SPONSORSHIPS IN ESPORTS

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SPONSORSHIPS IN ESPORTS

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Objectives  
The main objectives of this study were to research how sponsorships in eSports are conducted. The research expands on the current knowledge that exists about how eSponsorships are acquired and how a successful sponsorship partnership is maintained. Additionally the ways of how to measure effectiveness of an eSports sponsorship are to be explored.  

Summary  
Three (3) eSports sponsors/sponsees were interviewed using semi-constructed interviews. The acquisition process of sponsorships in eSports varies from sponsor to sponsor depending on the company’s objectives. Sponsors have trouble measuring the success of their sponsorship and have to rely on very few techniques about how to measure the value created by the partnership. The main finding about how to maintain a working relationship between the sponsor and sponsee is to have open discussions if any trouble arises.  

Conclusions  
The research concluded with a more in-depth look into how processes in eSponsorships are constructed. The size of the sponsor and eSports team dedicates which party has more power in the relationship. Sponsors and sponsees have to be flexible when it comes to deliverables. Otherwise, minor problems can ruin the relationship between the partners.  

Key words: eSports, Sponsorships, Gaming Industry  

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Grade:
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1 Introduction

As technology keeps evolving and growing, new possibilities keep emerging. As technological advancements have been made in most fields, like for example industrial production and how people can communicate with each other, one field in particular has grown immensely: Video games. Video games can nowadays be played on most smart-phones, on consoles and PCs. This has also increased the number of people who play these games. Games are becoming smoother and the graphics have improved from simple 2D video games to massive 3D multiplayer games, where players can compete together against the game or play against each other. Similarly to traditional sports, people compete against each other in various video games to prove their skill.

Electronic sports (eSports) has been one of the most rapidly growing industries for the past years (Pitkänen, 2016). In eSports professional teams or individuals play video games against each other in tournaments or leagues. During the last few years a number of companies have become involved in eSports, whether it be through companies sponsoring events, teams or players, or even acquiring their own teams to play under their company name (e.g. the computer system manufacturer iBuyPower).

However, because eSports is a relatively new phenomenon, the field has not been studied or researched by academics extensively. This presented the opportunity to research the field and industry of eSports more closely in this thesis. Especially the business side of eSports is quite under researched. For that reason, sponsorships in eSports were chosen as the topic of this thesis. More particularly, the decision processes that are behind the different stages of a sponsorship deal are discussed.
1.1. Research Objectives

The objective of this thesis is to research how sponsorships in eSports are formed. The research is supposed to expand on the current knowledge that exists about how eSponsorships are acquired and how a successful sponsorship partnership is maintained and measured. This also includes how the sponsors can measure how well their sponsorship is performing.

In the literature review sports sponsorship motives and effectiveness measurements are analyzed in order to study whether they can be applied to eSports sponsorships. One of the objectives is to figure out whether sponsorships differ in sports and eSports.

1.2. Research Questions

The research questions for this thesis derived from the research objectives are the following:

1. What is the sponsorship acquiring process in eSports?
2. How is value created through sponsorships?
3. How is the effectiveness of eSponsorships measured?

1.3. Definitions

eSports – Professional gamers play video games competitively against each other in tournaments or leagues

eSponsorships - Sponsorship deals between eSports entities (e.g. teams, events, tournaments etc.) and companies. These deals are supposed to benefit both parties involved. The eSports teams get money or other products from the sponsors and the sponsors get visibility for their company from the eSports teams.

Sponsor - The company that provides the a team, club, organization or other
individual with money, services or products

Sponsee – The legal or natural person that receives goods or money from the sponsor in exchange for promotions
2 Literature review

This literature review reports on the current state of sports sponsorship research. Sports sponsorships research was chosen over eSports sponsorships because the field of eSports has not been researched enough by academics. The first part of the literature review aims to set out what sponsorships are in general, what their part is in the modern marketing mix of companies and what the recent developments in sports sponsorships have been. Then the review discusses how companies and academics measure the effectiveness of sponsorships.

After this, eSports is looked at in general. The similarities between the sports industry and the eSports industry are also examined to see whether sports sponsorship theories can be applied to eSports.

The last part of the literature review is the conceptual framework, which explains what the steps in sponsorships are that companies need to take if they want to use sponsorships as a marketing tool. The methodology of the thesis is influenced by the findings of the literature review and conceptual framework. Qualitative interviews can provide a better look into the steps companies are taking when entering sponsorship deals.

2.2. Sponsorships

This section will focus on the sponsorships in sports. Sponsorships in eSports have not been researched as much as traditional sports sponsorships, but because of the many similarities between eSports and traditional sports it is possible to transfer and apply the sports sponsorship theories and knowledge to eSports (Pitkänen, 2016). For many events like the Olympics or teams and athletes, sponsorships are essential, since they are often their main source of income. Without sponsorships it would be almost impossible to host large scale events. (Lund & Greyser 2016)

This section of the review begins by defining sponsorships as a concept, followed by
the history and development of sponsorships. Thereafter, the decision making of
sponsoring corporations is addressed and finally how the effects of sponsorship is
measured.

2.2.1 Nature of sponsorships

This part concentrates on what sponsorships are and what parties are involved.
A sponsorship is a deal between usually two parties, the sponsor and the sponsee. It
is possible that there are more entities involved but generally just the two. The
sponsor can be a natural or legal person. The sponsored party can be a person (e.g.
athlete, artist), a team (e.g. Manchester United), a company, an event (e.g. the
olympics, FIFA World Cup). The sponsor provides the sponsored party physical
goods, cash or gives them other services. In return the sponsored party promotes
their products, services and brand. (Pitkänen, 2016)

A sponsorship is not an advertisement because the two parties have a business
relationship with each other (Pitkänen, 2016). Through the promotion of the
sponsored party the sponsor is hoping to reach out to the target group (Walraven,
2013). This way the sponsor doesn’t directly advertise their products or services but
rather shows the target audience of the sponsor that they support the sponsored
party. Sponsorships are a positive way for companies to reflect their values to the
public. Through sponsorships companies can show their target audience that they
are at the very least interested in the activities of the sponsee. This way sponsors
can distinguish their brand from competitors. (Pitkänen, 2016)

Pitkänen (2016) has been one of the only authors to discuss eSports sponsorships,
which is why his arguments are utilized frequently in this literature review. Compared
to a lot of research on sponsorship, Pitkänen’s work is recent and up-to-date. The
author, however, makes the assumption that sports sponsorships can be compared
to eSports sponsorships without any primary research.
Hoek et al. (1990) conducted a study in New Zealand to find out what are the objectives of sports sponsorships. 19 companies were interviewed for the study. Hoek et al. (1990) found six main objectives which are listed below from the most important to the least important:

1. Be more generous (This means that companies want to support events or sports teams out of goodwill)
2. Strengthen brand image
3. Create more awareness about the company
4. Generate better sales
5. It’s a passion of management
6. Recruit new employees

The study was limited to New Zealand which might influence specific outcome of what the objectives of companies are. Other studies on sponsorships are also in specific geographical areas or they are done in a very specific industry (e.g. Hoek et al. 1990). Thus, it is difficult to generalize the results of surveys or studies. However, most of the research done on the objectives of sponsorships will give the same results that strengthening brand image and more sales are the objectives of corporate sponsorships.

Furthermore, the study by Hoek et al. (1990) was conducted in 1990 and since then the sponsorship industry has grown immensely. Nowadays companies might value some objectives differently than 20 years ago and the relevance of this study might be compromised. For instance, a lot of companies are using sponsorships as a marketing tool, which might mean that generosity is not as important anymore as strengthening the brand’s image.

2.2.2 History and developments

Meenaghan (1998) explains how sponsorships are changing the corporate marketing communication industry. While Meenaghan (1998) talks about how commercial
sponsorship has only existed since the late 1960s, Arthur et al. (1997) state that sports sponsorships have been in existence since 65 BC in some way. According to Head (1988), Caesar sponsored the gladiator festivities for the same reasons corporate sponsorships exist today: to gain a better brand and popularity.

Corporate sponsorships, however, have evolved greatly since then. Sponsorships used to mostly exist because of the generosity of firms. They weren’t a real marketing device. Firms just wanted to show that they cared about or were interested in an event or sport. (Walraven, 2013)

However, as more and more firms started to realize the potential sponsorships had in their marketing communication mix the industry grew vastly. With the growth of sponsorships, the budgets also grew immensely. “In the current sponsorship market million-dollar contracts are the rule rather than the exception.” (Walraven, 2013, p.10)

The biggest areas of sponsorships are in the sports market. Sponsorships used to be popular mainly in the United States of America and Europe, but as the industry grew, the Asian markets also became very attractive for sports sponsorships. Especially due to internationalization, it has become easier to sponsor events or teams around the globe.

Walraven (2013) makes it clear that, due to the fact that firms started to realize the potential of sponsorship marketing, the industry has grown, but the author doesn’t give any indication as to why and how firms are so sure that sponsorships are an effective marketing tool. This, however, is a big knowledge gap in the entire sponsorship industry. Most scholars agree that sponsorships are effective but don’t have any theoretical model, which the majority of scholars would agree on using, to prove the effectiveness of a sponsorship.
2.2.3 Sponsorships vs. other marketing instruments

It is important to note how sponsorships differ from other marketing instruments in order to assess how sponsorships are affecting the marketing mix. Sponsorships are often compared to advertisements, because they can both be used to achieve same goals. Both sponsorships and advertisements are supposed to make viewers exposed to the brand and create awareness about products or services offered. Sponsorships and advertisements can be used together and as using one doesn't make using the other one less effective. (Walraven, 2013)

Advertising is a more direct way of communicating with the audience compared to sponsorships (Walraven, 2013). Sponsorships bear the risk that the sponsored party is the one creating brand awareness and the sponsors are not directly in control of how the sponsored party represents the brand or how they create awareness about products. On the other hand, McDonald (1991) described that advertising was looked at from another perspective than sponsorships by viewers. The audience is more skeptical about advertising than sponsorships, because sponsorships are not seen as direct advertising. However, Meenaghan and Shipley (1999), believe that as sponsorships have become a more and more popular way of marketing, the target audience have become more aware that sponsorships are a marketing instrument just like advertising.

There is a relatively long gap between when McDonald (1991) wrote his paper and when Meenaghan and Shipley (1999) wrote theirs which is why the papers have different views on sponsorships. Seeing as corporate sponsorships have only been around since 1970s, eight years was a long time for the industry. The target audience has realized that sponsorships have other objectives than goodwill. Neither McDonald’s or Meenaghan and Shipley’s papers are very recent so the audience is likely to be even more aware of sponsorships being a key part in the marketing mix of companies. There have not been any relevant studies on this subject since 1999, which is interesting in the light of the rapid growth sponsorships have experienced during this time. Most academics refer to Meenaghan and Shipley’s research on the matter of how people are aware of the objectives of sponsorships. In general,
Meenaghan’s articles are cited in most of the significant peer reviewed articles used in this literature review.

“Sponsorship also creates positive atmosphere and preferences in places where target groups are more active and emotional. Usually sponsorship reaches people in their free time individually and communally in which people are more receptive and committed.” (Pitkänen, 2016: 22)

According to Pitkänen (2016) marketing is more effective when the audience is in a setting they want to be in. Because of the indirect nature of sponsorships, the audience is also not “forced” engage with the brand. They are still exposed to the sponsor but not in an aggressive way like in advertising.

Another difference between advertising and sponsorships is that sponsorships can reach a bigger audience. The audience isn’t just tied to the people who see ads, but people across borders can more easily be influenced with sponsorships than with direct advertising. Direct advertising to all regions would be a lot more time consuming and expensive than sponsorships. (Walraven, 2013)

Walraven’s publication, however, isn’t the most recent matter on the subject of sponsorships in the marketing mix. Campos, Dos Santos, and Moreno (2016) took a different stance and compared sponsorships to more marketing tools than just advertising. Walraven took a very close look at advertising versus sponsorships but didn’t describe other marketing tools whereas Campos et al. focused on the other as well.

2.2.4 Decision making process

This section of the literature review concentrates on how companies make the decision to sponsor sports and how they then choose the athlete, team or event which they want to sponsor. Robinson, Faris, and Wind (1967) created a 8-stage
RFW Model of Organizational Buying Behavior. This model has widely been used by researchers and companies around the world. However, Johnston and Spekman (1982) cited in Arthur, Scott, and Woods (1997, p. 225) disagreed with the steps in Robinson et al. model. According to Johnston and Spekman (1982) the purchasing behavior is dependent on how difficult or complex the purchasing project is. All the steps do not have to be taken if the purchase is very simple. Other scholars agreed with Johnston and Spekman (1982) that the 8-stage RFW Model doesn't work in every scenario. Robinson et al.'s RFW Model might be too simple to be used in every business to business purchasing decision. Many academics and companies can still use the 8-stage RFW Model as a basis for their work.

Robinson et al. (1967) also introduced the three purchasing positions a company can be in:

1) A new purchase by the company
2) Altering a purchase they have made before
3) Making the exact same purchase as before

Studies about this theory done by other academics have proven that the Buying Decision Grid by Robinson et al. can be applied in a significant amount of products. (e.g., Anderson et al., 1987)

Arthur et al. (1997) created The Sport Sponsorship Acquisition Model based on other theoretical models that have been proven to work by other academics. The model explains how companies assess and choose sponsorship deals. It consists of four (4) stages:

1) A company receives propositions from businesses/teams/events that are in need of sponsorships. Scholars have not been able to find out the number of sponsorship proposals a large company receives per year. It depends a lot on the company itself. (Arthur et al., 1997)
2) The company assesses each of the proposals, internally or using external help. These depend a lot on the Buying Decision Grid by Robinson et al.
3) The actual agreement to engage in sponsoring. Arthur et al. found out that this decision was not only based on factual and rational considerations but that emotional components also play a significant role
4) The choosing of the right event/person/team to sponsor. While Arthur et al. (1997) only conducted their research by interviewing sponsors of one certain event, the sponsors were from very different industries. This shows that the decision process was similar across industries. On the other hand, there was not a lot of geographical diversity in the sponsors. In different company cultures other actors might make the purchasing decisions which Arthur et al. did not disprove. Nevertheless, Arthur et al. (1997) used proven theories to make their model valid.

### 2.2.5 Two approaches to sponsorships

According to Pitkänen (2016) there are generally thought to be two approaches to sponsorships which can make sponsoring a competitive advantage for the sponsor. These two strategies hope to achieve the same things, which are brand loyalty, brand exposure and create awareness about products and services, but through different means. (Pitkänen, 2016)

The “Shotgun-approach” is a strategy where a company spends a lot of resources to sponsor an entity that is already famous, for example a famous athlete or huge event. The sponsor and the sponsee try to create a connection so that people associate a brand with this famous athlete or event. In the second sponsorship strategy to gain a competitive advantage a company sponsors an athlete or team that isn’t very big yet. “The main idea is to hope for the team to develop so that it enhances the image of the company, at the same time supporting the team.” (Pitkänen, 2016)

There is no definite answer to which strategy is better for a firm. It is hard for scholars to compare strategies because different companies have different strategies and objectives.
2.2.6 Measurement of sponsorship effects

The objectives of sponsorships are to create brand awareness and to make people aware of your products or services. Because these are intangible things it is very difficult to measure the effectiveness of sports sponsorships. Farrelly et al. (2006) believe that sponsors and sports organizations are at the moment not getting the most value out of their sponsorships. “[...]sports organizations (rights-holders) often fail to exploit the full potential of their sponsorship partnerships”. (Farrelly et al., 2006)

Walraven (2013) states that most companies do indeed value or rate their sponsorships falsely. Hoek et al. (1990) agree that companies don’t do enough research about how well their sponsorship is working out. The biggest reason behind this is that there is no sufficient theoretical framework that could be used to easily assess how the sponsorship is affecting sales and brand image.

Hulks (1980) believes that the two ways to assess how well a sponsorship works is to (1) see how much and in what way the media presents the sponsee and (2) how big the audience is. However, Pham (1991) disagrees with the first way to assess how well a sponsorship works. According to Pham (1991) it isn’t an objective of sponsorship deals to gain more exposure on media. He argues that there needs to be a way to assess how differently people react to the sponsor and if there are any differences in the attitudes towards the sponsor before and after the sponsorship deal. It has to be noted that Pham did his research in 1991 and sponsorships have become a huge industry since then. Sponsorships are nowadays used as a marketing tool, which often does in fact mean that media coverage may be one of the more important objectives sponsors are trying to achieve.

Another method to measure sponsorship effectiveness is to use consumer surveys (McDonald, 1991). These surveys give a clearer picture of how brand awareness, awareness about products and services are affected by the sponsorship, and what the desires of the sponsorship audience are (McDonald, 1991). However, McDonald
Pham (1991) did realize that it is almost impossible to know what the audience thought about the brand and the products, and what the desires of the audience were before being exposed to the sponsorship. Measuring how the sponsorship potentially affected these three sponsorship objectives should according to McDonald be the goal of sponsorship effectiveness measurement.

Pham (1991) tried to measure change in the attitudes towards sponsors by observing how the audience of a football game reacted to sponsor billboards. The conclusion of this observation was, however, inconclusive because there were no real measurements of how aware the audience was about the sponsors before and after the game. His experiment was only about how the audience reacted. “Overall, studies of sponsorship effectiveness have yielded inconsistent findings. Part of the reason may be methodological weaknesses such as small sample size or lack of control for extraneous variables” (Hoek et al., 1990)

Pham (1991) and McDonald (1991) and Hoek et al. (1990) all came to the conclusion that sponsorship measurement is very difficult. There is still a big knowledge gap in sponsorship measurement. No theoretical model has worked out as well as scholars and sponsors had hoped. It is almost impossible for scholars to research sponsorships on a global scale so for example Pham’s (1991) research about the sponsorship effects were only in a single football game. To observe relevant amount of people the study would have to be conducted on a huge scale, at which point cultural differences would interfere with the research. Significant relevance would be achieved if it was conducted in several geographical regions and over industries.

Furthermore, there are also outside factors that make evaluating sponsorships harder. The fact that most companies have other marketing strategies in their marketing mix other than sponsorships, makes it especially hard to figure out which marketing strategy affected the audience and in what way. (Hoek et al.,1990) There are also more than one type of sponsorship, which means that event sponsors should measure the effectiveness of the sponsorship in another way than the
sponsors of an athlete would do it.

2.3. ESports Background

Electronic sports, or eSports, is the competitive side of the gaming culture. The players or teams play video games against other players on electronic systems, eg. with a PC. More specifically, eSports means the professional or amateur players playing video games in tournaments or leagues online, which are sponsored by various companies (Hamari & Sjöblom, 2017). Often these tournaments or leagues are broadcasted to live streaming websites like twitch.tv or even displayed on national TV like TBS (eleague.com, 2016).

ESports has grown rapidly during the last decade and especially during the last few years. It was estimated that eSports had 134 million viewers worldwide in 2015 with a global eSports revenue of $612 million (Conditt, 2015). Because of the huge growth of eSports more and more sponsors have tried to join the industry (Gaudiosi, 2015; Cunningham, 2016).

2.3.1 ESports as a sport

In this part of the literature review arguments are presented which indicate that the eSports industry can be compared to the sports industry. This is necessary because there has not been a lot of research about eSports done by scholars and this can prove that sports sponsorship theory can be also be applied to the eSports sponsorship industry.

Most of the debate in the public between traditional sports and eSports is, whether eSports can be a sport (Usmani, 2015; Young, 2016). However, this is irrelevant for this section, because the most important thing is whether the business elements of the sponsorships are similar between the two. There is a significant knowledge gap
Leagues and tournaments in traditional sports are generally constructed in the same way as in eSports. ESports player and teams are even recognized as athletes in the U.S. (Tassi, 2013). This means that there are no real differences in the structures of the eSports industry and traditional sports. The teams are also built in the same way as in traditional sports. A sports club owns the team and arranges travels, organizes in which tournaments or leagues the team participates in and pays salaries (astralis.gg, 2016). There have even been traditional sports clubs that have expanded into eSports, which shows how similar the industries are. For instance, the football club FC Copenhagen recently (2017) acquired a Counter Strike: Global Offensive -team (Wolf, 2017). The viewership number in eSports is also very similar to traditional sports. However, eSports are mostly viewed on the internet unlike traditional sports that is most often viewed on the television. (Casselman, 2015)

There are some differences between the eSports and sports industries. For example, there are no player unions in eSports that may conflict with sponsorship deals. The game developers, however, may interfere sometimes and tell teams that they can’t have certain sponsors. For example, the game developer Riot of League of Legends has banned the popular gaming online store G2A.com from sponsoring teams that play in Riots own league LCS. (Wolf, 2015)

While the differences between the eSports and sports industry have to be noted, they are not significant enough to state that sports sponsorship theories could not be applied to eSports.

2.4. Conceptual Framework

The literature review pointed out the theories and models that are used in the decision making process in sponsorships. The first step potential sports or eSports sponsors need take is to figure out what their sponsorship objectives are (Hoek et al,
The sponsorship acquisition process described by Arthur et al., which is based on Robinson et al. new purchasing process, has four steps the company needs to take. The last of these steps is to actually choose the right sponsee. Pitkänen elaborated on the two different approaches sponsors can take: the shotgun approach and the approach to sponsor a small and growing team. This affects the last step of the sponsorship acquisition process. After deciding on a company or organization to sponsor, whether it be a sports or eSports team, the effectiveness of the sponsorship needs to be measured to find out whether the sponsorship is reaching its objectives. However, as scholars have not yet found a way to measure the effectiveness, it is difficult to generalize how to do it.

**Sponsorship decision making process**
3 Methodology

The primary research method of the thesis is qualitative as the goal is to get a clearer picture of the sponsorships in eSports. Qualitative interviews were chosen as the primary source of data.

As the area of eSponsorships has not been researched by academics extensively, there was no real data available about the sponsorship acquisition processes in eSports. Qualitative interviews offered a very flexible environment to gain more knowledge about sponsorship participation and practices in eSports. Through quantitative surveys the depth of the answer and findings would have been significantly lower than by using qualitative interviews. During a qualitative interview the interviewee and interviewer are able to lead the discussion in the direction that is appropriate for the time being.

The interviews conducted were semi-structured. This means that there are questions made before the interview but as the discussion moves along other questions are brought up depending on the direction the interview is going (Harrell M., & Bradley M., 2009).

All interviews were done over the phone or Skype. This way the interviews were structured like discussions where the interviewer could ask the interviewee to specify something if necessary. Before each interview the interviewee was asked if it was okay that the interviews would be recorded. By recording the skype and phone calls it was easier for the interviewer to concentrate on the interview itself without the need to make notes. Later it was possible to listen to the interviews and take notes about all the important points made by the interviewee. Only the parts which are directly quoted in this thesis were transcribed and can be found in the appendix.

3.1. Interviewees

In order to conduct qualitative interviews on the subject of eSports sponsorships,
companies involved in eSponsorships were contacted. For the research, both eSports sponsors and the sponsees, were chosen because they have information about the topic at hand.

Choosing both sponsors and sponsees might also result in different viewpoints about the same topic. The interview questions for sponsors and sponsees were not all the same and they were modified to fit the interviewee. However, whether sponsors or sponsees were interviewed, the goal was to find out their views on sponsorships in eSports.

Contacting the different companies happened through different means. Depending on the company they were contacted through email, telephone, their website’s own “Contact Us” -page or via various social media outlets. In the initial contact the companies received set of questions prepared for the interview. This way the companies had the ability to find the right person who was most fitting to answer the questions. The people who were initially contacted were asked to forward the email to the right person in the company who knew about their sponsorships in eSports.

The sizes of the companies contacted and interviewed varied. Both big multinational firms and small sized companies were contacted. The level of involvement in eSponsorships were also very different between the companies. This meant that some of the companies contacted have sponsored several events or teams for a long time, while other companies had just started out with eSponsorships.

Due to the fact that some companies were international firms the interviews were done in English. The companies from Finland were interviewed in their native language.

Over all twenty-seven (27) eSports sponsors and eSports teams were contacted during the initial contact. Three (3) out of those twenty-seven agreed to do the interview. The three interviewees will not be named in this thesis, but will simply be referred to as Interviewee A, Interviewee B and Interviewee C.
Two of the three interviewees (Interviewee A and Interviewee C) work for eSports organizations. Sponsee A’s organization is well established and has had a lot of success at an international level within the eSports scene. They have been involved in eSports for over a decade and have a lot of experience both in the teams and in the organization. Sponsee C’s organization is fairly new and rising within the scene. They have had good success on a national level but limited success on an international level. The third interviewee (Interviewee B) is a Finnish company that in the past has sponsored an eSports organization. Their experience with eSports sponsorships is quite limited, but they have been involved with sports sponsorships extensively. The interviewees have different levels of involvement and experience with eSports sponsorships.

3.2. Limitations

There are three main limitations to the research done for the thesis. These limitations might skew the answers and findings of the research.

The first limitation is the small sample size of the research. Only three interviews were conducted with three different companies that are involved in eSports sponsorships. This means that if the sample size would have been bigger, some trends could have been spotted more easily. With a small sample size like this, it is possible that while one of the interviewees believes something to be true, it might be that other companies function totally differently.

Another limitation to the research is that most companies did not want to do the interview. While most companies simply did not reply to the initial contact, some companies gave the answer that they could not answer the pre-set questions because they are trade secrets. One representative of a company made the point that it could help their competition if they were to do the interview even though full confidentiality was offered.

The last big limitation was that during the interviews the interviewees were not able
to give any exact numbers or names. This meant that it was very difficult for them to generalize their answers.
4 Findings

In this section, the findings of the thesis will be represented based on the qualitative interviews conducted. The results are divided into four themes. The first part discusses how eSponsorships are acquired and what the objectives of both the sponsors and sponsees are. The second theme is how the effectiveness of eSponsorships can be measured. In the third part of the findings the factors for successful eSponsorships are discussed, based on the answers from both sponsors and sponsees in the interviews. The last section reviews the differences between eSponsorships and sports sponsorship, which were discussed during the qualitative interview.

The interview questions are available in the appendices. There are two different sets of questions, the first set of interview questions were asked when interviewing a sponsor and the second set of questions was used in interviews with eSports teams.

4.1. ESponsorship acquisition process

In this section, the reasons for sponsorships in eSports will be discussed. Furthermore, the exact acquirement process from both sides, the sponsor and sponsee, will be examined.

As eSports as an industry has grown for the last fifteen years, so have the sums of money that sponsors are investing into the scene. This also means that the objectives of sponsors have changed over this period of time. At the beginning of eSports lifecycle sponsors were often making eSponsorships because of goodwill. They weren’t seeking profits in the same way as in sports sponsorships around that time, but companies that had employees who were themselves interested in competitive video gaming would sponsor events. Another reason for why companies decided to do sponsorships around the beginning of the 2000’s, was to gain good faith and a good reputation with the teams and organizations in eSports. This way the sponsors could build better relationships with the teams. By being one of the first
sponsors in the scene, teams and eSports organizations would then remember that this particular company had been involved and supported the industry since the very beginning when the profits for the sponsors were close to nonexistent. (Interviewee A, Sponsee)

Interviewee A and Interviewee B agree, that the main goal of sponsors nowadays is to get eyes on the logo of the sponsor. According to Interviewee A, companies are realizing that 16-32 year olds are leaving traditional media devices (e.g. TV) and everything is becoming digital. This is one of the selling points eSports teams make when negotiating sponsorships.

The size of the company of the sponsor and sponsee matters when it comes to how sponsorship deals are initiated. Small eSports teams have to actively contact companies that could sponsor them. An unknown organization or team is the one that has to initiate sponsorship deals with companies (Interviewee B, Sponsor). On the other hand, eSports teams that are already established and are known in the eSports community do not need to make sponsorship requests, but get approached by companies that are interested in forming a partnership (Sponsee A and Sponsee C).

In the negotiations about a partnership between a company and an eSports team, the team needs to pitch what the sponsor will get for what amount of money or products. When pitching, an established eSports team can give estimates of the social media outreach that their organization has. The potential outreach is often the best pitching point, because the sponsors can get a clearer picture of how many people are actually going to see their logo. (Interviewee A, Sponsee)

There are several factors that sponsees and sponsors need to agree on when negotiating. Both parties have to recognize that sponsorship objectives should be long term, which means that they are not advertising. According to Interviewee A this can often be a deal breaker for sponsors. Especially small companies are sometimes more looking for the team to advertise the sponsor in a very direct way.
An example of this kind of advertising would be that a professional eSports player of the team should give the sponsor a shout-out during an interview. However, Interviewee A’s company does not want that their players have to do anything that is frowned upon by the community. Giving direct shout-outs for sponsors or their products during interviews are often seen as “sellouts” by the eSports community. The teams do not want to make their players have to do anything that could hurt their reputation, so direct advertisements can be the deal breaker when negotiating a sponsorship partnership. (Interviewee A, Sponsee)

The sponsorship budget that companies have is another big factor for why many sponsorship negotiations fall through. Interviewee A states that many companies that approach eSports organizations have a false sense of how much money it will cost to sponsor them in order to get a certain amount of exposure by the eSports organization. The organization cannot give the same deal for a different price to one sponsor than to another. A hypothetical example is that an eSports organization has promised one sponsor three (3) social media posts per month in exchange for 100,000€. Another sponsor wants the same amount of social media exposure but can only offer 10,000€. In this case the eSports organization has to decline the offer or counteroffer what they can do for 10,000€. (Interviewee A, Sponsee)

As eSports teams are competing against each other not only in games but also in who can get the better sponsorships, the eSports organizations infrastructure has become ever more relevant in the last years. A good infrastructure is a great pitching point during negotiations and if the sponsor is deciding between several established eSports organizations. An organization with a lot of capable staff will be better at creating quality content for the fans, which will also be a great outlet to promote the sponsors.

4.2. Effectiveness measurement
In this part of the findings, the ways of how sponsors measure the effectiveness of their sponsorships will be discussed.

Measuring the effects, positive or negative, of sponsorships is very difficult according to all interviewees. There is no definite way of finding out what the effects of a sponsorship deal have been. This is largely due to the fact that most sponsorship objectives are very long term. The main objective of a sponsorship is to create brand awareness. This means that sponsors want as many people as possible to see their logo and know about the existence of the company. However, measuring how many people have actually changed their mind about the sponsor is not possible with the methods right now.

According to Interviewee A (Sponsee) most sponsors have their own ways of following up on their sponsorships. One way for sponsors to calculate the outreach their sponsorship has had, is using affiliate links. For example if an eSports team posts a link to the sponsor's website, the sponsor can see how much traffic was actually brought to their website through the affiliate link. However, Interviewee A emphasizes that affiliate links only show the short term effects of sponsorships. The longer a company sponsors a team, the more likely are the fans of that team to get a good impression of them. The trust from the target audience towards the sponsor does not come in an instant, which is why affiliate links do not show the entire picture.

In the interview with Company B (Sponsor) another approach to measuring the effects of sponsorships was brought up. Company B does not try to measure the effects of their sponsorships. They are satisfied with the partnership if the sponsored party simply does all the deliverables on time. This means that they are not looking in to measuring how many people were affected or how many people were exposed to their products.
4.3. Factors for successful eSponsorships

In this section, the factors which make an eSports sponsorship successful are discussed. Especially the importance of honesty and openness in sponsorship partnerships was highlighted during the interviews. According to Interviewee A (Sponsee) and Interviewee C (Sponsee) it is the only way to create a trusting environment in which both parties have the feeling that the other party is trying their best to fulfill everything that was discussed during the acquirement process. It should always be remembered that it is another human on the other line of the conversation. Interviewee A emphasized that it is easy to forget you are dealing with people when discussing things over email. Humans make mistakes, which is why it is so important to be open about what has happened and what will happen in the future. (Interviewee A, Sponsee)

Flexibility was brought up as the key word for a working and successful eSponsorship partnership. When deliverables are not on time it is especially important to be flexible. These have to be communicated well to the other party so that no one is in the dark about what is going on. If a deliverable is late for one reason or another, the eSports organization has to explain why this is and what they will do to fix it. However, according to Interviewee A in some countries which are very contract strict, very minor things can hurt the relationship of the sponsor and sponsee a lot. Companies, that come from countries in which the culture values that every point in the contract is always delivered as described without any room to move, struggle to maintain good relationships in eSports. (Interviewee A, Sponsee)

An example was provided by Interviewee A about the matter of the importance of flexibility. There are two so called “dry months” in the year in eSport: August and December. In these two months there is not a lot going on in the eSports scene. This means there are very little big tournaments and in December most people are on holidays. However, in these months the eSports teams are still supposed to put out a certain amount of deliverables. For example three social media outputs about the sponsor on facebook.com. The eSports organizations have very little quality content
to put out, because it is “off-season”. This means their Facebook-feed consists of mainly promotions and advertisements for the sponsors. ESports organizations have found that this distances them from their audience and a lot of the fans even stop following the social media account of the team. If the team only posts ad after ad, it alienates them from their audience which will also hurt the sponsor. This is why sponsors and sponsees need to be flexible on the matter if some of the deliverables could be moved to another month.

4.4. ESponsorships versus sports sponsorships

One of the questions in the interviews was whether eSports sponsorships are any different from traditional sports sponsorships. The question was included in the interview because the literature of traditional sports sponsorships was reviewed in the literature review part of the thesis.

Company B has been involved in eSponsorships and sports sponsorships. The most apparent difference Interviewee B noticed between them, is that the process in traditional sports is a lot more refined. There are not as many uncertainties going in to the negotiations and both parties already know what they can offer from the start.

According to Interviewee A eSports sponsorship deals are a lot more like advertisements than sponsorships in other sports. ESports organizations are promoting sponsors a lot more directly than for example established football clubs. Interviewee A explains that one reason for direct promotions on social media websites by eSports teams is because they are a lot more digital than traditional sports clubs. The fans of eSports are all online and this means that the promotions also have to happen online.

The example Interviewee A provided about the differences of sponsor promotions in eSports and traditional sports was the following. In football, big teams do not need to advertise their sponsors online as much because it is enough that the logo of the
sponsor is on team apparel. Fans of a certain football team usually come from the same city or live in the same area. These fans are the target audience for the sponsors. This means that if the fans buy team apparel and walk around the city in it, the target audience of the sponsor is being reached. This is largely because the team’s fans actually come from the same geographical place. There is not as much need for other advertising or promotion because the team’s tricots or scarfs are worn around the city and this way the sponsors are displayed to people who are potentially interested in the football team and the sponsor.

In eSports the situation is very different than in the example. The fans of an eSports team are mostly from very different geographical regions of the world. The fans are connected through internet forums and social media outlets. This means that these are also the places where eSports teams need to promote sponsors for them to actually reach the target audience. While eSports organizations sell team apparel, these will be worn in various places and not only in a specific city.
5 Discussion and analysis

In this section of the thesis, the findings from the qualitative interviews are analyzed and discussed. The two main themes that arose during the interviews are discussed: value created by eSponsorships and features of successful eSponsorships.

5.1. Value creation in eSports sponsorships

During the sponsorship acquirement process the biggest question for both parties involved, the sponsor and the sponsee, is what they are looking to get out of it. During the interviews, it became apparent that not all companies have the same idea about what the objectives of a sponsorship deal are. Interviewee A described that some sponsors are not looking at a long-term picture when entering a sponsorship. However, long-term sponsorship deals result in a better and stronger relationship (Interviewee A and Interviewee B).

Brand awareness and loyalty are often not the objectives of smaller companies when they are entering the eSports industry with the intention of sponsoring a team. During the interviews with Company A and Company B it became apparent that some sponsors do not have a clear picture of how sponsorships differ from advertisements. This is often a pitfall during the sponsorship acquirement process. Small companies are expecting more direct exposure, which would generate more short-term profits. The example mentioned by Interviewee A was about sponsors wanting the team’s players to do shout-outs for the company during post-match interviews. However, eSports are becoming more as traditional sports in the way that eSports organizations do not want to burden their players with any additional things to do except practice. As the eSports industry is becoming more professionally handled, the players are treated more like athletes. According to Interviewee A, in the past eSports players were asked to for example write articles or create other content for the community. Sponsors valued these articles created by professional players a lot, because they were very high quality and interesting for the community. This would then generate more social media impressions for the sponsors too.
Furthermore, by having professional players created content on the eSports organizations social media outlets also meant that they would not be filled with ads only. Nevertheless, as eSports organizations are growing and the entire industry is gaining more credibility, the organizations do not want their players to be thinking about anything else but their practice. This is a deal breaker for some sponsors, as they would profit a lot from the exposure created directly by professional players. (Interviewee A)

Another aspect that plays a big role in the sponsorship acquirement process is the relationship dynamics between the sponsor and the sponsee. As there are no standards in the industry, as to what a sponsor gets for a certain amount of money, the power dynamics are a key factor when discussing a sponsorship deal. Big eSports organizations have a lot more leverage to say what they are willing to do for how much money compared to small eSports organizations. A small eSports organization will not have a lot of say when it comes to the terms of the sponsorship deal. In such case the sponsor can often make the term of the contract very freely and more advantageous for them than with big and established eSports teams.

5.2. Maintaining healthy partnerships in eSports

When a partnership has been established between an eSports team and a sponsor, follows the actual part of sponsoring and maintaining a relationship. Because of the difficulty of measuring sponsorship effectiveness, Interviewee A suggested that openness on both side of the relationship is important. This is because minor disruptions can otherwise spiral out of control and create an unhealthy relationship. A delay on a deliverable can in the worst-case scenario make the other party feel as if your company is not as invested into the relationship as it should be.

Both parties need to be able to openly communicate why a deliverable cannot be met by the time it was supposed to be. If one party does not trust that the other party is trying their best to meet the deadlines, they may question their dedication to the
partnership. In a healthy business relationship, a sponsee can for example explain that they do not want to post one of the social media contents in December because otherwise their social media feed would only consist of ads due to the lack of tournaments. This creates the interesting problem of how flexible companies need and should be. According to Interviewee A, flexibility is the most important factor to maintaining a working relationship. The question that arises from this is, how flexible should a company be on deliverables.

In different cultures, contracts are seen very differently. Especially big multinational enterprises value that are based in contract strict countries, value it a lot that no part of a contract is breached. Even if the eSports team is offering to put out extra content in other months, the culture in some companies does not allow for any changes. This kind of inflexibility has caused the failure of sponsorship partnerships. The cultures of eSports, which has only in the recent years become more professional, and MNEs collide on the matter of contract strictness. While it can be seen as a positive factor, that eSports companies are flexible and open to new ideas, some MNEs do not appreciate this culture. They want things going according to plan to have as little surprises during the year as possible. MNEs are relying on the fact that eSports teams are fulfilling their duties to have as little uncertainty as possible.

Interestingly Company B described their sponsorship effectiveness measures as almost nonexistent. The only follow up the sponsor did was to make sure that the sponsees fulfilled all the deliverables on time. This can mean one of two things: First (1) Company B does not have the resources to measure the effectiveness so they do not try, or second (2) Company B is so sure that the results are good enough for them that they do not want to spend any resources in measuring the effects. Either scenario leads to an amount of uncertainty about how well their eSports sponsorships are working out. With this uncertainty, it may be that the company is not getting the full potential out of their sponsorships.
6 Conclusion

In the last section of this thesis, the main questions of this thesis are answered. Furthermore, the gaps, which are left about the area of eSports sponsorships, will be addressed, to gauge what further research needs to be done about the subject. A lot of academic research can be done to better understand eSports sponsorships and their business model, because the eSports as a whole is a very new phenomenon and no large-scale quantitative or qualitative researches have been conducted.

6.1. Main findings

The acquisition process of sponsorships in eSports varies from sponsor to sponsor depending on the company’s objectives. The size of the sponsor and the eSports team are deciding factors about who has more power when negotiating. Small companies are often looking very direct exposure, some sort of advertising. However, established eSports teams are often not willing to make their players directly advertise some products or brands. Sponsors also have trouble to realize how much it actually costs to sponsor an established eSports organization.

Sponsors have trouble measuring the success of their sponsorship and have to rely on very few techniques about how to measure the value created by the partnership. There is no definite way to find out the degree to which the sponsorship has affected viewers and fans, because the objectives of sponsorships are often long-term brand loyalty and awareness. One way to calculate the short-term impact of a sponsorship deal is to see how many times affiliate links were used when the eSports organization promoted the sponsors website or products.

The main finding about how to maintain a working relationship between the sponsor and sponsee is to have open discussions if any trouble arises. Flexibility on deliverables is very important seeing that there are some “dry months” (August and December) during which there are holiday seasons or simply not a lot of eSports events.
6.2. Implications for International Business

ESports as an industry is growing very quickly and many companies are starting to invest. More and more multinational enterprises are sponsoring events, teams and even purchasing their own teams. Especially companies, which operate in the technology industry, can get a lot of exposure by sponsoring eSports teams. This way they also reach their target audience, which is young adults from 14-32 years old. If technology companies were to sponsor football or ice hockey teams, they would likely reach the wrong audience, which is not interested in their products or services.

The scale to which sponsorships are done in eSports has only been this big for the past couple of years. This could imply that sponsors and eSports teams are not utilizing sponsorship deals to their full potential. New companies entering the market can change up how to benefit more from sponsorships in an industry growing so quickly. New ways of exploiting the fact almost everything is done online can come up. Big venues, which in the past were only used for big concerts or sporting events, now have a new potential event to host. New jobs, from eSports tournament organizers to eSports casters, are created.

6.3. Further Research

The objectives of this research were to research what the processes when acquiring, maintaining and measuring eSports sponsorships. Using qualitative interviews a more in-depth look in to what sponsors and eSports teams think when entering a partnership was gained. However, the research was done on a small scale, which can mean that the results do not apply to all companies. If the results were to be generalized, research would have to be done on a scale much larger. The amount of companies interviewed would have to be bigger. Furthermore, sponsors should be represented from vastly different backgrounds and sizes. The sponsorship
approaches on in the Asian eSports scene might be very different due to cultural differences from the ones in Europe and North America. Further academic research about other business aspects of eSports should also be conducted, because there has not been a lot of academic research about eSports, except for how value is created in eSports.
7 References


Appendices

Interview Questions for Sponsees (eSports teams or organizations):
1. What are the objectives of sponsors, when sponsoring eSports teams, players or events?
2. How do sponsors choose who to sponsor?
3. How do the sponsors measure the effectiveness of sponsorships?
4. How do you define sponsorship success?
5. In your opinion, what are the most important factors for a successful eSports sponsorship?
6. On the other hand, what are the major problems or challenges that can arise?
7. Do sponsorship processes differ in eSports and more traditional sports?

Name of interviewee:
Position/Title:
Company name:

Interview Questions for eSports Sponsors:

1. Are you currently involved in any eSports sponsorships? Is eSports sponsoring a big part of your marketing mix? Why or why not?
2. How long has your company been involved in eSports sponsorships?
3. What are the objectives your company has when sponsoring eSports?
4. Do you sponsor any traditional sports activities or other types of events?
5. How do you choose who or what to sponsor?
6. How do you measure the effectiveness of your sponsorships? How do you define sponsorship success?
7. In your opinion, what are the most important factors for a successful eSports sponsorship?
8. On the other hand, what are the major problems or challenges that can arise?
9. Does your sponsorship process differ between eSports and the other industries?
10. How well are your current eSponsorships performing? Is it achieving your marketing objectives?

Name of interviewee:
Position/Title:
Company name: