


“Analysis of eSports as a commercial activity”

AUTHORS	Natalia Lokhman Oksana Karashchuk Olena Kornilova
ARTICLE INFO	Natalia Lokhman, Oksana Karashchuk and Olena Kornilova (2018). Analysis of eSports as a commercial activity. <i>Problems and Perspectives in Management</i> , 16(1), 207-213. doi: 10.21511/ppm.16(1).2018.20
DOI	http://dx.doi.org/10.21511/ppm.16(1).2018.20
RELEASED ON	Monday, 05 March 2018
RECEIVED ON	Monday, 10 April 2017
ACCEPTED ON	Wednesday, 17 January 2018
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Problems and Perspectives in Management"
ISSN PRINT	1727-7051
ISSN ONLINE	1810-5467
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

21



NUMBER OF FIGURES

0



NUMBER OF TABLES

5

© The author(s) 2025. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10, Sumy,
40022, Ukraine

www.businessperspectives.org

Received on: 10th of April, 2017

Accepted on: 17th of January, 2018

© Natalia Lokhman, Oksana
Karashchuk, Olena Kornilova, 2018

Natalia Lokhman, Ph.D.
(Economics), Associate Professor
of Department of Entrepreneurship
and Commerce, Donetsk National
University of Economics and Trade
named after Mykhailo Tugan-
Baranovsky, Ukraine.

Oksana Karashchuk, Ph.D.
(Economics), Associate Professor of
Department of Commercial Policy,
Plekhanov Russian University of
Economics, Russia.

Olena Kornilova, Ph.D. (Economics),
Associate Professor of Department of
Human Resource Management and
Business Economics, Ukraine.



This is an Open Access article,
distributed under the terms of the
[Creative Commons Attribution 4.0
International license](https://creativecommons.org/licenses/by/4.0/), which permits
unrestricted re-use, distribution,
and reproduction in any medium,
provided the original work is properly
cited.

Natalia Lokhman (Ukraine), Oksana Karashchuk (Russia),
Olena Kornilova (Ukraine)

ANALYSIS OF ESPORTS AS A COMMERCIAL ACTIVITY

Abstract

The article deals with eSports as a perspective kind of commercial activity. The research urgency is determined by the fact that, given the active increase of eSports market with growth rates of more than 30% per year, the types of commercial activities in this field and in scientific papers are not studied in an adequate degree.

The purpose of the article is to evaluate the commercial activity development in eSports and to determine the perspectives for its further growth in Ukraine. In order to determine the key types of commercial activity in eSports, the main sources of revenue in this area compared to sports were investigated, which showed a large unrealized potential for increasing revenues from the sale of tickets to competitions, the realization of broadcasting rights and merchandising. The study also showed that the largest number of income sources in eSports is at the stage of cyber-tournaments, which can be explained by a large consumer audience at this stage. However, unlike the world practice, computer game producers and well-known manufacturers of consumer goods in Ukraine do not finance domestic competitions, and, therefore, this stage of commercial activity remains at a low level. In modern conditions, among the types of eSports activities in Ukraine, only the computer games production and the cyber-racers game are properly developed.

According to authors, to improve the eSports development in Ukraine, creating the national system of regular eSports competitions is needed, which will form the basis for the development of most types of commercial activities that are part of the cyber-tournaments. To do this, one needs to create appropriate platforms, as well as improve communications with fans in social networks and at amateur competitions. All this will make eSports a highly profitable business in Ukraine.

Keywords

eSports, cyber-tournaments, commercial activities,
sports organization, income, sports economics, Ukraine

JEL Classification

L83, Z21, Z29

INTRODUCTION

Computer sports (cybersports, eSports) is defined as a video games competition that takes place in a virtual space. Experts from the SuperData analytical agency show that in 2015, the total turnover of the eSports industry was USD 747 million, and in 2018 it is expected to reach USD 1.9 billion (SuperData Report, 2016). These are extremely high rates. That is, computer games that were once innocent fun in the modern economy are becoming the leader of the commercial sector of sports services.

However, according to 2016 statistics, in Ukraine, the share of services of art, sports, entertainment and recreation provided to the population was only 1.7% in the total amount of consumer services (Statistics of Ukraine, 2016). It is difficult to separate the share of sports services in Ukraine, because such information is not available in statistics. But, of course, this figure does not exceed 1%. In Russia, the development of sports services is also negligible: according to 2016 data, sport services accounted for only 0.8% of revenues from paid services to the

population (Statistics of Russian, 2017). And in developed European countries and in the USA, the share of sports in the total revenues of the service sector is more than ten times.

Consequently, the potential for further development of sports income and profits, in particular from cybersport, is significant in Ukraine. Identifying promising types of eSports activities that have a significant potential for growth and capable of providing substantial profits can create the necessary data base for entrepreneurs to further develop their business in this area.

The Newzoo research results have shown that the impetus for a sharp increase in incomes and profits from eSports in the world has become a model of commercial approach to the activities of this market participants (Newzoo, 2016).

Thus, the practical benefit of studying eSports as a kind of commercial activity is also practically assured, and its theoretical justification requires the corresponding work, that is, reflects the relevance of the subject chosen.

The purpose of the research is to evaluate the commercial activity development in eSports and to determine its most promising species for further distribution in Ukraine.

1. LITERATURE REVIEW

Modern scholars and practitioners pay great attention to determining the eSports belonging to a particular industry. In the academic literature, active debates exist as to the place of eSports: is it a type of entertainment, or rest, or sports?

In support of eSports being an entertainment industry, scientists argue that large-scale championships are taking place in computer games, which simultaneously attract a large number of people as spectators. PricewaterhouseCoopers has conducted a study on eSports as part of the entertainment industry and published the report (PricewaterhouseCoopers, 2017).

Seo considers eSports as an element of the recreation field, he believes that eSports tourism is

actively developing in modern society, and the market for these services is actively increasing (Seo, 2016).

But the idea that eSports is a sport is the most common. Thus, Hallmann and Giel note that eSports has five main features of sport (Hallmann & Giel, 2017). Heere argues that cyber sports should be considered as part of sport management (Heere, 2017). Funk, Pizzo and Baker are of the same opinion (Funk, Pizzo, Baker, 2017).

In recent years there have been the first works in which interest in eSports is in its study from the standpoint of entrepreneurial, commercial activity, which is defined as activity for profit (Tsybuliov, 2011). Among such researchers Voskolovych and Khaidarov (2016) can be identified, who found that eSports revenues are the main source of in-

Table 1. Dynamics of number of eSports-related publications for 2001–2017 (for 17 years of the 21st century)

Source: Compiled by authors according to context search of eSports on SCOPUS (<https://www.sciencedirect.com>), Web of science (<https://apps.webofknowledge.com>) and RISC (<https://elibrary.ru>) websites.

Resource	Publications by years			Rate of growth in 2016–2017 as against 2014–2015, %
	2001–2013	2014–2015	2016–2017	
SCOPUS	12	13	18	+38.5
Web of science	1	4	31	+675.0
RISC	9	22	78	+254.5
Total	22	39	127	+225.6
Yearly average	1.7	19.5	63.5	+225.6

come in this sector (Voskolovych & Khaidarov, 2016). The authors offer a very detailed classification of income from this sport.

The study of modern scholars' publications, which are contained in SCOPUS, Web of science and RISC, showed that in general, the number of researches on eSports is quite small (Table 1).

As we see, over the past two years, the number of eSports publications has increased more than three times as to the previous two years. But while studying the content of the available literature, one can conclude the researches on economic issues are artificial.

In addition, there is no quotation for the economic researches contained in the resources shown in Table 1. This shows the weakness of the systemic scientific and economic knowledge on eSports.

That is, the practice of commercial activity in eSports is currently far ahead of the scientific substantiation of this type of activity

2. KEY RESEARCH FINDINGS

Today, any sport has become a commercial activity, and in some of its forms it is a big business. The development of sport through commercial enterprises and the commerce development with the help of sport are two counterprocesses with high prospects for all participants' profitability (B2Blogger.com, 2008).

eSports and the commercial sector symbiosis is a complex, multidimensional process, but considering the ultimate goal of commerce, we propose to analyze it in the context of identifying profit sources, which will enable real and potential actors to decide on the prospects of participation and development of this area.

To understand the main sources of income in eSports, a study of volume and structure of revenues in the industry was conducted (Table 2).

It must be said that different analytical agencies give different forecasts of expected revenue volumes. For example, PricewaterhouseCoopers estimates it at USD 327 mln in 2016 (PWC, 2017). That is, the figure is less than tree times, compared to the data in the table. But we believe that such a rotation in the estimates is related to the differences in the industries, to which eSports is related. That is, if we consider eSports as part of the entertainment industry, as PricewaterhouseCoopers does, then the proceeds will be smaller due to lack of revenue from sponsors and other sources that are not taken into account in this area.

As can be seen from the table, eSports revenues are more than 160 times less than the sports industry revenue. But if we take into account that there are about 60 summer and winter disciplines in the Olympic sport (their list and number are unstable), and in general there are more than 200,000 kinds of sports, then the long-term benefits of commerce in eSports are also practically assured.

Table 2. Revenue estimates in sports and eSports

Source: Compiled by authors based on analytical agency forecasts including sports – PricewaterhouseCoopers-based (PWC, 2011), and eSports – SuperData-based (SuperData, 2016).

Activities	Total revenue, USD mln		Share in revenue, % as to total amount	
	Sports (2015)	eSports (2016)	Sports (2015)	eSports (2016)
Sponsored and promotional income	45,281	661	31	74
Sale of tickets	44,746	34	31	4
Realization of broadcast rights	35,247	*	24	*
Merchandising (use of sports symbols for goods promotion)	20,067	19	14	2
Prize fund	*	78	*	9
Betting (bets) and fantasy sites (fan clubs)	*	59	*	7
Amateur competitions	*	40	*	4
Total	145,341	892	100	100

Note: * Not evaluable.

Table 3. Sources of income according to the commercial activity stages in eSports

Source: Compiled by authors.

Activity stage	Actors	Sources of income
Development and distribution	Computer game manufacturers	Sale of computer games
	Organizers of network computer games	Institutional fees for network access Technical support fee
Cyber-athletic training	Sportsmen	Own funds of athletes State support Private fund grants Donation of patrons Sponsorship
	Player clubs	Membership fees
	Player schools	State financing Sponsorship Sportsmen membership fees
eSports promotion	Game computer manufacturers	Sales of game computers and additional components
	Computer games manufacturers	Sales of computer games and additional game content
	Film companies	Sale and rental of movies / cartoons based on popular games
	Gamer clubs	Festival members' fee
	Internet providers	Additional services to progamers in social media
	Conference organizers	Registration fees
Conducting cyber tournament	Team owners	Sportsmen transfer Reward for the right to use team symbols Fee for the rights of athletes' photo and video
	Sportsmen	Sports competition prize fund Sportsmen transfer State support Patron donation Sponsorship Deductions from the established goods sale
	Investors	Investment projects sale Fee for eSports stadiums
	Sponsors	Additional sale of consumer goods Tax advantages
	Media sponsors	Means for tournament promotion and for PR
	Manufacturers	Sale of goods with sporting attributes Souvenirs sale
	Tournament organizers	Sponsorship Proceeds from advertisement and merchandising Patron donation State support Sportsmen registration fees Sale of tickets and season passes Broadcast rights sale Sale of competition records Additional services for fans Revenue from lotteries
	Book-makers	Income from betting and forecasts

If we compare the structure of income sources in sports and in eSports according to Table 2, then it is possible to note the large unrealized potential for further growth in revenues in eSports from the sale of tickets to competitions, the realization of broadcasting rights and merchandising. The most efficient businessmen have already realized such opportunities to earn significant profits and now they are building stadiums for cyber sports.

It should be noted that in the table, sources of income in eSports are limited to six types, while in

practice their spectrum is much larger. Therefore, the authors systematize sources of income in eSports in detail (Table 3).

As can be seen from Table 3, the largest range of income sources in the eSports industry is at the tournament stage.

It should be noted that nowadays, the main profits from eSports are obtained by computer game manufacturers and game computer manufacturers, because they fund world-class championships

Table 4. Useful effects of eSports by fields of activity

Source: Compiled by authors.

Field of activity	Type of activity	Useful effect
Production	Production of goods	Game computers (game consoles, tablets, etc.), computer accessories, games, additional content, movies (cartoons), goods with attributes, souvenirs, lotteries, bets, venues for competitions
Sales	Trade in goods	Game computers (game consoles, tablets, etc.), computer accessories, games, additional content, movies (cartoons), cybermarket goods, consumer goods and sponsor services, souvenirs, lotteries, bets
	Services production and sale	Computer services, services for competitions, tickets and tickets for competitions, access to the online games network, social networking services, transfer of players, rights of use (title, name), broadcasting rights, shooting right, betting, additional services
Distribution (redistribution)	Sponsorship	Expenses coverage, prizes provision, advertising and merchandising
	State support	Subsidies, grants, financing, tax incentives
	Patronship	Donations, funds

where they act as sponsors. Such championships are a platform for their main products advertisement (Ukrainian Reality, website, 2016).

But in recent years, traditional business representatives are also actively integrating into the electronic sports market as tournament sponsors. Large amounts of eSports financing are provided by consumer goods manufacturers with well-known brands, including Coca-Cola, Red Bull, Visa, Audi, and Gillette (eSport Conference, 2017).

According to Newzoo reports, revenues from advertising are the key component of the eSports economy. According to Newzoo, total advertising revenue was 71% of all industry revenues in 2016. The rest is the proceeds from the sale of tickets and related products at competitions (Newzoo, 2016).

Table 4 determines the types of eSports advantages that may be the subject of commercial activity.

The table shows that in the turnover field, there is the largest range of commercial products that can be offered on the market for a commercial effect.

Based on the data presented in Tables 3 and 4, the development of certain types of eSports activities in Ukraine can be estimated. To do this, Table 5 identifies activities that are high, medium, and low for this industry.

As you can see, although the activities of the cyber-tournaments are the most profitable, as was found in Table 3, but its development in Ukraine is low and needs to be intensified (Table 5).

Table 5. Estimation of the development level of commercial activities in eSports in Ukraine according to their stages

Source: Compiled by authors using Tables 3 and 4 data.

Activity stages	Level of development		
	high	medium	low
Game development and distribution	Computer games production	Organization of network national computer games	Organization of network of international computer games
Cyber-athletic training	Athlete playing	Gamers' club playing	Gamer schools State support
eSports promotion	Realization of game computers and accessories Sale of computer games and additional content	Film hire Gamers' club work	Game computer production Internet providing Conference organization
Cyber-tournaments conducting	–	Sponsorship and advertisement Merchandising Sale of rights (for depiction, broadcasting, etc.)	Construction of cybersport stadiums Sale of tickets for tournaments Realization of competition records Athlete transfer Sale of souvenirs Additional services for fans Lotteries Betting and forecasts

Current research shows that eSports industry is promising for Ukraine, as evidenced by the First Conference in Ukraine dedicated to investment and integration of Ukrainian business in the eSports market (eSport Conference, 2017). We accede to the submission because:

- the annual global growth of the market is more than 30%;
- in recent years Ukraine ranks 5-6 in the world among the countries with the most developed eSports branch;
- it is projected that in 10 years, eSports will become even more popular than football;
- among the participants of the most famous eSport-tournament The International in 2015, there were 12 players from Ukraine and only representatives of China exceeded the number.

Given the research results, we determine the following directions for further eSports development in Ukraine:

- 1) comprehensive online user promotion;
- 2) support for talented cyber-racers and successful cyber-teams;
- 3) organization of cyber schools and eSports clubs;
- 4) increasing the number of domestic eSports tournaments, including international ones;

- 5) creation of domestic computer technology and expansion of the original games development;
- 6) construction of cybersport stadiums;
- 7) promotion of sponsorship, advertising and merchandising in eSports activities;
- 8) bookmaking development.

It should be noted that eSports development in Ukraine, as well as the development of any commercial sphere, involves a social component, i.e.: job creation, tax deduction, etc. Besides this, eSports development makes it possible to ensure communication between cyber-sportsmen from different countries, the formation of computer literacy and eSports culture.

Unfortunately, eSports in Ukraine is not funded at the state level, although in 2010 the eSports Federation of Ukraine was created. A number of countries, including China, South Korea, Malaysia, the Philippines, France and Russia, have recognized eSports as an official sport. In the UK and Sweden, the government is working to recognize eSports as a sport. And in the United States, one computer game (League of Legends) is officially fitted to sports (Shirobakina, 2016).

According to the authors, state regulation bodies of the Ukrainian economy should pay due attention to domestic eSports and give it the necessary support, because this branch has all the features to become in the future one of the most important for the country's business and economy.

CONCLUSION

The research allowed to make the following conclusions.

1. eSports commercial activity in Ukraine is gradually developing. In this area, there are a number of actors who already receive high incomes and direct their actions to the commercial effect growth. Computer games production and cyber-racers game demonstrate high level development.
2. Other types of eSports activities in Ukraine are far behind, which can be explained by the lack of active work on the organization and conduct of the cyber-tournaments, first of all – at the international level. That is, in order for domestic eSports to develop actively, it is necessary to establish a national system of regular cyber-tournaments at special platforms.

3. For further eSports development in Ukraine it is necessary to expand the types of activities in this area. First and foremost, attention should be paid to the development of the audience and communication with fans, which should be developed by groups in social networks, fan clubs, amateur competitions, etc. This will increase the level of manageability, expand the contingent of fans, and will create conditions for further development of other, most profitable types of eSports activities, namely: sponsorship, advertising, and merchandising.

REFERENCES

- 2016 eSports Market Report. Retrieved from <https://superdata-research.myshopify.com/products/spring-2016-esports-market-report>
- Heere, B. (2017). Embracing the sportification of society: Defining e-sports through a polymorphic view on sport. *Sport Management Review*, 18. Retrieved from <http://www.sciencedirect.com/science/article/pii/S144135231730061X>
- Daniel C. Funk, Anthony D. Pizzo, & Bradley J. Baker (2017). eSport management: Embracing eSport education and research opportunities. *Sport Management Review*, 23. Retrieved from <http://www.sciencedirect.com/science/article/pii/S1441352317300670>
- eSports revenues for 2016 adjusted upward to \$493m. Retrieved from <https://newzoo.com/insights/articles/esports-revenues-2016-adjusted-upward-493m/>
- Kirstin Hallmann, & Thomas Giel (2017). Esports – competitive sports or recreational activity? *Sport management review*, 31. Retrieved from doi.org/10.1016/j.smr.2017.07.011
- Report: The eSports market is worth \$747M. Retrieved from <https://www.superdataresearch.com/esports-market-report-2016/>
- Shirobakina, E. A. (2016). Cyber sport: from just a hobby to a professional sport. *Fizicheskoye vospitaniye i sportivnaya trenirovka*, 3(17), 60-63. Retrieved from https://elibrary.ru/download/elibrary_27218346_86180245.pdf
- Tsybuliov, P. M. (2011). Комерціалізація інтелектуальної власності наукових організацій шляхом створення spin-off компаній [Komertsializatsiia intelektualnoi vlasnosti naukovykh orhanizatsii shliakhom stvorenia spin-off kompanii]. Retrieved from <http://eir.pstu.edu/bitstream/handle/123456789/200/5.1.pdf?sequence=1>
- Voskolovych, N. A., & Khaidarov, K. A. (2016). Организация и финансирование соревнований в киберспорте [Organizatsiia i finansirovanie sorevnovaniy v kibersporte]. *Azimuth nauchnykh issledovaniy: ekonomika i upravleniye*, 3(16), 79-82. Retrieved from https://elibrary.ru/download/elibrary_27198768_51680428.pdf
- Yuri Seo (2016). Professionalized consumption and identity transformations in the field of eSports. *Journal of Business Research*, 69(1), 264-272. Retrieved from <http://www.sciencedirect.com/search?qs=sports%20esportsshow=25&sortBy=relevanc>
- Всемирный обзор индустрии развлечений и СМИ: прогноз на 2017–2021 годы [Vsemirnyy obzor industrii razvlecheniy i SMI: prognoz na 2017–2021 gody]. Retrieved from <http://www.pwc.ru/ru/assets/media-outlook-2017-rus.pdf>
- Діяльність підприємств сфери послуг у IV кварталі 2016 року. Статистичний бюлетень [Diialnist pidpryemstv sfery posluh u 4 kvartali 2016 roku. Statystychnyi biuletень]. Retrieved from <http://www.ukrstat.gov.ua/>
- Коммерциализация спорта: смерть идеалов или перспектива развития [Kommertsializatsiya sporta: smert idealov ili perspektiva razvitiya]. Retrieved from <http://b2blogger.com/press-room/8610.html>
- Нужна ли Украине национальная сборная по киберспорту [Nuzhna li Ukraine natsionalnaya sbornaya po kibersportu]. Retrieved from <http://ukrreal.info/ru/sport/92260-nuzhna-li-ukraine-natsionalnaya-sbornaya-po-kibersportu>
- Первая конференция в Украине, посвященная инвестициям и интеграции украинского бизнеса в рынок киберспорта. eSPORTconfUkraine 22 февраля 2017 [Pervaya konferentsiya v Ukrainy, posviashchennaya investitsiyam i integratsii ukrainskogo biznesa v rynek kibersporta. eSPORTconfUkraine 22 fevralia 2017]. Retrieved from https://esportconf.com.ua/ru/?utm_source=pr&utm_campaign=anons&utm_medium=partners&utm_referrer=newsbtsHA
- Перспективы развития мировой индустрии спорта до 2015 года [Perspektivy razvitiya mirovoy industriyi sporta do 2015 goda]. Retrieved from <http://www.pwc.ru/ru/sports/publications/6.pdf>
- Россия в цифрах 2017: Крат. стат. сб. [Rossiya v tsifrah 2017: Krat. stat. sbornik (2017)]. Retrieved from http://www.gks.ru/free_doc/doc_2017/rusfig/rus17.pdf