

## What Esports Can Teach You After COVID-19

Federico Winer\*

### What Esports Can Teach You After COVID-19 [\[arriba\]](#)

While the sports and entertainment industries plummeting in hysteria because of the massive lockdown and other prevention measures, the successful business forecasts around video-games and esports are more robust since late 2019, after the spread of the virus (SARS-CoV-2) caused a disease called COVID-19 Howley (2020). Managers and the public needs help to understand the new opportunities open in the online world and distinguish smart strategies from those that are just quick spares, such as creating an online match in FIFA, Pro Evolution Soccer (PES), or any other sports-simulator (See Bertran, 2020; Dotras, 2020). Quick responses must adjust the preferences of the general public, and it is time to consider the long tail of recession that the outbreak will cause if there is no immediate action. The esports industry put on the table three core elements that the sports and entertainment policymakers, executives and other stakeholders require urgent attention, strategic planning, and implementation:

1. Generation of new business models and revenue streams.
2. Operations migrate to digital mode.
3. Facilities need monetization models or shutdown.

Each one of these challenges should be targeted directly, in coordination with other economic relief measures, such as the reduction of professional players wages. This research sketch out COVID-19 change in entertainment consumers, while provides tailor and effective responses to these challenges.

The rise of the internet, digital platforms, and new forms of online entertainment have promoted gamers as a fandom culture. This population group unite based on devotions to video-games Fraade-Blanar (2017). Such communities have experienced sustained growth and evolution in the last three decades, becoming an essential part of modern culture globally. Approximately 30% (2,200 million) people of the total global population (7,700 million) are gamers: this player segmentation includes social gaming, mobile gaming, as well as free-to-play and pay-to-play multiplayer gaming (How Many Gamers Are There? | Gaimin, n.d.). Out of these players, in 2020 there were 495 million esports fans, between frequent and occasional enthusiasts (eSports Audience Size Worldwide, 2020). The table below reflects the continuous double-digit increase year to year and includes a forecast for three years from now with an expected variation of +23.4% from today.

Table 1

Esports audience size worldwide from 2018 to 2023, by type of viewers (in millions).

<b>Year</b>	<b>Frequent viewers</b>	<b>Occasional viewers</b>	<b>Total (M)</b>	<b>Variation (%)</b>
2023e	295	351	646	23.4
2020	223	272	495	10.5
2019	198	245	443	10.8

Note. (eSports Audience Size Worldwide, 2020).

Such numbers settle new records for simultaneous viewers, hours seen, and millionaire sponsoring deals (see Ingraham, 2018 & Garcia, 2016). The evolution of such groups in digital communities is affected by the appearance of a radical new technology that emerges and modifies the business landscape Clara Chung-Wai Shih (2009). In conclusion, the connection between the fans and devices develop hand-by-hand the new forms of spending leisure time. Moreover, the esports market is one of the key changers for such consumer behavior.

The forecasts for these media streaming platforms continues to grow, as the popularity of the esports market boosted with the virus COVID-19 pandemic: when other forms of entertainment, such as concerts, cinemas and sports, were closed because of the lockdown, home entertainment and esports gained attraction. By March 2020, the online esports streaming service Twitch set a record of 22.7 million peak daily active users, increasing their audience by one a third. The video game consoles increased their sales by 158%, physical games by 82%, and digital games by 52.9% Castillo (2020). In Latin America, the telecommunications operator Telecom revealed that in Argentina the number of gamers grew up by 20% and the time spent per game increase from three (3) to five (5) hours per day Telecom (2020).

Such market trends impacted positively in the number of concurrent players in esports titles, breaking records: CS:GO - 1.30 million concurrent players; Rocket League - 119.000 concurrent players; Call of Duty: Warzone - 50 millions players 30 days after its release. Broadcasting networks experts predicts a continued growth because of the global order raised after COVID-19: "With more stay-at-home mandates being issued around the world and the entertainment industry finding new ways to migrate their offerings to live-streaming platforms, we expect to see these numbers rise." Heinrich (2020).

#### **Generation of New Business Models and Revenue Streams [\[arriba\]](#)**

Esports competitions broadcast in the online media streaming platforms and, sometimes, in cable TV and traditional sports programs, facilitating the increase of the fandom culture. That is why esports players are becoming public figures, over other entertainment stakeholders such as football players, musicians or actors. Tom Schreus, Brand Partnership Manager at Eredivisie Media & Marketing / FOX Sports in the Netherlands, was surprised when he organized an event for kids involving a famous goal striker and an esports player of the very same team. The attendees ran behind the esports player to get an autograph (Social Media Followers?, 2020). 57% of gamers prefer video-games and esports to television contents, music or social networking Telecom (2020). Such trends spark different approaches from sports brands through the esports market across the globe. Only a few of them are successful for the gamer community. Some approach examples are below:

- Toyota Motor Corporation, focused on esports car racing to increase the motorsports fan base with the Toyota Gazoo Racing. In line with other carmakers, Toyota increases the importance of esports as a key factor for the branding strategy Shimibun (2020).

- The Tour de France, one of the most popular global cycling race, has been held annually since its first edition in 1903, except when it was stopped for the WW1, the WW2, and the COVID-19 in 2020. In the context of the health crisis, Amaury Sport Organization made a partnership with the VR cycling platform Zwift to create a virtual edition. “I can’t imagine July without cycling. With the Tour de France Virtual, widely distributed by the television channels, the champions, the champions and their fans will occupy the ground left vacant by the Tour that will find its audience in Nice. The Virtual Tour is technology at the service of a passion”, said Christian Prudhomme, the director of the Tour de France (Loizos, 2020).

- The Argentinean Football Association (Association del Futbol Argentino, AFA) officially cancel the national football competition in April after the first matchday of the Superliga Cup 2020 Avalos (2020). In May, the AFA promoted their new esports competition between the fans, by organizing a tournament for in the two most popular football simulator games: Pro Evolution Soccer (PES) from Konami and FIFA 2020 from EA Sports, across XBOX, PC and PS4. “The decision of using both games and platforms was to involve everyone who likes virtual football in the country”, said Fabian Minotto, team leader of the project Cruz (2020).

Despite some excitement in media because of the viewers of such digital events, the impact in the gamer community is minimal: none of the leading games online are sport-simulators, statistics reveal.

Table 2

Leading games on Twitch in 2020, by hours viewed.

<b>Game</b>	<b>Number of hours (Millions)</b>
League of Legends	30.9
Grand Theft Auto V	24.9
Fortnite	24.8
Call of Duty: Modern Warfare	18.4
Counter-Strike: Global Offensive	18.2

Note. (Leading Games on Twitch in June 2020, by Weekly Number of Hours Watched (in Millions)., 2020).

### *Call to Action*

The COVID-19 crisis is an opportunity for sports organizations and federations to use the power of their brands on the esports market. Clubs as Schalke 04 from Germany have League of Legends representatives since 2016 (FC Gelsenkirchen-Schalke 04 e.V. Esports | Offizielle Website, 2020). In South America, River Plate follows the same approach with the introduction of a League of Legends team and since June 2020 a CS:GO formation Dava (2020). Such opportunity requires investments in the organization of players, tournaments and other esports-oriented actions beyond the sport-simulator games such as FIFA or Pro Evolution Soccer online.

The change for new businesses models demands a digital transformation for traditional operations.

### **Moving Operations to Digital** [\[arriba\]](#)

COVID-19 is a health catastrophe, but also an economic one. The recession derived from the preventive measures adopted in the world affected practically all spheres of societies, changing the paradigms that shaped the habits of work and social relations reinvent themselves day after day based on the new regulations. It radically modifies companies operations Bivens (2020) and requires digital measures. Authors like (Cox, 2020) reveal that the “the concept of remote work has been around since the 1970s and has reveal several benefits to employees and companies”. These includes:

- Telecommuting saves time and helps the environment.
- Enabling employees to telecommute saves companies money.
- Remote workers can boost workforce diversity.

For the esports industry, such a challenge was not a big deal. The League of Legends Championship Series faces the COVID-19 crisis by cancelling their schedule early March. Four days after, they were ready to continue the organizations of the tournaments in remote-mode Castillo (2020).

#### *Call to Action*

Despite the nature of the esports industry of being digital and allowing players to develop the competitions online, the organizations behind them such as publishers, tournament organizers, and others, have their operations departments ready to work entirely online. Other companies, and sports clubs, cannot presume of the same achievements (see McParland, 2020, and @greenbergOnlyGameSport2019). For most of the Latin American organizations, most of their value chain still offline or with basic WhatsApp services. The implementation of Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software solutions is a must-have.

This migration of the operations and events from offline to online environments requires to find new usages of facilities.

#### **Monetize Facilities** [\[arriba\]](#)

The stadium and facilities problems are flagrant across the globe, as just a few facilities generate revenue while most of them are heavily subsidized by local and state money. A study from Watchdog.org reveals that "over the past two decades, the NFL has raked in about \$7 billion of taxpayer money to spend on stadium renovation and building, based on dubious claims about economy stimulation (see Stepman, 2017, and @siegfriedEconomicsSportsFacilities2000). In South America, the problem is even more significant. Stadiums are the 21st-century temples for the fans, but for the clubs are hefty budget demanding. Asociacion Atletica Argentinos Juniors, or simply Argentinos, is an Argentine sports club based in La Paternal, Buenos Aires. They won the Copa Libertadores in 1985 and unveiled some of the most talented footballers in football history, with Diego Maradona as the most referential. However, every game the stadium opens, financial department accounts for more than ten thousand (10.000) US dollars in losses. On top of the event costs, the Diego Maradona Arena generate maintenance and taxes costs, with less than 5% of days across a year in use (19 games / 365 days).

Table 3

Costs for Argentinos vs Independiente match (April 16, 2019)

Description	Income (USD)	Expenses (USD)
Attendance	7.000	
Police		10.738
Private security		5.972
Electricity		1.285
Fences		833
Sound system		100
Subtotal	7.000	18.928
Balance (USD)	-11.928	

Note. Gonzalez (2019).

Table 4

Total home games for Argentinos Juniors in 2019

2019 Calendar Year	# of Games
Primera Division 2018/2019	4
Copa Sudamericana 2019	3
Copa de la Superliga 2019	4
Primera Division 2019/2020	8
Total number of games	19
Days of use in a year	-5 (%)

Note. Own development.

Because of the violence in stadiums, the Argentinean government prohibited the attendance of visitors fans since 2013 Gonzalez (2019). As a result of this, the number of sold tickets drastically reduced. Is it worth to maintain such facilities developed in the past century, when the football industry had a different business model? The forecast for spectators coming back to stadiums as before are also declining, with more than 70% claiming that is much less likely.

Table 5

COVID-19: public opinion on going to sporting events as of April 2020

Sporting events attendance likeliness	Percent (%)
Much less likely	71
Neither more nor less likely	11
Somewhat less likely	8
Don't know/no opinion	8
Somewhat more likely	2
Much more likely	1

Note. (National Tracking Poll 200383, 2020).

The esports industry stakeholders learn from such experiences. Arenas develop when they have a sustainable strategy of use and maintenance: The Yongsan Esports Stadium (South Korea), the E-Blue E-Sports Stadium (Malaysia), the Orange Esports Stadium (Kuala Lumpur) or the Blizzard Arena (United States) are some of the purely

dedicated esports stadiums across the world. Federations run their events as a worldwide tour, being flexible to set up the scene where the demand is and not committing to the higher costs of construction and maintenance facilities for the teams' franchises. With the outbreak of the COVID-19 pandemic, it seems that this strategy is proven to be more efficient than paying the costs of an arena that cannot open the door to the fans, as sports organizations are facing.

### *Call to Action*

Sports facilities, and particularly football stadiums, are temples for the fans. Their structures are highly attached to the identities of families across generations, and symbols of their locations. Nevertheless, this pandemic demands a new approach at the management level. Stadiums are expensive to build, and their infrequent use fails to justify their ongoing maintenance; such investments could go towards projects that bring longer-term increases in living standards or healthier clubs business models (see Hall, 2018). The COVID-19 crisis could provide to the executives an opportunity for common sense and data-driven decisions to monetize such facilities organically.

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*\*Associate Professor- Institute for Sport Business, Loughborough University.*

#### Author Note

Federico Winer is not at the Institute for Sport Business at Loughborough University (London) and the Business School of Management at the Universitat Pompeu Fabra (Barcelona).

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Correspondence concerning this article should be addressed to Federico Winer 3 Lesney Ave, E20 3BS, U.K. Email: [f.winer3@lboro.ac.uk](mailto:f.winer3@lboro.ac.uk) & [me@fedewiner.com](mailto:me@fedewiner.com)