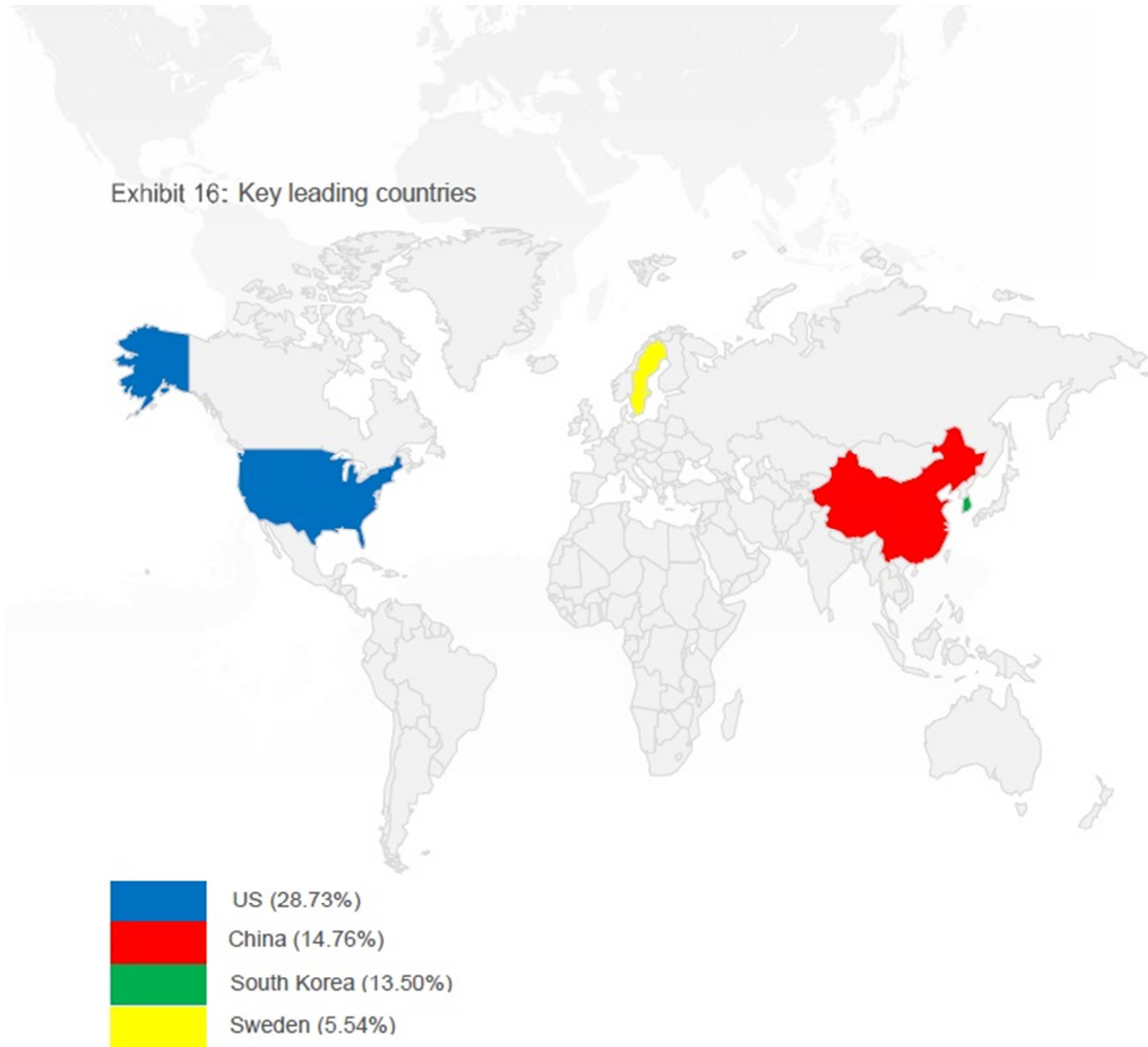
Source: Newzoo, <https://newzoo.com/insights/articles/global-esports-awareness-exceeds-1-billion-as-new-initiatives-launched/> (23.07.2016).

The Eurozone crisis took its toll on the European professional gaming scene. Growth of the eSports market in this area has been hindered as a result of economic instability. It is estimated that this crisis will persist in the forecasted period and thus make it impossible for the projected market growth to reach its full potential.

Despite the negative economic circumstances, the market will grow substantially in the analyzed timespan. In 2014 the E-Sports market in the EMEA region was valued at \$51.45 million. It is expected to achieve the \$247.41 million valuation in 2019. The compounded annual growth rate in this period was estimated at 36.90%.

4.4 Leading Countries

Chart 19. Key leading eSports countries.



Source: Technavio.com, Global E-sports Market 2015-2019.

The leading countries in terms of eSports involvement and promotion include the United States (28.73%), China (14.76%), South Korea (13.50%) and Sweden (5.54%). The specifics of all these markets will be described in the following paragraphs. The table and the pie chart below present revenues and market shares achieved by 10 leading eSports countries.

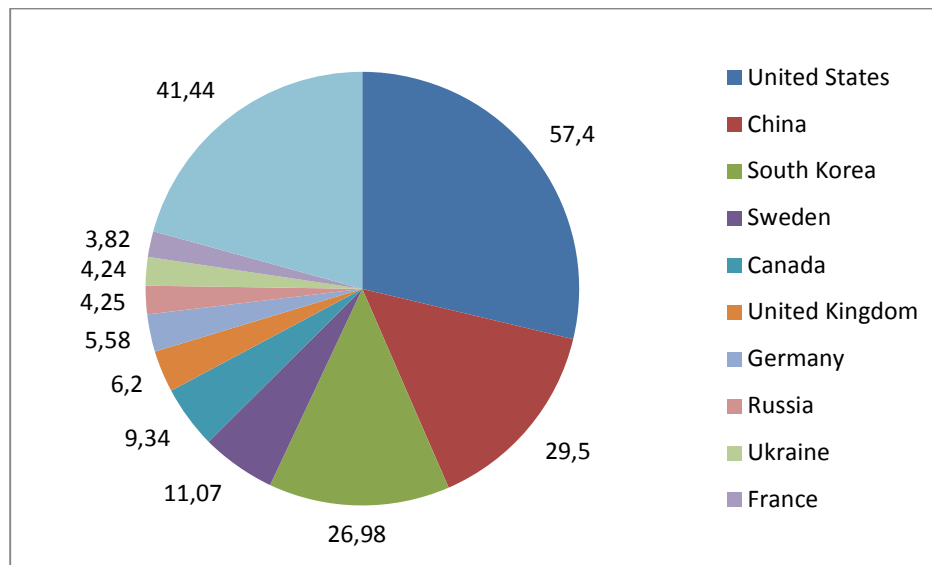
Table 1. Market share of the largest e-sports countries.

No	Country	Revenue (\$ million)	Market Share
1.	United States	57,4	28,73%
2.	China	29,5	14,76%
3.	South Korea	26,98	13,50%
4.	Sweden	11,07	5,54%
5.	Canada	9,34	4,67%
6.	United Kingdom	6,2	3,10%
7.	Germany	5,58	2,79%
8.	Russia	4,25	2,13%
9.	Ukraine	4,24	2,12%
10.	France	3,82	1,91%
11.	Others	41,44	20,75%

Source: Technavio.com, Global E-sports Market 2015-2019 and own elaboration.



Chart 20. Market share of top 10 countries for E-Sports by revenue in 2014.



Source: Technavio.com, Global E-sports Market 2015-2019 and own elaboration.

4.4.1 The United States

The United States is a country with the highest market share of E-Sports globally. There are many tournaments being held in this region like Evolution Championship Series (EVO) or Major League Gaming Championship.²⁴ The existence of such big tournaments entails a major interest from the side of various companies willing to become sponsors. Furthermore, E-Sports enthusiasts in this country are able to view championships via plenty of free live channels like Twitch. However, there is not much respect for tournament participants or gaming in general and such activities are not treated as seriously as for example in South Korea.

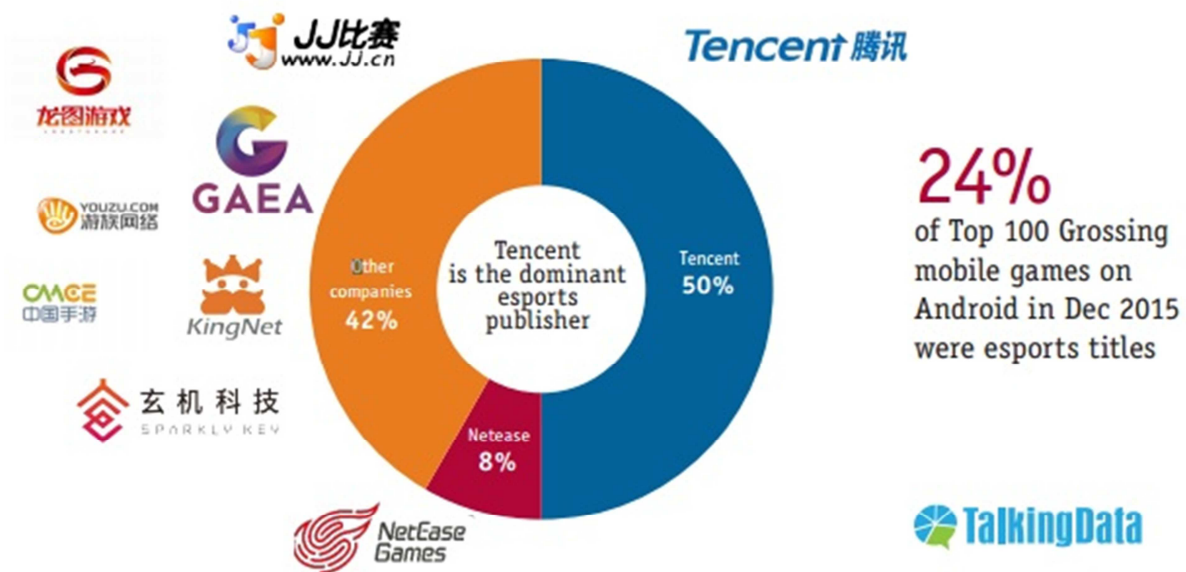
4.4.2 China

Chinese gaming market is characterized by a big number of players, who choose personal computers as their main gaming platform. Aspiring E-Sports athletes can also expect to receive a decent financial backing that might let them dedicate more time on developing their skills in this area. Even though the population of gamers in China is very high, there are not many

²⁴ A. Neuwirth, 15 Most Impressive Gaming Tournaments In The World, <http://www.rantgamer.com/2015/11/20/15-most-impressive-gaming-tournaments-in-the-world/> (01.10.2016).

tournaments that are hosted in this geographic area. However, Chinese people form the biggest eSports audience in the world if we take the mobile games market into consideration. This is also a very important factor that explains why China is the leader on the competitive mobile gaming segment. In 2014 Chinese game developers released over 30 mobile games that can be played competitively. Out of 100 best-selling games on the Chinese Android store 24 were competitive ones played during eSports tournaments. Millions of Chinese gamers competed on mobile devices during both online and offline tournaments. So far the biggest prize pool of \$150 thousand was awarded for the winners of the national Tencent's League of Kings tournament. What is more, 1.3 million people were watching the final of NetEase's Fantasy Westward Journey 2 tournament. The biggest mobile eSports games publishers operating within the Chinese Android market are presented on the pie chart below.

Chart 21. Biggest Chinese mobile eSports games developers in 2015.



Source: Newzoo, Talking data China Mobile Games Market Monitor, http://cga.global/research/CGA_Newzoo_Esports_Growth_2016.pdf (23.07.2016).



4.4.3 South Korea

South Korean gaming market is characterized by the greatest number of professional players. It is also the country where electronic sports have their origins. The eSports market in this country is characterized by a big involvement of major telecommunications, international trade and media companies like SK Telecom, LG International or CJ Internet.²⁵ The governmental support in this area is also clearly visible. E-sports is perceived as the industry of the future by the government officials, that is why it enjoys legal support in terms of copyright and tax breaks.²⁶ However, the Korean market has been recently struggling with problems connected with growth rate saturation that results from the market's maturity.

4.4.4 Sweden

There are numerous E-Sports gaming fans and enthusiasts living in Sweden. The growth of eSports popularity in this country is one the highest in the world. Swedish gaming teams are very successful in the most popular competitive games in the world like Counter-Strike: Global Offensive and League of Legends. Like in case of Poland, there are also Swedish schools that offer E-Sports classes in their curriculum. The factor that might inhibit the pace of E-Sports market growth in this country is the Eurozone crisis.

²⁵ D.Y. Jin, Korea's Online Gaming Empire, MIT Press, 01.10.2010 p. 48-49.

²⁶ D.Y. Jin, Korea's Online Gaming Empire, MIT Press, 01.10.2010 p. 54.



5. Leading Vendors

The leading vendors described in the following paragraphs will include well-established game developers operating on the E-Sports market. This section will be focused on those companies that introduced positively acclaimed games and organize popular tournaments. Activision Blizzard is not included in this section because it will be analyzed in the last part of the thesis. This chapter will present the most important information about Riot Games, Nintendo, Wargaming.net, Epic Games, Valve Corporation, EA Games and Hi-Rez Studios.

5.1 Riot Games

Riot Games is a company established in 2006. It is based in Los Angeles, California and has 19 offices in different cities around the world that include Berlin, Dublin, Hong Kong, Seoul and Moscow.

Image 3. Riot Games offices.



Source: Riot Games official website, <http://www.riotgames.com/riot-manifesto> (23.08.2016).

The main goal of Riot Games founders is to create player-focused games of high quality. In 2009 this company introduced its debut game – League of Legends. This game has achieved a great success and currently is the most frequently played one globally - there are over 67 million people that play it every month and 27 million who play it every day.²⁷ There is even an entire book dedicated to this game titled “The League of Legends Experience: A Year Inside the Wild, Wonderful, Riotous World of the Planet's Most Popular eSport”. Its author - Harold Goldberg was following and observing North American League of Legends teams for a year. He was trying to analyze the attitude of e-athletes towards money and fame. In his book Goldberg claims that League of Legends has become an indispensable part of pop culture that was able to change the way in which video games and eSports are perceived.²⁸ Despite the astounding results the developers do not plan to introduce a sequel of their game and prefer to focus on developing its existing version. Like Activision Blizzard, this company has also made the Fortune’s list of 100 Best Companies to Work For in 2015 and was placed thirteenth.²⁹ In 2014 Riot Games has launched the public beta version of their digital shop - Riot Games Merch³⁰. In its offer the store has different types of merchandise (collectibles, clothing etc.) that relate to the universe of League of Legends. In October 2010 this game has won five Game Developers Choice (GDC) Online Awards³¹ that included:

- Best Online Game Design
- Best Online Technology
- Best Visual Arts
- Best New Online Game
- The Audience Award

Riot Games is also heavily focused on organizing E-Sports tournaments on a global scale.

²⁷ Riot Games official website, <http://www.riotgames.com/riot-manifesto> (23.08.2016).

²⁸ H. Goldberg, *The League of Legends Experience: A Year Inside the Wild, Wonderful, Riotous World of the Planet's Most Popular eSport*, BookPatch.com, 2015.

²⁹ Fortune.com, Riot Games, <http://fortune.com/best-companies/riot-games-39/> (23.08.2016).

³⁰ Riot Games official website, Merch Beta, <http://www.riotgames.com/merch-beta> (23.08.2016).

³¹ Game Developers Awards, The First Annual Game Developers Choice Online Awards http://www.gdconlineawards.com/archive/gdcoa_1st.html (23.08.2016).



5.2 Nintendo

Nintendo was established in 1889 in Kyoto by Fusajiro Yamauchi. Initially the company was manufacturing cards for a Japanese game called Hanafuda. Over the years it has become deeply involved in the gaming industry.³² Currently it is the biggest video game manufacturer in the world in terms of revenue. This company has introduced multiple handheld consoles which are very popular globally but mostly appreciated by the Japanese people. Nintendo's biggest eSports game is called Super Smash Bros and belongs to fighting games genre. In March, 2015 Nintendo has gained over \$4.5 billion in revenues and made \$500 million worth of investments in R&D. In 2015 there were 5,120 employees working for Nintendo globally.³³

5.3 Wargaming.net

Wargaming.net is a free-to-play games publisher and developer. It was founded in 1998 and has the headquarters in Nicosia, Cyprus. Over the course of 18 years the company has introduced 15 titles on every important gaming platform that have gained a huge group of fans. Wargaming.net is using the free-to-play business model very efficiently allowing many gamers to enjoy the games without the necessity of making any payments. As of March 2014 World of Tanks has the highest revenue per player (\$4.51) of all major free-to-play games present on the market. The table below presents more detail information about companies with the highest average revenue per user in 2014.

³² Nintendo official website, Nintendo History, <https://www.nintendo.co.uk/Corporate/Nintendo-History/Nintendo-History-625945.html> (23.08.2016).

³³ Nintendo official website, Annual Report 2015, <https://www.nintendo.co.jp/ir/pdf/2015/annual1503e.pdf> (23.08.2016).



Table 2. Average revenue per player of a free to play game in 2014.

Rank	Title	Publisher	Average revenue per user
1	World of Tanks	Wargaming.net	\$4.51
2	Team Fortress 2	Valve Corporation	\$4.36
3	Guild Wars 2	ArenaNet	\$3.88
4	War Thunder	Gaijin Entertainment	\$3.26
5	Planetside 2	Sony Online Entertainment	\$2.86
6	Combat Arms	Nexon	\$2.81
7	Crossfire	SmileGate	\$1.58
8	DOTA 2	Valve Corporation	\$1.54
9	Heroes of Newerth	S2 Games	\$1.48
10	League of Legends	Riot Games	\$1.32

Source: Super Data Research, Comparing MMO ARPU for major free-to-play titles, <https://www.superdataresearch.com/blog/mmo-arpu/> (23.08.2016).

Company developers are also focused on making their contribution into building E-Sports culture that is attractive for gamers, spectators and developers. Currently, there are over 150 million players, who enjoy Wargaming.net games across all gaming platforms.³⁴ The company conducts its operations in North America, Australia, Asia and Europe and employs more than 4,000 people globally.

Wargaming.net is focused on MMO team games. Most of them are set in the mid-20th century and evolve around the warfare present at this period. Three leading games of this company include:

1. World of Tanks
2. World of Warplanes
3. World of Warships

The most popular one of these three is World of Tanks which has been launched in 2011 and has a player base of over 80 million people.

³⁴ Wargaming.net, Wargaming Today, <http://wargaming.com/en/about/> (23.08.2016).



5.4 Epic Games

Epic Games was established in 1991 and is headquartered in Cary, North Carolina. The company develops cross-platform video games as well as gaming technology. Epic Games was responsible for the introduction of a very sophisticated video game engine named Unreal Engine that is available for free and used by many leading game developers. In 2012 the company also created a separate business unit - Epic Games Seattle in Bellevue. The goal of this studio is to support developers of Unreal Engine and introduce major developments in mixed and virtual reality. There are also other business units owned by the company located in Guildford, Berlin, Yokohama, Seoul and Shanghai. Leading titles released by this company include Gears of War, Infinity Blade and Unreal. Epic Games' portfolio also includes a very promising MOBA game called Paragon. Currently it is in the beta state but it has a huge potential of gaining a leading position on this market because of its strong E-Sports appeal.³⁵

5.5 Valve Corporation

Valve Corporation was established in 1996 and is headquartered in Bellevue, Washington. The first game introduced by this company was a first-person shooter titled Half-Life. Since its release the game has won over 50 Game of the Year awards followed by a few "Best Game Ever" ones. Later on there were other very successful game franchises produced by Valve that included Left 4 Dead, Team Fortress and Portal. However, two most significant ones, especially if we take their importance for the E-Sports market into consideration, are online first-person shooter Counter-Strike and multiplayer online battle arena game called Dota. Thanks to these games Valve is the leading developer present on the E-Sports market both in terms of the number of organized tournaments and revenues. "The International" is the largest gaming tournament in the world where gamers compete in Dota 2. Furthermore, Valve has introduced a digital distribution and gaming platform named Steam. It allows accessing a vast library of over 1,800 downloadable games and has more than 35 million active users that are connected together.³⁶

³⁵ Red Bull official website, Entering the eSports Arena: Say Hello to Paragon, <http://www.redbull.com/us/en/eSports/stories/1331792624222/entering-the-eSports-arena-say-hello-to-paragon> (23.08.2016).

³⁶ Valve official website, <http://www.valvesoftware.com/company/> (24.08.2016).



5.6 EA Games

EA Games is a publicly-held company that was founded in 1982 and has the global headquarters located in Redwood City, California. It is a leading global developer of video games for personal computers, consoles and mobile devices. In the 2016 fiscal year it reported \$4.4 billion net revenue³⁷. The company has also introduced a brand dedicated to development of sports games called EA Sports. Most important titles released by the company include The Sims, Battlefield, Plants vs. Zombies, Madden NFL and FIFA which has the biggest E-Sports potential because of a substantial number of tournaments organized for the players of this game.

5.7 Hi-Rez Studios

Hi-Rez studio is an independent game developer established in 2005 with the headquarters in Alpharetta, Georgia. There are over 200 people working at the headquarter offices. The company has also created separate business units in Brighton, UK and Shenzhen, China in order to expand its global reach.³⁸ Gaming franchises introduced by the company include Paladins, Tribes: Ascend and Jetpack Fighter. However, their biggest and most popular title is a multiplayer online battle arena game called Smite. It is also heavily focused on the E-Sports competition with multiple tournaments organized globally.

³⁷ EA Games official website, About Electronic Arts, <http://www.ea.com/about> (24.08.2016).

³⁸ HI-REZ Studios official website, <https://www.hirezstudios.com/> (24.08.2016).



6. Leading Teams

The table below presents the list of 20 E-Sports teams that have earned the most prize money together with the number of tournaments in which they participated. The data was gathered by the E-Sportsearnings.com website which used forum posts, articles, interviews, databases, VODs and official statements presented by different teams. It also takes player transfers, results of tournaments and team statements into consideration.³⁹

Table 3. Highest Overall Team Earnings.

No.	Team	Total earnings	Number of tournaments
1	Evil Geniuses	\$14,629,749.91	580
2	Wings Gaming	\$9,453,066.08	10
3	Newbee	\$6,756,820.75	65
4	Fnatic	\$6,734,427.63	582
5	Natus Vincere	\$6,013,950.42	304
6	Vici Gaming	\$5,136,114.24	100
7	LGD Gaming	\$5,037,466.36	77
8	SK Telecom T1	\$4,710,592.06	177
9	MVP	\$4,338,381.38	354
10	Team Liquid	\$4,249,721.54	725
11	Invictus Gaming	\$4,113,452.37	280
12	Team Secret	\$3,801,880.25	36
13	Virtus.pro	\$3,757,510.45	262
14	Cloud9	\$3,617,184.56	312
15	Digital Chaos	\$3,510,802.00	9
16	CDEC Gaming	\$3,458,796.29	25
17	Alliance	\$3,398,427.86	146
18	SK Gaming	\$3,279,186.23	506
19	EHOME	\$3,096,859.57	25
20	Team OG	\$3,055,001.00	14

Source: E-sports earnings, Highest Overall Team Earnings, <http://www.eSportsearnings.com/teams/highest-overall> (24.08.2016).

³⁹ E-sports Earnings, Highest Overall Team Earnings, <http://www.eSportsearnings.com/teams/highest-overall> (24.08.2016).



6.1 Evil Geniuses

Evil Geniuses is the leading E-Sports team in terms of total revenues from tournaments. It has earned over \$14.6 million in total and \$8,952,675.05 in 2015 alone. The biggest contribution for the financial result achieved in 2015 came from the victory at The International 5 (TI 5) Dota 2 Tournament, where the team was awarded \$6,634,661 which amounted to 36% of the total prize pool of \$18,429,613 dedicated for this tournament.⁴⁰ The result was further improved by \$1,284,158 awarded for the victory in Dota Asia Championships, winnings from fighting games, StarCraft II and Halo - that is the game in which Evil Geniuses have arguably the strongest squad in the world. The team consists of 4 divisions that compete in tournaments of incredibly popular games: StarCraft 2, Dota 2, Halo and a variety of fighting games⁴¹. There is a long list of companies that sponsor Evil Geniuses that include:

1. Monster Energy – energy drink producer,
2. SanDisk – a fortune 500 company and the leader in flash storage manufacturing,
3. AMD – producer of graphics, computing and visualization technologies,
4. NEEDforSEAT – manufacturer of gaming seats that are styled to look similar to those present in racecars.⁴²

⁴⁰ Liquipedia, The International Dota 2 Championships 2015, http://wiki.teamliquid.net/dota2/The_International/2015 (24.08.2016).

⁴¹ Evil Geniuses, The team, <http://evilgeniuses.gg/The-team/> (24.08.2016).

⁴² Evil Geniuses, Sponsors, <http://evilgeniuses.gg/Sponsors/> (24.08.2016).



6.2 Virtus.pro

Virtus.Pro is a Russian organization that unites leading teams in both games developed by Valve – Dota 2 and Counter-Strike: Global Offensive. When it comes to top tier Counter-Strike tournaments, Virtus.Pro was placed consistently among best four teams in 2015. The team was awarded \$100.000 from the ESL ESA Pro League Invitational in Dubai and additional rewards for being placed within top four teams at two big tournaments in 2015.⁴³ However, these are always the Dota 2 tournaments that offer the biggest inflow of cash for E-Sports teams. The Dota division of Virtus.Pro received \$1,197,925 for being placed 5th at The International 5 tournament.⁴⁴ Virtus.Pro is also the most popular team with Polish gamers even though it was established in Russia. The Counter-Strike: Global Offensive division of the team consists of following players:

- Wiktor “Taz” Wojtas,
- Filip “Neo” Kubski,
- Janusz “Snax” Pogorzelski,
- Paweł „byali” Bieliński,
- Jarosław „pashaBiceps” Jarząbkowski.⁴⁵

6.3 COGNitive Gaming

COGNitive Gaming (COG) is an E-Sports franchise that was founded in July, 2016 in California. It acquired a Smite team that was known as SNIPE Gaming before the acquisition took place. The division initially consisted of two teams: COGNitive Prime and COGNitive Red. The COGNitive Prime team was taken over by Cloud9 on January 26th 2015 without the introduction of any roster changes.⁴⁶ The Smite World Championships accounted for the biggest percentage of total winnings obtained by the team in 2015. Total prize pool available in the tournament was

⁴³ Red Bull official website, The 10 highest earning eSports teams of 2015, <http://www.redbull.com/en/eSports/stories/1331765488082/the-10-highest-earning-eSports-teams-of-2015> (26.08.2016).

⁴⁴ Liquipedia, The International Dota 2 Championships 2015 http://wiki.teamliquid.net/dota2/The_International/2015 (26.08.2016).

⁴⁵ GOSU Gamers, Virtus.Pro.CS - Team Overview, <http://www.gosugamers.net/counterstrike/teams/7455-virtus-pro-cs> (26.08.2016).

⁴⁶ COGNitive Gaming, About CG, <http://www.cognitive-gaming.com/about> (26.08.2016).



more than \$2.6 million and there were two teams representing this organization during the event. Both of them were placed in the top three. COGNitive Prime took the first price and was awarded \$1,306,130 and its sister team COGNitive Red was placed third gaining \$391,839.⁴⁷ The organization also participated in tournaments of Super Smash Bros. and Heroes of the Storm with lesser successes.

6.4 FC Schalke 04

Even though this organization was not placed among the best earning ones in 2015, it still is an interesting example of an E-Sports division of a well-known football team. FC Schalke 04 football club has a very long history that dates back to 1900s. Recently, it has also joined the leading European gaming teams after taking over a League of Legends team called Elements.⁴⁸ The team competes in the European League of Legends Championship Series (EU LCS). It consists of the following gamers:⁴⁹

Table 4. FC Schalke 04 Team members.

Name	Nickname	Nationality	Role
Etienne Michels	Steve	French	Top
Berk Demir	Gilius	German	Jungle
Hampus Myhre	Fox	Swedish	Mid
Rasmus Skinneholm	MrRalleZ	Danish	ADC
Hampus Abrahamsson	sprattel	Swedish	Support

Source: Gamepedia, Schalke 04, http://lol.gamepedia.com/Schalke_04 (26.08.2016).

Like the football team, the E-Sports division also has its coach Patrick "Nyph" Funke and a manager Jacob "Maelk" Toft-Andersen.

⁴⁷ eSportspedia, SMITE World Championship 2015, http://smite.eSportspedia.com/wiki/SMITE_World_Championship_2015 (26.08.2016).

⁴⁸ FC Schalke 04 official website, <http://www.schalke04.de/en/news/160516/page/2234--86-86-.html> (26.08.2016).

⁴⁹ Gamepedia, Schalke 04, http://lol.gamepedia.com/Schalke_04 (26.08.2016).



6.5 Cloud9

In contrary to many other teams, most of the earnings generated by Cloud9 did not come from Dota tournaments. Still, the team finished the International 2015 being placed in the 9-12th section and was awarded \$221,155. It was also placed in the top five at many less significant tournaments. This organization has its representatives in almost every major E-Sports game. The Counter-Strike division of Cloud9 was able to reach many finals in major events in 2015. The League of Legends team participated in the World Championship Series. Probably the greatest success was achieved by the members of the Heroes of the storm division that became world champions at Blizzcon and obtained \$200,000.⁵⁰ There were also some lesser tournaments won by Cloud9 that included Smite, Super Smash Bros. and Hearthstone.⁵¹

6.6 SK Telecom T1

SK Telecom T1 was able to achieve the dominant position in the South Korean gaming sector. They also won the title of League of Legends world champions in 2015. This title was followed by \$1,000,000 award which had the biggest contribution into the total financial results achieved by the team in 2015.⁵² SK Telecom T1 also obtained substantial winnings from StarCraft 2 tournaments. The team has three coaches Choi "iloveoov" Yun Sung, Kwon "Doctor.K" Oh Hyuk and Park "MuJuK" Dae Gyeong. Its main sponsors include a telecommunication company SK Telecom, soft drink producer Donga Otsuka and footwear manufacturer New Balance.⁵³

⁵⁰ Liquipedia, 2015 Heroes of the Storm World Championship, http://wiki.teamliquid.net/heroes/2015_Heroes_of_the_Storm_World_Championship (26.08.2016).

⁵¹ Red Bull official website, The 10 highest earning eSports teams of 2015, <http://www.redbull.com/en/eSports/stories/1331765488082/the-10-highest-earning-eSports-teams-of-2015> (26.08.2016).

⁵² Red Bull official website, The 10 highest earning eSports teams of 2015, <http://www.redbull.com/en/eSports/stories/1331765488082/the-10-highest-earning-eSports-teams-of-2015> (26.08.2016).

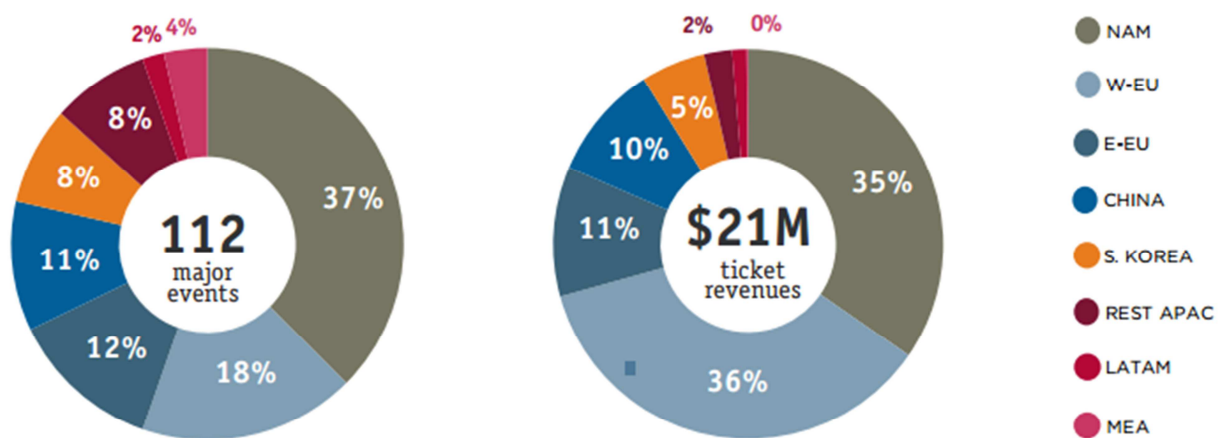
⁵³ Liquipedia, SK Telecom T1, http://wiki.teamliquid.net/starcraft2/SK_Telecom_T1 (26.08.2016).



7. Tournaments

This section will present the biggest eSports tournaments in the world. However, it will not include the events held by Activision Blizzard – they will be described in the concluding section of this thesis. The chart below presents the share of major Esports events per geographical region together with revenues from ticket sales. In total, there were 112 big eSports events organized in 2015. Ticket sales for those events generated \$20.6 million in revenues. 37% of all major events were held in North America. This gives a total of 42 North American events in 2015. Blizzard Entertainment, Electronic Sports League and Major League Gaming were responsible for holding the biggest percentage of American tournaments. Western European countries were placed second with 18% of total major events organized in this region. Despite the fact that the amount of North American Events was almost twice as big as the result achieved by Western Europe, the latter region was able to slightly overtake Americans in terms of ticket revenues.

Chart 22. Major E-Sports events and revenues from ticket sales per geographical region.



Source: Newzoo 2016 Global eSports Market Report,
http://cga.global/research/CGA_Newzoo_Esports_Growth_2016.pdf (10.09.2016).



7.1 The International (Dota 2)

The International is the biggest E-Sports tournament in the world. It is hosted by Valve Corporation that is responsible for introduction of another very popular E-Sports game – Counter-Strike: Global Offensive and development of Steam - a platform for digital distribution of video games. The International 2015 that took place in Seattle, Washington yielded the largest prize pool in the history of E-Sports. The total of \$18,377,817 was divided among 16 competing teams (10 invited and 6 qualified) with \$6,616,014 (36%) for the winner of the tournament alone.⁵⁴ It should also be mentioned that \$16 million of the total prize pool came from crowd funding which shows the strength of Dota’s community. The table below presents the participants of last year’s International together with their nationality, team logo, the amount of money won and its percentage of the total prize pool. The winning team is also awarded a physical trophy called the Aegis of Champions which is presented in the picture below.

































Image 4. The Aegis of Champions.



Source: L. Staaf, The International releases list of invites and qualifier teams, <http://www.gosugamers.net/dota2/news/30890-the-international-releases-list-of-invites-and-qualifier-teams> (28.08.2016).

⁵⁴ Gamepedia, The International 2015, http://dota2.gamepedia.com/The_International_2015#Invited_Teams (10.06.2016).

Table 5. The International 2015 team winnings and total prize pool.

Final Prize Pool: \$18,377,817 USD				
Place	Team		Winnings	Percent
1st	 Evil Geniuses		\$6,616,014	36%
2nd	 CDEC Gaming		\$2,848,562	15.5%
3rd	 LGD Gaming		\$2,205,338	12%
4th	 Vici Gaming		\$1,562,114	8.5%
5th	 Virtus.pro		\$1,194,558	6.5%
6th	 EHOME		\$1,194,558	6.5%
7th	 Team Secret		\$827,002	4.5%
8th	 MVP Phoenix		\$827,002	4.5%
9th	 Invictus Gaming		\$220,534	1.2%
10th	 compLexity		\$220,534	1.2%
11th	 Cloud9		\$220,534	1.2%
12th	 Team Empire		\$220,534	1.2%
13th	 MVP HOT6ix		\$55,133	0.3%
14th	 Fnatic		\$55,133	0.3%
15th	 Natus Vincere		\$55,133	0.3%
16th	 NewBee		\$55,133	0.3%

Source: K. Cobban, More than just a game: A look into how big eSports have become, <http://www.gameskinny.com/tnquy/more-than-just-a-game-a-look-into-how-big-E-Sports-have-become> (28.08.2016).



The prize pool for this year’s edition of the International will be even bigger than the one available last year. 44% of the total prize pool which translates into \$8.3 will be granted to the winner of TI 2016. The table below presents detailed comparison of financial awards per place that have been granted in 2015 and that are going to be awarded in 2016.

Table 6. TI 2015 vs. TI 2016 prize pools.

THE INTERNATIONAL 2016		THE INTERNATIONAL 2015	
1st Place	44% (\$8.3 Million+)	1st Place	36% (\$6.6 Million+)
2nd Place	16.5% (\$3.1 Million+)	2nd Place	15.5% (\$2.8 Million+)
3rd Place	10.5% (\$2 Million+)	3rd Place	12% (\$2.2 Million+)
4th Place	7% (\$1.3 Million+)	4th Place	8.5% (\$1.5 Million+)
5-6th	4.5% (\$850,000+)	5-6th	6.5% (\$1.1 Million+)
7-8th	2.5% (\$475,000+)	7-8th	4.5% (\$820,000+)
9,10,11,12	1.5% (\$285,000+)	9,10,11,12	1.2% (\$220,000+)
13,14,15,16	0.5% (\$95,000+)	13,14,15,16	0.3% (\$55,000+)

Source: TMC Gamers News, <http://teammadcowhn.com/wp-content/uploads/2016/08/510541-thumb.png> (28.08.2016).

Valve Corporation claims that the International 2014 was being watched on-line by more than 20 million people in total with the peak of 4.6 million viewers observing the final game. It was available free of charge in multiple languages via a live stream service named Twitch. This result is very impressive but League of Legends which is the main rival of Dota 2 managed to attract over 32 million viewers.⁵⁵ For a point of reference the 2014 NFL Super Bowl tournament, which is the most popular among established sports had over 111 million television viewers and 2.3 million of those who watched the game online.⁵⁶ The chart below presents the number of viewers at the peak of The International tournament from 2012 to 2015. After analyzing the chart we can

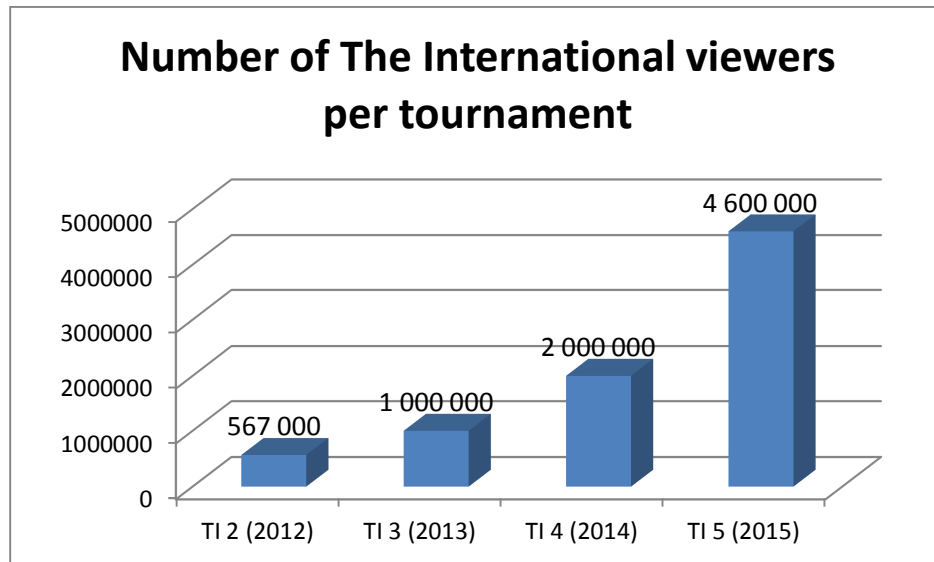
⁵⁵ M. McWhertor, The International Dota 2 tournament watched by more than 20M viewers, Valve says <http://www.polygon.com/2014/7/29/5949773/dota-2-the-international-tournament-20-million-viewers> (28.08.2016).

⁵⁶ M. Sandritter NFL news: Champ Bailey will return in 2014, Super Bowl draws record rankings, <http://www.sbnation.com/nfl/2014/2/3/5375136/nfl-news-champ-bailey-return-ray-rice-injury-super-bowl-ratings> (28.08.2016).



determine that the maximum number of viewers has been growing by approximately 100% every year.

Chart 23. Number of The International viewers per tournament.



Source: Dota News, How many people watched each TI, <http://dotanews.net/223-how-many-people-watched-each-ti.html> (28.08.2016) and own elaboration.

7.2 Smite World Championship 2015

The second biggest tournament of 2015 in financial terms was Smite World Championship 2015. It was hosted by Hi-Rez Studios which is the developer of this game. The general sponsor of the event was Curse Voice – a producer of gaming communication software.⁵⁷ The event took place at Atlanta's Cobb Energy Performing Art Center located in Atlanta, Georgia. Tickets for the event were being sold for those, who wanted to watch the matches live. All the games were also available to view on Smite's official Twitch channel. Total prize pool for the championships was \$2,612,259.00 with \$1, 306,130.00 dedicated for the winners. There were 8 competing teams that included:

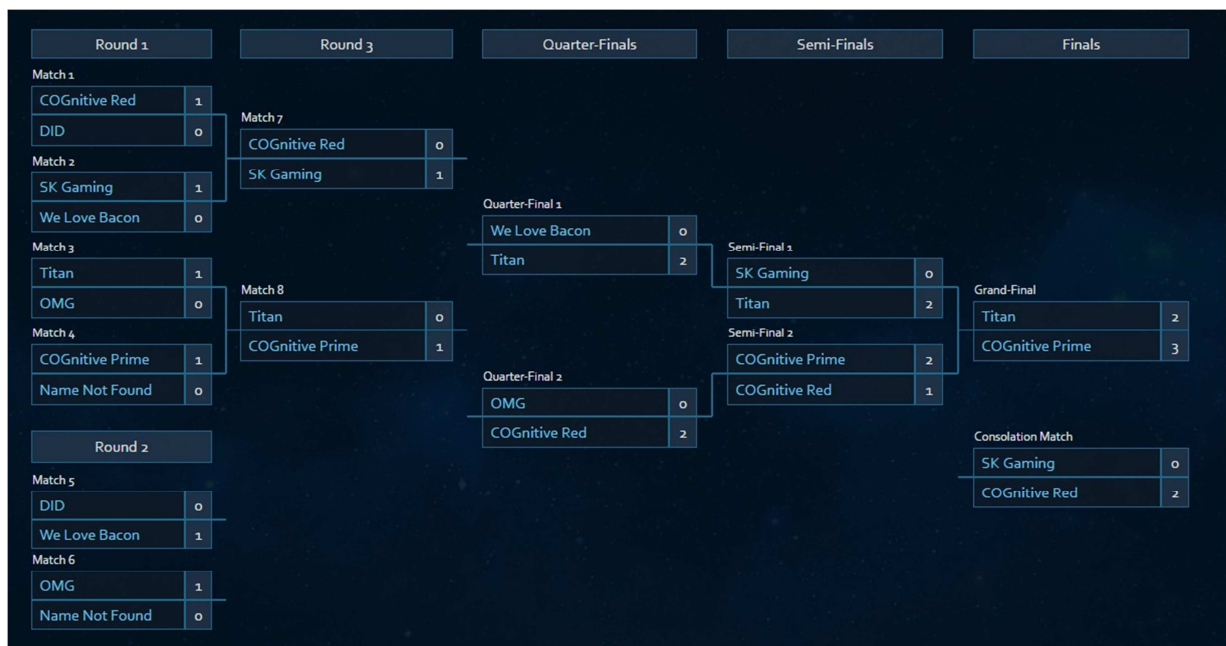
⁵⁷ Curse official website, <https://www.curse.com/> (28.08.2016).



1. COGnitive Prime
2. COGnitive Red
3. DiD
4. Name Not Found
5. OMG
6. SK Gaming
7. Titan
8. We Love Bacon

The diagram below presents Smite World Championship 2015 brackets with scores achieved by each team at different stages of the tournament.

Chart 24. Smite World Championship 2015 tournament brackets.







Source: SMITE Wiki, SMITE World Championship,
http://smite.gamepedia.com/SMITE_World_Championship_2015#Spoilers On (28.08.2016).



When it comes to the specific amounts granted to each team, they are presented in the table below.

Table 7. Smite World Championship 2015 rewards per place.

Place	Prize	Team
 1st	\$1,306,130	COGnitive Prime
 2nd	\$522,452	Titan
 3rd	\$391,839	COGnitive Red
 4th	\$261,226	SK Gaming
5th-8th	\$32,653	OMG
		We Love Bacon
		Name Not Found
		DID

Source: SMITE Wiki, SMITE World Championship,
http://smite.gamepedia.com/SMITE_World_Championship_2015#Spoilers On (28.08.2016).



7.3 League of Legends 2015 World Championship

League of Legends 2015 World Championship offered the third largest prize pool in 2015. The amount to be divided among competing teams was \$2,130,000.00. The winner was granted \$1,000,000 with \$250,000 for the second place and \$150,000 for the third team.

Table 8. League of Legends 2015 World Championships rewards.

Place	Prize (USD)	≈Prize (EUR)	Team
 1st	\$ 1,000,000	€ 882,200	 SK Telecom T1
 2nd	\$ 250,000	€ 220,550	 KOO Tigers
 3rd-4th	\$ 150,000	€ 132,330	 Origen
			 Fnatic
5th-8th	\$ 75,000	€ 66,165	 Flash Wolves
			 ahq e-Sports Club
			 EDward Gaming
			 KT Rolster
9th-11th	\$ 45,000	€ 39,699	 H2k-Gaming
			 LGD Gaming
			 Cloud9
12th-13th	\$ 35,000	€ 30,870	 Counter Logic Gaming
			 paiN Gaming
14th-16th	\$ 25,000	€ 22,055	 Bangkok Titans
			 Team SoloMid
			 Invictus Gaming

Source: eSportspedia, 2015 Season World Championships,
http://lol.ESportspedia.com/wiki/2015_Season_World_Championship (28.08.2016).










The League of Legends Worlds 2015 was a five-week tour that started in Paris where the group stage took place, Quarters were held in London, after that there were Semifinals in Belgium and in the end the Grand Finals were hosted in Berlin.⁵⁸ Sixteen teams that were divided into 4 groups took part in the competition. Detailed team brackets with results for the group and knockout stages can be seen in the pictures below.

Table 9. League of Legends Worlds 2015 group stage results.

Group A			
1.		Flash Wolves	4-2
2.		KOO Tigers	4-2
3.		Counter Logic Gaming	2-4
3.		paiN Gaming	2-4
Match results			[show]

Group B			
1.		Fnatic	4-2
2.		ahq e-Sports Club	3-3
3.		Cloud9	3-3
4.		Invictus Gaming	2-4
Match results			[show]
Tiebreaker			[show]

Group C			
1.		SK Telecom T1	6-0
2.		EDward Gaming	4-2
3.		H2k-Gaming	2-4
4.		Bangkok Titans	0-6
Match results			[show]

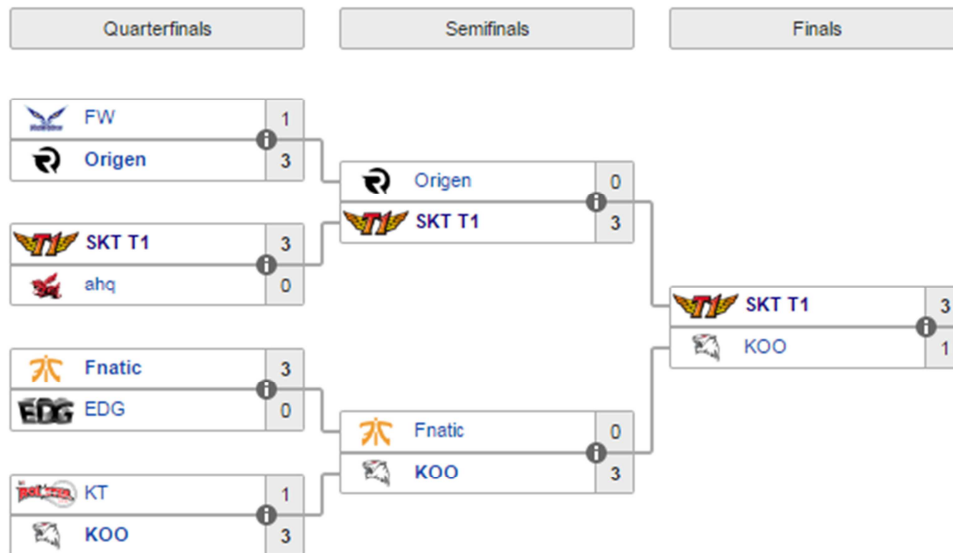
Group D			
1.		KT Rolster	5-1
2.		Origen	4-2
3.		LGD Gaming	2-4
4.		Team SoloMid	1-5
Match results			[show]

Source: eSportspedia, 2015 Season World Championships, http://lol.ESportspedia.com/wiki/2015_Season_World_Championship (28.08.2016).

⁵⁸ IG Critic, 5 Biggest Prize Pools in eSports History, <http://igcritic.com/the-highest-competitive-gaming-payouts-in-history/> (28.08.2016).



Chart 25. League of Legends Worlds 2015 knockouts stage results.



Source: eSportspedia, 2015 Season World Championships, http://lol.ESportspedia.com/wiki/2015_Season_World_Championship (28.08.2016).

The organizers were positively surprised by the warm reception of the event and its popularity. According to the official website of the tournament there were more than 360 million hours of live streams viewed. This amount almost doubled the result achieved by the tournament in the previous year with 194 million total hours. The cumulative number of unique television and on-line viewers (daily unique impressions) amounted to 334 million over the course of 4 weeks (the result for 2014 was 288 million). An average fan was spectating games for more than an hour and the average concurrent viewership (ACU) of 73 total games was more than 4.2 million people. The peak concurrent viewership (PCU) which is the biggest number of spectators that watch the game at a given point was 36 million. This happened during the final game between Tigers and SKT that was hosted in Mercedes-Benz Arena, Berlin. It was the new world record for an eSports event with the previous one set at Sangam Stadium in Seoul during the 2014 finals between Samsung White and Star Horn Royal Club teams with 27 million unique viewers.⁵⁹

⁵⁹ LoL eSports, Worlds 2015 Viewership, http://www.lolSports.com/en_US/articles/worlds-2015-viewership (28.08.2016).



8. Market trends

The early adopters in the E-Sports market are already enjoying substantial benefits but there are still multiple new companies and investors who decide to enter this market. This entails an increased amount of tournaments, talent acquiring agencies and sponsors. This situation is very attractive for aspiring players, who want to compete on the professional level.

However, there is a major problem for this market connected with the infrastructure that can be easily commercialized. E-Sports market does not only consist of games played by professional gamers but also by semi-professionals and amateurs. There are games like League of Legends with 28 million players daily and the existing technological infrastructure is not able to meet the demand of the global player base of this size.

Major trends emerging on the global E-Sports market will be described in the following paragraphs. They include:

- Increasing popularity of E-Sports in developing countries
- Tournaments and championships organized for female gamers
- Growing popularity of consoles as E-Sports gaming platforms
- Greater attraction and involvement of sponsor

8.1 Increasing popularity of E-Sports in developing countries

Even though E-Sports can be described as a global phenomenon it is still not present in many developing countries. Key areas where games enjoy high popularity include Europe, North America, China and South Korea. At this point it is worth to mention an interesting fact concerning popularity of E-Sports in Japan. Despite the fact that this country is the leading one when it comes to gaming in general, the full potential of E-Sports has not been reached there yet. This situation is explained by the fact that the penetration of certain genres like fighting games at which the Japanese are said to be the best in the world is very low. The “gaming culture” in this country is also a specific one because on the contrary to most areas of the world, console gaming is more popular than playing games on PCs. It is also one of the factors that contribute to the



predicted increase in popularity of console gaming in E-Sports that will be described in the following sections. Argentina, India, South Africa and Indonesia are currently among the countries where E-Sports is rapidly gaining popularity. They hold a lot of commercial potential for this sector and positive reception of events and tournaments is crucial for the global expansion of E-Sports.

8.2 Tournaments and championships organized for female gamers

One of the goals of E-Sports was to eliminate the inequality that is present in most of the conventional sports because of physical differences between men and women. It was meant to have a similar impact on both genders however women did not have as substantial influence on the competitive scene as it was desired. The major reason for the male-centric overview of eSports is the fact that the vast majority of game developers are men. Despite the current situation, it is expected that in the period between 2014 and 2019 the population of female gamers is going to increase. There are already some popular female pro gamers like Magic Amy or Eloise, who are successful in big tournaments of a card game called Hearthstone. Furthermore, it has recently been announced that a female Counter-Strike player Park “Luminous” Hee-Eun is the first woman to join a professional Korean Counter-Strike team named Nomad. She is currently the only female gamer in the Korea’s Counter strike league VSL CS:GO Korea Beginning. As she claims, she decided to compete in tournaments in order to encourage more women players to join professional teams.⁶⁰ Even though it is no longer uncommon to see talented female gamers, they very rarely decide to compete on the professional level. However, many gamers still believe that it is impossible for women to do extraordinary well in video games tournaments. It leads to situations like the one where a 17 year old Korean female Overwatch gamer Geguri was accused of cheating because of her incredible results at the Nexus Cup.⁶¹ Even though she was cleared from all the accusations by the game developers she also decided to showcase her abilities on stage so that everyone could see her play. However, she chose to wear a

⁶⁰ A. Kim, Lone female Counter-Strike pro in Korea hopes to start a trend, <https://slingshoteSports.com/2016/08/11/female-counter-strike-pro-korea-hope-to-start-trend/> (19.08.2016).

⁶¹ A. Chalk, Teenage Overwatch player accused of cheating proves she's just that good with Zarya <http://www.pcgamer.com/teenage-overwatch-player-accused-of-cheating-proves-shes-just-that-good-with-zarya/> (19.08.2016).



mask during her performance in order to hide her identity which proves that the current state of the video game industry is still far away from perfection in terms of friendliness and acceptance. In order to encourage intensified participation of female players it is expected that there will be more tournaments held in the analyzed period dedicated exclusively to women. There is also a Polish accent in the female Counter-Strike competitive scene. Team Genesis consists of 5 female Polish gamers - Sylwia „Sy\$ka” Jędrzejczak, Sandra „frida” Wojnowska, Martynę „iXoRia” Stróżyńska, Małgorzata „Goś” Czernecka and Karolina „Liina” Kasprzyk⁶². The Team is sponsored by Genesis - a computer accessories and gaming equipment manufacturer. Despite their school and university responsibilities the girls spend 3-4 hours a day, training together to improve their skills and achieve better results during tournaments.⁶³

8.3 Growing popularity of consoles as E-Sports gaming platforms

Even though consoles form a substantial segment of the gaming industry, the impact that this type of gaming has on the E-Sports scene is very limited. There are only a few genres that are suitable for this area of electronic entertainment that include sports and fighting games. The share of these types of games in the market scenario is negligible if we compare them to much more popular genres like FPS and MOBA. That is why consoles have not been the platform of choice for competitive players and organizers of tournaments in the recent years. Furthermore, console gaming has not been generating a desired viewership over the years which makes potential sponsors unwilling to invest their money in backing this sector and narrows the potential of live streaming possibilities. Another factor that contributes to lower popularity of consoles in eSports concerns frequent updates of leading console games like FIFA. There are new editions of this game released basically every year that introduce multiple changes forcing professional players to adjust to them. The situation of PC games is completely different in this case. For example, if we take League of Legends into consideration that is one of the most popular E-Sports games, we can determine that there has not been any new edition of this game released since 2009 and it is

⁶² ESLPlay, Team Genesis, <http://play.eslgaming.com/intern/esport-club-munich/csgo/female-test-groupstage/team/9771082/> (19.08.2016).

⁶³ EsportNow, Polskie zawodniczki Team Genesis podbijają CS:GO, <http://esportnow.pl/csgo/polskie-zawodniczki-team-genesis-podbijaja-csgo/> (19.08.2016).



very successful at operating on its original version with multiple patches. However, the most important console vendors in the world – Microsoft and Sony realize how important it is in the long-term perspective to introduce E-Sports games that are backed by the community of players. That is the reason why some developers are allowed to enhance and update their games without the necessity of paying extra money. Such situation happened in case of Street fighter IV that has been updated to Street fighter V without any additional fees being paid from the developers because this game is the staple of fighting games genre.

8.4 Greater attraction and involvement of sponsors

The number of generalist sponsors is a very important metric used in order to determine the size of the global E-Sports market. Even though the sponsorship of E-Sports involves major companies that operate outside this market like American Express, Nissan or Coca-Cola, the majority of such sponsors is connected with the gaming world and include a computer processor manufacturer Intel or a producer of gaming headsets Turtle Beach.⁶⁴ Such companies choose to support eSports market because they aim to attract fans of video games. Companies perceived as dedicated to manufacturing of gaming equipment are characterized by a substantial level of brand awareness among gamers and enthusiast. Some manufacturers like Roccat describe the eSports fans niche as their major target market.

⁶⁴ J. Gaudiosi, Big brands gravitating towards eSports, <http://fortune.com/2014/07/24/eSports-sponsors/> (17.08.2016).

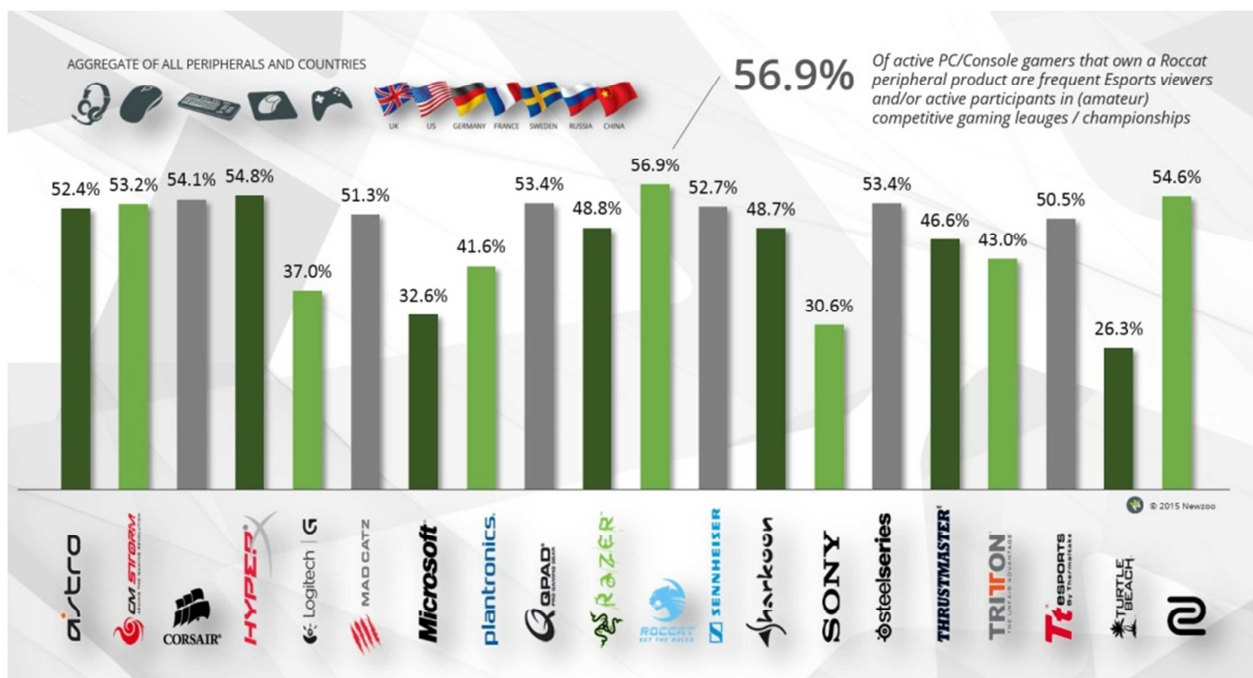


eSports countries and 20 manufactures, 57% of the people who use Roccat devices are eSports fans. As we can see in the picture below, such companies as Logitech, Sony or Microsoft appeal to a wider group of customers and eSports fans account for approximately 40% of the total number of buyers. High involvement of strong companies as sponsors with substantial financial contribution has a positive influence on the credibility of this market and makes it easier to attract a bigger audience. According to the research conducted by Newzoo that involved 7 leading eSports countries and 20 manufactures, 57% of the people who use Roccat devices are eSports fans. As we can see in the picture below, such companies as Logitech, Sony or Microsoft appeal to a wider group of customers and eSports fans account for approximately 40% of the total number of buyers. High involvement of strong companies as sponsors with substantial financial contribution has a positive influence on the credibility of this market and makes it easier to attract a bigger audience. According to the research conducted by Newzoo that involved 7 leading eSports countries and 20 manufactures, 57% of the people who use Roccat devices are eSports fans. As we can see in the picture below, such companies as Logitech, Sony or Microsoft appeal to a wider group of customers and eSports fans account for approximately 40% of the total number of buyers. High involvement of strong companies as sponsors with substantial financial contribution has a positive influence on the credibility of this market and makes it easier to attract a bigger audience. According to the research conducted by Newzoo that involved 7 leading eSports countries and 20 manufactures, 57% of the people who use Roccat devices are eSports fans. As we can see in the picture below, such companies as Logitech, Sony or Microsoft appeal to a wider group of customers and eSports fans account for approximately 40% of the total number of buyers. High involvement of strong companies as sponsors with substantial financial contribution has a positive influence on the credibility of this market and makes it easier to attract a bigger audience. According to the research conducted by Newzoo that involved 7 leading eSports countries and 20 manufactures, 57% of the people who use Roccat devices are eSports fans. As we can see in the picture below, such companies as Logitech, Sony or Microsoft appeal to a wider group of customers and eSports fans account for approximately 40% of the total number of buyers. High involvement of strong companies as sponsors with substantial financial contribution has a positive influence on the credibility of this market and makes it easier to attract a bigger audience.



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Chart 26. Percentage of eSports fans per brand.



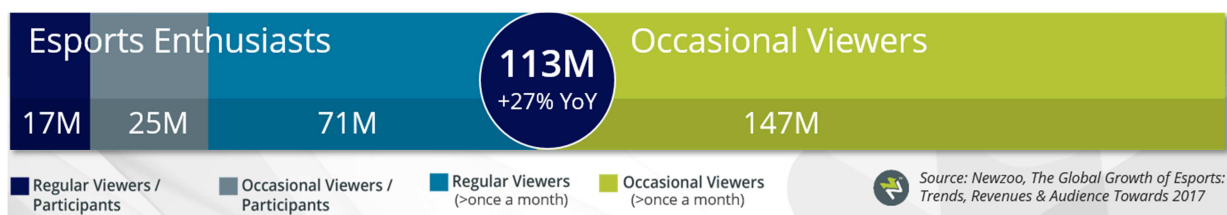
Source: Newzoo Gaming Peripheral Brand Tracker, <https://newzoo.com/insights/articles/the-gaming-peripheral-market-battle-of-the-brands/> (09.09.2016).



9. Major E-Sports broadcasters

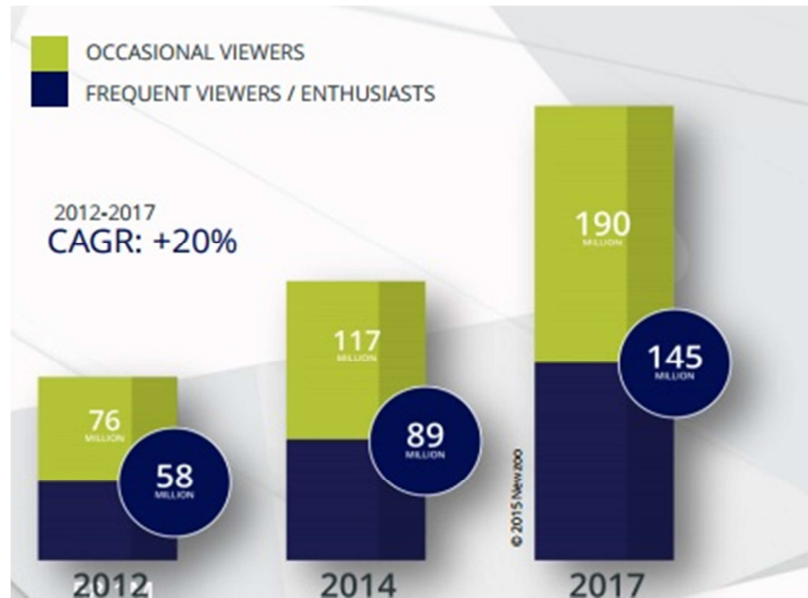
E-Sports tournaments attract increasingly bigger audience every year. As shown in the graph below, in 2014 there were 113 million eSports enthusiasts which is a 27% year-over-year increase. Out of that number, 17 million are regular viewers or participants, 25 million are occasional ones and there are 71 million regular viewers that watch eSports competitions a least once a month. What is more, it was estimated that there were over 147 million occasional viewers of professional gaming in 2015. The number of enthusiasts is expected to growth further and reach 145 million in 2017.

Chart 27. E-sports enthusiasts and occasional viewers in 2014.



Source: Newzoo, The Global Growth of Esports,
https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (10.09.2016).

Chart 28. E-sports enthusiasts 2012-2017.



Source: Newzoo, The Global Growth of Esports, https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (10.09.2016).

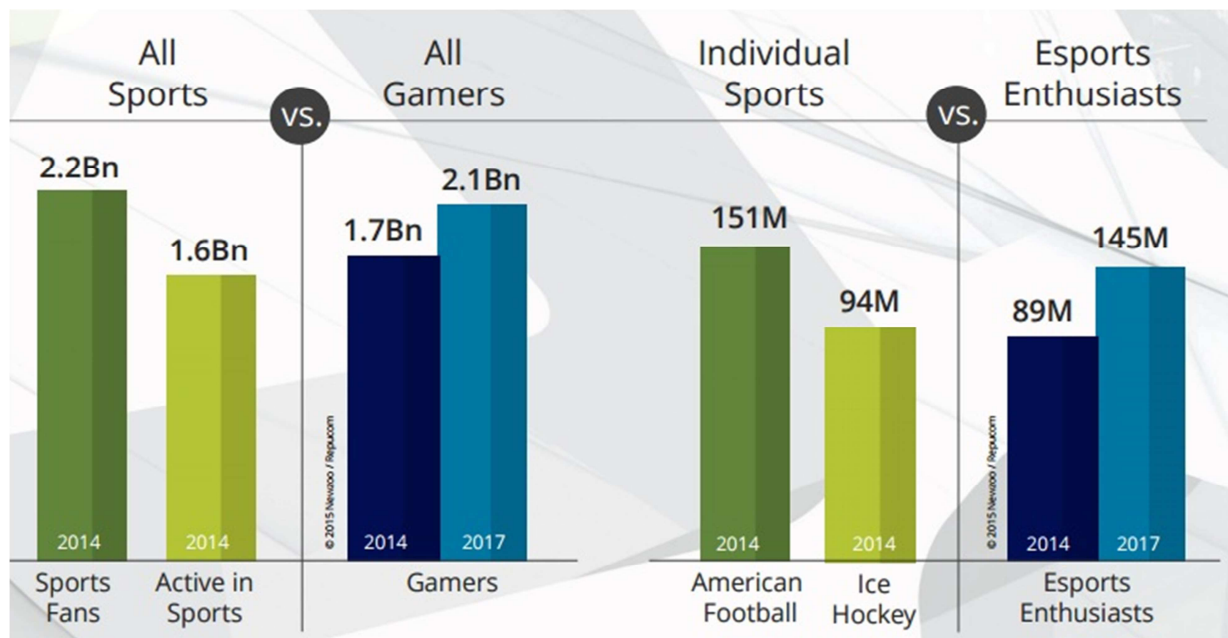
The most important eSports broadcasters include Sky Sports, ESPN, Endemol, BBC, Yahoo!, Turner, Fox Sports and L'Equipe 21. Probably the most important entertainment company operating in this sector is Modern Times Group. This company has made very important strategic moves by acquiring Dreamhack and purchasing the majority stake of Electronic Sports League. Times Group also announced their plans of creating the eSportsTV channel available 24 hours a day, 7 days a week.⁶⁵

⁶⁵ Newzoo, eSports awareness exceeds 1 billion as new global & local initiatives are launched <https://newzoo.com/insights/articles/global-esports-awareness-exceeds-1-billion-as-new-initiatives-launched/> (10.09.2016).

9.1 Comparison with conventional sports

As presented in the chart below over 2.2 billion people declared themselves as being interested in sports. 1.6 billion of those people are involved in one or more sports. This result is similar to the total number of gamers in 2014. It has already been mentioned that the total number of eSports enthusiast viewers is expected to grow from 89 million in 2014 to 145 million by 2017. Currently it is estimated that eSports is as popular as swimming and ice hockey. However, by 2017 eSports is expected to be as popular as American football.

Chart 29. Popularity of conventional sports and esports.



Source: Newzoo, The Global Growth of eSports,
https://images.eurogamer.net/2014/dan.pearson/Newzoo_Preview_Images_Global_Growth_of_Esports_Report_V4.pdf (10.09.2016).

9.2 Major League Gaming (MLG)

Major League Gaming is the most commonly known E-Sports brand and the first big digital network in the gaming sector. The main goal of this organization is global promotion of E-Sports which is done through organizing multinational events. MLG also aims to let the viewers have a free access to the gaming content offered via the MLG.tv which is a free, supported by ads streaming platform.⁶⁶ Viewers are able to track their favorite gaming tournaments via mobile, web, television and gaming consoles. The table below compares MLG.tv against the industry average in terms of ad metrics connected with the advertising of video games. It is clearly visible that MLG.tv outperforms the industry average in every respect.

Table 10. Comparison of ad metrics between MLG.tv and the industry average.

Metric	MLG.tv	Industry average
Completion rate	90%	72%
Click through rate	4%	2%
Ad viewability	99%	44%

Source: Major League Gaming, About MLG, <http://www.majorleaguegaming.com/about> (29.08.2016).

When it comes to the structure of the audience, these are mostly young men (90% of male viewers). 50% of them are between 16 and 34 years old and 76% above 21 years old. The company also operates MLG: Play which is an online gaming tournament system. It currently has more than 9 million registered users around the world. MLG has achieved a very impressive audience growth of 1557% over the course of four years. Major League Gaming together with eSun Holdings Limited and Lai Fung Holdings Limited announced their plans to open the first MLG Arena in China. It will be placed in Zhuhai, China which is located close to a very popular tourist location - Macau coast. The MLG Arena is planned to be open in 2017.⁶⁷

⁶⁶ Major League Gaming, About MLG, <http://www.majorleaguegaming.com/about> (29.08.2016).

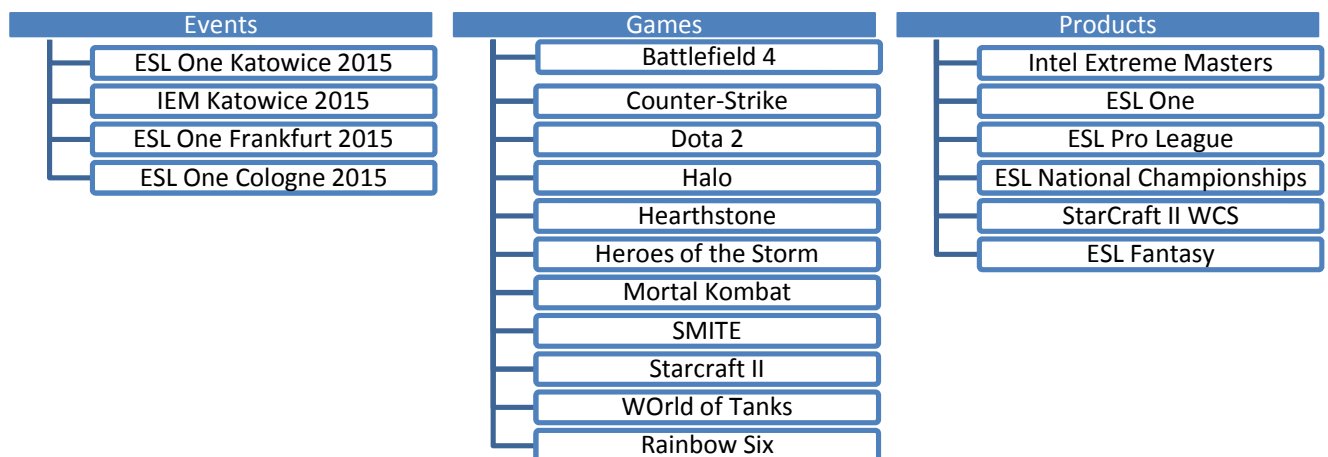
⁶⁷ Major League Gaming, Major League Gaming to Build First-Ever MLG Stadium in China, <http://www.majorleaguegaming.com/news/major-league-gaming-to-build-first-ever-mlg-arena-in-china/> (29.08.2016).



9.3 Electronic Sports League (ESL)

Electronic Sports League was founded in 2000 which makes it the oldest E-Sports company in the world. Headquarters of ESL are located in Cologne, Germany. There are also company offices in Los Angeles and New York. The organization was acquired in July 2015 for \$87 million by Modern Times Group - a media company from Sweden. 20 games and 10 E-Sports products are incorporated by the ESL. It is also in charge of organization and coordination of different tournaments that include Intel Extreme Masters (IEM), StarCraft II World Championship Series and ESL One. ESL was able to gain the leading position in the United States, France, Germany, Poland, Italy and Scandinavian countries. It also cooperates with leading game developers like Blizzard Entertainment, Riot Games, Hi-Rez Studios and Valve.⁶⁸ The diagram below shows the events and products introduced by ESL as well as games that are played during the tournaments held by this organization.

Chart 30. ESL One Katowice events, games and products.



Source: ESL, <http://www.eslgaming.com/> (29.08.2016) and own elaboration.

⁶⁸ J. Gaudiosi, This eSports company just got acquired for \$87 million, <http://fortune.com/2015/07/03/esl-eSports-acquisition/> (29.08.2016).



9.4 Beyond the Summit

Beyond the Summit (BTS) is a company operating in the new-media sector. It is headquartered in Los Angeles, California. It is specialized in organizing events and providing coverage for Valve's game Dota 2. BTS was founded in March 2012. Since then it has hosted top-tier Dota 2 tournaments that included The International 2015, Starladder, ESL Frankfurt, Alienware Cup and DreamHack Winter.⁶⁹

9.5 DreamHack

DreamHack (DH) was founded in 1994 and has the headquarters in Jönköping, Sweden. It is the biggest video game festival that also includes live concerts, digital art and gaming competitions. The event takes place two times a year in Elmia Exhibition and Convention Centre.⁷⁰

9.6 StarLadder

StarLadder is an international tournament. There is a vast library of games played during StarLadder tournaments that include Counter-Strike: Global Offensive, Overwatch, Dota 2, Hearthstone and League of Legends. The LAN event takes place in Cyber Sports Arena, Kiev. There are four major partner companies that support StarLadder tournaments – two online betting companies EGB and CSGOFAST.com, gaming hardware producer Predator and an on-line streaming service Twitch.⁷¹

⁶⁹ Beyond The Summit, About BTS, <http://beyondthesummit.tv/about/> (29.08.2016).

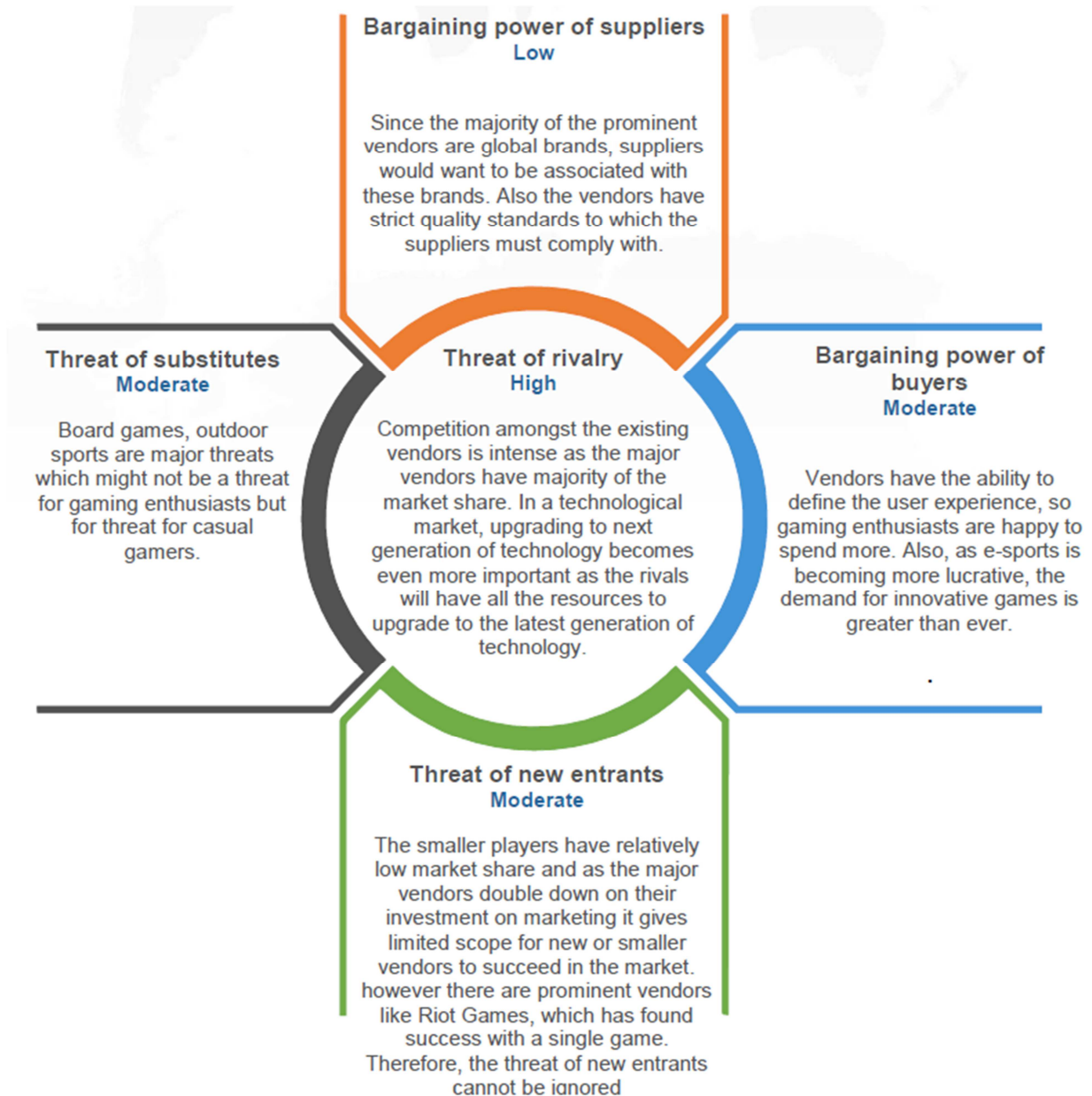
⁷⁰ Liquipedia, DreamHack, <http://wiki.teamliquid.net/counterstrike/DreamHack> (29.08.2016).

⁷¹ StarLadder, <http://starladder.com/en/events/> (29.08.2016).



10. Five Forces Analysis

Image 5. Five Forces Analysis for eSports market.



Source: Technavio.com, Global E-sports Market 2015-2019.

The Five Forces analysis is a framework introduced by Michael E. Porter that takes five factors into consideration in order to analyze industry's competition level. The forces include bargaining power of suppliers, threat of new entrants, bargaining power of buyers and threat of substitutes.

10.1 Bargaining power of suppliers

The bargaining power of suppliers operating on the eSports market can be described as low. There are plenty of global brands present on this market and suppliers are striving to be associated with them.

10.2 Threat of new entrants

Even though there are many strong and well established companies on the eSports market like Activision Blizzard, new competitors cannot be ignored and hence the threat is moderate. We should keep in mind that there are companies like Riot Games that was able to obtain the leading position on the market despite the fact that it introduced just one game – League of Legends which became extremely popular.

10.3 Threat of substitutes

There are plenty of substitutes to electronic sports that is why the threat is high in this case. Video games mostly compete against very popular conventional sports with a long history and huge multinational events like the FIFA World Cup. There are also other potential substitutes for gaming enthusiast like board and card games.

10.4 Bargaining power of buyers

In case of eSports market the bargaining power of buyers is medium. Vendors try to do their best to offer better gaming experience for the players. Growing popularity of eSports and the fact that this area is becoming more lucrative, leads to increased expectations concerning the quality and creativity of video games.



10.5 Threat of rivalry

Threat of rivalry is very high in the eSports market. There are multiple vendors competing fiercely for a market share. In order to maintain the desired position it is vital to introduce the newest (very often expensive) technologies and keep up with the pace of changes.



11. Comparison between Activision Blizzard and Ubisoft Entertainment

This part of the thesis will be dedicated to comparison between two leading game developers – Activision Blizzard and Ubisoft Entertainment. The former company is deeply engaged into eSports and has introduced plenty of very popular competitive games such as Heroes of the Storm, Hearthstone: Heroes of Warcraft or Overwatch. The strategy of Ubisoft can be placed on the opposite side of the spectrum and is based on introducing sequels of very well established and highly recognizable game franchises like Assassin’s Creed, Rayman, Prince of Persia, Far Cry and Tom Clancy’s series. The next paragraphs will describe the sales results achieved by these developers, the popularity of their digital distribution and game management platforms (Battle.net and Uplay) and number of organized tournaments that involve the games developed by those publishers. There will also be predictions presented that are connected with the strategies adopted by these companies. Finally, the last part of this section will include recommendations for development of Ubisoft Entertainment in the upcoming years.

11.1 Activision Blizzard

Activision Blizzard Inc. is an American video game developer established in 2000 with headquarters located in Santa Monica, California. This company is one of the most successful developers operating in the interactive entertainment sector. Development teams include members of Blizzard Entertainment, Activision, and King Digital Entertainment but also some independent studios like Infinity Ward or Sledgehammer Games. There are almost 500 million monthly active customers of this developer located in 196 different countries. The company continues to expand its offer to new genres and platforms in order to reach new geographies and bigger audience.⁷² Main sources of revenue include sales of video games, subscription fees and licensing. Blizzard Entertainment has also introduced Battle.net which is a platform that allows downloading digital games developed by this company. It features frequent updated for the purchased titles.

⁷² Activision Blizzard, About Activision Blizzard, <http://www.activisionblizzard.com/about-us> (21.08.2016).



Activision Blizzard hires over 9,000 employees many of whom are considered to be among best media, entertainment or technology specialists in the world. In 2015 it was placed 77th on the list of 100 best companies to work for prepared by fortune.com.⁷³ This company consists of 5 operating units:

1. Blizzard Entertainment which is engaged in development and distribution of very popular gaming franchises such as World of Warcraft, StarCraft and Heroes of the Storm for consoles, PCs and mobile devices.
2. Activision that develops and distributes games from Call of Duty, Destiny or Skylanders franchises for all the aforementioned platforms. Games are sold either by using retail channels or digital distribution. The products are aimed on reaching a wide variety of customer groups that include children, adults, mass consumers and hardcore gamers.
3. King Digital which focuses its operations on developing games for the mobile market. There are over 200 different games created by King Digital that include extremely popular ones like Farm Heroes, Candy Crush or Bubble Witch.
4. Activision Blizzard Studios that produce television and movie content which is based on the universes created by the other operating units.
5. Media Networks which is focused on providing better gaming experience for different games played on various platforms by gamers around the world.

Most recognizable and highly appreciated gaming franchises developed by Activision Blizzard include:

- World of Warcraft®
- StarCraft®
- Hearthstone®
- Overwatch™
- Candy Crush Saga®
- Destiny®
- Call of Duty®

⁷³ Fortune.com, 100 best companies to work for - Activision Blizzard, <http://fortune.com/best-companies/activision-blizzard-77/> (21.08.2016).



Many of these gaming franchises are leading ones on the E-Sports competitive scene. The most important one of them is StarCraft with 3775 tournaments held and almost \$20 million in prize awards granted between 2010-02-18 and 2016-08-20.⁷⁴

Blizzard also holds its own tournaments during the company's annual conferences called BlizzCon, where gamers compete in Heroes of The Storm, StarCraft II and Hearthstone. Last year's tournament took place at the Anaheim Convention Center on the 6th and 7th of November with over 25,000 present spectators. The total prize pool of over \$4million was also very impressive and attracted best teams from around the world. According to Newzoo's research, gamers who play Blizzard's games account for 45% of the total number of professional gaming enthusiasts in North America. Fortune magazine has even gone as far as calling Blizzard's BlizzCon "The Olympics of eSports" which can only be matched by "The International" organized by Valve and League of Legends World Championship held by Riot Games.⁷⁵ The research shows that 45% out of 16.6 million American enthusiasts of electronic sports in 2015, played at least one game from Blizzard's leading franchises over the past 3 months. When it comes to South Korea, the percentage of eSports fans playing Blizzard's games is the highest in the world because of the huge popularity of StarCraft franchise.⁷⁶ The table below presents the detailed results for all 27 analyzed countries.

⁷⁴ E-Sports Earnings, StarCraft II, <http://www.eSportsearnings.com/games/151-starcraft-ii> (21.08.2016).

⁷⁵ J. Gaudiosi, Why BlizzCon Is Like The Olympics Of eSports, <http://fortune.com/2015/11/03/blizzcon-olympics-of-esports/> (09.09.2016).

⁷⁶ Newzoo, BlizzCon 2015: Blizzard gamers represent 45% of American eSports enthusiasts, <https://newzoo.com/insights/articles/blizzcon-2015-blizzard-gamers-represent-45-of-american-esports-enthusiasts/> (09.09.2016).



Chart 31. eSports enthusiasts who play Blizzard's games.



Newzoo, BlizzCon 2015: Blizzard gamers represent 45% of American eSports enthusiasts,
<https://newzoo.com/insights/articles/blizzcon-2015-blizzard-gamers-represent-45-of-american-esports-enthusiasts/> (09.09.2016).



11.2 Ubisoft Entertainment

Ubisoft Entertainment SA is a French video game publisher and developer established in March 1986 in Carentoir, France. It is the third largest video game developer in the world. The headquarters of the company are located in Montreuil which is a suburban commune of Paris. Global presence of the company is solidified by 29 development studios located in 19 different countries. Ubisoft employs over 10,000 people worldwide with more than 2,000 employees working in the biggest studio in Montreal, Canada.⁷⁷ Game franchises developed by Ubisoft include very popular and acclaimed series such as:

- Assassin's Creed
- Far Cry
- Rayman
- Just Dance
- Splinter cell
- Prince of Persia

Ubisoft also designed Uplay which is a digital distribution platform and multiplayer communication service. The application is connected with the on-line store. The platform also features the in-game achievement system. It is available for most of the gaming consoles, personal computers and mobile devices. The application can also be downloaded from the Nintendo eShop since December 2012.⁷⁸ According to gadgetreview.com there were more than 200 PC titles available on Uplay for 300k active users. The total number of accounts is estimated to surpass 50 million.⁷⁹ However, Uplay is not highly rated among players. It suffers from unstable servers and problems with anti-piracy securities. It should also be mentioned that most of the games available on Uplay are non-exclusive. This means that Ubisoft also allows many of their games to be downloaded from competitive platforms including Steam and Origin. Because of a relatively small library of titles available on Uplay (around 200 compared with more than

⁷⁷ Ubisoft official website, Company Overview, <https://www.ubisoft.com/en-US/company/overview.aspx> (05.09.2016).

⁷⁸ T. Whitehead, uPlay App Now Available on Wii U eShop, http://www.nintendolife.com/news/2012/12/uplay_app_now_available_on_wii_u_eshop (05.09.2016).

⁷⁹ S. Sanders, Steam Vs. Origin vs. Uplay (comparison), <http://www.gadgetreview.com/steam-vs-origin-vs-uplay-comparison> (05.09.2016).



2000 available on Steam) there also aren't any big seasonal sales that could attract more customers.

11.3 Game franchises

Both game developers introduced very popular and successful game series. However, Ubisoft exploits the strategy that involves development of multiple sequels of a well-known franchise. On one hand, it helps to keep the most dedicated fans and let them enjoy refreshed concepts and new content in their favorite game series. On the other hand, it is almost always very hard to keep the quality that the first game of the series presented in terms of its gameplay and fresh ideas. With each new sequel the changes become more cosmetic and players might simply become bored with the same characters or far-fetched plot twists. What makes the situation worse is the fact that even developers themselves often experience weariness and start neglecting vexing game bugs. As a result they do not introduce game patches and produce very short basic editions of their games with multiple DLCs in order to make more money on the same title. Most of those problems affected Ubisoft Entertainment because of a large number of sequels and DLCs introduced by this company. Even though Blizzard also introduces sequels to their games like StarCraft II they are released less frequently. Blizzard has also introduced many brand new titles representing such genres as MOBA and CCG where the company did not have any presence a few years ago.



The table below shows three game franchises - Assassin's Creed, Far Cry and Rayman - developed by Ubisoft. It includes the name of each game in the series together with their release dates.

Table 11. Ubisoft's Assassin's Creed, Far Cry and Rayman game franchises.

Assassin's Creed	Assassin's Creed	2007	Far Cry	Far Cry	2004	Rayman	Rayman	1995
	AC: Altair's Chronicles	2008		FC: Instincts	2005		Gold	1997
	Assassin's Creed II	2009		FC Instincts: Evolution	2006		English with Rayman	1998
	AC: Bloodlines	2009		FC Instincts: Predator	2006		Rayman 2	1999
	AC II: Discovery	2009		FC Vengeance	2006		Revolution	2000
	AC: Brotherhood	2010		Paradise Lost	2007		Rayman M	2001
	AC: Lost Legacy	2010		Far Cry 2	2008		Arena	2002
	AC: Revelations	2011		Far Cry 3	2012		Hoodlum Havoc	2003
	AC: Rearmed	2011		FC 3: Blood Dragon	2013		Hoodlums' Revenge	2005
	Assassin's Creed III	2012		Far Cry 4	2014		Raving Rabbids	2006
	AC III: Liberation	2012		FC Primal	2016		Raving Rabbids 2	2007
	AC IV: Black Flag	2013					Origins	2011
	AC: Rogue	2014					Rayman 3 HD	2012
	AC: Unity	2014					Legends	2013
	AC: Liberation HD	2014					Adventures	2015
	AC: Pirates	2014						
	AC: Identity	2014						
	AC: Syndicate	2015						
	AC Chronicles: China	2015						
	AC Chronicles: India	2016						
AC Chronicles: Russia	2016							

Source: Ubisoft official website, <https://www.ubisoft.com/pl-PL/> (02.09.2016) and own elaboration.



11.4 Card games (Hearthstone vs. Duel of Champions)

Online Collectible Card Games (CCG) genre has been gaining an increasing popularity over the last few years. Currently there is a trend among major game developers to introduce their own CCGs placed in the universes created in other games that are present in their development portfolios. The list of developers who released their Collectible Card Games includes:

1. Activision Blizzard – this company released the most popular digital card game in the world Hearthstone: Heroes of Warcraft. The cards available in the game are based on the storyline and characters introduced in the games from Warcraft series. The game was released on March 11th 2014.⁸⁰
2. Ubisoft is the company behind the game called Might and Magic: Duel of Champions. The game was introduced on the 13th of September 2012. The universe present in the game is based on the Might and Magic series which gained millions of fans around the world thanks to the success of the strategy game Heroes of Might and Magic and the RPG called Might and Magic.⁸¹
3. Bethesda Software – In August 2016 Bethesda launched the open beta of their CCG game named The Elder Scrolls Legends. It is based in the universes of their famous RPG games – Morrowind and Skyrim.⁸²
4. Chronicle: RuneScape Legends. The game was released on May 26, 2016 and is based on the universe of an MMO game Runescape created by Jagex in 2001.⁸³
5. CD Projekt S.A. has also announced its own card game called Gwent. The game is set in the universe of The Witcher which is and extremely popular game franchise. It was announced by the company that the closed beta will commence on October 25th 2016.⁸⁴

⁸⁰ Hearthstone: Heroes of Warcraft, <http://us.battle.net/hearthstone/en/> (02.09.2016).

⁸¹ Metacritic, Might & Magic: Duel of Champions, <http://www.metacritic.com/game/pc/might-magic-duel-of-champions> (02.09.2016).

⁸² T. Marks, The Elder Scrolls: Legends is now in open beta, <http://www.pcgamer.com/the-elder-scrolls-legends-is-now-in-open-beta/> (02.09.2016).

⁸³ Chronicle: RuneScape Legends, Chronicle Launches May 26th, <https://www.rschronicle.com/blog/2016/may/steam-launch-date.html> (02.09.2016).

⁸⁴ Gwent: The Witcher Card Game, Gwent panel to be held at PAX West 2016, <https://www.playgwent.com/en/news> (02.09.2016).



One of the main goals of this thesis is to compare the performance of Activision Blizzard and Ubisoft Entertainment in different areas of their operations. In my opinion the collectible card games form a crucial element of the financial performance of game developers despite the apparent simplicity of this genre. That is why I think that the decision recently announced by Ubisoft that concerns closing the game servers of its four free-to-play games can have very negative repercussions in the future. The servers of three f2p games developed by the company will be closed in October and when it comes to the servers of the fourth one, they will go down by the end of the year. The games that are planned to be shut down in October include The Mighty Quest for Epic Loot (25th of October), Might & Magic Duel of Champions together with Tom Clancy's EndWar Online (31st of October) and the last one is Tom Clancy's Ghost Recon Phantoms (1st of December).⁸⁵ Duel of Champions is the most important game from the aforementioned for the purposes of this analysis. The official reasons behind the closure include decreasing number of active users and lack of interest from the side of new potential players. While reading the official Ubisoft forum it can be found that there are still some loyal fans that praise different features of Duel of Champions like appealing artwork on cards, demanding strategic aspect, clever mechanics and interesting universe. Disappointed fans also make petitions to prevent the company from taking the game down. However, in the same thread there also those who name multiple reasons why the game failed. According to Duel of Champions players the economic aspect and ineffective marketing are the key factors that lead to the withdrawal of the game.⁸⁶

⁸⁵ O.S. Good, Ubisoft closing four free-to-play games on PC, <http://www.polygon.com/2016/8/27/12670306/ghost-recon-phantoms-endwar-online-mighty-quest-for-epic-loot-might-magic-duel-champions-closing> (02.09.2016).

⁸⁶ Ubisoft Forums, Petition about Might and magic: Duel of Champions, <http://forums.ubi.com/showthread.php/1297639-Petition-about-Might-and-magic-Duel-of-Champions-Forums> (02.09.2016).



I fully agree that Ubisoft failed in using the potential of cross marketing of Duel of Champion with Heroes of Might and Magic VI or VII. This is where Activision Blizzard really shines. For example, those people who purchase collector's editions or pre-orders of World of Warcraft, Heroes of the Storm or Overwatch are often granted an exclusive card back that can be redeemed on their Hearthstone account. What is more, while playing World of Warcraft we can even observe some non-player characters (NPC) that sit by the table and play Hearthstone inside the game. All the universes created by Blizzard are very cohesive with one another despite their differences.

Image 6. Non-player characters playing a game of Hearthstone in World of Warcraft.



Source: Wowhead, References to games in World of Warcraft, <http://it.wowhead.com/guide=3320/references-to-games-in-world-of-warcraft> (02.09.2016).

Furthermore, Duel of Champions users also complain about the offered in-game purchases and lack of alternative arts. Game developers also failed to fix many vesting bugs that could make the game unplayable at some point. Other developers (mainly Activision Blizzard) are definitely going to benefit from the closing of Duel of Champion servers. The game had a real potential of becoming the leader in the online collectible card sector but it slowly died not because of the fact that it was bad but rather because the people were forced to leave it for the reasons mentioned above. Such situation is going to impair the market position of Ubisoft Entertainment in the upcoming years and make it hard to keep up with other developers who will take over the market share previously occupied by Might and Magic Duel of Champions.

11.5 E-Sports events and tournaments

It has already been mentioned that Activision Blizzard and Ubisoft present two completely different attitudes towards eSports. All the games developed by Blizzard Entertainment in the recent years have their own dedicated tournaments and attract millions of spectators globally. Ubisoft almost completely neglected this area of digital entertainment in the past years with the minor exception of a handful of Duel of Champions tournaments held in 2013 and 2014. They also did not pay much attention to providing further support for their games after the release. However, it seems that the company is starting to realize the importance of eSports and the necessity to be involved in hosting tournaments and developing games that can be played competitively. This year Ubisoft introduced competitions based on their FPS game called Tom Clancy's Rainbow Six Siege.⁸⁷ Despite the fact that this is definitely a step in the right direction, the efforts still cannot match Activision Blizzard's performance in terms of viewership, number of competing teams, number of sponsoring companies and prize pools. Most important tournaments organized by both companies together with the prize pools will be presented in the following paragraphs.

⁸⁷ B. Dawson, Rainbow Six: Siege - Ubisoft Heads into eSports, <https://www.primagames.com/games/rainbow-six-siege/feature/rainbow-six-siege-ubisoft-heads-esports> (04.09.2016).



11.5.1 Duel of Champions

Ubisoft hosted Duel of Champions tournaments called Road to Paris in 2013 and 2014. It was also possible to watch the live stream from the tournament free of charge via Twitch. The finals of the 2014 tournament took place at The Meltdown esports bar in Paris. Eight finalists of this international tournament came from Poland, US, Hungary, Netherlands, China, France, Sweden and Brazil. The cash prizes for the finals are shown in the table below.

Table 12. Road to Paris 2014 prize pool.

Total prize pool	13 500 €
1 st place	7500 €
2 nd place	3000 €
3 rd place	1500 €
4 th place	1000 €
5 th place	500 €

Source: Duel of Champions, <https://www.duelofchampions.com/en/news/road-to-paris-live-finals> (04.09.2016).

11.5.2 Tom Clancy's Rainbow Six Siege

Ubisoft introduced two types of Tom Clancy's Rainbow Six Siege tournaments – the first one – Go4R6 is intended for amateurs and the second one – Tom Clancy's Rainbow Six Pro League - for the best teams from the European and the North American Region. The Go4R6 tournament was initiated on the 7th of February 2016 and is available to all PC and Xbox One users above 18 years of age who own a copy of the game and are ready to form their own team. When it comes to The Pro League it was launched in March and features top 8 Go4R6 teams in the world that take part in a tournament season that lasts a couple of weeks. The best two teams from both European and American regions will take part in the Season Finals to win the championship title. The games will be available to see during broadcasts available to watch for free on twitch.tv every



week. They will also be recorded and uploaded on the official YouTube channel of the Rainbow Six Pro League.⁸⁸

The prize pool for the Go4R6 and the Tom Clancy’s Rainbow Six Pro League are presented in the table below.

Table 13. Go46 and Pro League prize pools.

Go4R6	
\$100	Awarded to the best team every week for a selected region and platform
\$500	To be divided between best two teams competing at the monthly final
Tom Clancy’s Rainbow Six Pro League	
\$100,000	Split between the participants of the Season Finals

Source: Tom Clancy’s Rainbow Six Pro League, <http://rainbow6.ubi.com/siege/en-us/competition/index.aspx> (05.09.2016).

11.5.3 Call of Duty Championship 2015

Call of Duty Championship 2015 is a tournament that took place in Los Angeles, California starting on the 27th of March 2015. The prize pool for the Call of Duty: Advanced Warfare championship was \$1,000,000. There were 8 groups each consisting of 4 teams. All the games were played on the best of five formula (BO5) which means that the team with better results after playing 5 games is the one to be promoted further⁸⁹. Game types included the following modes:

⁸⁸ Rainbow Six Siege, Competition, <http://rainbow6.ubi.com/siege/en-us/competition/index.aspx> (04.09.2016).










⁸⁹ eSportspedia, Call of Duty Championship 2015, http://cod.eSportspedia.com/wiki/Call_of_Duty_Championship_2015 (28.08.2016).



- hardpoint – which requires the players to rush to the specific point on the map and then protect it from attacking enemies⁹⁰
- search and destroy (SnD) – the main objective of this mode is to either defeat the defending team or activate one of two available bomb sites⁹¹
- uplink – it is very similar to the capture the flag mode but in this case the objective is to take control over a drone and lead it to the uplink station⁹²
- capture the flag (CTF) – this mode is about capturing the enemy’s flag and bringing it to the team’s base⁹³

The table below presents the 8 best teams that took part in this event together with their team logos and awarded prizes. The winning team – Denial E-Sports was granted \$400,000 followed by \$200,000 for Team Revenge that was placed second and \$120,000 for the third team – FaZe Red.

Table 14. Call of Duty Championship 2015 team rewards.

Place	Prize (USD)	Team
 1st	\$400,000	 Denial eSports
 2nd	\$200,000	 Team Revenge
 3rd	\$120,000	 FaZe Red
 4th	\$100,000	 Prophecy
5th	\$70,000	 Automatic Reload
6th	\$50,000	 Mindfreak
7th	\$35,000	 OpTic Gaming
8th	\$25,000	 Team Kaliber

Source: eSportspedia, Call of Duty Championship, http://cod.E-Sportspedia.com/wiki/Call_of_Duty_Championship_2015 (28.05.2016).

⁹⁰ Call of Duty Wikia, Hardpoint, <http://callofduty.wikia.com/wiki/Hardpoint> (28.08.2016).

⁹¹ Call of Duty Wikia, Search and Destroy, http://callofduty.wikia.com/wiki/Search_and_Destroy (28.08.2016).

⁹² Call of Duty Wikia, Uplink (Game Mode), [http://callofduty.wikia.com/wiki/Uplink_\(Game_Mode\)](http://callofduty.wikia.com/wiki/Uplink_(Game_Mode)) (28.08.2016).

⁹³ Call of Duty Wikia, Capture the Flag, http://callofduty.wikia.com/wiki/Capture_the_Flag (28.08.2016).



11.5.4 2015 Heroes of the Storm World Championship

Heroes of the Storm World Championship is a gaming event that is organized during the annual conference held by Blizzard Entertainment called BlizzCon in Anaheim, California. Eight teams were competing at regional championships in order to reach the finals. The prize pool offered by Blizzard was 500,000 to be divided between the teams presented in the table below.

Table 15. 2015 Heroes of the Storm World Championships winners and rewards.

Place	\$ USD	Team
 1st	\$200,000	 Cloud9
 2nd	\$120,000	 Team Dignitas
 3rd-4th	\$50,000	 Team DK KR
		 Natus Vincere

Source: Liquipedia, 2015 Heroes of the Storm World Championship
http://wiki.teamliquid.net/heroes/2015_Heroes_of_the_Storm_World_Championship (29.08.2016).

There were 25,000 tickets sold for BlizzCon 2015 where the Heroes of the Storm Championship took place together with other events organized by Blizzard and announcements. It is a huge increase in ticket sales from the first BlizzCon in 2005 where only 800 tickets were sold. It also proves the rapid growth of the gaming and E-Sports market.⁹⁴

More detailed results of each game from the group stage and the playoffs are available in the pictures below.

⁹⁴ K. Cobban, More than just a game: A look into how big eSports have become,
<http://www.gameskinny.com/tnquy/more-than-just-a-game-a-look-into-how-big-eSports-have-become> (29.08.2016).

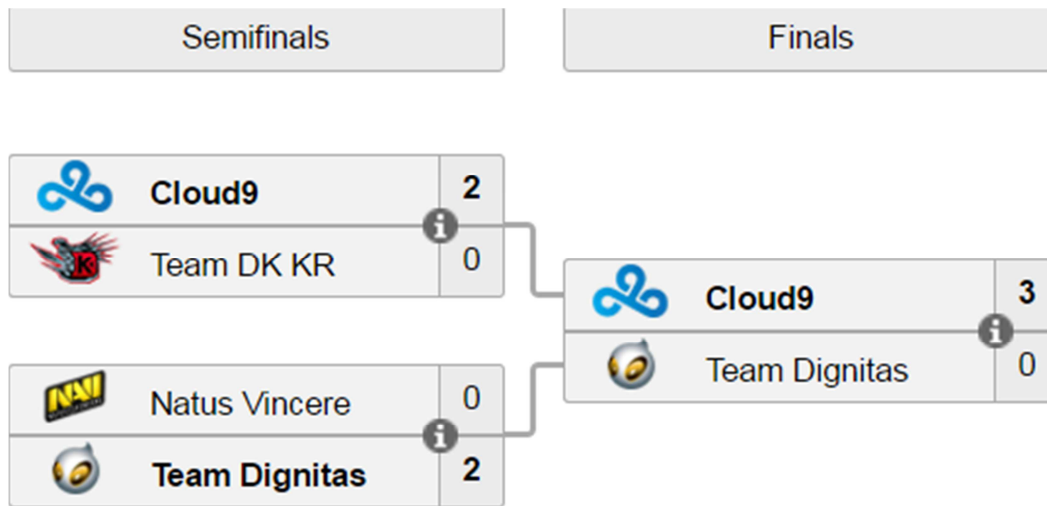


Table 16. 2015 Heroes of the Storm World Championship group stage results.

Group A					Group B				
October 28, 2015					October 28, 2015				
1.		Cloud9	2-0	4-1	1.		Natus Vincere	2-0	4-1
2.		Team Dignitas	2-1	5-3	2.		Team DK KR	2-1	5-4
3.		Team YL	1-2	3-4	3.		Brave Heart	1-2	3-5
4.		GIA	0-2	0-4	4.		Tempo Storm	0-2	2-4
Match List [show]					Match List [show]				

Source: Liquipedia, 2015 Heroes of the Storm World Championship
http://wiki.teamliquid.net/heroes/2015_Heroes_of_the_Storm_World_Championship (29.08.2016).

Chart 32. 2015 Heroes of the Storm World Championship playoffs results.



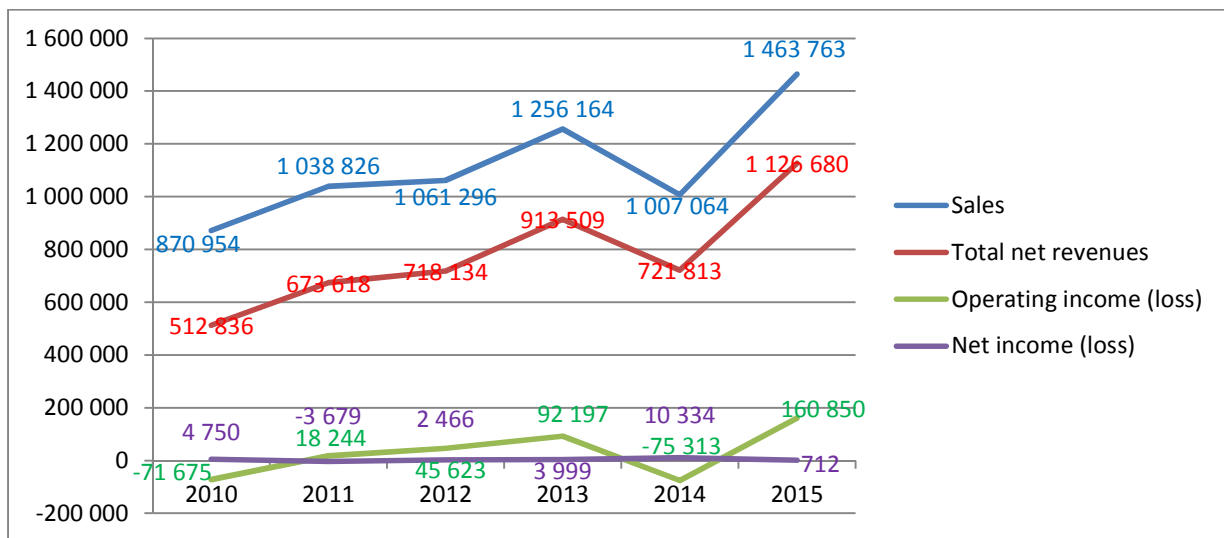
Source: Liquipedia, 2015 Heroes of the Storm World Championship
http://wiki.teamliquid.net/heroes/2015_Heroes_of_the_Storm_World_Championship (29.08.2016).



11.6 Financial Results

The charts below present the financial results of Activision Blizzard and Ubisoft Entertainment between 2010 and 2015. The charts, which are based on the financial reports published by both companies, show that Activision Blizzard outperforms Ubisoft Entertainment in terms of sales, total net revenues, operating income and net income in the last five years.

Chart 33. Ubisoft Entertainment financial results (in thousands of euros).

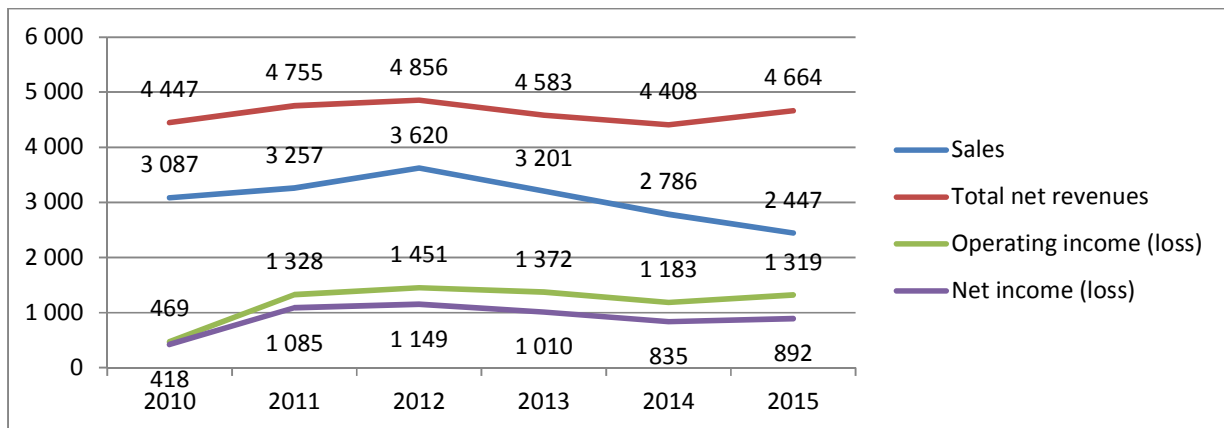


Source: Ubisoft Entertainment financial reports from 2010 to 2015 and own elaboration.

When it comes to Ubisoft, the number of sales, total net revenues and the operating income were growing steadily between 2010 and 2012. Over the next year, more substantial growth could be observed. However, between 2013 and 2014 all three statistics strongly plunged. Ubisoft was able to recover from this difficult situation and has experienced an increase in the gross margin and the number of sales between 2014 and 2015. In 2015 the sales, revenues and operating income soared and achieved the highest result in the entire analyzed period. However, this growth turned out to be only temporary because it went down again to approximately 700,000 in 2015. Despite the negative operating profits in 2010 and 2014, the company experienced net income of more than €4.7 million in 2010 and €10.3million in 2014 which was the highest result within the analyzed period. It can also be seen that Ubisoft experienced net loss in 2011 which has not happened to Activision Blizzard within the last 5 years.



Chart 34. Activision Blizzard financial results (in millions of dollars).



Source: Activision Blizzard financial reports from 2010 to 2015 and own elaboration.

Despite the declining number of sales between 2012 and 2015, Activision Blizzard’s net revenues have been very stable. The net income is recovering from a plummet that happened between 2013 and 2014. The operating income has been very stable between 2013 and 2014 and the disproportion between the operating income and net income is not as substantial as in Ubisoft’s case.

To sum this section up, it can be clearly seen that the financial results achieved by Activision Blizzard in the last five years are not as volatile as the ones of Ubisoft Entertainment. Such stability is achieved due to the fact that Activision Blizzard does not have to depend entirely on releasing new games in order to generate revenues. World of Warcraft is a game that brings in millions of dollars of revenue every month thanks to the subscription model. According to statista.com there were 5.5 million registered World of Warcraft users in the third quarter of 2015⁹⁵. Every registered user pays approximately 15 USD for monthly subscription. Furthermore, free-to-play games developed by this company also generate substantial revenue thanks to the effective model of micro transactions. Games like Hearthstone and Heroes of the Storm can be downloaded for free and later on players might choose to purchase additional in-game wares. Although this feature is fully optional, f2p games still yield huge revenues. According to the gamespot.com article that was based on the data gathered by Super Data research group, Blizzard’s collectible card game Hearthstone with almost 30 million active players generates

⁹⁵ Statista, Number of World of Warcraft subscribers from 1st quarter 2005 to 3rd quarter 2015 (in millions), <http://www.statista.com/statistics/276601/number-of-world-of-warcraft-subscribers-by-quarter/> (10.09.2016).



approximately \$20 million each month.⁹⁶ Ubisoft achieved negative operating incomes in 2010 and 2014 but also very impressive sales results in 2013 and 2015. In 2013 the company released Rayman Legends and AC IV: Black Flag and in the fiscal year that included 2015 and 2016 such games as Far Cry Primal, Rayman Adventures and Assassin's Creed Syndicate. Ubisoft does not introduce the subscription payment system like Activision Blizzard and is gradually withdrawing some of its very important free-to-play games like Might and Magic Duel of Champions. This will make the company more vulnerable to potential fluctuations of sales in the upcoming years.

11.7 Twitch viewership

Twitch.tv live stream service is currently the most popular website for eSports enthusiasts. It was purchased by Amazon in 2014 for \$970 million. The popularity of Twitch is strengthened by a big number of hardcore streamers, who treat playing games on live channels as their full-time jobs. Recently, it has been announced that Facebook is planning to enter this market as well, encouraged by Amazon's success. This social network will allow its users to stream gameplays using their Facebook accounts. Facebook's strategy for success is based on a huge user base of over 1.65 billion registered accounts. In this case Blizzard is again the first company willing to cooperate with Facebook. The exclusivity in the access to Facebook's user base is going to further improve Blizzard's strong position in the eSports market.⁹⁷ This will increase the gap between the companies analyzed in this thesis making it extremely difficult for Ubisoft to keep up with the increasing viewership of Blizzard's games.

⁹⁶ C. Pereira, Hearthstone Now Earns About \$20 Million Every Month – Report, <http://www.gamespot.com/articles/hearthstone-now-earns-about-20-million-every-month/1100-6429654/> (10.09.2016).

⁹⁷ J. D'Onfro, Facebook is taking on Amazon's wildly successful live video-game streaming service, <http://www.businessinsider.de/facebook-is-taking-on-amazons-wildly-successful-live-video-streaming-service-2016-6?r=US&IR=T> (05.09.2016).



Top 10 most popular games on twitch.tv in 2015 were viewed from 72 million to 1 028 million hours over the period of 365 days. The undisputed leader in this category was League of Legends which almost doubled the result of Counter-Strike: Global Offensive that is the second most popular one. There are four games developed by Activision Blizzard present on this list – Hearthstone, StarCraft II (including 3 expansion sets – Wings of Liberty, Heart of the Swarm and Legacy of the Void), Call of Duty (Black Ops 3 and Advanced Warfare) and Destiny. The popularity of Hearthstone with almost 400 million hours of viewership in 2015 proves the previously presented thesis about the importance of collectible card games in the eSports market.

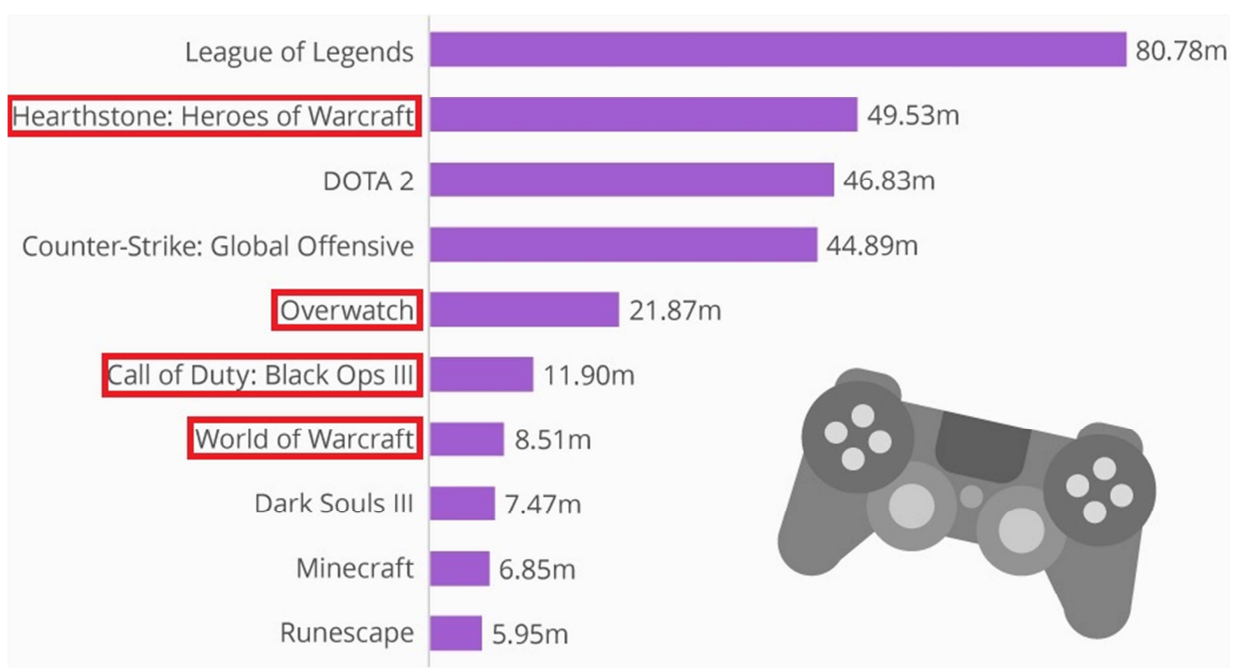
Chart 35. Top 10 most popular games on twitch.tv in terms of the number of hours watched.



Source: Gamolco, <https://www.linkedin.com/pulse/twitch-top-10-games-2015-league-legends-cracks-1-billion-cerrato> (05.09.2016).

According to the data gathered by statista.com, video game enthusiasts spent over 277 million hours in May 2016 watching live streams of their favorite titles. Out of 10 most popular games presented in the chart below 4 were developed by Activision Blizzard. Huge and still growing popularity of Hearthstone: Heroes of Warcraft (49.53 m hours viewed), Overwatch (21.87 m hours viewed), Call of Duty: Black Ops III (11.90 m hours viewed) and World of Warcraft (8.51 m hours viewed) makes this developer the leader in terms of the number of most popular games introduced. The total viewership achieved by all these games combined in May 2016 amounts to 91.87 million hours which gives Activision Blizzard the first location and beats the result achieved by Riot Games with their most popular game in the world League of Legends (80.78 m hours viewed).

Chart 36. Most watched Twitch live streams in the Video Games category as of May 2016.



Source: Statista, Twitch video game streaming, <https://www.statista.com/chart/4986/twitch-video-game-streaming/> (05.09.2016).

Call of Duty: Black Ops III and Overwatch also made the list of most popular new games streamed via twitch.tv. This list includes the best results achieved by new games during the first 7 days since their release. Call of Duty: Black Ops III was placed second with 12.4 million hours results and Overwatch achieved the 7th position with 6.5 million hours.

Chart 37. Most popular new games on twitch.tv in 2015.



Source: Gamoloco, Top 20 Games Channels on Twitch in 2015, <http://esports-marketing-blog.com/wp-content/uploads/Top20-Games-Channels-on-twitch-in-2015.png> (05.09.2016).

Games developed by Ubisoft Entertainment are not present on any of the lists shown above. It is a result of a very small involvement in eSports and thus low media coverage. However, the company has its own Twitch.tv official channel. There are also 5 lesser channels dedicated to specific games which are linked with the main one. The number of total views and followers for each of Ubisoft's channels are presented in the table below.

Table 17. Number of views and followers of Ubisoft's Twitch channels.

Channel name	Game	Total Views	Followers
twitch.tv/ubisoft	Main channel	5,908,015	82,204
twitch.tv/thedivisiongame	Tom Clancy's The Division	4,235,463	92,474
twitch.tv/rainbow6	Tom Clancy's Rainbow Six	3,435,741	84,427
twitch.tv/assassinscreed	Assassin's Creed	983,173	15,833
twitch.tv/redlynxofficial	Trials Fusion	1,309,923	5,588
twitch.tv/rocksmithgame	Rocksmith	88,333	5,678

Source: twitch.tv (02.09.2016).

11.8 Summary and recommendations for Ubisoft

Basing on the analysis conducted in the initial part of the thesis it can be determined that the strategy adapted by Ubisoft might have been effective in the last few years but the company can struggle to sustain their position among leading developers in the future. As it has already been mentioned, the global E-Sports market is expected to grow at the compounded annual growth rate of 36.65%. When it comes to its size, it was estimated that by the end of 2016 it will be approximately 336.3 million, 507.35 million in 2017, more than 700 million in 2018 and 950 million in 2019. Most substantial growth rates are going to be observed between 2016 and 2017 with the growth rate slightly slowing down in 2018 and 2019. These predictions lead to a conclusion that the most successful game developers in the upcoming years will be the ones, who have already made significant investments into development of their E-Sports divisions.

Activision Blizzard is famous for their well-thought and accurate strategic moves. This company is able to sense the upcoming trends and adjust their development schedule to the current market conditions. That is why in my opinion it can serve as a role model for other game developers. The most impressive strategic decision made by Activision Blizzard in the E-Sports sector was definitely the acquisition of the Major League Gaming which is the largest and the most important E-Sports organization operating in North America. On January 1, 2016 the company acquired MLG for \$46 million. Thanks to the acquisition Activision Blizzard also took control over one of the most recognizable E-Sports live stream platforms – MLG.tv. The decision that followed those actions was the announcement of the Call of Duty Pro League which will be focused on Call of Duty: Black Ops 3 tournaments.⁹⁸

The information announced by Ubisoft at the beginning of 2016 concerning withdrawal of three free-to-play games shows that the company struggled with different issues concerning these titles. Free-to-play games are in many cases extremely profitable despite the fact that they can be downloaded for free. The key to success lies in the efficient use of the in-game micro transactions system. In my opinion, the most troubling move undertaken by Ubisoft concerned closing the servers of their only collectible card game Might and Magic Duel of Champions. Card games set new trends on the eSports market and are very popular among enthusiasts and professional

⁹⁸ J. Gaudiosi, Activision Blizzard Acquires MLG for \$46 Million, <http://fortune.com/2016/01/04/activision-blizzard-acquires-mlg/> (02.09.2016).



gamers. There is a reason why the leading companies are striving to introduce their titles in this area. Ubisoft acts in contrary to the trends which might further damage their financial results. The recommendation that I suggest in this area is to start working on a brand new collectible card game. I believe that Ubisoft should follow Blizzard's example and introduce a card game that is not very demanding but rather simple, entertaining and appealing to different target groups. Duel of Champions might have been too complicated and serious game dedicated for advanced users. Hearthstone on the other hand is characterized by simplicity and unique sense of humor that let it become the most popular game of this type in the world. Despite quite a big number of available cards the rules are simple. There are only 2 basic card types – spells and minions and the cards of the latter category can be placed only on one line of the board which does not require very advanced strategic thinking. I suggest that Ubisoft introduces a simple game that can be set in the universes of different games developed by this company like Assassin's Creed, Rayman and Splinter Cell. This would make it unique because Hearthstone is based solely on one of Blizzard's games – World of Warcraft. I think that such diversity could attract fans of different series and would be a perfect example of cross-promotion. Players might feel more inclined to purchase other Ubisoft games after spending time in their free-to-play collectible card one. The game should also be taken less seriously and introduce a substantial dose of humor – more serious universe of Assassin's Creed would be balanced with cards coming from the Rayman series which is more fun and dedicated for younger audience.

Ubisoft should also fix the most vexing problems with its digital distribution platform Uplay basing on the opinions presented by the users. Finally, it is clearly visible that holding eSports tournaments of just one game - Rainbow Six Siege is not enough taking the strength of such competitors as Riot Games and Activision Blizzard into consideration. Ubisoft might consider developing their own MOBA game to keep up with the leaders. The media coverage is also insufficient in case of this company. As it has been mentioned, Activision Blizzard purchased the biggest eSports league in the world – Major League Gaming and started cooperation with Facebook in order to popularize live streaming among users. Ubisoft should follow the example after introducing new competitive games and increase their media presence. Furthermore, Blizzard introduced very efficient policy towards cheaters who play Overwatch – in most cases they are given permanent bans for their illegal activities. The banning system is very effective and cannot be reversed by changing the IP address, buying VPN or changing MAC address.



Those who used cheats like the wall hack in Overwatch at least once will never be able to come back to the game again. Ubisoft's management also realizes how important it is to prevent cheating in their games to make the gaming experience more enjoyable. Even though they are currently introducing the beta of BattleEye⁹⁹ cheat protection system it might not turn out to be as efficient as the approach of Blizzard. E-Sports is definitely going to be the biggest driving force in the gaming industry and neglecting its importance can cause many big companies to fall behind. Even though introduction of a Massively Multiplayer Online Game based on monthly subscription payments appears to be very attractive and lead to stable inflow of money every month I would advise against this idea. There were many attempts in the first to take over the leadership position from World of Warcraft but all of them were not successful. Introduction of more free-to-play available both on PCs and mobile devices can also bring substantial revenues thanks to the micro transactions system and it is definitely a much safer option. Despite the fact that recommended changes would require substantial investments, creativity and time I am positive that it will be compensated by increased media coverage, greater support from gamer communities and huge interest among potential sponsors.

⁹⁹ Tom Clancy's Rainbow Six Siege, <http://rainbow6.ubi.com/siege/en-us/news/detail.aspx?c=tcm:152-259860-16&ct=tcm:148-76770-32> (06.09.2016).



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