Master’s Thesis

Exploring the growth factors of new esports teams

Master’s Thesis
Author: Jin-Su Lee
Copenhagen Business School 2018
Cand. Merc. MSc EBA:
Management of Innovation and Business Development
Date of Submission: January 15\textsuperscript{th}, 2018
Supervisor: Sven Junghagen
Number of Pages: 60
Number of Characters: 111.146
Abstract

In Western culture, esports is seeing a surge in popularity that leads to the emergence of an increasingly structured ecosystem in the professional scene. Such developments underpin the relevance to investigate the circumstance of building and growing esports teams. As such current academic research on the founding and growth of traditional ventures has primarily focused on using factors to quantitatively measure how much new ventures grow and why some ventures grew more than others. These quantitative models and their utilized growth measures are seen to generate contradicting and unreliable results as they often fail to explain the complexity of contextual aspects, which exist, not only in new venture growth literature, but across entrepreneurship studies. Especially in the esports industry, such quantitative raw data are not accessible because esports is still in its beginnings and the industry is very dynamic. Thus, such quantification is not clearly established yet and not appropriate to use for meaningful results.

Instead, this thesis aims to provide a first meta-understanding on what internal or external means influence the growth of new ventures and how they do it: without going into measures of growth in numbers, but with a qualitative research approach. Therefore, I use thematic network-based analysis to explore the role of resources, strategy and industry factors and their coherence for the growth of new ventures. Thematic network has proven to be a successful tool to conduct analysis of textual data in social sciences as it helps to structure analysis and allows to explore textual data and its emerging patterns.

The results identify that various types of resources, strategic approaches and external factors influence the esports ventures on their way to growth. The thematic networks also show that one factor’s impact cannot be observed isolated, but is only explainable in coherence with other factors in and around the esports venture.
Acknowledgments

I would like to thank my supervisor Sven Junghagen, who agreed to be my mentor and guided me throughout this process.

Also, I want to thank my interview partners who contributed their time and expertise in order to build up this thesis.

Lastly, I want to express my appreciation for my friends and especially family, who constantly supported me along the two-year path of my master program.
# Table of Contents

Abstract .............................................................................................................. ii
Acknowledgments ............................................................................................ iii
Table of Contents ............................................................................................. iv

1. Introduction ................................................................................................... 1
   1.1. Why is Esports Relevant? ................................................................. 1
   1.2. Current Challenges of New Venture Growth Research .................. 3
   1.3. Research Question ......................................................................... 4

2. Esports In a Nutshell .................................................................................... 5
   2.1. What is an Esports Team? ............................................................... 5
   2.2. Professional Esports Titles ............................................................... 6

3. Literature Review ........................................................................................ 10
   3.1. Introduction to New Venture Growth Literature ......................... 10
       3.1.1. Different Growth Measures ..................................................... 11
   3.2. Resources ....................................................................................... 12
   3.3. Strategy ......................................................................................... 15
   3.4. Industry Structure ......................................................................... 19
   3.5. Delimitation .................................................................................. 21

4. Methodology ................................................................................................ 22
   4.1. Research Philosophy ..................................................................... 22
   4.2. Research Nature and Approach .................................................... 24
   4.3. Data Collection Method ................................................................. 25
4.4. Thematic Network Analysis ................................................................. 27
5. Empirical Analysis of Findings .......................................................... 28
  5.1. Global Theme 1: Resources’ Influence on New Esports Teams ............ 29
    5.1.1. Purpose of Financial Capital ..................................................... 29
    5.1.2. Purpose of Human Capital ....................................................... 35
    5.1.3. Purpose of Networks ............................................................... 38
    5.1.4. Summary .................................................................................. 40
  5.2. Global Theme 2: External Factors’ Influence on New Esports Teams ... 41
    5.2.1. Abundance of Player Talent in Esports ........................................ 42
    5.2.2. Lack of Available Qualified Staff in The Space .............................. 44
    5.2.3. Entry Barriers are becoming very high ....................................... 47
    5.2.4. Geographic Limitations ............................................................. 48
    5.2.5. Summary .................................................................................. 49
6. Discussion ............................................................................................ 50
  6.1. Practical Implications ............................................................... 51
  6.2. Limitation and Future Research .................................................... 53
7. Conclusion ............................................................................................ 54
References .............................................................................................. iv
Appendix ............................................................................................... xi
1. Introduction

1.1. Why is Esports Relevant?

In today’s digital youth culture, competitive gaming or rightfully called esports is establishing itself as a serious entertainment business (Ozanian & Settimi, 2018). Historically, esports lacked the organization, structure, and revenue streams of established sports leagues (Goldman Sachs, 2018), which is assumed to be attributed to the segmentation of IP, in which each is practically its own “sport” (Goldman Sachs, 2018).

But, industry growth and re-establishment spurred organized infrastructure within esports league ecosystems: as a result a “professional segment” emerged, whose incumbents start to seriously do business. Thus, larger enterprises started to be interested and ever since began to engage in partnerships with esports teams, bringing in larger investment money (Ozanian & Settimi, 2018). Meanwhile, the sponsorships landscape shifted so that we now see more non-endemics than endemics (Ozanian & Settimi, 2018), who bring higher amounts of financial resources to the teams: this was not the case even 2 years ago (Strenczewilk, 2018). Generally, the last two years silenced the last big voices, questioning: What is esports? Is esports even a thing or what is it going to be? Will it blow up?

Instead, professional segments of esports are taken as serious businesses with outlook for new career path and job creation to allow economic progress across the globe. This trend already started with physiotherapists and psychologists entering the space (Invenglobal, 2019). Given these recent developments, leagues start to slowly draw near the professionalism of traditional sports leagues. Thus, business opportunities with regards to starting-up esports teams can be very attractive.

Such appeal encouraged new teams, with aspiration to be professional, pop-up left and right, but a major portion of these teams do not manage to be successful (Wundenberg, 2018). The rapid growth of the industry has lead many people to believe that the professional segment is already reaching a form of saturation. This is seen to spread wide
belief that starting an own team for the professional segment is too late because operating to grow becomes very resource-intensive (Maurer, 2018). Admittedly esports developed past the era, when everyone could give it a shot with pure passion, good ideas, work ethic and imagination (Iab., 2018).

Despite, market researchers give prospects for entrepreneurial teams because they assess that the industry is still in its beginnings on the business side of things, when looking at revenue streams and monetization (Goldman Sachs, 2018): a lot of esports teams just started to get the ideas and the possibilities to differentiate themselves from other teams (Ozanian & Settimi, 2018). In fact, esports was found to heavily under-monetize relative to its audience potential and change is just starting to come (Goldman Sachs, 2018). The growing league infrastructure is predicted to change this state and therefore revenue streams are anticipated to look much different by 2022 – with media rights eventually overtaking sponsorships and becoming the largest source of esports revenue (Goldman Sachs, 2018). Market researchers sustain this forecast by arguing that “massive audiences and associated ad revenue for established online video platforms like Twitch, YouTube, … will be able to support a growing pool of media rights fees paid to top publishers for their content” (Goldman Sachs, 2018, p. 13).

As such, publishers are expected to develop more infrastructure and this in turn gives room to esports teams for monetization (Goldman Sachs, 2018). This might give new teams in the professional segment more strategic options to enter the space and develop – clearly not necessarily in a competitive perspective, but in a business perspective. As a
conclusion, the background mentioned above stresses the relevance of exploring the role of internal and external factors for the entrepreneurial growth of esports teams. How does entrepreneurship research assert this relevancy?

1.2. Current Challenges of New Venture Growth Research

Apart from the arguments provided in the previous section there are also arguments stemming from academia to explore the growth factors of new esports teams. Gartner (1995, p. 70) prompts entrepreneurship research to acknowledge the context in which entrepreneurship takes place, as observers “have a tendency to underestimate the influence of external factors and overestimate the influence of internal or personal factors when making judgements about the behaviour of other individuals”. Researchers argue that this has led to studies giving generalized findings that lack credibility and validity (Welter, 2011; Wiklund, Davidsson, Audretsch, & Karlsson, 2011). Meanwhile, Baumol (1990, p. 898) draws attention to the fact that the rules for entrepreneurship “do change dramatically from one time and place to another.” Therefore, one identified research gap was the lack of considering different contexts in the entrepreneurship research (Welter, 2011).

Furthermore, researchers postulate a need for greater methodological plurality in the study of growth and entrepreneurship (Wright & Stigliani, 2013). Traditionally, research has relied on large-scale quantitative studies, but they suggest that studies need to take firm and contextual-level influences on entrepreneurial growth into account (Wright & Stigliani, 2013). Researchers also believe that, although a quantitative approach is important, alone it does not allow for explaining the dynamics behind firm growth as it does not provide sufficient explanatory power (Wright & Stigliani, 2013). Thus, the motivation of this research paper stems from the intention to apply a qualitative research method in new venture growth research applied to the scarcely explored context – that of esports. This aims to add knowledge about entrepreneurship in esports beyond quantitative means by providing a first meta-understanding on what the internal and external factors are and how those influence entrepreneurial growth of a team. Because in the end, founding and growing an esports team is something that happens through execution in the real world.
1.3. Research Question

As presented in the previous section, the increasing relevance of esports is a compelling argument for more explorative academic interest. Also mentioned, existing new venture growth studies are dominated by quantitative prediction models that were criticized for its contradicting results. Therefore, more qualitative research has to find its way into new venture growth studies to better grasp the richness and complexity of the context.

Having this in mind, this thesis aims to provide a first meta-understanding on what internal or external means influence the growth of new ventures and how they do it – without going into measures of growth in numbers, but with an exploratory research approach, combined with qualitative methods.

Consequently, the following primary research question to be answered is:

What are the factors that influence the growth of new esports teams?
2. Esports In a Nutshell

Neither interviewees, industry reports, or other secondary data provide a fully consistent view of esports. Depending on which perspective is chosen, the boundaries of the esports industry and what actors act within it change. Therefore, this section intends to provide an overview on the esports industry, with the aim to display what the professional segment of esports roughly encompasses. Sufficient understanding on the current state of esports will help to provide deeper meaning to the findings and will help reach more substantive conclusions to the research question.

2.1. What is an Esports Team?

Theoretically, any group of friends that starts a team, climbs the ladders and competes against others in online tournaments can be called an esports team. But, rise in popularity and growing prize pools for esports tournaments made market reports and internet sources start to distinguish professionalism in an esports team (Goldman Sachs, 2018) – based on characteristics such as having advanced training schedules, the existence of additional staff, possession of teams in multiple games (Iab., 2018) and most importantly employment contracts (Goldman Sachs, 2018). For example, Goldman Sachs talks about professional esports teams that “train for up to 8 hours a day, have coaches, trainers, and nutritionists on staff, and players receive base salaries, just like any pro sports league.”

![Figure 2: Splyce full roster overview. Source: Taken from Splyce official webpage (2019)](image-url)
(Goldman Sachs, 2018, p. 3). As of the current state of esports, these characteristics roughly to paint a picture of what is meant by a “professional” esports team.

Independent of whether an esports organization is “professional” or not, there exist two ways of founding an esports team. The first and established alternative is to form an esports organization separately from the league (Iab., 2018) and here professional teams usually have teams in multiple games. For example, esports team Splyce has 5 teams, also called “rosters”, in the following 5 different games (Figure 2: Splyce full roster overview. Source: Taken from Splyce official webpage (2019): League of Legends, Call of Duty, Rocket League, Star Craft II and SMITE.

The second and still very rare option is to establish a team as a franchise that is part of one specific league only. This became possible with the emergence of leagues adopting the franchising business model such as the Overwatch League (hereafter OWL), operated by publisher Activision Blizzard. Here, publisher Activision Blizzard sold spots to investors or existing teams for $20 mn / team, which raised the revenues to build more infrastructure (Goldman Sachs, 2018). Therefore, the OWL guarantees the participating teams a permanent spot in the league, without possibility to relegation. Such a team is for example “Atlanta Reign” (Twitter, 2019b). The professional esports titles will be discussed in more depth in the following section.

2.2. Professional Esports Titles

In esports, leagues and tournaments are either organized by the game publisher itself or an independent production studio (Iab., 2018). In the former case, game developer & publisher Riot Games is a representative example, as it fully operates the League of Legends European Championship (hereafter LEC). In the latter case, the publisher sells the studio the rights to organize the event and use the Intellectual Property (hereafter IP) (Iab., 2018). The oldest, largest and most prominent production studio is Electronic Sports League (ESL) that produces leagues and tournaments worldwide. Their most known product is the ESL CS:GO Pro League.

In today’s esports world, these events can span from collegiate to professional level: but, what exactly characterizes a “pro” league and tournament?
Professionalism of an esports title should be characterized by the infrastructure of the appropriate leagues and tournaments and therefore implicitly the opportunities and financial security enabled to the participating teams (Paradise, 2017). As newness, fast development and change characterize the growing esports industry, meaningful quantifiable metrics on the professionalism of certain titles have yet to be established. Nevertheless, the “annual awarded prize money” from the esports title to the teams, is a commonly used financial indicator to roughly assess the infrastructural maturity of the esports titles. Error! Reference source not found. and Figure 4 shows a ranking of the top 15 esports titles, based on the awarded annual prize money in years 2017 and 2018 respectively.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Title</th>
<th>Prize Money</th>
<th>Years Since Initial Game Release</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dota 2</td>
<td>$38.0</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Counter-Strike: Global Offensive</td>
<td>$19.3</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>League of Legends</td>
<td>$12.0</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Heroes of the Storm</td>
<td>$4.8</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Call of Duty: Infinite Warfare</td>
<td>$4.0</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>Hearthstone</td>
<td>$3.4</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Overwatch</td>
<td>$3.4</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>StarCraft II</td>
<td>$3.4</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Halo 5: Guardians</td>
<td>$1.7</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>H1Z1</td>
<td>$1.6</td>
<td>3</td>
</tr>
<tr>
<td>11</td>
<td>CrossFire</td>
<td>$1.5</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Quake Champions</td>
<td>$1.5</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>FIFA 17</td>
<td>$1.4</td>
<td>9</td>
</tr>
<tr>
<td>14</td>
<td>Rocket League</td>
<td>$1.4</td>
<td>3</td>
</tr>
<tr>
<td>15</td>
<td>SMITE</td>
<td>$1.2</td>
<td>4</td>
</tr>
</tbody>
</table>

Figure 3: Top 15 esports titles ranked after annual prize money awarded in 2017. Source: Adapted from esportsearnings.com (2019) and Goldman Sachs (2018)
One statistic that has to be treated with caution is the significantly higher prize money in Dota 2 for 2017 & 2018 as well as very high initial annual prize money awarded in the games Fortnite and PLAYER UNKNOWN'S BATTLEGROUNDS (hereafter PUBG) for 2018. These do not reflect higher professionalism through more infrastructural maturity: Dota 2’s biggest esports tournament “The International” funds its prize money through players’ in-game purchases of virtual products instead of through esports-related revenue streams (Mitchell, 2018). Majority of people in the esports industry are vocal that the “prize pool is becoming increasingly less about the growth of the game’s esports scene, instead being increasingly more about… itself” (Mitchell, 2018, p.1). Other esports titles such as Counter-Strike Global Offensive or League of Legends were seen to be more prominent and investing more in growing their infrastructure (Mitchell, 2018). Also, Fortnite and PUBG have experienced immense growth in popularity in a very short period, due to mainstream-level popularity of the “Battle Royale”-genre. Both invested heavily into tournaments, to set a foot into the esports scene, but both failed in the first years due to lack of experience in building an infrastructure and a solid esports concept around the

![Figure 4: Top 15 esports titles ranked after annual prize money awarded in 2018. Source: Adapted from esportsearnings.com (2019) and Goldman Sachs (2018)](image-url)
game (Tassi, 2018). The Fortnite tournament series “Summer Skirmish” included an impressive prize pool of $8 mn, but had to be ended prematurely because of ongoing technical issues (Tassi, 2018). Besides, these anomalies, so far, the prize money is one of the best financial indicators for the extent to which an esports title is professional.
3. Literature Review

The following literature review will give an overview on the findings in New Venture Growth studies and present some contradicting results, on the basis of which scholars suggest methodological plurality towards qualitative methods. The literature review will touch upon the factors that I, from a theoretical viewpoint and from an ongoing modified understanding about the direction of this empirical research, believe are relevant for the scope of this thesis. In the sections Resources (3.2), Strategy (3.3) and Industry Structure (3.4), the underlying concepts are explained and empirical studies utilizing the factors are reviewed.

3.1. Introduction to New Venture Growth Literature

This chapter focuses on the literature review, which includes the collection of previous data in this research field. The review starts out with existing models of new venture growth that utilize predictors / factors to provide general explanations about how much start-ups grow and why some start-ups grow more than others.

The start point of this review is Sandberg and Hofer’s (1987) model of new venture performance that they derived from their study of venture-capital backed growth-oriented firms. Sandberg and Hofer (1987) assert that new venture performance is a function of the entrepreneur, industry structure, and strategy. 12 years later, Chrisman et al. (1999) publish an extended model and included the two factors “resources” and “organizational structure, processes and systems” with the aim to increase explanatory power. Because new venture performance and growth are closely connected, this review also scanned results in new venture performance literature to discover whether findings reported to affect performance “were adequately represented through the constructs identified from the empirical growth studies” (Gilbert, McDougall & Audretsch, 2006, p. 928). The same principle has been applied with regards to new venture growth literature. As argued and reasoned in the methodology section, this review draws the conclusion that the relevant new venture growth factors for this research are: resources, strategy, industry structure. Alternative models limited towards other specific factors of new venture growth identified relationships of growth with for example the entrepreneur’s desire to grow (e.g.
(Cliff, 1998), abilities (e.g. Gimeno, Folta, Cooper, & Woo, 1997), psychological traits (Aldrich & Wiedenmayer, 1993) and personal background.

3.1.1. Different Growth Measures

This section reviews the different growth measures that scholars use to predict how much these investigated factors influence them (or not): founders and the entrepreneurial team, resources, strategy, the external environment, barriers to growth, and other considerations. Although there is no overarching measure of new venture growth, the review suggests that most studies in this stream of literature examine the effects of such factors on the measures: sales growth, employment growth and sometimes market share growth.

Sales growth sheds light on how revenues of a venture change as the company develops over time. It indicates the extent to which customers are increasingly accepting the products or services offered by the firm (Robinson, 1999). When sales growth occurs, a venture is supplied with revenues that can be reinvested into resource expansion or capability development (Robinson, 1999). The closely related new venture performance (hereafter NVP) studies most frequently uses sales growth next to profitability to measure the “performance” of new ventures and results point out that sales growth is also one of the most suitable performance goals for new ventures (Chandler & Hanks, 1994; Robinson & Mcdougall, 2001). Because sales growth is very frequently used as a measure of new venture performance (Stuart & Abetti, 1987; McDougall, Robinson & DeNisi, 1992; Cooper, Gimeno-Gascon & Woo, 1994; Stam & Elfring, 2008) the NVP and NVG literatures are very close to each other and scholars who talk about performance very often refer to sales growth.

However, measuring sales growth requires new ventures to “have a product or service available to sell” (Gilbert, McDougall & Audretsch, 2006, p.930), which is why solely relying on sales growth limits the spectrum of new ventures that can be taken into account when examining what factors influence growth. A biotechnology start-up is one example in which it would be unsuitable to draw conclusions about its growth based on sales growth as these “usually spend years developing their products for the market” (Gilbert et al., p. 930). Consequently, new venture growth research focuses on employment growth, especially in high-technology industries such as biotechnology (Gilbert et al.,
According to Hanks et al. (1993) employment growth is an indication for switch the organizational structure or strategy of the firm, which requires to increase the head count (Hanks et al., 1993). This change is often due to expansion in the scope of firm operations or an immediate increase in business.

3.2. Resources

*The Theory of the Growth of the Firm* by Penrose (1959) is the foundation for explaining firm growth through resource-based explanation. Penrose (1959) proposed that firm growth is limited by managerial constraints. Here, she argues that senior managers train junior managers for their position, which means that time and attention diverts away from their work to grow the firm (Župič & Giudici, 2018). Thus, the so-called 'Penrose effect' is defined as the upper limit on the firm growth, put by the availability of experienced managers (Župič & Giudici, 2018). Her ground work has later been further expanded and revised by the resource-based theory (in the following RBV) (Barney, 1991). The RBV key statement: organizations that possess valuable, rare, inimitable and non-substitutable resources will be endowed to “conceive and implement a value-creating strategy not simultaneously being implemented by any current or potential competitors” (Barney, 1991). If other companies cannot copy the strategy, the result is a sustainable competitive advantage (Barney, 1991). Miller and Shamsie (1996) criticized RBV for not considering the context in which the firm's resources might be of value.

Also in contrast to established companies, entrepreneurial endeavours first need to appropriate resources to the new venture in order to carry out strategic decisions (Arthurs & Busenitz, 2006). This is why, many entrepreneurship scholars focus on resource attraction as the most challenging task faced by entrepreneurs and its new ventures (Gilbert et al., 2006). One overarching reason is that potential resource providers, such as venture capitalists, outside investors, fear the risk of investing into something that does not have a reputation and track record yet (Gilbert et al., 2006).

Secondly, it is the utilization of the resources that scholars found to be critical for the growth of the start-up. Some scholars define a firm’s ability to use its resources as capabilities (Župič & Giudici, 2018). These are firm-level constructs and growth-related capabilities can be divided into substantive growth capabilities and dynamic capabilities.
Substantive growth capabilities are those that allow the firm to compete and grow, e.g. new product development. Dynamic capabilities extend, change, or create new substantive capabilities (Koryak et al., 2015). Properly developed capabilities were seen as a key growth enabler as high levels of resources cannot compensate for weak capabilities (O’Cass & Sok, 2013). Thus, researchers argue that entrepreneurs must first put together resources, then connect them to build a resource-base that will develop distinctive capabilities (O’Cass & Sok, 2013). They found that new businesses often fail during this process because of “ineffective management, undercapitalization, human failings, or inability to attract and maintain qualified personnel” (Brush et al., 2001, p.64).

Lastly, new ventures need to possess the right fit of resources to develop the capabilities that foster new venture growth (Arthurs & Busenitz, 2006). In general, scholars argue that resource choice has significant implications for survival and growth in new ventures. The wrong resources that do not fit opportunities or strategies can even have negative outcomes (Brush et al., 2001). The other way around, execution of necessary strategic decisions with success requires that the new venture holds the right fit of resources (Chandler & Hanks, 1994).

So, in general scholars point out that the attraction & utilization of the right resources is a dynamic process that develops in dependence with the opportunities & strategies of the new venture. The most researched resources in the growth literature are financial, human and social capital (i.e. networks) (Barney, 1991; Brush et al., 2001; Gilbert, McDougall and Audretsch, 2006; Župič and Giudici, 2018). In other literature, scholars also distinguish between tangible and intangible assets (Brush and Chaganti, 1999; Chrisman et al., 1999). Nonetheless, this thesis will distinguish between financial, human and social capital as these were found to be most used by researchers in the new venture growth literature.

Financial Capital

Studies suggest that the possessed financial capital influences growth of new firms on the sales and employment level (Cooper et al., 1994; Lee, Lee, & Pennings, 2001) High level
of financial resources were found to be important because “it buys entrepreneurs time to successfully execute strategic objectives, enables entrepreneurs to either undertake more ambitious strategies or change their course of action, and simply empowers the entrepreneurs to meet the financing demands that are required to sustain the growth being realized” (Arthurs & Busenitz, 2006, p. 932). Furthermore, Lee et al. (2001) suggest that sales growth of new ventures is significantly correlated with the existence of connections to external funding sources, e.g. banks and venture capitalists. Other ventures were found to achieve sales and employment growth through utilizing government allowances (Dahlqvist, Davidsson, & Wiklund, 2000).

**Human Capital**

The concept of human capital has been adopted by entrepreneurship research and leads to a considerable number of studies that involve human capital in new venture growth (e.g. Chrisman et al., 1999). Their definition of human capital is following Becker’s (1964), who defines human capital as “skills and knowledge that individuals acquire through investments in schooling, on-the-job training, and other types of experience.” (Unger, Rauch, Frese, & Rosenbusch, 2011, p. 343). This includes both the human capital of the founders and the employees’ capabilities that support founders set goals (Župič & Giudici, 2018). The size of the entrepreneurial team was studied as an important factor (Siegel, Siegel, & Macmillan, 1993; Song, Podoynitsyna, Bij, & Halman, 2008). These scholars found that firms with larger the team size and more industry and marketing experience among entrepreneurs performed better (Song et al., 2008). But, a meta-analysis of human capital studies further suggests that outcomes of human capital (knowledge and skills) are overall more strongly connected to entrepreneurial success than human capital investments (education, experience) (Unger et al., 2011). Lastly, another study conducted by Lopez-Garcia and Puente (2012) suggests that new ventures should aim for permanent workers over temporary workers to increase the probability of fast growth.

**Social Capital**

Social Capital refers to the individual’s ability to pick out benefits from its social structures, networks, and group belonging. (Davidsson & Honig, 2003, p. 306). For example, networks can consist of community-based, or organizational relationships and
they were viewed to enrich one’s education, experience, and even financial capital (Davidsson & Honig, 2003). But, the definition of social capital is not limited to the individual level, rather it is described as something multidimensional and therefore also occurs at the organizational level (Nahapiet & Ghoshal, 1998). Research often suggests that the entrepreneur’s social skills to engage with a broad network positively impacts new venture growth because it directly influences resource acquisition abilities (Brush et al., 2001). The reason is that new ventures a track record of success and reputation / brand power established businesses, which is why potential investors / resource providers associate new businesses with higher-risk investments (Brush et al., 2001). Consequently, a major challenge for a start-up is to come across trustworthy so that they get potential access to other resources (Brush et al., 2001). This is why, scholars argue that social capital can be utilized to tap into external networks to provide oneself resources (Davidsson & Honig, 2003). Another finding by Chrisman et al. (2005) suggest that new ventures that utilized the service of counsellors from a Small Business Development Center significantly influenced the sales and employment growth of the new venture.

3.3. Strategy

According to Porter (1996), strategy is divided into three key principles. First, strategy is the “creation of a unique and valuable position, involving a different set of activities (Porter, 1996, p. 3). The strategic positioning reflects how distinctive the company is positioned in comparison to its competitors (Porter, 1996). Such distinction can comprise performing different activities than its competitors, or performing similar activities in a distinct manner (Porter, 1996). In practice, this can mean that the firm positions itself to serve the needs of a broad range of customers (Porter, 1996). The other way around, another strategic positioning is to target only a small customer segment, but supplies a broad range of their needs (Porter, 1996). Then again, companies might also create a unique and valuable position through “serving broad needs of many customers in a narrow market” (Porter, 1996, p. 3). His second key principle says that a favourable strategic positioning is achieved by making the right trade-offs between incompatible activities (Porter, 1996). Therefore, firms need to wisely choose what activities not to do because growth in one area can only be attained at a loss in another area (Porter, 1996). Lastly,
Porter (1996) emphasizes that the choice of activities should follow the rule of a “fit”. Thereby, “fit” allows the company’s activities to reinforce one another and leverage its competitive position (Porter, 1996).

The Relationship of Competitive Strategies and Growth

Based on this concept of strategy a sub-stream in the growth literature attempts to utilize the concept as a predictor for growth of new ventures. Here, studies rely on examining defined competitive strategies such as focus, low-cost or differentiation (Župič & Giudici, 2018) and their impact on growth. So far, the results have produced contradictory results: Lechner & Gudmundsson (2014) have shown that higher levels of any competitive strategy are generally positively correlated with higher growth (Lechner & Gudmundsson, 2014). Their study implicates that the generation of one type of competitive advantage, which conforms with the firm’s resources and entails focus, low-cost or differentiation, is a major performance driver for the organisation (Lechner & Gudmundsson, 2014). In the specific case of focused strategies, Siegel et al. (1993) found that ventures that aimed to achieve revenue with a single product, had higher sales growth rates than new venture with other strategic approaches (Siegel et al., 1993).

In contrast, Baum, Locke, & Smith, 2001 have found that low-cost and focus strategies had no – to negative effects on growth. Instead, differentiation through high-quality and innovative products was found to positively correlate with growth (Baum et al., 2001). Here, they used average annual percent in sales growth, employment growth and profit growth in their multidimensional model to quantitatively find the correlation between the strategy and growth of the venture. Gilbert et al. (2006) argues that contradicting results may be related to different quantitative measures of growth, which complicates comparison across these studies: Baum et al. (2001) utilized an annual measure of sales and employment growth combined, whereas Siegel et al. (1993) used a 3-year measure of sales growth only. Furthermore, Gilbert et al. (2006) assess that, in the short-run, focus strategies may require employees with specialized skills and knowledge that may be difficult to hire short term. Consequently, they theorize that a negative relationship with employment growth could result (Gilbert et al., 2006), which would not be captured in Siegel et al.’s (1993) model.
Strategic “fit” of resources as growth factor

Due to these disparate results, other scholars argue that the earlier mentioned contingency or “fit” view (Porter, 1996) needs to be incorporated to better demonstrate the relation between a venture’s strategy and its growth (Porter, 1996, Eisenhardt & Schoonhoven, 1990). According to the “fit” hypothesis, strategies should not be viewed as a growth factor in isolation, but in combination with resources. Chandler and Hanks (1994b) note that new ventures with high-quality differentiation strategy had significant aggregate market share, sales, and cash flow growth when they also possessed the right fitting resources to pursue that strategy. In another study, Leitner and Güldenberg (2010) examined cost-efficiency and differentiation strategies as well as new ventures with no clear strategy and they found that no single generic competitive strategy can be associated with more growth. Their results indicate that only firms that pursue a combination strategy, i.e. traditional low-cost production and product differentiation, had higher levels of profitability and employment growth when compared to ventures without a clear strategy (Leitner & Güldenberg, 2010). Similar with the results of previous studies, this supports that the nature of the relation between a venture’s strategy and its growth has to take into account the right fit of the resources needed to execute the respective strategy (Eisenhardt & Schoonhoven, 1990).

Strategic variety

In another stream of growth literature, higher growth is associated with higher strategic variety (Larrañeta, Zahra, & Galán González, 2014). Strategic variety was measured through the amount of competitive activities that new ventures undergo, e.g. actions such as: ensuring high quality production, new product development, aggressive advertising or promoting brand identification. They compared strategic variety of new ventures in dynamic business environments and conclude that start-ups “gain differential benefits from strategic variety when their resources, motivations, and industry’s conditions are aligned” (Larrañeta et al., 2014, p. 767). In specific, higher sales growth was found as a result of strategic variety for new ventures in more dynamic environments (Larrañeta et al., 2014). In reverse, these results indicate that simplicity can harm new ventures, particularly those that are in dynamic environments (Larrañeta et al., 2014). They recall
that entrepreneurs tend to have the opinion that focusing on a few things is the best solution for the growth of their ventures (Larrañeta et al., 2014)

Alliances

Alliances are another strategic means with which new ventures can access strategic resources (Gulati, 1998) and markets (Mohr, Garnsey, & Theyel, 2014). Specifically, they are appealing to entrepreneurs who do not want to give away control over their ventures. Besides, alliances can compensate for a lack of internal resources in new ventures through complementary resources provided by partners (Župič & Giudici, 2018). Especially ventures that face growth challenges find it attractive to seek support of other organizations, thereby gaining access to complementary resources (Mohr et al., 2014). Mohr et al. (2014) found that higher levels of growth can most frequently be associated with alliances such as “market-oriented partnerships (with both large and small firms) and technology partnerships with small companies in their own industry”. Also, they found a relationship between venture capital investments and alliances. Their results indicate, venture capital provision towards new ventures did not positively correlate with growth. But, venture capital helps new firms build networks, which in turn result in VC-associated alliances (Mohr et al., 2014). Thus, they argue that venture capital did promote alliances and have an indirect effect on the growth of new ventures (Mohr et al., 2014). Lastly, alliances with well-known established firms were found to be very fruitful, especially for new ventures (T. E. Stuart, Hoang, & Hybels, 1999). This is because these partnerships can signal quality, social status & recognition (T. E. Stuart et al., 1999) and thus can help overcome legitimacy barriers faced by these ventures (Župič & Giudici, 2018).

But, opposing views argue that collaboration with large firms can also negatively affect new ventures as “partnerships can influence the link between internal capabilities and growth” (Župič & Giudici, 2018, p. 199). Vandaie & Zaheer (2014) explored the potential effect of alliance partners on the internal processes of the firm. They found that particularly for small firms, an influence “may significantly hurt the exploitation by the firm of its capability and, through it, the firm’s performance outcomes in terms of growth (Vandaie & Zaheer, 2014, p. 575). Based on their results it is hypothesized that a tension
between the motivations of the small firm and the large partner exists. In specific the small firm is motivated by the potential to access & leverage of the partner’s resources for growth, whereas the big partner tends to be motivated by the potential to “use superior bargaining power to suppress growth tendencies on the part of the small firm” (Vandaie & Zaheer, 2014, p. 575).

3.4. Industry Structure

New ventures’ founding conditions were found to have long-term consequences beyond founding (Eisenhardt & Schoonhoven, 1990), which makes it specifically vital to correctly characterize the industry in which the firm operates in order to understand its growth patterns (Gilbert et al., 2006). In strategic management and entrepreneurship research, it is assumed that certain “industry structural variables” both impact the “viability of a firm’s strategic choice” as well as measures of growth (sales, employment, market share) (Robinson and McDougall, 2001, p. 659). Specifically, these studies (e.g. McDougall, Robinson and DeNisi, 1992) suggest that successful new ventures must accomplish a fit between its strategies and the external industry structural variables in their competitive environment (McDougall et al., 1992; Kenneth C. Robinson & McDougall, 2001). McDougall et al. (1992) found that no one strategy can be declared as a general best strategy for new ventures to grow in market share, because it depends on the fit with the industry structure. The following section will touch upon some of the industry structures that have been identified and tested with regards to new venture growth.

Entry Barriers

Scholars have examined the effect of entry barriers as industry structure characteristic (McDougall et al., 1992). According to the industrial organization (IO) framework (Mason, 1939; Bain, 1959) (1) economies of scale, (2) capital requirements, and (3) product differentiation are the most important entry barriers. Robinson & McDougall (2001) use a contingency approach to model the moderating effects of venture strategy and industry life-cycle on the effects of entry barriers on a new venture’s sales growth. The contingency model showed that each entry barrier type had an influence on the performance of the new venture. On the other side, results from a model that measured
direct independent effects of entry barriers on performance resulted in limited effects (Robinson and Mcdougall, 2001). As such they propose the use of contingency approaches that aim at capturing the complexity and interdependencies of several factors.

**Stage of Industry**

Several studies suggest that the stage of the industry has considerable impact on the growth of new ventures (Brush and Chaganti, 1999; Eisenhardt and Schoonhoven, 1990; Chandler and Hanks, 1994; McDougall, Robinson and DeNisi, 1992). In agreement with traditional industry life-cycle models, scholars such as Stuart & Abetti (1987) distinguish between Introduction / Development, Growth, Shakeout, Maturity and Decline stages (Corporate Finance Institute, 2019):

![Figure 5: Industry Life-Cycle Stages. Taken from Corporate Finance Institute (2019)](image)

Generally, scholars argue that the availability of resources is dependent on the environment (Randolph & Dess, 1984). Therefore, they conclude that the resources available within an environment will influence the growth of firms sharing that environment, with overleaping impact on the entry barriers for firms who want to enter that space (Randolph & Dess, 1984). In growing or emerging markets, the environment is said to be especially generous in available resources (abundance of critical resources),
and strategic errors are found to not cost as much as these would in less generous surroundings (Castrogiovanni, 1991). Castrogiovanni (1991) calls this environmental munificence: it is “the scarcity or abundance of critical resources needed by firms operating within an environment” (Castrogiovanni, 1991, p. 542). His research indicates that there is a positive relationship between the environmental munificence of an industry and the strategic options available to the industry’s new ventures (Castrogiovanni, 1991). As a consequence, researchers suggest that high growth will be accomplished by firms in growth stage markets (Gilbert et al., 2006). But, an opposing stream of research also emphasizes that possible growth is more dependent on the strategies the firms carry out and thus growth is not solely given of the environment (McDougall et al. 1992; Chen, Gallagher, & Park, 2002).

### 3.5. Delimitation

Over the research process, the scope of this thesis incorporated three of the five majorly studied factors in New Venture Growth literature. Through data collection and empirical evidence, the assessment emerged that the factors “entrepreneur” and the “organizational structure” were not significantly discussed throughout interviews to identify these as growth factors of new esports team. This choice is intentional: on the one hand, this thesis argues that meaningful interpretation of the results requires to explore the chosen factors in isolation. But, to arrive at a fuller picture the thesis also aims at grasping the complex nature of esports, which is believed to be reached through understanding the interconnectedness of the relevant internal and external factors.

Summarizing, the theoretical framework was derived from a mix of academic literature and theory and narrowed down over the course of data collection and analysis. In specific, data collection and analysis revealed that including factors such as the entrepreneur, with e.g. his / her psychological traits, were not significant findings. Therefore, it would have inflated the project and broadened interpretation of results to draw meaningful conclusions.
4. Methodology

The following section outlines the approach for the analysis of the research question building on the framework from new venture growth literature. From an interpretivist stance and an abductive research approach, expert interviews were conducted for the exploratory nature of this thesis. For the data collection & analysis thematic networks have been employed. The following sections will further elaborate on why the thesis is following this methodology.

4.1. Research Philosophy

Research philosophy has an overarching role in business research. Indeed, the choice of research philosophy includes important assumptions on the path to view the world (Saunders, Lewis, & Thornhill, 2008). Thus, these assumptions guide overall research and used methods. In the following, I briefly discuss the relevant ways of thinking about research philosophy and explain which choices are the most suitable for answering my research question. By that, first ontological considerations about the nature of reality are elaborated and, second, epistemological assumptions on the relationship of natural and social sciences listed.

Ontological Consideration

The underlying question considered by ontologists involves the nature of social constructs (Bryman & Bell, 2011). Meaning, the interdependence of people and the social environment they act within are defined differently by followers of objectivism or subjectivism (Bryman & Bell, 2011).

Objectivism gives priority to the independence of social phenomena and its actors (Bryman & Bell, 2011). This means that social actions are beyond the individual’s reach and represent an external reality which cannot be influenced (Saunders et al., 2008). Contrastingly, subjectivism, often associated with social constructionism, assumes a strong interdependence of social phenomena and its actors, who form and constantly revise this social construct (Saunders et al., 2008). Conflicts and discussions vitalise the
ongoing process of an emergent reality. Besides, other factors, such as time and place, dictate resulting categories and overall outcomes. In brief, social products are a result of continuous interactions of all stakeholders involved (Bryman & Bell, 2011). Since this thesis covers a complex problem within social science, this thesis follows a **subjective, socially constructed ontology**. Therefore, social actors, in this thesis key team actors in the esports space, “(…) may place many different interpretations on the situations in which they find themselves” (Saunders et al., 2008, p. 111). This means that ventures and their individuals are seen as subjective individuals who perceive situations in varying ways (Van de Ven, 2007). In line with that, each interviewee had distinct perceptions and saw the social reality differently (Saunders et al., 2008). Throughout this thesis, it is assumed that the role of factors on the growth of esports teams is subjectively perceived by their team’s founders and experts. Thus, our role as researchers is to understand their subjective reality to the end of gathering meaningful insights (Saunders et al., 2008).

**Epistemological Considerations**

Another influential factor on the research process and outcome is the belief on how the world is perceived. Here, the central question debates if the social world must be studied according to the same guidelines as natural sciences. Here, epistemology is defined as “(…) what constitutes acceptance knowledge in a field of study” (Saunders et al., 2008, p. 112). With regards to this, two opposing philosophical positions are positivism and interpretivism, which indicate varying perceptions and are therefore appropriate for different purposes of business research.

For the purpose of this research, I believe that the *interpretivist position* is most suitable for me to use (Eriksson & Kovalainen, 2015). The interpretivist perspective appears to help understand and impart the complex meanings and knowledge of the respondents’ social realities to the ventures and its contexts (Saunders et al., 2015). The meanings and knowledge refer to the problem being studied, they are expressed and thus “subjective and socially constructed” (Saunders et al., 2015, p. 168). The range of this research considers the respondents’ social worlds as they all stem from different cultural backgrounds and their experiences from different circumstances (Eriksson & Kovalainen, 2015). It is thus assumed that an applicable conclusion can be drawn upon the
identification and understanding of the underlying experiences and illustrations, here exemplified with the aid of thematic networks. In section 4.4, I will provide an overview on thematic network analysis.

4.2. Research Nature and Approach

Because of a current lack in academic research on esports, I have chosen to employ an exploratory research nature. This means that the presented research uses fitting theory as a starting point to further develop. Because of this emphasis, the research is flexible and small adaptations in direction, as soon as new data and insights are collected, are undertaken (Saunders et al., 2008). The exploratory research methodology especially fits “new areas of inquiry, where the goals of the research are: “(1) to scope out the magnitude or extent of a particular phenomenon, problem, or behavior, (2) to generate some initial ideas (or “hunches”) about that phenomenon, or (3) to test the feasibility of undertaking a more extensive study regarding that phenomenon.” (Bhattacherjee, 2012, p. 6). Such is the case in this thesis as it aims at exploring the esports phenomenon by gaining a meta-understanding of what internal and external factors influence growth of entrepreneurial esports teams. To sum up, exploratory research is justified as the chosen research approach because it serves as a necessary precursor to study esports as a new research field – in agreement with Stebbins who states (2001, p.8): “To understand well any phenomenon, it is necessary to start by looking at it in broad, nonspecialized terms. In other words, first observe the woods, then study its individual trees.”

This thesis follows an abductive approach to complement the exploratory nature of this research (Reichertz, 2007). As distinct from inductive and deductive approaches the abductive approach is fruitful if the researcher’s objective is to discover new things – other variables and other relationships (Reichertz, 2007). Also, abductive reasoning features indefiniteness of conclusions (Reichertz, 2007), which distinguishes it from deductive reasoning. Therefore, the thesis follows an abductive approach because it fits with the intention to explore the esports phenomenon through better understanding of the internal and external factors that influence entrepreneurial esports teams – without reaching definitive conclusions on how much teams grow or why exactly some teams are more successful than others.
4.3. Data Collection Method

The following section comprehensively elaborates on the data collection, which in this research is based on a qualitative method, in particular unstructured expert interviews. Some scholars in entrepreneurship research reason that quantitative methods and testable hypotheses help research concerning entrepreneurship to gain legitimacy (Cornelius, Landström, & Persson, 2006). But in line with Welter, I argue for use of a qualitative methods because it allows “capturing the richness and diversity of the context” (Welter, 2011, p. 177) which I see important for conducting research on the entrepreneurial world of esports. Besides, choosing interviews served the goal to “gather systematic information about a set of central topics, while also allowing some exploration when new issues or topics emerge” (Wilson, 2013, p. 24).

When choosing primary data, a relevant amount of possible interview participants must be selected that, first, represents an accurate size and, second, provide relevant data and information. Referring to the first, 5 interviews summing up to 265 minutes of discussion were conducted, indicating an adequate sample size to make reasonable conclusions and support compelling findings. All interviews were recorded with a recording device with the permission of the interviewees. The interviewees are located across several countries (U.S.A, Germany, France and Spain) outside Denmark and due to time and financial restrictions the interviews were conducted through Skype. After each recorded interview, the recording was transcribed word by word and labelled with the respective time stamps. The interview transcriptions can be found in the Appendix.

Some key information on the interviewees can be found in:

<table>
<thead>
<tr>
<th>Interviewee Name</th>
<th>Position</th>
<th>Organization</th>
<th>Found</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jos Mallant</td>
<td>Owner &amp; Co-Founder</td>
<td>Unicorns of Love</td>
<td>2013</td>
</tr>
<tr>
<td>Marty Stenczewilk</td>
<td>CEO &amp; Co-Founder</td>
<td>Slyce</td>
<td>2015</td>
</tr>
<tr>
<td>Nicolas Maurer</td>
<td>CEO &amp; Co-Founder</td>
<td>Team Vitality</td>
<td>2015</td>
</tr>
<tr>
<td>Luis Sevilla</td>
<td>Director of Esports</td>
<td>Movistar Riders</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jens Wundenberg</td>
<td>Director of Marketing</td>
<td>SK-Gaming</td>
<td>1997</td>
</tr>
</tbody>
</table>

*Figure 6: Key Information on Interviewees. Source: Adapted from gamepedia (2018)*
As mentioned earlier, this thesis is following an exploratory approach and one principal way of carrying out exploratory research is “interviewing experts in the subject” (Saunders et al., 2008, p. 140). Due to this direction, the respondents were chosen based on their vital functions within their teams as founders or directors and their expertise in esports. Other reasons for the chosen primary data are as follows: the key actors’ organizations were found no later than 5 years ago and during their respective periods their ventures went through the start-up period and can be now situated in the entrepreneurial growth phase (with the exception of SK-Gaming). Second, their organizations have had first competitive successes on the professional level and also experienced significant growth of a fan base since their inceptions, accounting for 62,000 – 333,000 followers on Twitter (Twitter, 2019; Twitter, 2019c; Twitter, 2019e; Twitter, 2019d; Twitter, 2019b). As a reference point: the most popular and successful Danish team Astralis has 186,000 twitter followers (Twitter, 2019a). Third, they further extended their organization to compete in additional titles (Gamepedia, 2018e; Gamepedia, 2018c; Gamepedia, 2018d; Gamepedia, 2018a; Gamepedia, 2018b). Furthermore, a strong argument for the choice of the respondents is their geographical coverage of the West: their esports organizations were found and are currently located in U.S.A., Germany, France and Spain respectively and therefore provide a sufficient representation of Western professional esports. To sum up, their subjective viewpoints on professional team creation & growth represent expert sources that will be used for the analysis of the problem statement. One exception in the data set was the choice to include Jens Wundenberg, who has been with esports veteran SK-Gaming as Director of Marketing for almost 10 years (Gamepedia, 2018b). The respondent was included because deep insights from research in esports is scarce. Therefore, his long and extensive experience within esports is seen to constitute valuable data and expert insights on the external dynamics of the professional esports segment that surround the entrepreneurial teams. Moreover, SK-Gaming counts as one of the forerunners of “professional” esports organizations, as they for example have been the first organization to contract its players (Liquidpedia, 2018).

Regarding secondary data, several sources were utilized during the research process. Mainly, secondary data used were public documents from internet websites (e.g. company webpage or market reports), or mass media outputs (e.g. newspaper article) (Bryman &
Bell, 2011). These documents allowed deeper comprehension of what constitutes professional esports leagues and their teams and were useful to support findings from the interviews (Bryman & Bell, 2011).

4.4. Thematic Network Analysis

For the empirical analysis of the interview data, thematic networks analysis has been used as a tool to map-out the interview data. The networks were developed on the basis of the step-by-steps approach shown in Figure 7: Steps in analyses employing thematic networks. Taken from: Attride-Stirling, (2001), which is proposed by Attride-Stirling (2001). For coding the material according to Step 1, the texts were coded using the software NVIVO, a computer-assisted qualitative data analysis software. Scholars recommend such software because of its benefits to accelerate the analysis process by

| ANALYSIS STAGE A: REDUCTION OR BREAKDOWN OF TEXT |
| Step 1. Code Material |
| (a) Devise a coding framework |
| (b) Dissect text into text segments using the coding framework |

| Step 2. Identify Themes |
| (a) Abstract themes from coded text segments |
| (b) Refine themes |

| Step 3. Construct Thematic Networks |
| (a) Arrange themes |
| (b) Select Basic Themes |
| (c) Rearrange into Organizing Themes |
| (d) Deduce Global Theme(s) |
| (e) Illustrate as thematic network(s) |
| (f) Verify and refine the network(s) |

| ANALYSIS STAGE B: EXPLORATION OF TEXT |
| Step 4. Describe and Explore Thematic Networks |
| (a) Describe the network |
| (b) Explore the network |

| Step 5. Summarize Thematic Networks |
| ANALYSIS STAGE C: INTEGRATION OF EXPLORATION |
| Step 6. Interpret Patterns |

*Figure 7: Steps in analyses employing thematic networks. Taken from: Attride-Stirling, (2001)*
giving the researcher access to coded text quotations, in a highly intuitive format (Attride-Stirling, 2001).

As a result, two global themes emerged from the arrangement of text. These thematic networks are presented graphically as web-like nets below (Attride-Stirling, 2001). The network serves to “remove any notion of hierarchy, giving fluidity to the themes and emphasizing the interconnectivity throughout the network.” (Attride-Stirling, 2001, p. 388).

The next section, ‘Empirical Analysis of Findings’, covers an extensive part of research, illustrating relevant findings drawn from the interviews and documentation through thematic networks.

5. Empirical Analysis of Findings

As explained in the methodology section 4.4, the analysis of the data was conducted by following the principles of a Thematic Network Analysis proposed by Attride-Stirling (2001). Also, the abductive approach was followed in that the resulting global themes of the analysis were not predefined but instead changed and materialized over the process of exploring selected literature and collected data (Reichertz, 2007). In this thesis, the theoretical framework, was derived from a mix of academic literature, the data collection and analysis process (Reichertz, 2007). It was then successively modified, partly as a result of unanticipated empirical findings and also new theoretical insights gained during the process (Reichertz, 2007). In total, two global themes emerged, namely: “Resources’ Influence on New Esports Teams”, and “External Factors’ Influence on New Esports Teams”. In this chapter, these global themes will be explained with the help of their components, the ‘organizing themes’. These again emerged from the ‘basic themes’ that were directly derived from the coded text.
5.1. Global Theme 1: Resources’ Influence on New Esports Teams

This global theme relates to the theme of the resources’ influence on new esports teams, which aims to provide an understanding on how new esports teams can grow at the professional level. The theme is divided into the organizing themes, which constitute “Purpose of Financial Capital” (5.1.1), “Purpose of Human Capital” (5.1.2), “Purpose of Networks” (5.1.3). The resulting network can be seen below (Figure 8: Global Theme 1:

![Figure 8: Global Theme 1: Resources’ Influence on New Esports Teams. Own Creation](image)

Resources’ Influence on New Esports Teams. Own Creation):

5.1.1. Purpose of Financial Capital

This organizing theme pertains to the fundamental purposes of financial capital for new esports organisations, as characterized by interviewees. In this context, financial resources were identified as critical for the acquisition of other resources such as talented players, for strategic decisions involving title choice and title count and lastly for brand building – all these to ensure growth. For the interview participants, financial capital poses the major foundation to the organisation to grow and succeed in the space. As briefly mentioned above, 3 main purposes were identified throughout the interviews, which comprise the basic themes that I will describe and explore in the following.

BASIC THEME 1: THE MAJOR ROLE OF FINANCIAL CAPITAL IN TITLE CHOICE AND TITLE COUNT
The decision on which title to compete in is seen as one of the first strategic decisions that define the development of any new esports team (Strenczewilk, 2018; Sevilla, 2018).

As the venture eventually grows, the founder and his team can consider investing into other esports titles, expanding their organization and deciding to hire additional player rosters. In contrast to the past years, the interviewees stressed that financial capital is becoming increasingly important if one wants to grow a team in the professional esports titles:

“I mean the best example is in 2015 you could be a guy like me who had 20 grand that was a little yet and start a Counter-Strike team, you know, and that, that’s just not possible anymore. Or at least not at the absolute pro level” (Strenczewilk, 2018, 19:11).

“So, in a way we were super lucky to create Vitality five years ago because we couldn't do that at all now when we started the company with 10k Euros. What would you do today with 10k Euros, in esports team-wise you cannot do much” (Maurer, 2018, 10:57).

Hereby, interview participants reflected that title choice is majorly driven by high financials and emotional attachment towards certain games or the founder’s emotions towards certain games play a decreasing role for professional esports ventures (Wundenberg, 2018, 25:18). Strenczewilk (2018) remembered that it has not made economic sense for him to invest in a Gears of War team, even though people in the company loved to play Gears of War themselves and felt attached to the esports scene behind it. His reasoning was that Gears of War esports did not provide the exposure, the revenue streams and a professional league structure to keep up with other top esports titles (Strenczewilk, 2018, 50:33).

Furthermore, interviewees emphasized that only a handful of game titles and their league / tournament infrastructure realistically allow an organization to grow economically to compete on the top professional level. Namely, the interviewees stated that these games are CS:GO, Dota 2, League of Legends and Overwatch (Wundenberg, 2018; Mallant, 2018). The respective leagues grew with the fast rise in popularities and started to differentiate themselves from other esports disciplines with improved infrastructure, which they saw reflected in metrics such as base salaries for pro players and brand
exposure for the team (Strenczewilk, 2018). Thus, interviewees held the opinion that opportunities for new esports teams were viewed to heavily decrease within the very top professional leagues over the last years and the possibility to “just giving it a shot at these game titles” vanished and made space for increased infrastructure within these ecosystems:

“Walk into a more safe system and you walk into a more clear path forward. Just the opportunities are less.” (Strenczewilk, 2018, 19:11).

By means of such developments, interviewees seem to put heavy emphasis on the acquisition of financial resources to grow teams in one or more of the top game titles (Sevilla, 2018; Strenczewilk, 2018; Maurer, 2018). Thus, the amount of financial resources is seen to decide major strategic paths such as if the new venture can fully employ players & staff in those titles. And this in turn is viewed to impact how the new esports team can develop its organizational structure.

Lastly, the question on “why financial resources dictate title choice and title count”, was often illustrated by the example of the North American LCS (NA LCS) and League of Legends European Championship (LEC), in which the interviewees’ teams are competing or have competed at the time of the data collection. Game publisher Riot Games introduced the franchising system in 2017 and 2018 respectively, which resembles the business model of major American sports leagues like NBA or NFL. The franchising model requires participating teams to have financial resources of 10 million Dollars to buy-in a spot in the league (Sevilla, 2018; Mallant, 2018):

“Teams cannot really reach the LCS, so at this point you either have the money, I think with franchising you need 10 million to get in and then you need the money to pay salaries and structure and so on.” (Sevilla, 2018, 05:15)

BASIC THEME 2: FINANCIAL RESOURCES ARE VITAL TO ACQUIRE QUALIFIED STAFF EMPLOYEES
In this basic theme, interviewees explained that growing & succeeding in esports means to have the financial resources to acquire qualified staff employees. The interviewees gave similar reasons for this opinion, but they also provided individual viewpoints that further substantiated their statements.

Most respondents formulated the opinion that the high importance of possessing competitive financial resources for staff acquisition is driven by the current lack of available qualified staff, who bring the right qualifications to professional teams:

“It's very, very clear that there are only a few really good people and everyone wants them and I don't mean the players. I mean the staff, ..., There are so few people that are really skilled in business and also incredible in esports. Those two things together are such a rare commodity that that's where having money to go get those people's really important. (Strenczewilk, 2018, 36:22)

According to Strenczewilk (2018), the supply of available qualified employees in esports is seen very low, but at the same time the demand for well-qualified employees in the pro scene seems high, as emerging professional esports organizations require the qualifications of those scarcely available staff people. He argued that currently, new esports teams can differentiate themselves from the mass if they are able to offer compelling salaries that outcompete those of other professional teams. In agreement, Wundenberg (2018) described the acquisition of “proper manpower” (10:15) as extremely difficult and highlights that “that’s what most other organizations that we talk to, not necessarily teams, but also brands that want to get into the space. They all agree on that.” (Wundenberg, 2018; 10:16). But in contrast, he further pointed to the case that professional esports teams also need to financially compete with other industries / for talented people:

“Because the people that are just in there for the money and that are highly talented and maybe motivated by money, they will go elsewhere. Right? They'll go into banking, they will go in all kinds of companies that pay much more than esports. Probably not as risky, right?” (Wundenberg, 2018).
Lastly, owner and co-founder of the Unicorns of Love Mallant generally viewed that money is the major factor that allows new esports teams to attract qualified staff employees. But in contrast to the reasonings provided by Strenzewilk (2018) and Wundenberg (2018), he stressed that financial resources become increasingly important because other professional esports organizations pay employees excessively well for what their job entails:

“People are willing to pay a team manager 150 to 200,000 Euros a year for a job which more or less every key account manager can do in the company for 50,000 or 40,000...I think in esports at the moment, you have a lot of under-qualified people with very over well paid and this is something which in the normal industry would directly wreck a company” (Mallant, 2018, 47:52)

When talking about the use of financial resources to hire people, the expert interviewees tended to separate notions on staff with notions on the professional esports players / athletes. In the following, I will describe and explore the second basic theme, which takes its part in further describing the organizing theme “Purpose of financial capital”.

**BASIC THEME 3: ABILITY TO COMPETE TO ACQUIRE TOP PLAYERS (SALARY)**

In this third basic theme, respondents discussed how the purpose of financial capital is reflected in the ability to acquire top players. As such Mallant (2018) noted:

“These kind of players, when you hire them they are a capital for your company, and of course you can say, okay, I'll pay him $300,000 or $400,000 and then the next company comes and say, okay, pay $500 to $600,000.” (Mallant, 2018, 50:19)

They viewed that growing an esports team to a professional level partly requires to possess a lot of money to offer salaries for attracting top pro players. Both Wundenberg (2018), but also Mallant (2018) assess that high salary allows teams to attract top players, which can translate into growth of the brand because they already have an audience and
are good in the game. Wundenberg (2018) remembered that such paradigms have already existed 10 years ago, when the esports team MYM were one of the first teams to receive large outside investments and consequently had abundant financial resources in comparison to the competition. Apparently, MYM attracted SK Gaming’s top Warcraft players at that time through wide-over-industry-standard player salaries to them. But, he assessed that MYM was rather an outlier at that time and remembered that the investor of MYM pulled out because there was no real return for them, after which MYM collapsed (Wundenberg, 2018). In the current state, competition over the best-possible players was seen to become increasingly common in the professional scene: especially teams from North America start to increasingly rely on funding through large investment (Forbes, 2018), which means that they have significantly more money than the majority of professional organizations.

Besides, interviewees also held the opinion that the professional esports teams with abundant financial resources, pay player salaries that are disproportionally high to the return their organizations currently generate. And in their evaluation they prognose that such developments will result in a risky ecosystem, in which sustainable growth of new teams through profitability will become increasingly difficult:

“For running a professional team, salaries of 1 million or half a million dollars or euros for a player are bizarre in comparison to the income, the revenue an organization could make.” (Mallant, 2018, 17:12)

In contrast, Strenczewilk (2018) has had the optimistic outlook that pro teams will get more and more alternative revenue streams that allow for higher profitability and sustainable growth, so competition over good players will become more equal. Such developments would give room for growth / differentiation that is not solely based one’s financial capability to pay more than the competition (Strenczewilk, 2018).

As of now, they viewed that unless a new esports teams has the financial resources to compete within this ecosystem, it will be difficult for them to outcompete the existing big teams and attract the top players through other benefits (Wundenberg, 2018). Another hurdle for new teams was seen to be that they have to build up a track record of competitive success to showcase their competences in running the organization. So, attraction of top players becomes even more difficult, which is why interviewees viewed
that it is even more critical to develop an advantage over competitors through an abundance of financial resources (Sevilla, 2018; Wundenberg, 2018).

To sum up, the ability to acquire top professional players was seen to eventually go back to the money that the team has available (Strenczewilk, 2018). Possessing or being able to attract such financial capital can serve new esports teams as a major catalyst to jump into the professional scene through first competitive successes (Sevilla, 2018), induced by “top professional players”, who also have the potential to bring their own brand and track record to the team. But, critical voices also pointed out that paying such high salaries might hurt the industry as a whole and prevent sustainable long-term growth (Wundenberg, 2018; Mallant, 2018).

5.1.2. Purpose of Human Capital

The earlier section explored the purposes of financial capital for a new esports team and one of the themes elaborated on how the organization’s financial resources play a major role in the acquisition and attraction of employees. Beyond, all interview participants have emphasized how various purposes of human capital impact the formation and growth of new esports teams (Strenczewilk, 2018; Mallant, 2018; Sevilla, 2018). This organizing theme will now explore the purpose of human capital, as a resource itself.

BASIC THEME 1: PEOPLE WITH ADMINISTRATION SKILLS AND EXPERTISE ARE NEEDED

Most interviewees viewed that having and hiring the “right” people implies that teams need to look for the skills needed in the esports teams:

“*I hire really smart people that know how to do things I don't.*” (Strenczewilk, 2018, 14:44)

How have the interview participants defined those skills? In general, the interviewees had similar notion on such administration skills that were seen valuable to new esports organizations. Firstly, they viewed that successful operation of an esports team requires knowledge about labor law and a country’s legal landscape (Mallant, 2018; Sevilla, 2018).
Mallant (2018) went on to evaluate that new esports teams very often underestimate the relevance of such knowledge:

“Then you need to also get administration skills. So, a company in a country like Germany, with all the laws and all the fees and all the little rules and parts where people are asking you and it's very tough. Rules and laws for labor and player contracts and this kind of things. I think this is one of the most underestimated.” (Mallant, 2018, 43:26)

Sevilla (2018) also argued that such law skills will be a competitive advantage for any esports team in Western countries, as a clear set of esports law has yet to emerge: as the whole industry grows and develops, the issues of mergers, acquisitions and the definition of employment all must be addressed. Other scenarios causing issues for a team were seen to be poaching (poaching is when an agent or a club baits in a young player in an unethical manner), cross-country player transfers or player trades. In Spain, he reflected that “there is no law that takes into account esports under (player) contracts. The most similar thing would be sports, but esports are not considered sports (in Spain), then you are not a professional player” (Sevilla, 2018, 55:04). Lastly, he emphasized that a lot of inefficiencies in new and old professional esports teams origin from a lack of skills in handling cross-country contract law interaction at player transfers. This again, substantiates the value that people with a law background, bring to new teams.

Secondly, day-to-day operational skills were also viewed as important capital for new esports ventures:

“You need a work horse... The work horse, doing the administration and doing the booking of the tickets and checking when the bags are lost or when a plane is missed.” (Mallant, 2018)

Thirdly, ability to manage the esports players on a pedagogical basis and in-depth knowledge all around the title scene were viewed as another resource that the interviewees emphasized helped them grow their teams (Mallant, 2018, Sevilla, 2018).

But, when discussing how players can produce economic value for the team, the focus shifted heavily towards the topic of brand value. Thus, the interviewees defined human
capital differently for the pro players than they did for staff. The second theme will cover these viewpoints.

BASIC THEME 2: PRO PLAYERS HAVE ABILITY TO GROW TEAM BRAND

To ensure competitive success within esports, the team’s / pro player’s game performance was logically seen as the core part for operating an esports team (Mallant, 2018). But, the interviewees have especially touched upon the brand growth that pro players can bring to the venture. For them, winning titles was seen as the best means to gain popularity and fans (Maurer, 2018), but they did not exclusively reduce it to that: they assessed that teams can become more popular in the scene, if the players bring recognizable factors outside of in-game performance, such as certain personalities or an image that can be complemented with the team brand (Mallant, 2018; Maurer, 2018):

“Having a player like Rekkles. You have... That's an example, is bringing fans & recognition, and some people looking forward to... So these kind of players, when you hire them they are a capital for your company” (Mallant, 2018, 50:19).

The opportunity of creating brand value through pro player personalities has been compared to football players like Ronaldo. Here, they also viewed that hiring an established pro player requires the team to offer the right salary and the right team brand value: both of which new teams initially tend to lack as no proven success record exists or no brand value is attached to the team yet (Sevilla, 2018). Alternatively, spending resources to acquire, train and guide talented players was seen as the more realistic and still feasible option to successively grow new teams (Sevilla, 2018). For example, Mallant’s initial Unicorns of Love team was formed around a group of talented players, who were unknown to the professional scene and never played together competitively. The players and staff managed to achieve competitive success in the leagues through their unconventional play-style and fun personas, which created a story and a recognizable brand for the team (Mallant, 2018). On this foundation, they were able to attract very known pro players after some of their initial players departed.
One tension mentioned by the interviewees here was the tension between player brand and team brand. They found that oftentimes, player brand does not necessarily translate into team brand so they emphasized the organization’s obligation to allocate resources to build up a distinctive, recognizable and authentic brand that does not deteriorate with the players’ departure (Maurer, 2018; Mallant, 2018). This is seen as a challenge, since it is the players and their competitive storylines that mostly grow the brand of the team and in case the player leaves the team, they assess that very often fans follow them instead of sticking with the team:

“So people need to love your player. But then the tricky part is how do you build on your team brand instead of only the players. Because as you know, in esports, a lot of fans are attracted by our players, but if the player changes teams the fan would follow in a lot of cases, that's really kind of harmful for the business.” (Maurer, 2018, 5:43)

5.1.3. Purpose of Networks

Another organizing theme emerging from the interviews is the purpose of networks for esports ventures. Here, respondents explained how connections to people, within & outside the esports space, give new teams the ability to access and acquire other important resources.

**BASIC THEME 1: ACCESS TO POTENTIAL HUMAN AND FINANCIAL RESOURCES**

Respondents viewed that connections to incumbents of the esports scene enables access to potential human and financial resources (Wundenberg, 2018):

“Network is incredibly important because at the end of the day, you're always dealing with other individuals, other companies, other people, um, and you need to have a strong network, otherwise you're not going to get any sponsors and you're most certainly not going to get any financial backing.” (Wundenberg, 2018, 41:29).
Interview participants find this because esports and online gaming origins from the internet, so its members have always been connected to each other anywhere at any time. Building personal & professional relationships through the means of internet (Skype, Social Media etc.) is seen as a normal part of doing business in esports (Wundenberg, 2018; Sevilla, 2018). Also, esports is seen as a community that welcomes anyone who shows passion for esports and can bring progress and improvement to the idea of competitive gaming:

“Esports owners tend to be folks that came from gaming, they come from more communal access, a communal, um, a more community idea. Right? ... Like, yes, we’re hyper competitive with one another, but in a much more friendly way, I would say, in a much more outwardly supportive way.” (Strenczewilk, 2018, 21:07).

These traits make it necessary for people, who want to build an esports team, to put effort into talking and getting to know people in the space: players, managers or even publishers (Wundenberg, 2018). In their view, opportunities to connect to industry people are abundant: tournament venues (Gamescom or ESL) or esports conferences serve this purpose and social media is a more than accepted means to connect to people in esports: whether it is on a personal or professional level (Strenczewilk, 2018). Thus, network was viewed as a key premise for starting a professional esports team without which one is very likely to fail (Wundenberg, 2018).

BASIC THEME 2: SUPPORTS TEAM TO MAKE INFORMED STRATEGIC DECISIONS

Apart from access to resources, strong relationships to esports veterans or so-called advisors were seen to help one’s team to make informed strategic decision. Such a strategic decision can for example comprise which pro or talent to hire to the team (Wundenberg, 2018). Strenczewilk specifically emphasized that knowing great advisors within esports helped him in a lot of strategic decision, when he started Splyce:

“It is critical and part of why we’ve been successful is I got to have people like Odee from Dignitas, Kevin Lin from Twitch and folks like
that as my advisors who can help you through critical times. And that resource is one of the most important and often overlooked.” (Strenczewilk, 2018, 38:00).

The above mentioned illustrates how networks were not just viewed as potential access-gates to resources, but interviewees also utilized relationships as a source for esports-relevant advice. It was also seen to be in the advisors’ interest to share knowledge and insights with selected emerging esports teams because the esports ecosystems thrive from growing teams that balance competition:

“There literally cannot be one Splyce because we’d have no one to play against. Right. And so I think that from an organization perspective, it is very powerful. We want each other to succeed, the right owners, obviously the right organizations and there’s a reason I talked to many owners on a regular basis discussing how we might grow this industry and how we can help each other, but at the same time obviously making sure I want, I want to be number one, right.” (Strenczewilk, 2018, 30:55)

“So we need competition. We need strong contenders that can compete to acquire the best players, compete to acquire the best brands as partners.” (Maurer, 2018, 20:27).

It can be concluded that having connections and relationships with people within the esports industry is a necessary condition to access resources and to execute more informed strategic decisions, but networks alone are also not seen sufficient (Wundenberg, 2018).

5.1.4. Summary

In sum, interviewees reflected on the important role of resources, especially the financial ones, and they illustrated the interrelationships and dependencies of these in the context of professional esports. First, possessed financial resources were said to give the new team a direction on which and how many esports titles it can compete in. Second, financial resources were identified as the catalyst to compete in the professional space to attract qualified staff employees. Furthermore, interviewees explain that resources in the form of human capital also influence the growth of a new esports team. Staff employees were
seen to bring growth to the team through their skills and expertise about business, rather than through knowledge from an esports background. Especially administration skills were valued high by the interviewees because esports teams have a lot of hands-on tasks (e.g. travel schedule organization). On the other side, players were viewed as capital whose major growth contribution is constructed through its potential to produce brand value for the team: this potential can translate to new fans and brand recognition. Lastly, respondents saw networks as a primary means to get stakeholders interested into one’s team, which can be valuable to acquire money from partnerships or to hire potential staff or players. Knowing and building relationships with people in the esports industry was also seen as beneficial to make more informed strategic decisions.

5.2. Global Theme 2: External Factors’ Influence on New Esports Teams

From the interview responses, the global theme “Industry / External factors’ influence on new esports teams” emerged. This global theme relates to how interviewees view the role of certain industry / external factors in the context of professional esports. The theme is composed of the organizing themes “Abundance of Player Talent in The Space” (5.2.1),

![Diagram](Image)

*Figure 9: Global Theme 2: External Factors' Influence on New Esports Teams. Own Creation*
“Lack of Staff Talent in The Space” (5.2.2), “Entry Barriers are becoming very high” (5.2.3) and “Geographic Limitations” (5.2.4). The resulting network can be seen in Figure 9: Global Theme 2: External Factors' Influence on New Esports Teams. Own Creation

5.2.1. Abundance of Player Talent in Esports
Respondents viewed that hiring talented players is one of the easier tasks for a new esports team because esports game titles generally have an abundance of talented players (Strenczewilk, 2018; Sevilla, 2018).

BASIC THEME 1: THE ONLINE NATURE OF ESPORTS

One reason with which they substantiated the abundance, has been the online nature of esports that exposes new teams to opportunities to hire teams with less concern for geographical boundaries within one country or one continent (America and Europe).

“There is many many players, so it is a situation where organizations have been exposed much more. So, I think it is kind of much more global.” (Sevilla, 2018, 46:55)

“It is a very international phenomenon. You got tournaments all around the globe. You have got players from all the countries. Um, and that's just the nature of it, right?” (Wundenberg, 2018, 52:46)

The notion was that new esports teams do not have to spend significant resources in scouting pro players or talents because access to such information is extremely easy to attain through various sources in the internet, whether it be social media or in-game player databases. So, esports as an entertainment form that simultaneously holds competition and is consumed through the internet, allows for a very large pool of potential talents to choose from: however, the abundance of player talent was not by any means relegated to the online nature of esports.

BASIC THEME 2: REFRESHING POOL OF TALENTED PLAYERS
Therefore, game developer & publisher of esports games also played a role for the development of an esports team in the eyes of the expert interviewees. Given that the game developers keep their game at a competitively balanced and exciting state, interviewees held the opinion that some players will always contest for the highest level of in-game competition. Consequently, the competitive nature of the games will **ensure an always refreshing pool of talented players**, from which new esports venture can form a team or recruit individual talents:

> “Especially in this industry where it's very, very clear that there are only a few really good people and everyone wants them and I don't mean the players. I mean the staff, um, because there's like a rigorous replenishing pool of talented players. Now there's always a tough one, but the point being, it's not like we're, regularly running out of really great player, right?” (Strenczewilk, 2018, 36:22).

**BASIC THEME 3: IN-GAME RANKINGS PRODUCE STREAM OF TALENTED PLAYERS**

In addition, interviewees held the opinion that rankings and ladders in the game facilitates filtering undiscovered talents from the large player base. So, another dominant viewpoint across the interviews was that **in-game rankings / ladders produce a stream of talented players:**

> “I mean there's so many tournaments in the amateur space and ranking systems and ladders and everything. So, there's quite a significant pool of people to pick from.” (Wundenberg, 2018, 14:09)

Furthermore, in-game rankings or ladders were viewed as a reliable metric to assess the skill-level of prospective players, which facilitates comparison, scouting and hiring of potential talents (Sevilla, 2018). At the same time, interviewees note that the abundance of player talent should not be taken as a guarantor for easily forming a functioning team as climbing in-game ladders does not train all the skills needed in professional competition:
“Finding players is much easier than finding talent in any other position, because in any game there is a ladder and there they are kind of being trained. Of course, they are not being trained for competitive environment, (but) there is not anything similar to the ladder for the staff you know. So, the volume of players is much much bigger and the amount of training they have is much bigger.” (Sevilla, 2018, 45:31).

Based on the arguments mentioned above, respondents agreed that the high availability of talented players is an opportunity for new esports teams to steer into the right direction and make the right decisions when hiring players. As can be seen by the respondents’ quotes, the pattern emerged to distinguish availability player talent from the availability of staff employees emerged. Thus, another organizing theme that emerged from the interview responses is the “Lack of Available Qualified Staff in The Space” (5.2.2).

5.2.2. Lack of Available Qualified Staff in The Space

In this theme respondents generally viewed that the industry still lacks talented staff to fill enough job positions for esports teams (Strenczewilk, 2018; Wundenberg, 2018; Sevilla, 2018). This external circumstance is seen to complicate the process of acquiring qualified staff for new & existing esports teams.

BASIC THEME 1: PEOPLE FROM TRADITIONAL SPORTS DO NOT HAVE ENOUGHKNOWLEDGE ABOUT ESPORTS YET

The notion of esports still being a very young industry, especially on the business side, is seen as central to the lack of qualified staff (Maurer, 2018). But, as esports is growing at a very fast-paced and is increasingly becoming lucrative for career pursuits, respondents also stated that with the right financial incentives, people from traditional sports or other industries could be considered. Though, they urged to select carefully because in their opinion, people from outside esports do not have enough knowledge about esports yet:
“Esports is a really young industry and for some old people from traditional sports that are actually highly qualified or trained for sports haven’t learned enough about esports yet. Same with people from business or from other industries. So, I think for the last few years, there is more people migrating, but I feel that they do not have enough know-how yet” (Wundenberg, 2018; Wundenberg (2018) viewed that some of these people bring in high qualifications from their traditional sports jobs, but they lack knowledge about esports. In contrast, Strenczewilk (2018) valued the migration trend and underlined the qualities that those people bring to professional esports teams. He opposed the notion that deep esports knowledge is the major qualification that staff should bring to help succeed their esports teams. Due to the growing professionalization of esports, he rather evaluated that experts of traditional sports businesses, who bring valuable knowledge about the overall process of building entertainment businesses, are important for teams that want to compete on the professional level (Strenczewilk, 2018) – and that such people are currently lacking in the esports industry:

Hiring from outside to other traditional sports world is like, you saw Env
ey just hired a guy from the Dallas Stars and Immortals hired people, et cetera. And those types of folks bring a different kind of process. They bring process building an entertainment company and that's less about the day to day process and more about the overall building a company process. So, um, I think that both are really valuable and incredibly, I would say incredibly lacking right now and we're getting more folks. (Strenczewilk, 2018, 42:40)

BASIC THEME 2: EXISTING TEAMS STRUGGLE TO FILL JOB POSITIONS WITH QUALIFIED STAFF

Furthermore, they based their opinion on the deficiency on their observation & information that existing teams’ struggle to acquire or fill job positions with qualified employees:
“What is really keeping lots of large number of the teams from being successful is that I think staff and manpower and networking power.... I mean getting proper manpower is extremely difficult in the space. (Wundenberg, 2018, 10:15)

For Strenczewilk (2018), this lack was seen as a clear opportunity for newer teams to shake up the industry and gain a sustainable competitive advantage over the veteran teams in the space. As a reason, he pointed out that a lot of the competitors are very inefficient and “wasteful” with their resources, which means a favourable circumstance “for the right person with the right resources to come in and grow faster, be more efficient” (Strenczewilk, 2018, 43:45).

BASIC THEME 3: EXISTING AND POTENTIAL STAFF LACK EXPERTISE

In this basic theme, respondents mentioned that a lot of existing and potential employees do not have high enough expertise and knowledge to create value for professional teams (Strenczewilk, 2018; Sevilla, 2018; Wundenberg, 2018):

“...So, I would say that it is extremely difficult to find a person that meets / has enough know-how on the esports side and has enough know-how on the business or whatever side. There are a few, but it is tough.” (Sevilla, 2018, 43:05)

“So some have the experience, some are just very ambitious so there is a bit of a matching issue.” (Wundenberg, 2018, 10:15)

BASIC THEME 4: CURRENT STAFF IN TEAMS HAVE GROWN WITH ESPORTS

Lastly, most interview participants justified the lack of qualified staff with the current state that most people who work or want to work in esports teams, come from and have grown within esports. And in their opinion, these “esports-born” people do not bring the required skills and knowledge to anymore to serve professional esports team:
“People from the industry normally are players before becoming staff. This means that they are really young and they do not have experience in anything that is not playing video games, or nearly. So again, they need to build the know-how and the expertise. (Sevilla, 2018, 43:00)

“You see the same people where you have big question marks, how can it be that they are still in the position and they are all 22 or 24 years with excellent titles. And when you ask what they studied and how, how much years of experience they had before they got in this position, you get question marks” (Mallant, 2018, 47:52)

5.2.3. Entry Barriers are becoming very high

Entry barriers were observed to increase significantly in the last few years, especially around the professional esports titles. This was seen to limit growth & development opportunities for new esports teams (Strenczewilk, 2018; Wundenberg, 2018; Sevilla, 2018).

BASIC THEME 1: CAPITAL REQUIREMENTS FOR MAJOR LEAGUES INCREASES

First of all, industry barriers in form of capital requirements for new esports teams have become immensely high over the last years. Respondents frequently mentioned the introduction of the franchising model for various top-professional esports disciplines as the catalysator for higher entry barriers and thus less growth opportunities for up and coming esports teams. Top esports titles such as League of Legends or Overwatch changed their highest competitive league structures and introduced the franchising business model over the years 2017 and 2018. And for eligibility one major criterion for teams is to buy a league spot for around $10 mn. As a team that has built an own recognizable brand and also majorly shaped the EU LCS for 3 years, the Unicorns of Love surprisingly did not get accepted into this new league format by game publisher Riot Games. Apparently, the vastly increasing capital requirements disallowed Mallant
and the Unicorns of Love re-entrance into the EU LCS, as they have not been able to acquire enough outside investment:

“As soon as one wants to go into the professional scene, in the top scene, it's almost impossible in the meantime because it's all driven by tons of money. I mean, when you want to play League of legends, uh, you have to bring in at least 10 million euro and you have to bring in about another eight to 10 million for losses in the next four or five years to run the organization professionally.” (Mallant, 2018, 18:43)

5.2.4. Geographic Limitations

Respondents stated that the decision on which esports title to join and build a team around is a decision that can be limited through given circumstances and this can have an influence on the growth of new esports teams. This organizing theme therefore discusses which aspects limit the team’s title choice, which essentially is a limitation in strategic opportunities.

BASIC THEME 1: LIMITATION ON FREEDOM OF STRATEGIC TITLE CHOICE

Notably, respondents with teams located in Germany, viewed that the geographic location was and is a hinderance that has limited their freedom of strategic choice regarding titles. Wundenberg (2018) and Mallant (2018) both point to the omnipresent negative attitude towards first-person shooter (FPS) games in Germany, which reached massive following after the gun shooting incident in Winnenden in 2009. Investigations after the incident revealed that the perpetrator was playing Counter-Strike most of his free time. Thus, parents as well as German companies usually link FPS games to violence and aggression-instilling. For FPS game-based teams located in Germany this means that they have a lot less opportunities to find sponsors & partners with local businesses as companies do not want to be associated with them (Mallant, 2018):
“When you want to achieve to be one of the biggest esports organizations in Germany, you automatically have problems with Counter-Strike or PUBG or this kind of games because it's not accepted by big part of the German industry” (Mallant, 2018, 35:35).

“If you look at compliance, shooter games are still big of an issue in Germany especially. So that's something that we are aware of and need to be aware of going forward.” (Wundenberg, 2018, 30:26).

Since the beginning of esports, FPS titles were always a big portion of what one would call esports at a professional level and despite the rise of other genres, it still has its solid and growing position in the space. The largest scenes are Counter-Strike Global Offensive (CS:GO), Player Unknown’s Battleground (PUBG), Call of Duty series, Halo & Quake Champions as can be seen in the ranking shown in section 2.2. Especially CS:GO is extremely popular in Western esports, with top teams across Europe and North America: Astralis (Denmark), NiP (Sweden), Cloud 9, Faze Clan (U.S.A) just to name a few. These and also newer teams from these regions have the freedom to strategically build their team identity around FPS titles:

“Based on the geographical location it is basically already decided, which titles you can take or not” (Mallant, 2018, 39:22).

But for esports teams e.g. in Germany, regardless of new or old, such limitations were seen to put them into disadvantaged position as partnerships and sponsorship with major German companies will not be possible with a FPS team. Wundenberg (2018) emphasized that not only them but also new teams in Germany need to consider this and look into opportunities in other genres.

5.2.5. Summary

To sum up, interviewees pointed to various external factors that play a role in professional esports and can have positive and negative effects on a new team. Firstly, it was argued that player talent is abundant because of esports’ online nature which facilitates acquisition of players. Then most respondents viewed that esports titles, have a frequently refreshing pool of new talents and this circumstance creates opportunities rather than
limitations to hiring player talent. Lastly, they noted that every esports game has an in-game ladder / ranking system in place, which automatically induces a high level of competition and thus naturally selects the best performing players. They valued that ranking systems provide a great training ground for players. But, respondents also perceived that ladder and ranking systems do not necessarily provide the player with the qualifications to be a professional player and such training needs to be provided by the team through qualified staff.

In contrast, the pool of staff talent was seen as scarce in the professional scene. They viewed that currently, a lot of people who want to work in esports team do not either bring the right skills or extensive esports knowledge to the table. Such a combination is seen very rare. Furthermore, they explained their assessment with the aid of their observations and impressions that a lot of incumbent teams currently struggle to hire the right people to fill staff positions. Then, interviewees assessed that entry barriers to the professional level have become very high because of increasing capital requirements. Lastly, geographic circumstances were seen as influential and sometimes limiting for the freedom of strategic choice of titles. Countries that have certain stigma towards certain genres, especially FPS, were confirmed to complicate development of an esports team in that scene.

6. Discussion

After having presented the findings through the thematic networks, the main findings are discussed in the light of the research question. We must remember that that this was an exploratory study designed not only to produce substantive findings but also to generate some initial ideas about the phenomenon of esports. The first section of the discussion, practical implications, aims at providing consequences to potential scenarios. And then, limitations of this paper are presented and in a breath suggestions for future research to build upon this work will be provided.
6.1. Practical Implications

Firstly, based on the findings one could implicate that new teams need to follow strategic focus when looking into title choice and count. One could argue that a focused strategy makes sense, in which the organization channels its resources on one team in one of the esports leagues outside the absolute top 5 titles (as previously shown in Figure 4: Top 15 esports titles ranked after annual prize money awarded in 2018. Source: Adapted from esportsearnings.com (2019) and Goldman Sachs (2018)). Reaching the highest leagues in the top titles seems to have become very unlikely due to the high capital requirements. But, one might speculate that in the long-run, starting off with a team in “less” popular esports leagues might be more resource-efficient because capital requirements are much lower (player salaries etc.). The first competitive successes in such “niche” esports could raise interest from potential partnerships & sponsorships. With the additional resources gained, the team could start to expand onto other titles, if feasible. Also, as the respondents emphasize, the esports community is very interconnected within the professional scene: thus, it can also be an opportunity to build a network with industry people easier than one when trying to penetrate the LoL or CS:GO scene. Because in those two, there already exists a tight network between the power houses, with their owners, CEOs, players, managers, staff, with whom business relationships do not come as easy for newcomers.

Interviewees found that player talent in esports is abundant, because of the online nature of esports, with its in-game ladders and rankings that serve as sort of an automatic self-selecting system – neutrally filtering out the talented players from the player base based on their in-game performance. From this, one could implicate that the performance level required to be a professional esports athlete is currently not at the state that gamers have to force themselves to train the game or attend an institution such as a club or school. In football, the professional level has reached such heights that children already at a very young age are sent to a local club, if they want to have any prospects for a professional career – this is not the case for professional esports (yet). From an organization / start-up perspective, one could conclude here that investment in a talent scout or recruiter are rather obsolete at the moment. Teams that want to form a team of talented players can bank on the filtering system of the online games and instead focus resources to other activities within the organization, such as for example a performance / psychologist expert,
or someone who brings forward the branding. As a result, the abundance of player talent in esports could be seen as a “safe” factor that new esports teams do not heavily need to consider when growing its business.

But, as was found in the organizing theme “Purpose of Financial Capital”, substantial investment money is becoming a critical factor to compete professionally. As more and more money is at stake, increasing extrinsic monetary incentives might lead to an increase of performance level for being a talent, which cannot be reached through pure diligent leisure gaming at home anymore. Maybe this will develop into a direction in which the time investment - outcome relationship does not pay out for players anymore, so they become stressed with the game. One could hypothesize that this will open up opportunities for institutions such as schools to emerge, providing players with professionalized training that improves their in-game skills more time & energy-efficient. Besides, the school could provide further training for skills other than in-game mechanics and strategic understanding, such as mental training or communication skills. As such one could also assume that this is the reason why esports schools or academies currently show minor success.

Another finding encompassed the view that highly-skilled people, especially business and law expertise, are increasingly needed by new esports teams to grow. Expertise in country laws & regulations were seen valuable and a major resource that would ease operation throughout formation and growth for new esports organization. Future developments, might see increasing government support esports in the Western countries, but as long as such developments have not taken place, especially skilled people around law could be the resource that sets one’s venture apart from the sea of new esports teams that emerge currently. At the same, interviewees found that such people are currently lacking in the industry. Since more and more money is involved and leagues become more professional and structured, teams seem to naturally move into a direction, in which they fill certain jobs, much like in traditional businesses or traditional sports clubs. Therefore, an implication for a new team could be that additional time and financial resources invested into intensive & careful staff talent scouting might seem as a wasteful use of money at first glance, but can prove itself to save multiple amounts of time and money: and it can therefore facilitate of the hurdles that new teams encounter.
6.2. Limitation and Future Research

The first limitation of this thesis is the time horizon. This research provides a present understanding on what and how factors influence the growth of new esports teams. But, the esports industry is currently in constant change towards more professionalization and structure. Therefore, some factors such as the financial resources might become even more important in the future. Nevertheless, this thesis still provides knowledge on entrepreneurial environment of professional esports, given the current lack of academic research.

In conducting qualitative research, the population of interest excludes primary data from interview participants from entrepreneurial organizations that do not operate on the professional level. As mentioned throughout the thesis, esports can be performed both on an amateur or a professional level and the overall environment looks immensely different between these two. Through a combination of primary and secondary data an understanding of what constitutes professional esports, emerged. Thus, the results of this thesis can only be understood within the scope of professional esports. Future research, could explore in the same manner, this time with qualitative data from interview with people in the amateur scene.

Furthermore, esports is a global phenomenon and especially the Asian region has major emphasis in a lot of professional esports titles. Much of the current industry growth in esports comes from the China. One limitation of this study is that primary data sources from the Asian region, especially China and South Korea, is not included due to language barriers and accessibility of experts. Thus, findings in this study relate to the Western esports scene. Future research could set out to explore in the same manner for the Asian esports region.

Lastly, this thesis identified growth factors and explored how their interrelatedness was seen to affect esports teams – based on the viewpoints and experiences of the experts and their teams. But, this thesis did not study actual quantifiable growth measures for their viability in esports, which poses an area for future research. As industry grows and teams eventually become more professional and profitable, profitability could emerge as a viable growth measure for esports teams. Therefore, future research could aim for mix-
method research, consisting of both a quantitative prediction model that is supported by qualitative data.

7. Conclusion

Esports is an emerging industry that has started to develop more and more infrastructure to professionalize its leagues. As of now there is a lack of academic interest in conducting research on esports. But, esports is an entrepreneurial phenomenon that is characterized by change, newness and constant development, which is why it is interesting to further study this phenomenon.

Therefore, this thesis aimed to explore the factors that influence the growth of new esports teams. Existing new venture growth studies have relied on quantitative prediction models that often failed to grasp the richness and complexity of the context in which entrepreneurship happens. As a new source of inspiration, in this thesis a qualitative approach was used based on expert interviews and thematic networks analysis as a methodology to gain a contextualized understanding of the factors and their interrelated influence on the growth of new esports teams.

From the two global themes, the findings emerged that various types of resources and external factors influence the esports ventures on their way to growth. The themes also show that one factor’s impact on growth cannot be observed in isolation, but needs to be explained in coherence with other circumstances that exist in and around the esports team.
References


Larrañeta, B., Zahra, S. A., & Galán González, J. L. (2014). Strategic repertoire variety and


organizational advantage. Academy of Management Review, 23(2), 242–266.


Appendix

Interview 1: Marty Strenczewilk, Splyce

Jin-Su: 00:00 Let’s start right away. I would just give a short introduction to my thesis. So, basically what I want to explore is what are the success factors for new esports teams? So, what determines that a new venture can perform worse, succeeds, survives in the industry. I would just like you to briefly give a short introduction of yourself, your position within the company and main responsibilities.

Marty: 00:54 Sure. So, Marty Strenczewilk otherwise known as Lazzerchicken. I'm CEO and cofounder of Splyce, I'm currently running the company, so run day-to-day operations, hiring, business development, fundraising, all that good jazz.

Jin-Su: 01:13 First of all, in order to understand how new venture performance in esports could look like, I would like to ask: what is your personal definition of a successful new esports venture?

Marty: 01:38 When you say it's esports venture, do you specifically mean a team or do you mean any company.

Jin-Su: 01:41 Yes, I have to clarify that before. So I'm basically, I'm referring to an esports organization, that's competing in several titles, so an esports team.

Marty: 01:58 Exactly. Because that's obviously, it's very different than like a tech company.

Marty: 02:05 No problem. Um, so, so number, I guess just to be clear, you’re asking how, how I would define success, not necessarily what things I would tell someone duty test for, right?

Jin-Su: 02:19 Yeah, exactly. How do you define success exactly?
Sure. So number one, is, I think it's not as tangible, but it's super important is a growing a brand presence globally. So, a big part of what this is, is for anybody is brand planning, right? You're growing brands. I like to point to the Yankees here a lot because I don't like baseball, but I still know a lot about the Yankees because it is a big brand. Right? And so that's the number one probably most important definition of success is how is your brand growing? That does mean twitter followers, quality. They way you speak about your brand. What business partners want to work with you? Um, I think there used to be an idea that it was just purely like, oh, you have extra X's, so you have more Y's. So you're more effective than the other, right? That's not the case.

Number two is a, I guess I'd say a strong, successful presence in some, or most of your games, I would say no one's going to be successful, all of them. So you're going to always have some that are in worse shape than others, but that you are relatively a successful organization. I won't pick on anybody, but there are some organizations that have plenty of resources that are not a competitively successful and you can tell it hurts them in their position because with the resources they have, they should be number one. Right. And they're not. Because part of it is that they don't.

So, and the third thing I would say, I would say diversifying revenue, as you know, four or five years ago it was like sponsorship, merchandise and prize money pretty much, you know, and then we got in-game goods which started to diversify that then content, streaming and um, but, I think to be successful in this business, you have to really build out a diverse portfolio of revenue streams so that number one, your businesses and beholden to a single revenue stream, but number two so that you have a wide
source of growing revenue, so you can go more rapidly that way. In the next couple of years it is gonna be a kind of a defining years of who's going to be here in the long-term, right? Who are the power players?

Jin-Su: 04:38  Yes. As someone who wants to found a new e-sports venture in that sense organization as we defined it before. These are also the aspects that you would initially focus for?

Marty: 04:59  Yeah, I mean the biggest challenge for someone new is that you'd have to sink. like every year it's gotten that you'd have to sink more and more money as a loss, gain momentum, right? So, um, heavily hit the point where it's still worth sinking that amount of money in to get up to speed of the other teams. The amount that we had to sink in and then even further back the amount, let's say that Cloud9 had to sink in and then let's go further back and see the amount that TSM had to sink in if you use some various periods of time, it was incrementally less because it was less expensive to get big or grow or become preeminent earlier in the industry. So, in 2018, 2019, 2020 its obviously multiplicatively more to play in this field, especially because now it might be a franchise to jump to that level like the rocketeers did or the cavaliers.

Marty: 05:51  And I think that's number one. And number two is that there is in the sens of upsets. That's the same thing is there is a lot of room, I think for what I would call no different than by the leagues in baseball. So the other levels of professional, it doesn't all have to be absolute tier one, premier league or nfl or whatever it is. I'm sorry. I think people get asked that question a lot when they say, how do I start an esports team? What they mean is how do I start Cloud 9? Right. And I think unless, you have a lot of money, that's almost impossible now. But it doesn't mean you can't start the Rochester red wings, which are a local baseball team. I think there's still a lot of room for progress in that area.
Jin-Su: 06:32 I mean that's how Splyce, you guys were also not directly jumping into LCS of course.

Marty: 06:42 Nope, yes we were the 10th ranked Counterstrike team out of 10 when counterstrike was in it's in between phase when it wasn't quite so big yet again in cs go.

Jin-Su: 06:48 Okay, cool. By the way, there might be some questions that you have already provided an answer as I can notice right now, but as I have kind of a structure, I would just go through them and whatever. You can just briefly summarize it again. So, in the literature and entrepreneurship that I'm going through right now, this research is not done in industry specific way, so not only looking at esports or other industries, but it's kept relatively broad. So they say that there are some variables that lead to a successful new venture, like a new venture in general, not esports. These five factors that they mentioned are the entrepreneur, the industry structure, the business strategy, the resources and the organizational structure. As you said right now already, resources are getting immensely important. So what TSM or Cloud9 had to invest was of course extremely low compared to what an aspiring entrepreneur would have to do now.

Marty: 08:27 Let's say Overwatch for example, right, they're launching brands now. It's at multiples more expensive to launch the Boston Uprising or the Philadelphia Fusion than it was to launch TSM.

Jin-Su: 08:36 Yeah, definitely. So out of these five, what would be then your ranking? Resoures first?

Marty: 08:48 I think number one is the entrepreneur, like hands down. A big part of how you're gonna be successful in this space, especially because we have a lot of people that like to talk and not do that. The right entrepreneur that has a dual aspect is going to succeed very well in this space. The resources I think is definitely second though, to your point, there's a, I will say a caveat because the right entrepreneur theoretically have to be able to get them right. Um, so that's
not always true sometimes too, you know, and they don't know that person, but I'd say that's why it's second, obviously still super important, but the right entrepreneur will better get those. What were the other three again?

Jin-Su: 09:33 The other three were industry structure, the business strategy and then the organizational structure.

Marty: 09:41 Sure. So, I think, the organizational structures have become more and more important. So I think that's number three right now because the diversification I talked about, this is how you're going to start to see a team set themselves apart. Like who is going to become the Yankees in the longterm, right? Who's going to become man united and who's going to be the Milwaukee brewers, right. Still major league baseball, but you're not the Yankee not a global sensation, right? Yeah. Um, and a big part of reaching that is how you set up your organization, what kind of strategy execute. Um, I think the industry is last because the industry doesn't affect any different team differently. I think the industry growth is what it is. We're all going to affect it, but it isn't going like we're not. No one's worried that the industry is here to stay at this point or that it's gonna continue to thrive. So it's no longer like, it was a really important question two years ago. Is this a real thing? Is it just a flash in the pan, will continue to grow? Will we get the resources that we need? We're past that. So I think that's number five and whatever the other one was is fourth.

Jin-Su: 10:40 Okay. That's interesting. Yeah, that's a little bit different from what I have initially thought. A little bit off topic industry but you are quite confident that there will be, like there will be a constant flow of titles coming that are big enough to further grow esports?

Marty: 11:12 You know, it's not even that, I just said. So, I subscribe a little bit to the Zuckerberg model that says if you have the eyeballs, he'll figure out a way to monetize them. It's not so important. And
we've got the eyeballs, right? So I think that is, it's a brand that's going to have the power and these are as brands, we've grown more powerful over the years and so that makes it a lot easier to not be so reliant on some exact specifics about the industry and more broadly thrives that conversation.


Marty: 11:44 Two years ago my answer would have been different, you know what I'm talking about, you know, 2018 of July.

Jin-Su: 11:48 That's also what I'm interested, of course the current state, which of course changes quite fast in esports as we know. But then I will continue. And um, as we talked, you also already talked briefly about the entrepreneur. I'm just gonna ask you some very general questions. So number one would be: Why did you decide to become an entrepreneur within esports?

Marty: 12:19 Um, truthfully, I just was passionate fan and saw an opportunity to start a business in my favorite industry that can be considered a mass consumer of esports and that to me was really exciting. Especially because my, I worked in the entertainment industry for a long time, but this is the next iteration of entertainment, first theater, then film, then television for more than a decade. So that's, that's a big part of it was industry specific, you know, you get a lot of entrepreneurs who are out there specifically to be an entrepreneur. They look for a problem to solve. I was looking for a, I was more somebody from this industry who saw an opportunity at, within my space.

Jin-Su: 13:04 So, the next question would be, in what areas do you see yourself as a skilled and in what way do you think that helped you starting Splyce?

Marty: 13:19 Um, so I think my entertainment knowledge was really, really valuable because I knew how I think entertainment infrastructure is supposed to work. I've worked in every size scape and uh,
type of, of entertainment business as I mentioned all over the world. Um, I also think interestingly, I worked in manufacturing for five years and that corporate knowledge was really valuable. I mean, it was a company that was merging together at the time. I joined, so they were trying to figure out how to put all these weird shaped parts together that's kind of like building a business from scratch, right? You know, how do you make new functional ways to work together and how do you build a culture and all these things. And it was all stuff that I was basically related to building a business and one was definitely timing, right? So timing is super, super critical for a few months earlier, a few months later, I don't think it would have been successful and it's that tight of a window.

Marty: 14:09 I really believe that. Um, and the last is I think probably my yearning for constant improvements, like I read a lot and listen to a ton of podcasts and things like y combinator and a startup school and Reid Hoffman and people like that. And I read every book of like every startup that was either successful or failed and tried to figure out what they did right or wrong and, and work from that. So, um, I don't go out trying to reinvent the wheel. I figure there's a lot of, who have already done really interesting stuff. I probably could learn from them. So


Marty: 14:44 I'll add one last thing. I hire really smart people that know how to do things I don't.

Jin-Su: 14:48 Great. Yeah, that's awesome. What is your education. I know we had that already. What is your educational experience?

Marty: 14:59 Yeah, my Undergrad was in theater. I did, I worked in the industry for a long time and then my graduate degree, I was in environmental health and safety management because I thought it was leaving entertainment and though it's not directly related, it's all management and
project management, which is super, super valuable.

Jin-Su: 15:26 So, no previous experience founding companies in any way?

Marty: 15:30 No, I did actually. So in theater, I founded a nonprofit company, so a little different, but it was still building a theater company in New York City. Um, that was around for about five years different, but at the same time, you know, your goal is just to survive, not make a profit. Uh, and so I did that and then also when I first started manufacturing, part of how I got the esports bug is I was working with a startup who I wasn't, I wasn't one of the founders, but I was like employee one and helped build a lot of their infrastructure and help make key decisions and a lot of that made us successful. To your last question is I got to get a lot of those learnings out of the way by learning them instead of making those same mistakes for our company.

Jin-Su: 16:15 Nice. Well that's, yeah, that were all questions considering the entrepreneur as a factor and going to the next. was industry structure and um, I think you already covered that in parts when you had to rank. Um, but I would ask you again, how would you describe the current state of the esports industry? Um, yeah, in terms of entry barriers, market concentration, key success factors. You can summarize it, summarize some things that you already said and yeah, exactly elaborate.

Marty: 16:57 Okay. Um, so I think 2017 was esports coming out already. Like, Hey, we're here. 2018, is kind of a re-establishing here, so 2018 is the year where we really kind of put a foot in the ground, we are not going anywhere, and you've seen that this year with the Overwatch League brides lifetime partnership established a more big enterprises, but you know, taking a more serious focus on the space, bigger investment money. Like I mentioned more diverse revenue streams and you look at our sponsorships, and they're far more non-endemics, than endemics and that
wasn’t the case two years ago. Right? So the status of the industry really is like the, we’re here to stay. People are really taking it seriously. I also think that, um, as I mentioned the model there, there’s no longer a question of: is esports a thing or it is a, uh, uh, what’s it going to be?

Marty: 17:49

It’s less important than the fact that it is going to be a thing and that there’s already enough viewership that it’s worth the time, right? Like it’s doesn’t, it’s not like a startup space where you’re waiting to see if it’s going to come big enough. It’s already plenty. Um, and I also think that a lot of the power shift test finally settled because there’s really good team owners and really good publishers and really good tournament / term organizers and a lot of the old riff Raff is gone away that wasn’t so positive and so it’s allowed people trust each other more and we can build so much more that way. So I think from industry perspective, part of why we’re so successful is honestly that we are not a bunch of nervous organizations like facing each other. Like should I partner with that publisher or that term organizer because they might be bad, or could screw something up and blow my whole brand. That’s not anymore a concern.

Jin-Su Lee: 18:43

And from the new esports venture perspective, these concerns, would you say that they affect, um, the probability of success in a positive way? Would you say like since there’s more structure and everything, it’s benefiting them or is the entry barrier getting higher?

Marty: 19:11

I mean, it benefits, but yes, very much, much higher. You know, it certainly. I mean the best example is in 2015 you could be a guy like me who had 20 grand that was a little yet and start a Counter-Strike team, you know, and that, that’s just not possible anymore. Or at least not at the absolute pro level, you know, you can do it like tier three. So entry barriers is massively higher, but the structure is great. Walk into a more safe system and you walk into a more clear path forward. Just the opportunities are less.
Jin-Su: 19:54 So next question would be, how’d you feel about competition between organizations within the esports industry? So competitor diversity, the aggressiveness, the degree competitors have established positions.

Marty: 20:13 So, um, it's interesting because in esports we are so much more, what's the right phrase? Oh, loving. I can't imagine a world where Jerry Jones, he runs the Dallas Cowboys, is like, oh, better luck next time to, you know, the owner of the 49ers, when they don't win. Right. It's, it's hyper competitive in that way to the point that a lot of those guys also are big businesses to make billions of dollars, right? So it's a different breed of owner you'd say. Whereas esports owners tend to be folks that came from gaming, they come from more communal access, a communal, um, a more community idea. Right? So the way we interact with one another's owners effected by two, right? Like, yes, we're hyper competitive with one another, but in a much more friendly way, I would say, in a much more outwardly supportive way.

Marty: 21:07 It's really kind of interesting because that allows us to celebrate each other's success in the business, right? If someone gets big cool investors or sponsor or wins a big trophy. It's not, it's not insane for me to celebrate Complexity or Cloud9 or you know, a Fnatic doing well in something, which in traditional sports is not a thing. So I think from that side that's certainly really interesting and that is really different about us. From a competitive, like roster roster perspective, I think we have good parity. I think we've had some rise and fall of titans. There obviously is exception to the rule like uh, you know, G2 winning over and over and over again EU LCS or things like that. But I mean if you look at most games, that is certainly not the case, you have a titan like the SK Roster in Counter-Strike and they are gone.

Marty: 21:56 You had the Fnatic roster and then they were gone. You get to see like really good competitive ebbs and flows. There is still a little bit of haves
and have nots. I think that will go away as teams become profitable right now, you know, teams are not necessarily running at a profit that you can more battle for those top players more evenly. So the Lakers are the Lakers and get to get Lebron James and I'm sure we'll have some of those in our industry, where top players gravitate towards certain brands. but that's not necessarily a bad thing. Um, that's really interesting from an entertainment perspective, right? You have those ones either love to love or love to hate. That's what I crave.

Jin-Su: 21:56 How would you describe the customers, rather the fan base of the esports industry, the nature of the fan base and just your opinion on them.

Marty: 23:02 Sure. I mean the customers is the right word. I would say we service to customers, right? We have the b2b partners and then the b2c partners. So, then obviously the fans are b2c. So I think that a way to categorize them is incredibly passionate and loyal, which is like most sports or major entertainment properties, you know, marvel versus DC comic books or you know, uh, Boston versus New York and in baseball or any of those traditional like loyalty driven things, right? We have the same stuff in esports, um, you also have a consumer who is a incredibly powerful consumer right? They are in that younger demographics, are hard to reach, they make a lot of money on average, you know, they're going to Grad school or they're doctors or lawyers, things like that. And they don't watch TV.

Marty: 24:00 They don't access traditional means, they all have AD block, you know. And so what's really powerful is our ability to message them because we are, um, something that they do care a lot about. Right? And, and, uh, one of the things I've noticed just throughout the years, I was a high school teacher for a while too, so I taught a lot of these kids. They care a lot more about authenticity, um, than previous generations. And you can even see it: Like my mom or dad watching television and the commercials that still exist on tv today, that anybody in the esports
demographic would just roll their eyes and be like, I'd never buy that product. Right? Because the time, where you will reach a consumer in their fifties or sixties is so drastically different and that's why you see these massive fails like the famous coca cola ad that happened last year or or the bud light campaign in esports, things in which the younger generation is just being like: you clearly don't get us or the famous fellow kids meet.

Marty: 25:00 Right? So it's like from a perspective of reason why I think it's so important is they do care so much about their favorite team. They do love their favorite players so very, very much. But that's an incredible opportunity for us, not just from a sponsorship monetization standpoint. But from a longterm customer, you know, the customer turnover, is always really important when growing the business. In esports teams and I think we see this, we have incredible lifetime value for a customer. I mean theoretically generational where you gained a fan in 2017 and by order of automatic connection gained their child's 30 years later.

Jin-Su: 25:40 Yup. I can definitely see that with my children.

Marty: 25:47 Like, I already have kids and they're already massive Splyce fans. Right. And that, that is just they watch Splyce. They are involved not because I am being the owner, but they're connected the team because I'm connected to the team.

Jin-Su: 26:23 Were you aware of that when you found Splyce, so when starting your new venture. Or did this knowledge come within this year or last year or how long ago?

Marty: 26:34 I was a Cloud 9 fan before I found our team and Cloud 9 has that same awesome power of like they've been around a long time. They attracted great, passionate fandom, I felt it right away. My connection to the brand was very strong. I was league of legends fan and cloud nine and then when Hearthstone launched I went, well,
hearthstone. I went to watch Hearthstone games of the Cloud 9 Hearthstone players. I had such an emotional connection to cloud nine as a brand. And so I had experienced it. So a lot of times people say, well, how do you know this team? Like, beyond, I literally experienced this. I literally was one of those who were like: what is cloud 9 in now? Okay, now I'm a fan of that. Right? And um, I would say that certainly my knowledge has expanded beyond being able to actually see it firsthand and experiment with things. But my most recent examples, we gotten to smite recent, right? I got a bunch of tweets that were like, oh cool, now I have a reason to watch Smite. And it's like that's the power of the brand. You can literally get them interested in entirely new genre or until you game, they might not have otherwise.

Jin-Su: 27:35
The next factor that we had, um, business strategy. My first question here would be, um, what do you think should be planned or what should be strategically formulated when someone wants to start a new esports venture in order to succeed?

Marty: 27:56
Geez, that's a loaded question.

Jin-Su: 27:58
Um, I can give you,

Marty: 28:08
Let's say at a very high level. Which is number one, what success means to you because the difference between esports orgs. is that we are all extremely, extremely different because we're all kinds of different games and different regions in a sense where this same regions in one game, a different ones in another. So there's not that much different in the red sox and the yankees. So let's be honest here, they are both baseball teams, right? But there's a humongous difference between Cloud 9 and Splyce and it's about reach and brand, fan base and etc. There's so many things that differentiate us because what, we both play in a lot of the same games, you know. And so that is um, uh, uh, like I think I'm a number one is you've got to recognize what
success looks like for you so you can build the right business toward that.

Marty: 28:53
Number two is hiring incredible people. So like, that's going to be one of the hardest things you can do right now is making sure that you've got really good people need to rely on and that, that even today it's challenging for us. So I think that's, that's the second one. And put yourself in position to get good talent, right? So it could be where you're located, it could be having the money to pay that good talent. Who knows, right? Um, uh, I think the third is figuring out some business objectives that you could succeed on early so that you can then build off of those. So maybe it's going to be that you are going to build a really strong focus on sponsorship early and you're going to nail two really good ones and crush them rather than having a really crappy one, you know, so you can get some winds to build winds off of, you know what I mean?

Marty: 29:40
That's no different than the competitive side. It's much easier to recruit players for your team A, if in game B you're really good, you know, because they recognize that you're a good brand. So that's why like, you know, I'll use the example: we have a really good Starcraft (team/player) and if we talked about like if we did other Games in Korea, we have a significantly easier time recruiting because they were recognized as a good brand, not the crappy one. Right. I think those are some good ones. There's just so many. It's hard to down specifics so, you know.

Jin-Su: 30:12
I had a few sub variables that I wanted to give you, but I see that you've covered all of them so we can actually move on. Then would you say that, you were talking about it a little bit before coopetition: you compete with your competitors but you also in some way collaborate with them. Do you think that it has a positive impact on an entrepreneur who wants to found a new esports venture?

Marty: 30:55
I mean like. The difference between growing a competitor of facebook and growing a
competitive sports team is there can only be one facebook, but in the opposite, there literally cannot be one Splyce because we'd have no one to play against. Right. And so I think that from an organization perspective, it is very powerful. We want each other to succeed, the right owners, obviously the right organizations and there's a reason I talked to many owners on a regular basis discussing how we might grow this industry and how we can help each other, but at the same time obviously making sure I want, I want to be number one, right. I don't want them to give them the opportunity to have a one, but if it is a huge opportunity as an entrepreneur to not be in a winner-takes-all of rather in a many-winners-will-come type of opportunity.

Jin-Su: 31:48 How crucial do you see the right selection of the titles for the success of a new esports venture?

Marty: 31:56 It's absolute paramount, right? Like if you're like the best example is: if you are in games that require a lot of resources, but don't find the right growth for your brand. You might burn out before you ever create anything where you create any fan growth, create revenue streams, et cetera. So I think it's literally one of the most important factors possible.

Jin-Su: 33:21 Do you think there are other strategic aspects that you think are very important in esports and that are at the same time different from other industries?

Marty: 33:37 Yeah, sure. So, um, I think one that pops right off the head is um, we're very different growth patterns than in a traditional tech company. I know from a VC perspective or investment perspective, that's a little challenging for them to wrap their heads around what, for example, what's the return timeline? And if you're building Madison Square Garden, your timeline is 150 years maybe, right? If you're a vc that's not an option for . So you're done, right? It's got to be seven years, 10 years, et cetera. So I think that's a definite, like different timing and that's where you get a different type of investor or an investor
that's interested in taking the risks that they can get their return in that timeframe despite it maybe not be fitting with their traditional thesis on a team. And a part of why that is because I think we're more entertainment properties.

Marty: 34:30 And we are far more broad in network. We're content engines and all that kind of stuff. The second thing is, unlike, again, going back to a tech company where there's a couple of obvious acquirers, I think we have loads and loads acquirers, right? Um, if you look at sports teams worldwide, they all could theoretically be acquirers of esports teams. It's a massive number and there are very few sports, you know, like look, let's say complexity getting acquired by Jerry Jones, right? So we now have a whopping two nfl owners that own esports. You know, Stan Crocky has this overwatch team and uh, Jerry Jones as complexity that is 28 other owners who can be potential acquirers in just a single league, not counting every other sports league out there. Um, and so I think that that's unusual because if you're building a telecom product, maybe your five acquires potentially, right? If you're building a instagram while you have, you have a facebook, twitter, you know, couple of properties that are required. Don't. I don't think it's usual where you're going to have a bunch of wins like 10, 20, 30 teams and then there are just a ton of people that will be interested and have esports teams that have to just grow the business without being acquired. Right? Like traditional sports teams grew it for many, many years and never go the acquisition path.

Jin-Su: 36:11 What tangible assets do you see as important factors for new esports ventures to perform well?

Marty: 36:16 Well, let's start with the easiest one: money, right?

Jin-Su: 36:18 Yeah.

Marty: 36:22 Especially in this industry where it's very, very clear that there are only a few really good people and everyone wants them and I don't mean the
players. I mean the staff, um, because there's like a rigorous replenishing pool of talented players. Now there's always a tough one, but the point being, it's not like we're, regularly running out a really great player, right? Um, versus staff. There are so few people that are really skilled in business and also incredible in esports. Um, and those two things together are such a rare commodity that that's where having money to go get those people's really important. The second thing is from a resource perspective is count. So having great talent gets you catch more talent. I'll use halo for example. So our halo team started out with one great player and a bunch of good players and then we were in the second grade player. It wasn't clear who we would been able to get, had we not already been full of quite a few great players, you know, and I don't just mean across the Halo team, but having a call of duty team that's already successful, having league of legends team that's already successful helps that.

Marty: 37:39 So, that's a resource that is costly and it goes back to money. Eventually, It's not money, right? It's about those contracts and having attached to your brand.

Jin-Su: 37:47 So it's more like an intangible asset basically. So you have the access to the players because you just have the brand, right?

Marty: 38:00 It's a snowball effect right. The third one is a great advisor. Um, I actually mentioned this recently. Someone asked me on a podcast and I said it's really hard to find great advisors, uh, because a, a, how do you know who's telling you good advice? And B, how do you get access to this when people that you would like to advise you maybe, and maybe they're tough to get to, but it is critical and part of why we've been successful is I got to have people like Odee from Dignitas, Kevin Lin from twitch and folks like that as my advisors who can help you through critical times. And that resource is one of the most important and often overlooked. I'd be able to call them. You have a term sheet in your hand.
and I need to figure out what to do with this thing, you know?

Marty: 38:40 And it's a critical moment in the company. And then if I had to pick one more, I'd say the last resource that I, I'd want to have is great co-founders, the people that can bring to the table things that you don't. Um, and so in our case it was one co-founder who is incredibly creative and is really like, I do not have this expertise, but he makes beautiful tasks, you know, and so he can, he's part of why we have this great brand that everyone's like, wow, you're the best logo in the business, etc. Um, and then the third one is, she has business acumen and a lot of really big knowledge there and a lot of how I learned was through her. So rather than trying to, you know, be the one person leads it at all. Having those resources and also having those people, who struggle with you so they have the same feeling, they know what you're going through when the tough times happen. Very valuable because no one else except somebody else who's literally in the company owning the company, like you can really understand the content.

Jin-Su: 39:43 And the importance of intangible essence, like culture, what do you think about that?

Jin-Su: 40:00 The culture within like a new venture can be seen as an intangible asset as well. So, um, it's part of what you just mentioned that the people can feel that what they're going through and you have like this alignment in what other ways do you see that as important?

Marty: 40:25 How important culture is? It's super important. I mean, I've met people who've left organizations because of the incredibly horrible culture and I won't say who or where, but there were other esports teams where it wasn't about a competitive success, it wasn't about great players that it was just terrible culture and they didn't want to work there anymore. And you know, one of the things that we spoke about a lot is trying to create great culture because we, um, uh, first of all, I come from having been on
the talent side of things, having been in theater and so I want to place people who want to play as players. Um, and then also I've been in big corporation and in contrast I want people who want to work here, right? So if I don't build a culture that that's like, that, it's going to be like some of the places I've worked where no one wants to be at work, everyone just wants to go home. It's not, you're not motivated. So I think you're right that, that is absolutely a valuable asset.

Jin-Su: 41:24 I would jump into actually the last one, organizational structure. We were talking about it a little briefly and going into a bit more depth. I would like to ask you, does the esports industry lack norms about work processes and organizational design?

Marty: 41:43 Sorry, one more time.

Jin-Su: 41:49 Do you think that esports lacks industry norms about, for example, work processes and organizational design?

Marty: 41:55 Oh, absolutely. I mean I will tell you one of the biggest things coming from manufacturing background is I come in and see this huge opportunity to create process, you know, and I worked at a paper company, so big huge machine making paper and everything's process, process, process, right? Get the most out of your machine. And so we everything from how the company is structured to communication channels to the tools we use to process for getting a product from beginning to end, um, create more efficiency in being able to do more. So a big part of, I think how we were successful at point is, we were really efficient with our resources and a part of that efficiency was purely a, as you pointed out, like good process, right? So stuff isn't sitting in queue for a long time or there's the wrong thing.

Marty: 42:40 Yup. Seven misprints and things like that. So, um, I think organizational process from that side for sure. I also think that some of it is just, well it's
happening right now, right. Hiring from outside to other traditional sports world is like, you saw Envy just hired a guy from the dallas stars and Immortals hired people, et cetera. And those types of folks bring a different kind of process. They bring process building an entertainment company and that's less about the day to day process and more about the overall building a company process. So, um, I think that both are really valuable and incredibly, I would say incredibly lacking right now and we're getting more folks. Um, but a huge opportunity for us in the industry.

Jin-Su: 43:29 So, from a new esports venture perspective, do you see it as a liability or a benefit then?

Marty: 43:45 So I mean, look, it's certainly an opportunity still and for the right person with the right resources to come in and grow faster, be more efficient. I mean, I think there's a lot of our competitors out there massively inefficient with their resources, very wasteful, don't get much done. Um, and there are some that aren't, but I think for the most part that's definitely true. So that's definitely an opportunity and I think couple years from now, it won't be anymore when everyone gets really great leadership and all that kind of stuff.

Jin-Su: 44:27 It is said that in dynamic environments, I would definitely count esports into it, adaptive ability is very important and as a consequence a lower role formalization increases the performance of a new venture. Do you think that having like more clearly broken down and assigned tasks fosters or hinders the performance of a new venture?

Marty: 45:13 So I think it's both right? And the reason I say that is because a new venture needs a lot of flexibility, like part of how we succeeded is, is having a lot, what we call like , commanders and a commander can do anything right? Like they can shoot a gun, they can set up a tent, they can radio for help like they can do everything, not the specialist sniper. They're not the specialist
demolition guy. We're not 100 percent good at all those things, but they are 75 percent good at everything. And I think in the beginning that's really important because you A have no idea what you're building. So you're good changing all the time. And b, you have um, sometimes resources placed in the wrong spot, right? So you have two of this guy, when we really need two of the other one. Or two in a shift where everyone really adapt. And so I think early on that's super important. However, I think that A: if you're going to grow up over time, you have to do that kind of depth designation of rules in order to get more structure to grow and compete with the larger organizations. And you also, um, even early on need some of that in order for breakdowns or something happen, like approvals, getting the right thing out the door, not screwing up in front of the public. Right? Like the accidental long message gets out there, meeting customer demands. So there's some balance there. But every startup not just in esports has to have that flexibility in the beginning which says, hey, all of us have maybe 60 percent job definition, 40 percent well, I'll just do whatever needs to get done.

Jin-Su: 46:44 Yup. Do you think that in esports a new venture is of course kind of constrained in the beginning because they lack legitimacy or credibility? And would you say that if a new e-sports venture that right from the beginning has maybe a little bit lower role formalization, do you think that would help them be credible faster towards important stakeholders, external people?

Jin-Su: 47:29 If the roles within the founding teams are more defined, then do you think that looks more professional, you know, to the outsider?

Marty: 47:36 I don't think the outside world knows honestly, um, and I think yes, they are going to have a hard time being taken seriously because especially in our industry where so many quote unquote owners have come in and taken advantage of people and we have had so many stories of this, this player being screwed over and this player
being threatened and so on and so forth. I don’t think that the visibility of how they’re structuring the company internally. I mean, let's be honest, some people are so good at this stuff. You never have any idea what it was like internally because they put out a really good show, you know?

Jin-Su: 48:27 For new esports ventures, what do you think is a good balance between the size of founding team and employees?

Marty: 48:42 The answer is none in the first place because it should be all founding, right? Like in the beginning you have to get your hands dirty, you have to figure out what's the right thing to do because a big part of how you're going to successful is just getting out there and doing, you know. So when I say zero. I mean the beginning beginning, it's about you actually physically doing all the jobs. Over time. It depends on the needs of this. There is no right size.

Jin-Su Lee: 49:11 And then, would you count your players as you were employees by the way?

Marty: 49:15 Yeah, it’s an interesting question because sometimes we have that challenge, right? i get asked: how many employees do you have? and if I was to quantify, well I have 60 employees, but 30 of those are players. There’s 30 who are working on the back end working on content and so on, but 30 of them are actually physically playing. So, so yes that counts as employees, but there’s a caveat there.

Jin-Su Lee: 50:12 I wanted to ask whether the administrative work that has to be done in the beginning of a new esports venture conflicts with let's say entering a new title?

Marty: 50:33 Oh yeah. Building up the infrastructure versus spending more money on titles. So we went through this exact thing right where we had in year in 2017, it was like titles, titles, titles. We joined halo and gears of war and call of duty and starcraft and just like title after title, right? And then what we learned very quickly, where it
backfired a bit, well we have a lot of titles, we're jack of all trades, but master of none. Right? And I don't mean that's what towards the field perspective from a support perspective. So we're like, well we could do a lot better by having less titles, which we do awesome content for, great brand and growth and all these things. So, we started to scale back and you saw us leave gears of war and fighting games and such like that.

Marty: 51:21

And so now we look at what you talked about: it's a balance right? Where a game has a very specific reason to be in or out, but there are times where there are plenty reason to get in the game and we still go, nope, we don't have the infrastructure to support that right now, it would hurt our other titles. So I think the easiest question is what are your premier titles, right? The tier one for your organization, doesn't have to be tier one for the industry, and how will adding a new titles positively and negatively affect those title.

Jin-Su: 51:44

Cool.

Jin-Su: 51:44

Well that's it.

Marty: 51:48

Great.

Interview 2: Nicolas Maurer, Team Vitality

Jin-Su: 00:03

Yes. Okay. So, basically I want to find a way to explore basically and hear your opinion on what the factors are that can influence survival of new e sports team because for example, in professional League of Legends we have reached a turning point and only big organizations with well funded infrastrucxture will be able to enter and exactly, I want to look for ways the new esports teams could enter. And for that I want to get your opinion.

Nicolas: 00:56

Because the way we and by that I mean other team owners created a team, let's say three to
seven years ago was very different because the landscape and the eco system, was not the same at all. So, if you want to compete in the biggest league and even more true if you are a franchise, you need money, you need investment. And where will the investment go, obviously the investment will go towards the team that already have a strong fan base and structuration. So, that looks very complicated for a new team to operate in that specific space. The biggest game at least. So, obviously I don't have the definitive answer about what how to create a new esports team (now), it is complicated, but what i think is that if you want to create a team you have to find games with low barrier of entry, let's say fortnite for example, because it's not designed in a way that only professional top teams can compete. So find that and then you're going to find the right people to fuel your organization. I want to get the right people. It's the right player that can attract some audience. And I think in a way it's one of the only way you can get traction is to get players that have already some audience and are good in that because if you start your team, get some unknown players, you are an unknown brand. It's very difficult to start the cycle and start to grow.

Jin-Su: 02:34 I want to start out with a few questions which are kept more general and more related to you. So to get a better understanding of how success in esports could look like. I would just like you to state your personal definition of success for esports team.

Nicolas: 03:09 Okay. There is no universal answer, but the way it’s structured right now is that you can consider a handful of metrics tied to success. And I say what makes a team one the best and when I’m thinking about that and looking at the fan base and the way the fan interact and engage with the team because it's not about only the raw number, it's also about the way your fans love your team. And that's super important because at the end of the day, what we are building, and again, when i say we, I mean the biggest team owners, what we aim to build is a strong brand because at the
end that's our, that's the way we'll do a successful business. So we're building a brand. So how do you measure the success of your brand?

Nicolas: 03:56 You look at the number of people that know and love your brand. So that's super important, the fanbase. Of course measuring the success goes with measuring the esports success and that means the competition that you win and that's very obvious. So I won't take too much time on that. Then it's about the commercial success, the way you can attract partners and establish yourself as a brand that mainstream and all the big brands want to work with. Uh, I think that's a good way of measuring the impact of your team towards the esports community because if you win a lot, uh, you have fans but you're not able to attract sponsors, uh, at the end your business will suffer and it's not sustainable. So I think that's pretty important too. and you can understand that my view of your question is really a business oriented because again, you can have quick short success in esports, but you show that building your brand and a sustainable business.

Nicolas: 04:53 Then what's the point? So, to me and the way we measure success is not really right now. It will be in a few years, uh, today you have a lot, a lot of teams competing, but it's a business that is more and more hard to enter because as we discussed, you need investment. We as a team need more and more resources to grow. So in a few years I think you will only have a handful of teams that are successful enough. And what does that mean? That means that everyone knows their brand. A lot of people love the brand. A lot of people want to be part of the story of the brand. People want to interact and connect with the brand and of course to create that you have to, you have to win titles because that is the way you attract new fans and you have to have a player with good brand image that you associate with your brand.

Nicolas: 05:43 So people need to love your player. But then the tricky part is how do you build on your team brand instead of only the players. Because as you

XXXV
know, in esports, a lot of fans are attracted by our players, but if the player changes teams the fan would follow in a lot of cases, that's really kind of harmful for the business. But what we as team owner need to create a really strong attachment to brand. I think if I even had to keep one metric of measurement of success, it would be that the **power of the brand**.

**Jin-Su:** 06:18   Yeah. Um, and then going to the next question, there was the success side. How would you say is it for survival? So if a team just wants to stay within this ecosystem, what would you say? How would you define?

**Nicolas:** 06:50   Survival? You can see that if you have low operational cost, a small team with a bunch of friends played for zero euro, then you can survive for a thousand years. But if you have a costly operation, then survival is complicated. So the answer really, really depends on the status of the team we are discussing. If we're discussing about the top team right now, uh, what he did for survival, uh, make, make sure that you don't go bankrupt and you have sufficient funds to explain your version. Basically survival for the team is mostly about making sure you have the benefit of this investment for right now and for a lower tier team. The way I see, but then it's up to everyone, is survival is not really interesting. **When I created Vitality at several points in time, we took risk, financial and human risk, human risks, while we put resources in a way that basically it was a way to either grow very quickly or go bankrupt.**

**Nicolas:** 07:55   So we didn't do that because we think we started at the time that, uh, as a team, you really don't want to be a super low tier team because it's not really fun. You want to compete in the biggest league. That's kind of ambitious. It's not about survival first. It was never about survival whatsoever. It was just about taking the risk and the right opportunities to go to the top. Even if that would put the company at risk at times. But that's what we did then if you have another approach that is more about: Yeah, I like what
I'm doing, I'm running my team, how do I survive then? Yeah, it would be about monetize, find a way to monetize and have a sustainable operation so you can have a sustainable operation with not that much money. You have lower tier players, you pay yourself a low salary, but that's enough for you to enjoy what you're doing. So yes, my survival in this way is all about finding just enough resources, but it's not the same kind of resources that top teams will need. Maybe find a smaller sponsor that would support you for the year and you're good. But it's not easy of course.

So it depends on the goals and ambitions of the esports team of course.

That's why it is not easy for me to answer this question, especially for Vitality it has never been about survival. Of course. Now it's really different. We have a business with a lot of employees so you cannot afford to take that kind of risk. But when we were two guys in an office we take all the risk we wanted so and put everything at risk because we wanted to access the top. I see that as our philosophy. So I'm not really thinking about survival our. Yeah

Then, um, the next question would be, how would you describe the current state of the esports industry in terms of. Yeah, you already touched upon entry barriers. Let's say for example, the number of esports teams for example, and their respective share of the total market, stuff like that.

A first of all I think esports is still super young. So I think we're at the beginning of the story even if some people are already there for 10 years, but still, I think it's really the beginning, at least in the business side of things, the way it is getting structure, so the current state of thing right now is that to me it's already too late for 99 percent of the people that want to create a team. You can still create a team, but you would need a lot of money and resources. It's every day that goes by. It's more and more complicated to create a team,
at least a relevant team. Of course you can put a team, an amateur team or a lower tier team. Everyone can do that and that’s very good and needed, for the ecosystem as a whole because we need that kind of teams obviously. But when I’m discussing potential top teams, it’s more and more complicated.

Nicolas: 10:57

So in a way we were super lucky to create Vitality five years ago because we couldn’t do that at all now when we started the company with 10k Euros. What would you do today with 10k Euros in esports team wise you cannot do much. So yeah, I think we’re still in the beginning of the story and it is still a young industry, but we ended the first phase, the childhood phase or whatever you wanna call it, where everyone could try his luck with good ideas and a good work ethic and a lot of imagination. You could do a lot of things. I would say step two, it’s more serious. It’s harder to enter the space, but it’s still the beginning of the monetization and when it comes to the way I see developing, I see developing aspirational sports where you have a handful of relevant team. I would call that tier one teams, that generate way more revenue than their counterparts. If you, I don’t know if you’re familiar with football in Europe, but you can see that you have let’s say six to 10 brands that are tier 1 and generate way more revenue than the others. I see esports developing the same way in every region. So in every region, maybe three to five top teams that generate revenue and get the most.

Jin-Su: 12:13

in Europe, North America. So not country wise. Yeah. And football, it’s quite interesting actually to see because esports directly shifted towards that. And then football, I would say it took quite a while. I mean it happened only in the last 10 to 15 years. This shift is, like, quite interesting.

Nicolas: 12:35

That’s exactly one of the reasons that since it already happened in sport, a lot of people, investor understood what happened in sport and want to replicate it in esport. So that’s why you can see a lot of investment right now especially
in North America because what people are aiming to do is, like the billionaire or invest in esport team. It's not about valuation or the value of their, or the revenue of these esports teams right now. It's all about taking a position in the market early so they can maybe I'm assured of being one of the leaders that in a few years generate a lot of money because they understand that if they were to create that team in a few years it will be too late and because 10x the price and even if they, if they will want to buy a team in five years, they know that it would cost so much more money so that they invest right now it's exactly for the treatment to take position in the market.

Jin-Su: 13:30  How would you then see from an industry standpoint, because of course obviously esports is growing and um, there will be some movement from regional leagues or regional teams. Do you see that at the moment still far too inferior to think about it too, to even consider this as an entry strategy.

Speaker 1: 14:00  When you said originally that regardless, maybe.


Nicolas: 14:19  France is a big market, with a lot of fans really interested in French team and French players, so there is space to create things. I think the right model hadn't been found yet. A lot of people are working on that. At the end, I do not know if esports in Europe for example would be able to replicate the football model with strong country leagues plus a huge European League. It would be a great model. That's why Riot had a vision for a time, but I think the ecosystem is not there yet because if we were to create that, for example, for League of Legends, you would not find six relevant teams in each country. It will be super imbalanced. Yeah. But by the way that is what is happing in football too, so I dont know.

Nicolas: 15:02  I am not sure the ecosystem is ready with enough structured teams because what's
interesting is that if you look let’s say in France at
the teams, you have vitality, psg that dominate
the space in France, then you have
Millenium, Gamers Origen. that are okay in a
way that they are structured, the have some
employees, blablabla, but then after that it’s
really a big emptiness because you have
thousands of team, but it is super amateur, they
have no structure, no resources. I’m not saying
that to criticize those teams, quite the contrary.
I think we need more teams and more relevant
and structured teams to make the eco system
work. And right now if I take France as an
example, we don’t have any good things. It’s
quite bad actually. The fans, the guy, that created
a team with passion, like what we did five years
ago, most of them struggled to reach the next
level. Admittedly a, it’s not easy at all, but that’s
the maybe one of the issues we have in the
industry right now, you don’t have a solid array
of tier 2, tier 3 teams.

Jin-Su: 16:21 How do you feel about competition between
organizations within the esports industry? So
let’s say competitor diverse diversity.

Nicolas: 16:37 The question is what do you think about
competition between, let’s say the same region?
So can I use Europe as an example?

Jin-Su: 16:45 Yeah, exactly. Please do that. Yeah.

Nicolas: 16:47 Okay. Sorry. In Europe I would say you have tier
one that is Fnatic and G2, that’s the way I see the
market. I will discount and put aside Splyce and
misfits because they’re American organizations.
So let’s talk about Fnatic and G2 they have the
most fan and a successful team right now in
Europe. And then I would rank vitality and uh,
those teams, uh, and maybe you have some
teams that are not operating in league like SK,
which is still a big organization, NaVi. So you have
a handful of teams that are well structured that
are attracting sponsor, but that are growing. The
way I see is that, as I said, there will be three totier one teams, maybe it will be one huge
French team, one huge UK team like Fnatic, one
hug spain team like G2. The way I see that competition is great and needed

Nicolas: 17:57  
Because if you only have one team that wins everything you can see that in a lot of sport the interest goes away and for example in Formula 1 you have Schumacher win everything, you started to see a dip in the audience. It happened in a lot of sport. If the team wins every time. Well why? Why even watch, right? So we need competition. We need strong contenders that can compete to acquire the best players, compete to acquire the best brands as partners. And that's what happening. Started to happening in Europe, but it's only the beginning of that phase, but my answer would be we need competition, we need strong contenders. That's what creates excitement and fans, that creates the attention to acquire the talent and I think it's well needed. I see Europe going that way with really good team right now and developing right now, but it's not there yet.

Jin-Su: 18:55  
Do you have a recommendation how they could strategically position to further thrive? Let's say for example, a breadth of title? I mean, it sounds obvious.

Jin-Su: 19:12  
For example, in how many titles it's an organization competes. It seems that the answers to that question seems to be obvious, but I still want to hear your opinion.

Nicolas: 19:25  
I do not think it is obvious, every team in Europe and even in the world is figuring out, you know, what's the sweet spot, the right number? It really depends. If you are like Immortals and you want to have, let's say several brands like they did with acquiring mibr from Brazil then, and for example Immortals have three brands right now because they have the Los Angeles Valiants in Overwatch too. If you can have several brands then it is not a question, but if you're are bound to one brand, like Vitality, Fnatic or G2, you don't want to add 50 teams because that would decrease the interest of your fans, if you have a fan that is only following Rainbow 6 news, and he sees news or
recent results or information or video about a player they don't even know, blah, blah blah. Then it is bad because you lose the interest of your fans. So, you have to find a balance where you're operating in the biggest games. Yes. So, you can attract the biggest number of fans. Uh, but not too many games.

Nicolas: 20:27

And another question tied to this one is the money and the resources needed, for example, for us, we certainly could we evaluate that if we want to win a match, joined concentrate costs too much money and would rather spend this money for something else like structuring the company. Yeah, so it's a, it's sort of a balancing defense in first of all, balancing your communication at balancing your resources, but let's say the ideal world where we will have infinite money, which would be cool for sure, but I still would say we shouldn't have more than let's say 12 to 15 in the aforementioned rhythm. And then it's all about the brand too. If you have your brand, let's say for example, Fnatic, um, uh, they played Vainglory, like no one really cared about Vainglory, it is just because the publisher gave them money, I think that can damage your brand if you fill things in lower games because you get money out of it. Uh, it's not good for your brand. In that regard, you need to find the balance.

Interview 3: Luis Sevilla, Movistar Riders

00:00 Jin-Su: Thank you for taking the time to talk with me. Appreciate your efforts. I have identified a number of themes that I would like to discuss with you, themes or topics. I have a couple of themes that I would like to discuss with you. Please feel free to elaborate in whatever way you choose yourself. I might follow up with follow-up questions, all depending on how you relate to the questions. I would finally like to auto-record the interview if you accept it:
00:29 Jin-Su: Okay, could you please briefly a short introduction of yourself?

00:34 Luis: So, I am Luis Sevilla, also known as Deilor and I am the Director of Esports Performance for Movistar Raiders an Esports org. in Spain. Also, I am the CEO and Founder of Dygma, a high performance peripheral company and we are developing our own first product in split keyboard. And in 2015 and 2016 I was the head-coach for FNATIC League of Legends Team.

01:00 Jin-Su: Great, then we will right away jump over to the first topic. So, in new esports teams there is of course always an entrepreneur, whether it is a founder alone or in a founder team. And I want to talk with you about the founder: you have not found an esports team yourself, but I guess you have worked in Movistar Raiders with the founder directly. So, a lot of your viewpoints might be very interesting here. So, a general question: how relevant do you find the founder for the growth in a new esports team.

01:49 Luis: I would say critical. The founder is the guy that kind of pushes the company to grow in a direction. He wants the company to grow, so the vision of the founder and how much he is involved is actually really important.

02:12 Jin-Su: Would you say, you said the degree to which the founder is involved: by that you mean, the amount of hours he puts in and also the passion?

02:25 Luis: It kind of depends on what you think is a founder. So, if for you the founder is someone who puts money and just does not get involved, then for me this is an investor and not
a founder. But this could be a founder too you know. It depends on what you consider as a founder. What I am talking about is that an org. needs the money to be able to properly develop and grow, but it requires manpower to move forward. And you will require someone with a strong vision and leadership.

02:59 Jin-Su: Ah okay.

03:01 Luis: So you need people that know where they are going and they put enough time and effort. So you can actually not only create the brand but also move it forward and grow. Sorry, I think this is not something related to esports, but more about companies.

03:23 Jin-Su: Yes, you mean the startup scene in general right?

03:28 Luis: Exactly:

03:31 Jin-Su: You said something about the founder: he needs to know in what direction the , let's say now, esports team wants to go. A lot around the founder is about industry experience? Do you think so?

03:58 Luis: No, I do not think so. The founder has to have industry experience, or know someone that he can work closely with who has the industry experience. But, the thing is at this point, the money, so the resources are much more important than the industry experience. Because you can have all the industry experience, but if you do not have access to money, you can not pay anything. Like maybe 5 years or 7 years you will go, if you actually create an esports team and esports organization from scratch. But, right
now, I feel that only know-how or expertise you are not going to go anywhere. What will happen is that you eventually get hired by an organization that has money and it is looking for your expertise.

04:51 Jin-Su: So, you would say that if we define the founder as the creator, and not the investor, then the importance of his role decreases over the years because in esports the financial aspect got so much more important.

05:15 Luis: Actually it depends. So, what I am saying is that it does not matter how much you know about esports if you do not have money. If you have money, you can kind of accept not being an expert in esports, if you have someone who is an expert in esports with you. You know? If you are an expert in esports and you have access to money, that is perfect. But, if you are not an expert in esports and have access to money, you will be able to hire someone that is an expert in esports. To start a project, it is not like software development. You can not just sit and start coding and create and MVP and test with users improving it etc. etc. In esports you can not really do it. You need money to pay players.

06:07 Jin-Su: Ah okay cool. So kind of like the entrepreneur. Or let's say the financial resources are very important but a really good entrepreneur will be able to acquire these financial resources, which makes the entrepreneur, or could make him more important because he/she could get them. Then something from your experience working together with founders and entrepreneurs, the educational background. I slightly remember that talked about this as well in Berlin, if I remember correctly you said that this has no relevance in esports. I wanted to ask about the educational background of entrepreneurs and founders, specifically in esports teams and
whether or not that has any relevance (for growth)?

07:33 Luis: Yes, like background and education should have relevance on how the esports orgs. grow, but to be honest this is a really wide question. So, the question is if the education of the founders has an impact on the company: yes for sure. But, I do not really know how to develop this question. If you are a guy who has a sport background, then that will kind of be your strength and that is the direction into which you will move, if you come from a finance background, then I assume you will have an easier time finding money that you will have a harder time, if you are a guy that comes from esports, then probably you will be able better understand players or hire them and kind of communicate with them and interact with them, but depending on what you know / who you know, you will struggle to get money. It depends on the strengths and weaknesses, or partners who can compensate your weaknesses or you need to study or learn how to do the stuff that you can not do.

08:47 Jin-Su: You said you need partners, if you want to compensate for the weaknesses. Did I understand that correctly?

08:59 Luis: Yes, two options. Partners or you improve yourself to the point that you can do it, but that is kind of an extreme case because you do not really have the time to learn everything. It is much more time-efficient to have partners that already know the stuff that you would need to know.

09:22 Jin-Su: Yes, cool. Then I would move on to the next topic. Here we are going to talk about the esports industry in general and I would like you to describe the current state of the esports industry for growing a new esports team.
I think you already mentioned that money is key. Yes, just a description from your side please.

09:54 Luis: Can you be a bit more specific with the question?

09:59 Jin-Su: Yes sure. So we can go through one side: How high do you think are entry barriers, for new esports teams to enter the scene?

10:14 Luis: Okay, so it kind of depends on what is your goal. If your goal is to reach the maximum competition then in the kind of short term you should be able to pay salaries close to what this competition expects from you. For example, in the League of Legends realm, which is the one I know best, right now Europe is franchising and NA franchised last year. So, this means that teams cannot really reach the LCS, so at this point you either have the money, I think with franchising you need 10 million to get in and then you need the money to pay salaries and structure and so on. So over 10 million just to get into the LCS and then you will need much more. So, in that case if you want to be in the top of Europe or NA you need that money. One moment please.

Let's say you are approaching esports in a different way and you are not aiming for competing at the maximum level... So basically what I was saying is that if you are not aiming to be at the maximum level, then you need less money, but then what's your business model? Because it is gonna be much more difficult to get sponsors, which is the main way of getting money right now. So, this means that the money that you can run your organization comes from investors or customers, right? Why would investors put money into something that probably has low visibility or why customers would put money in your team. So for example something that pops into my mind because want to create an online school about League of
Legends. Then maybe that is something, where it does not matter whether you are competing at a high level and your teams are more likely marketing and then your teams have a few students and you are playing local tournaments for low level tournaments or whatever and you can build a successful business this way. Alright, so it basically depends on what you want to accomplish in esports, I would say.

13:04 Jin-Su: So, the entry barriers for going to C9, TSM level are immensly high and it is kind of impossible to grow for a new team to that level. I mean it would need...

13:24 Luis: Like you can do it, but if you want to do it really fast, you need a lot money. If you are accepting to take 20 years to do it, then you can probably start much much much smaller. And you can follow a completely different route. What I would how the orgs were built 5-10 years ago, the “let’s create a team, find players, play tournaments, become good”, but you cannot do it anymore. Because if you are trying to do that, you already need a lot money to pay salaries, so then you need to find an alternative way of becoming known, or getting really good players and yes. And probably it will take a long time if you do not have the money.

14:10 Jin-Su: Sorry can you please repeat the last sentence. It kind of cut off.

14:16 Luis: I think I said, it will take a long time if you do not have money.

14:24 Jin-Su: It is quite interesting and I would like to make the connection to how you think the state of game publishers is currently within esports? Because this is, for me, kind of connected to the state of whether or not esports teams can grow to a top level or only with slow
progress. How do you think the publishers take their part in?

14:59 Luis: To be honest I have very little information about publishers other than League of Legends. So, I cannot really talk about other publishers that aren’t Riot. About Riot: they move really slowly to improve the LCS, but they are doing it. And I think they are trying to find a model that makes the orgs. kind of easier to be sustainable. So, that is good on the top level, but I think on the bottom level, by top level I mean the top orgs.. But I feel the bottom side, regional leagues, or other are not really taken care off. So, in that regard they are not doing a good development. And I think if they want to have like, let’s say if League would like to have their game one of the top games, trying to be like forever, then they will need to re-focus on the user experience of the people, who play the game for the first time and also create kind of like easier access to the game for young players. So, I do not know what kind of marketing or what kind of schools, I do not know how they could do it. But for sure they have to put effort on the young people, decreasing the entry barriers, improving the user experience of the first time you play League. League right now is just way too complex. The kind of tutorials, climbing the ladder from zero to 30, all this is way too difficult.

16:51 Jin-Su: Yes I think another thing that is mentioned quite often is the amateur scene right? So, if as you said, a new esports teams wants to grow a little bit more slowly, wants to play some local tournaments in League and have some, not fast, but steady progression, it is quite difficult isn’t it?

17:20 Luis: It is extremely difficult to create a sports org. and then just reach the top. It does not work that way. In the main sports for the last 30 years or more, 50. Maybe 100 years ago, you could create football teams like Real
Madrid or Barca and now you cannot recreate Real Madrid or Barca like it was created 100 years ago. And the same is happening in esport.

17:57 Jin-Su: And in contrast to esports, now in football: if you want to learn football you can sign up your kid at a club and you pay money and then you basically get the football education from a local club that has all the infrastructure needed to do that, whereas in esports this is something that does not exist.

18:24 Luis: Not also, but that is what I was saying about lowering the entry and kind of teaching the kids all this kind of stuff.

18:34 Jin-Su: And for you it would be on the developer within the game to do it and not necessarily directly in esports or?

18:48 Luis: Sorry I do not understand the question.

18:50 Jin-Su: So, you were talking: one option could be to build up facilities and the other was to actually make the user experience better for the players. Would you say that like for example in League, making the user experience better would like thrive an amateur scene?

19:15 Luis: No, I only say that improving the user experience will create a stronger amateur league. Creating an amateur league would be the best. Let me try to explain myself. So, you want to have a good game, you want players to play and you want viewers to view the professional scene right? If you want new players to come play your game you need to do something to make it interesting for them. So, they can get hooked by the LCS, that is kind of like the marketing move, but then when they go
to play the game, it is difficult. So, this is where you want to improve your user experience. But, the thing is an amateur scene is for people that already played the game. They were not good enough, or they did not have the time to be a pro, but they still enjoy playing and they want to compete because it is fun.

20:12 Luis: So then you need to create infrastructure to help those amateurs play the amateur leagues. And this way you are kind of helping your game because people can compete at more levels and people can have more fun with your game. So, I would say this is two different things.

20:33 Jin-Su: Then you think there is room for like new esports teams, to actually actively do something? Does not have to be negotiating with publishers, but do you think there is anything that new esports teams could do to actually push?

20:57 Luis: Do you mean like physical facilities?

21:02 Jin-Su: For example yes! Whatever your viewpoint on this is.

21:05 Luis: Yes you can probably. But, it is probably not worth, well it actually depends on how your focus is. If your aim is to get money out this, I would say this is not a good idea, because it would require tons of work and so much time. With so much time I mean months / years to kind of create this properly. And the return I would say is gonna be pretty low because the amount of money that users pay is low per month. It would be kind of like a subscription fee. So, if you invested that amount of money and amount of time into sponsors you are going get to get much much more money. So on that side I would say
that it is probably not worth. But if it is kind of like a marketing thing, then it could work, because you can create a lot of noise and then you can start kind of start teaching kids or players that will eventually become your fans or eventually some / few of them will become pro players and then you will have a strong base by teaching them how to play the game.

22:26 Luis: That could be an option. Of course it will be very resource intensive like you will need people that know the game and are able to teach it, you will need to be able to record, have a platform where you can distribute your content and so on. So, it is complex, but you could to it that way. Like for a team that wants to create an esports school in a city, I do not think that it is much worth. Again, it is really expensive and because it is local, marketing wise I am not sure if it would be a good idea. So, I am not sure.

23:07 Jin-Su: But then again, if you succeed with it, the fan base and the fan engagement / interaction would be much on a closer level right? Rather than striking one big sponsorship deal. I have the feeling that big sponsorship deals are good for money, but they do not give you honest fan interaction, which is required for building a brand.

23:48 Luis: You can build a brand in more ways Actually no organization has school right now and built a brand. I think you should not compare getting a sponsor and creating a esports school at the level of fan interactions. Because sponsors are not about fan interaction, it is about money. And the school would be about sort of developing fans, so you have fan base. So, you should compare whatever teams are doing now to build a fan base, let's say for example building a school and then you compare how much time it will cost, how much money you need to invest and how much return of investment you get.
24:41 Jin-Su: Cool, then this would be covered for me. I would go on to the next question and let's talk a bit about competition between organizations within the esports industry. How aggressive do you think are esports teams at the moment to each other?

25:00 Luis: Well, what do you mean by aggressive?

25:01: Jin-Su: Aggressive I mean for example, if you look at football you can clearly see that there is bad blood between Real Madrid and Barcelona, for example. I mean the president of Real Madrid would not congratulate the president of Barcelona when Barcelona wins the Champions League or the other way around. Do you kind of know what I mean?

25:35: Luis: To be honest I am not sure even sure. That is like saying that the president of Coca Cola does not congratulate the president of Pepsi when in something they are competing the other succeeds. I am not even sure if that is bad blood. But anyway, Real Madrid and Barcelona have over 100 year of history, so that is something that esports are nowhere near to accomplish. Even though I would say that in esports time passes faster. Like things happen much quicker in esports than in traditional sports. But, in anyway I feel that the culture of esports is different than the culture of sports. 1 is because of how much time they have been around and also: what are the generations engaged in esports and what are the generations involved in sports? So I would say that the level of aggression, bad blood is really really low compared to football or other traditional teams.

26:47 Jin-Su: Okay, I mean that is kind of the direction I was looking into. It is much more community based right? The whole started off
with something online, gamers as a community. I thought it was much more friendly.

27:18 Jin-Su: Then, how diverse do you think are organizations in esports at the moment? By organizations I mean only the teams.

27:30 Luis: What do you mean by diverse?

27:31 Jin-Su: Diverse in terms of their fan base, diverse in terms of monetization strategies, diverse in terms of titles they compete in. Or whatever you can think of.

27:52 Luis: I mean your question is extremely broad (laughs). So, let's break it down in small pieces so that I can actually answer. So, how diverse they are in their fan base? What do you mean by diverse in the fan base? Age, gender?

28:18 Jin-Su: That is actually what I want to explore, that is the thing. So, if I had to give you an example: from an outsider perspective I think, if you look at the fans of the Unicorns of Love, I am not going into gender or age, their characteristics more like. They are very loyal and passionate? A little bit more than a fan of TSM? Is that a bold statement?

29:02 Luis: To be honest, I am not sure of what do you have in mind as a fan of Unicorns or a fan of TSM. For example, the fans of Unicorns that go to the LCS stage, I know that one of the cheerleaders, if I remember properly is the sister of Sheepy, who is the coach of the LCS. So, I assume that these people are friends of the family of the coach. And the Unicorns, they are a Germany based team, so they are Germans. So I assume that their friends, they are noisy and interacting this way. With others it is different because you do not have your personal friends there right? If I have my friends at the LCS studio
for my team, then they would actually crazy, they will do more noise. So, I would say that is an outlier situation that it is not normal. If you compare international Unicorns of Love fans with international TSM fans, I would say that the fans are not that different. Of course the expectations of what team should do what is different. And also how both teams are branded is different.

30:17 Luis: And the differences would come from that: branding, what people expect from teams and expectations that are related to your brand because Unicorns are more like a goofy team, I would say casual. I mean their name is Unicorns of Love and their colour is pink. More related to fun stuff. Then TSM are more: okay we are going to win everything. They are this serious organization. They have this black white thing. It is just, they are branded in a different way and they attract different fans. And then the LCS situation, I would say it is a big outlier. Because they are in a situation that no other org. could to is that they could hire people to visit LCS studio and then you have multiple noisy fans. The LCS studio is a tiny place, if some Unicorn fans are screaming it annoys everyone, it is not even fun.

31:37 Jin-Su: That is a fair point. That is actually something that I wanted to elaborate on or that I wanted you to elaborate a bit on, before when I meant competitor diversity. You were talking about different branding: like Unicorns being more goofy and TSM being about "we want to win it all". Would you say that currently in esports there are a lot of different of these branding approaches, or do you think that teams are not really differentiating themselves from others, but all trying to copy TSM whatever there is.
32:25 Luis: I do not think that orgs are trying to differentiate themselves. You can see it in their communication or in the amount of content they create. And I would say that there is kind of two groups. The group of the teams that want to win everything and the groups of the teams that know that they cannot win and basically they do not invest. They do the very minimum to survive. For example in Europe those teams would be let's say Unicorns, Giants and these kind of lower tier teams, they have never been.. Actually Unicorns were close to win at some point, but they do not invest heavily or they do not create content on their site and they kind of promote their goofy side. And in NA, they franchised last year, but still there are really crappy teams. I would say Golden Guardians is one of them and I would say that there is a few others that have been on the low side of competition. So, I would say that teams are not really trying to differentiate themselves. I am not even sure that they know how to differentiate themselves, even though they think that this is important. I know that the LCS and Riot thinks this is important, but I am not even sure if the organizations know how to do this.

34:04 Jin-Su: Then that means also for a new team, or for someone who wants to create a new team, that is a huge opportunity isn't it? Yes, you need to need the financial resources, but wouldn't it be much more, wouldn't the entry barriers be much higher if differentiation strategy does not work anymore because (the market) is already so saturated within the industry?

34:38 Luis: To be honest I am not quite sure if I understood the question correctly?

34:41: Jin-Su: I was saying: Yes, money is important, but I was wondering whether a new esports team can kind of balance by having a smart strategy, by differentiating themselves. Because all I hear at the moment is that money
is the most important in esports, from several people, without money you cannot do anything, but I am trying to explore: isn’t there another angle to do that?

35:22 Luis: Okay I am going to ask you a few questions, to see how you reach the answer. Imagine you want to create and esports organization and you want to create a brand. What do you need to do to create a brand?

35:50 Jin-Su: Well, I would divide it into commercial growth, competitive growth and fan growth, these three. And I would say that it is like a synergy of all these which then makes brand building. And that is the thing: what would I prioritize? To be honest, I do not know because I never worked for an esports organization, but initially I would say, the right choice of title you compete in and then the competitive success is very important.

36:33 Luis: Sorry to interrupt you. So, just to make it really simple. To have a brand you need to have a story. Because without a story, you will not have a brand. So, for a story there is two options: you have been around for a long time and have something that created a story. Or you haven’t been around for a long time, so then you need to use money to create that story. You need money to create content, create your communication, create actions that will create this story. In any case you need a long time and need to do a lot of stuff during that time, or you need money to create stuff so you can create that story. That is kind of the side of the brand. Imagine that you want to be, I do not know.. you are positioning in esports that you want to be the bad guys. So, if you are planning on being the bad guys, by going on reddit and flaming everyone, you know, you are going to be the bad guy, but that is not an appealing story. But, imagine that you want to be the bad guys but actually you are in a competition and you win and you do your
interviews in a way that you look like a tough guy, then your communication is in and you interviews are kind a flaming game with other organizations (banter). But now you have titles that are backing you up, so then actually you can do it. But, if you are just noone and you are just behaving like this, it is going to take a long time to reach anywhere. You know, to win titles you need wins, so you can actually use this strategy. This is just an idea okay, I am not saying that this is the ideal example.

38:15 Luis: If your branded to have a fun time and being goofy okay, you do not need to win titles, but you will need visibility. Or you need to do something that makes you looked upon. If it is not visibility in the LCS, then you need to interact with fans in some way. So this means that you are going to need time to build your brand by interacting with fans, because fans will have a tougher time finding you, because you are not in the LCS. So, basically it is a matter of time and money. Of course you need to have a vision, create the plan and move forward and you can do that in a 10 years span, with much lower resources and let’s say in a more creative way. Or, you can do it much faster with more money in a short time. Sorry to cut you, because your answer was fine, but the question started with brand and I would say that brand is kind of related to story. It is difficult to build a brand if there is no story behind it. I mean you can do it, but you need to burn money. So what do you on the esports level or the fans level or the sports level? That is kind of secondary. Well that’s kind of the.. the tactics that you will implement will put you in that position in the future. I would say that those 2 things time and money are critical first.

40:00 Jin-Su: Then after time and money, I mean all these things depend on each other. Let’s say for example, the amount of titles you compete in.
40:15 Luis: If you compete in more titles then you will reach more people. But, at the same time it will cost you more money.

40:21 Jin-Su: And do you think it is like that? To make the simple equation of more money means more investment into more titles resulting into more growth in fan base and all that stuff? Or do you think there is a diminishing rate of return?

40:47 Luis: I think there is some diminishing return, but I would say low, because I am not sure how much overlapping there is between games. I know that gamers play different games, but do people that play League and Overwatch and CS, then there is a situation that the three games are being broadcasted at the same time so then they cannot watch at the same time. Actually it works, having multiple tabs in the same screen or just alt-tabbing. I am not sure if there is that much overlap. And I would say, imagine you have all the money in the world, then you can create a team in every esports game, then it is a matter of managing it properly. So I would that this is the tough part, creating a cohesive brand that makes sense in all the games and you are able to handle that business. I would say that this is the complicated part, more than having the money to be in every game.

42:22 Jin-Su: Which would make then make me connect to the next topic. We talked a lot about money and the financial investments, so I think we are fine with that. Yes, so having all the money of the world is not gonna anywhere without the right employees and human capital right? How do you think it is in esports with finding the right employees and having qualified staff to grow?

43:05 Luis: I think it is really tough, because there is no let’s say esports career. And esports is a really young industry and for some
old people from traditional sports that are actually highly qualified or trained for sports haven’t learned enough about esports yet. Same with people from business or from other industries. So, I think for the last few years, there is more people migrating, but I feel that they do not have enough know-how yet. They are building and people from the industry normally are players before becoming stars. This means that they are really young and they do not have experience in anything that is not playing video games, or nearly. So again, they need to build the know-how and the expertise. So, I would say that it is extremely difficult to find a person that meets / has enough know-how on the esports side and has enough know-how on the business or whatever side. There are a few, but it is tough.

44:21 Jin-Su: From the player side, I was talking about employees, which was a little bit broad. Going away from like the stuff that you would find in the office, I would also count the players, the pro players who actually play for your time as human capital. How challenging do you think it is for those?

45:10 Luis: You mean how hard it is to hire them?

45:12 Jin-Su: Yes exactly, to find good talent. Like for a new esports team it is probably not gonna happen that they get Rekkles, these kinds of.. How do you think it is at the moment?

45:31 Luis: Finding players is much easier than finding talent in any other position, because in any game there is a ladder and there they are kind of being trained. Of course they are not being trained for competitive environment, there is not anything similar to the ladder for the staff you know. So, the volume of players is much much bigger and the amount of training they have is much bigger. So of course, you are not
going to find a Rekkles easily, but and also he is kind of like an outlier, but you are going to be able to find decent enough players to hire and train to become better players. So I would say that this is the easiest part of everything in an esports organization. Hiring and training should be the easiest part. I would like to add something: If your organization does not know how to train players, yes you will have a hard time, because you need to be able to do the transition from online player into a professional player.

46:46 Jin-Su: And that again depends on the employee so the stuff right?

46:55 Luis: Of course. The thing is like, you could create an org. culture, let's say you hire someone that does not know much about esports but knows about the management of sports teams or sports players. That person already know how to create this kind of culture and start creating these processes, then you hire a coach that knows League of Legends or strategic coach or whatever. Then you can already help improve those players in League. So, that is kind of something that has been done for multiple years, I would say 4 years at least that teams hire and are aware of how important it is and they are working in that direction. There is many many players, so it is a situation where organizations have been exposed much more. So, I think it is kind of much more global.

47:56 Jin-Su: Then to sum it up it is much more critical to get the right employees who have both expertise in esports as well as in whatever function they have for their team, e.g. business.

48:11 Luis: I would say that in any business, if you do not have expertise of what you are doing then you cannot operate. I would say. So, you hire people who have that expertise or build
that expertise. If you build that expertise, it will take time. If you hire that expertise, it will cost. I would not say that this is something particular in esports, that you need employees qualified for certain tasks.

48:35 Jin-Su: But, would you say that it is more critical in esports to have this connection to esports, because if I look at myself or around the people that I know. I know a lot of people that are working in big company and they do not have this attachment to let's say cars, but they can easily execute accounting side of that business. Would you say that in esports, still even though you have this expertise you need to be more in esports to be actually able to do it?

49:26 Luis: To be an accountant you do not actually be knowledgable about esports. You just need to understand how contracts work and know accounting. So in that example there is not much difference, you will need to be an accountant in the car industry, you will need to understand how that works in the car industry. And the same for esports. You do not need to be an F1 pilot or expert mechanic to be able to be an accountant. The same in esports, you do not need to be a player or coach or manager, you do not need to have complete in-depth industry to be able to properly do your job.

50:00 Jin-Su: Okay, cool. Just gonna quickly go through my notes and see what topics I have not covered yet.

50:55 Jin-Su: Would you say that in esports you have a lot of collaboration going around between teams?

51:00 Luis: No I would not say.
51:04 Jin-Su: Why do you think it is like that?

51:08 Luis: Because I would say because I have not seen it. I do not believe that there is much collaboration within the league because I feel that teams have been around in like startups competing. So they are competing in the sports side and they compete in the sponsorship side. So in general I have not seen that much in that they actually work together in one direction. Of course there is some exception, but it is rare. So, I would say that they do not really help each other.

51:45 Jin-Su: But, wouldn’t it make sense? Because how I imagine is is that esports is also like a league. So, in contrast to a startup scene, in which it is about being one facebook in the whole social media world. I mean facebook does not need anyone, but let’s say Fnatic need other teams to compete like otherwise they will be irrelevant as well.

52:15 Luis: It was just, your question was if they help each other. So, I answered they do not help each other. If your question is: shouldn’t they help each other? Yes, I mean they did not have that many incentives and in League of Legends until now, because the franchising will similar nr to the NBA. There is a circle of teams even though they compete on the sports side, as a business side they are partners and they help each other. So, until now let’s take Europe there was not really a reason to do this and of course if there is more competition between teams it will lead to a better ecosystem and I think that this is the right approach. But, I think that now that is gonna happen because of the structure of the league. In NA they did the franchising and now it will happen in Europe. So, it is better if teams help each other. I would say that now is the
transition, because of the different format change.

53:27 Jin-Su: Okay, then we are at the last topic that I wanted to talk a bit with you about. It would be about looking now at the organization itself, just as the organization. Would you say that in esports there are enough norms or work processes or would you say these are the kinds of things that are still lacking and make a lot of operations inefficient in esports teams?

54:11 Luis: Sorry I did not understand the question.

54:12 Jin-Su: So, giving you an example let’s say for example the process of getting one player from Team A to Team B through a contract, I remember there has been a lot of unknowns, which resulted in poaching and that kind of stuff. This is why I wanted to ask you, if esports still just lacks these clear guidelines on how to do something as an organization?

55:04 Luis: Yes, this is partially because of how governments in different countries work. So, for example in Spain you can have a buyout, but realistically there is no law that takes into account esports under contracts. The most similar thing would be sports, but esports are not considered sports then you are not professional player. Then contract wise it is really difficult to create a proper esports contract, at least in Spain. I am using Spain because this is where I know most information about. A few months back I had a conversation with someone that is in touch with someone who wants to create a law about this and simply they have no clue on how to do it. It is not that difficult, what I am trying to say is that the government at least the spanish government is not the kind of government that moves fast and creates laws you know. It moves
really slow and when they get into an industry, they smash the industry you know. They try to take most for the government you know. This is the kind of things that I see. So at the base level of contracts, you are already in a really difficult situation. How to navigate and operate on the contracts level. And then you are so limited on this side, everything that happens from that point, it is kind of fucked. So, then the buyouts, let's say that you want to have a contract like in the NBA that if your player becomes the MVP then you give him extra money. This kind of stuff, it is not so difficult to properly put in a contract. Also, finding players like anything that is not standard work contract, in Spain it is very difficult. And then LCS: LCS is based in Germany. Contracts are from Germany or let's say for example Fnatic is based in London. Then the contracts of those players are based in UK and then you are trading a player with a contract from the UK with a contract from Germany. Then, how those laws interact? And yeah that is the first thing: how the laws in each country work. And I think that this is not solved and that makes it really complicated. And then how Riot handles all this stuff of poaching, that is another story. I would say that esports for sure as an industry is really young and all these things are not resolved on a legal level. And Riot is modifying stuff every year, so it is not solved on that level.

58:00 Jin-Su: From what you are saying it sounds so difficult to start an esports team.

58:15 Luis: Actually it depends on what you want to accomplish. Would you want to win titles in the biggest leagues? Yes, it is really difficult. But, if you want to build an organization just to have fun with your friends or you have a 10 year vision and you are building it slowly, then it is possible. But, yes it is extremely tough.
58:42 Jin-Su: A question on what viewpoint you have at what point do you think can we talk about professional?

58:54 Luis: I would like to go back to the previous question. So, there is no way that you could do it. For example let's say that you ignore the biggest games, where players have the biggest salaries. Then you get into every single small game and there you can access the top leagues by qualifying. So then, you decide to create those teams and pay very little money to the players because they do not have big salaries because of how the industry works with these games. So then you could do it faster. But then, you basically, your strategy is to try to get big in every game that is not big you know. And maybe this way, you can start with a fanbase and then attract sponsor and then you get more money so then you get into bigger games and hire players from whatever game you compete. It is similar to how it was before with the big games, but with the big games you cannot get into them anymore. So, you will need probably a bit of money and quite some time, like a few years to get there. And every time a game kinds of gets a pro league, you will get kicked out of that game because you will not have money to make it in the end. Or you will not have money to pay the salaries.

1:00:00 Jin-Su: Depending on probably what you have been able to build up until that point. Let's say if you build up quite a good fanbase and brand in that specific title and suddenly the title booms and a pro league gets created.

1:00:00 Luis: If you cannot pay the salaries, it will not matter. If you are able to afford salaries that are let's say 1000 Euros per player. But then, the pro league comes in and everything pays 5k. You cannot do it then.
1:02:00 Jin-Su: Can you just give your opinion about the nature of the people that follow esports, the fans? How would you describe them? In adjectives if you want.

1:02:48: Luis: That is a really broad question.

1:02:53 Jin-Su: Would you say they are loyal, passionate, do they look for authenticity or?

1:03:08 Luis: I do not think that there is anything in esports fans that makes them more loyal, or looking for more authenticity than other fans of other things don't have. I do not feel like esports fans have like a particular way that differentiates them massively. I would say that the main thing is that esports by itself is the differentiation that happens, because of how esports happens. Like it is an online thing, there is much less regional limitations. So for example the football team of Valencia normally has fans of Valencia. So this does not really happen in esports. Also about the age, most esports fans are younger than sports fans, that is the differentiation and it has to do with this. And also, I would say that esports fans are people that access to a computer. So this means that they have at least that level of income that their families have a computer, so that they can play or watch games. So that is another differentiation factor. Because if you cannot afford. Like with football, even if you have no money, you just go to the street with a football or something similar and you can play football. But you cannot do that in esports. To be able to enjoy the game, you need to have a level of money and just by the nature of the game it is online and it is kind of like focused on young people. So, I would say those are the characteristics of the fan base, but I would not say that there are more loyal or whatever other adjective or more passionate.
1:05:08 Jin-Su: Okay very interesting. Cool, I actually have never thought about it, for us gamers it is just normal to have a PC and game on it, but now that you say that. I am like: true!

1:05:24 Luis: We are extremely privileged. Having a computer, having internet and having like a stable life where you can play games you know. It is actually massive privilege. If you think it from that point, for example League is going to be much more difficult, by league I mean an esports, is going to be difficult to get big in any region that does not have this infrastructure. And actually there is esports titles on mobile phones. So, that is going to be really big in Africa or Asia for example, for the upcoming years. I think I have read that it is 2 billion people who will get the internet within the next 5-10 years through mobile phones. Probably it will be a big esports market with phones and then move to computer.

Jin-Su: So before we go into the question, I will just summarize what my research direction is and it’s basically, I want to explore what the factors are that influence the survival of a new esports team and as the beginning I would like to thank you for taking the time with me and I highly appreciate your efforts. Could you please briefly give me a short introduction of yourself, your position within the company and your main responsibilities.
Interview 4: Jos Mallant, Unicorns of Love

Jos: 00:39 Okay. My name is Jos Mallant. I'm the CEO and owner of the Unicorns of Love esport organization. Sixty years and maybe the oldest person in esports. Okay. I think that's it.

Jin-Su: 00:56 Okay, great. Then let's jump right into the first question. To get a better understanding of how success in esports could look like. I would like to ask you your personal definition of how a successful new, how you would define a successful sports team.

Jos: 01:20 I think, uh, what are some new team can be happy when it survives and get enough fan growth in the first year, the second year.

Jos: 01:56 I will have a look of maybe a. Did you hear the microphone? Okay. No broken microphone. Okay. Uh, I know what the problem is. My phone is lying on my laptop so. I'll start again. So the second year when it's at least in the middle sport success in growth can be achieved by the quite successful. Yeah. You don't hear me?

Jin-Su: 03:18 Okay. So for you it was, um, about fan growth and in the, in the first two years that's really important. And um, yeah. So, uh, from the factors mentioned below that you have briefly seen, which do you think are most crucial to lead new e-sports ventures to success from the five, the entrepreneur, the industry structure, the business strategy, the resources, and the organizational structure. If you want, I can elaborate on each of those.

Jos: 04:01 Uh, yeah. So, uh, the question is, what do you mean with: what is more crucial to lead new esports ventures to success?

Jin-Su: 04:18 For example, for you, do you think it is more important, um, that a new esports team first
needs a lot of resources or do you think it is more important that

Jin-Su: 04:36 the entrepreneur himself. So the founder and his cofounder have the right skills, connections. That's what, I'm referring to.

Jos: 04:52 Yeah. Personally I think it's the most important that you have your own, authentic presentation of your brand.

Jos: 05:11 Franchising and the leagues where you have to buy in with $20 million dollars or euros is way more important to have very deep pockets. So none of this below. Um, I, I think when you want to be successful as, as a new esports company, you have to be different as others. Means you have, you need a nice recognizable brand, the brand itself, must be easy to identify not just the players but the team itself, by name, by colour all these kinds of things. It's also important to have enough, a lot of money otherwise can't play in the highest leagues.

Jin-Su: 06:32 What do you think about, um, the esports industry in itself? Do you think, uh, observing what happens in the industry is important for success or do you think that the esports industry is just how it is? It is not gonna, yeah, we all know that esports is not going to die. How do you think the industry is?

Jos: 07:04 I think esports will never die, it will grow, the games will change of course, and the appearance will change from two d to three d, from console to keyboard to movement. Uh, and in virtual reality that will look the next thing.

Jin-Su: 08:20 Okay. Um, then, uh, I would like you to repeat again what you said about the industry.

Jos: 08:27 Uh, yeah, I think the, you heard about virtual reality, this kind of things right? So I think the industry is making a mistake by monetizing esports in such a way that it's less and less important, uh, the game and the fan and more important how much money is endorsed by
organizations. Of course also what players have to pay you or to pay you one way or the other, or viewers.

Jin-Su: 09:15 Okay.

Jos: 09:17 I think there will be a big blow up of a bubble, but. Okay.

Jin-Su: 09:24 Yeah, I see. I think I would agree on that actually. Then going on to the next question, uh, why did you decide to become an entrepreneur in esports? Simple question.

Jos: 09:41 Very easy to answer: because my son got into some professional esports league of legends and he needed a organization and all contracts offered were so poor and so bad that I could not advise him to sign any of these. players. So, we then decided to go for an own organization. That's the main reason.

Jin-Su: 10:26 Yes. Would you say you have certain personality traits that you think took a part in your decision to become an entrepreneur within esports? Let's take for example, a certain need for achievement?

Jos: 10:53 No, I just did it because the contracts offered to the players were all, what you would you call one sided, where the organizations to take over all the power and all the good things and offered the players just a self independent contract or sub-contracts without any rights, without any social security and very low payment.

Jos: 11:41 Then as you seem to identify this opportunity and saw that there a lot of lackss within organizations in terms of contracts, do you see yourself as skilled in some areas? Let's say for example, having the knowledge to provide the right contract and yes. Did you see that as helpful for starting the Unicorns?

Jos: 12:15 Yeah, so I was a ceo and co-owner of companies who were doing international business with the main headquarters was here in Hamburg in Germany, but we had companies in Houston,
So running a company was one of the skills I had. Otherwise it would be difficult.

Jin-Su: 12:51 Yeah. And that you would also count as a kind of a startup experience or more work experience. And if not, did you have startup experience before you founded the Unicorns?

Jos: 13:06 What do you mean with startup experienced, like starting a company?

Jin-Su: 13:10 Yeah, exactly.

Jos: 13:11 Yes. Yes, yes. I had, I started and run a company for 20 years, which was started by me.

Jin-Su: 13:26 What is your industry experience within esports at the point of time when you founded the Unicorns of Love with your son.

Jos: 13:40 Oh, what do you mean by industry experience?

Jin-Su: 13:45 Just how much did you know about esports? To what extent? I mean you knew, for example, that the contracts are not, that organizations are much behind in setting up fair contracts.

Jos: 14:01 Yeah, a contract is a contract so you can read it fairly easily and of course I know, having a lot of labor myself. I know of course, how contracts for employees would look like especially for Germany. Uh, so, um, I had this experience but I had no experience in esports.

Jin-Su: 14:32 Yup. Okay. Then onto the next question. How would you describe the current state of the esports industry?

Jos: 14:47 I think in the esports industry is a lacking of, I would say you can divide the esports into two parts. One is the top e-sports titles or leagues, which are played very professional and with a lot of money involved. And very good backgrounds and, and quite professional organizations. And the other part is the amateur scene and amateur scene is very disorganized, very badly set up,
with almost no rules, no regulations and there is no real backup or real growing and fostering of talent. When you want to play football, you go to a football club and you get a trainer, you pay your 20 euros in the months and your kid is learning to play football. You will not find something like this in esports yet. They are working on it and several organizations started, but it's still very, very immature, a lot to do. Um, and, and, the professional scene, it's completely overhyped, overvalued. Everybody is thinking that they are doing big money from sponsors and this will come very soon and I doubt it will come. I think the costs are far too high to the income.

Jin-Su: 17:08 So the costs for the teams, do you mean?

Jos: 17:12 Yeah, for running a professional teams. Salaries of 1 million or half a billion dollars or euros for a player are bizarre in comparison to the income, the revenue an organization could make.

Jin-Su: 17:32 That's the thing. That was also what I heard also from my time, back when I was at Riot. I don't know, maybe things have changed, but, um, it was always in the room that esports organizations are just not profitable still. Oh, is that the current state of the industry now in 2018?

Jos: 17:58 Yes, absolutely. I think we are the only one not losing money. Yep. Okay. Maybe a team like Fnatic is making some money, but not really in comparison to the amount they have and are investing.

Jin-Su: 18:20 Yep. Okay. Would you say then for a new esports team that wants to jump in and do something, do you think the entry barriers are high? So do you think?

Jos: 18:43 Yes, it depends. When he wants to do just the amateur scene then it's not high, it's easy. But then as soon as one wants to go into the professional scene, in the top scene, it's almost impossible in the meantime because it's all driven by tons of money. I mean, when you want to play League of legends, uh, you have to bring
in at least 10 million euro and you have to bring in another eight to $10 million for losses in the next four or five years to run the organization professionally.

Jin-Su: 19:36 Okay. So do you think then the number of esports teams and their respective kind of, let's say, share of the total esports market. How do you see that relationship?

Jin-Su: 20:01 Yes, so, I mean obviously there are teams like cloud nine, Tsm, fnatic, they have a big share of the esports market in terms of, let's say fan base, how do you think is the balance, do you think there are a few on the top or like would you like to be more on the top?

Jos: 20:33 Yeah, everybody wants to have more. I mean how more fans you have, how much exposure you have and therefore more sponsors and so on. But generally, I think in future you will have some top teams and in the middle of nothing and then you have a very broad amateur scene or semi professional where you have a lot of teams, a lot of fans, of course for each team, not that much, but a lot of teams, a lot of fans involved even more as in the top teams. I think the top teams will have it more and more difficult to keep the position in the market, because young people will love to see new teams, new markets against money and all this kind of thing.

Jin-Su: 21:47 So, going against the franchising and only being able to compete with the financial resources. You think that does something where we as esports fans will go against at some point.

Jos: 22:09 The esports movement is coming from the 14 to 20 year old people. Yes. And then it swaps over to the 20 to 30 looking viewing a lot but not playing a lot because then the social life starts and youngsters about 14 slash 15 slash 60, 70 are notorious against authorities and established I think. Yeah. That's why the Beatles, the rolling stones, uh, started or Elvis Presley, uh, or the sports and all those kinds of things. So I think you will get a new movement from down which will,
uh, uh, which will change to the whole scene dramatically again.

Jin-Su: 23:11
Okay. what would you tell a new team to prepare then? Against the industry change that you think will come

Jos: 23:27
Be authentic and play the game for fun and be innovative. So when you love, when you love the game and you bring added value to the game, because you will find new methods or bring a lot of fun, then fans will stay with you. You will get a hardcore fan base, which will follow you and you have a lot of fans who are bandwagons, they jump on the team, which is successful, or just have a player they love or something like that. But they are not following the brand. So brand building I think is one of the most important things. Then you want to survive as, as new team and you don't have the money to buy everything, then you should build for that.

Jin-Su: 24:40
Okay.

Jin-Su: 24:42
Next question. How do you feel about competition between organizations within the esports industry right now? And feel free to divide between the professional, what you called and then the lower tier.

Jin-Su: 25:04
The competition between organizations? So I mean, for example, how diverse are esports teams in terms of their brands, how aggressive do you think are competitor? So for example, would fnatic try to hurt the brand of the Unicorns on social media or things like that. How do you feel about the competition?

Jos: 25:35
I think the competition is not fair and I think brands like large brands are not taking the small brands very serious. Saying that's when we have maybe a small figure personally viewing the Unicorns have a smaller figure in fans, but when you see our fan interaction actually, almost the same as the brand of G2 or something like that, that means you have less numbers, generally, but you have a much more active fan base. And
this is something which will or is something you have to achieve and this is also what the competition of course noticed, but for the last, everybody is working for it. So yeah, of course you have some contacts and yes. When for that fnatic is doing well, you’re happy because that’s good for EU. It is good for your own brands, when EU is doing well? Uh, but generally for the last it’s a competition without too much banter or what you call those things happening? They are not just a lot of, um, what would you called meeting and greet between the competition on the top level. On the lower level. On the amateur scene, it’s a little bit different because they all suffering from the same problems. That there is no real amateur scene setup to less, not enough tournaments or not enough organizations or what’d you call it?

Jin-Su: 27:56 Tournament Organizers?
Jos: 27:59 Yeah. And it’s not well organized. Not enough rules or not enough possibility to get exposure.

Jin-Su: 28:10 The infrastructure is just not there.
Jos: 28:10 Yes exactly. There is no real good infrastructure. And it’s very difficult to get sponsor money, so the acceptance is also another issue, a lot of in Germany. Lots of parents still think that esports makes the child aggressive or dumb, or make social isolated, which is all not true. But that’s a problem for the amateur scene as well.

Jos: 28:52 And that’s the reason why competition there is much more friendly to each other.

Jin-Su: 29:00 Would you say I’m this kind of friendliness, we don’t see that in football, right? Tottenham would not to gratulate Manchester United. It’s much more fierce. Would you say it is actually a good thing?

Jos: 29:20 I am not sure. There are examples in every direction. The problem is that’s the top teams also in esports are also always trying to get the better player, and no matter if it has a contract
with the competition, they will poach and do everything to get the player, uh, over to the own team or do some mind games or whatever else. This is the same with football. But from the other hand, for instance, you had St Pauli which need desperately money to stay in the league and Bayern München came and helped and them with games they played here in Hamburg and all the money earned was going to Paoli. So it depends. You have good and bad example in every sport, also in esports.

Jin-Su: 30:35

We talked about it a little bit earlier when you said that the fans, my generation and a little bit younger, they don't like authority and stuff like that. Can you again, please describe the nature of your customers? So the fans.

Jos: 30:59

Yeah, it depends a bit. You have fans in different ages. Generally you can say that the fans of esports are different as a classic sports. Yeah, you have lots of students, you have a lot of people playing the game themself and using the game for social contexts and for community building. And because we, UOL, are very fan supporting and also building our own community. We have a lot of these types of fans who are maybe a little bit older. And we have a lot of females as well. From the other hand, Unicorns is also a fun brand which always tries to play the game as they think was the best and always we're looking for the game and not the results for the money. And this was recognized by a lot of people, still recognized. So that's why they are Unicorns fans. Because we are notorious underdogs. We always are the small organization without money. We are the family-based organization where the owner you can meet in Berlin most of the time at the games. Or you can have an interview like today,

Jin-Su: 32:58

That's exactly what I saw from you. Extremely loyal fan base and your definition of what a successful esports team just looks like being like a family. But still looking for the competitiveness and not just the money. I think that my personal opinion is that it's super nice. Like I would like to have these kinds of teams, you know.
Jos: 33:28 Yeah. But then we will disappear.

Jin-Su: 33:36 Yeah it will probably from the, what you said, the lower tier and then go up.

Jos: 33:50 I've also went through the dotcom time before you were born. But there everybody was pumping in money, crazy amounts of money and then the whole bubble blow up. And people who are investing very easily, also stopped investments very easily because it's just numbers, you know. And there's no connection with the goods they are trading or working. Of course they will tell you different, but it's not true. So when the numbers are not coming as they think it is, they just stopped from one day to the other and say, okay, why should I putting good money? So, in good money after bad money and they stopped directly. And this will happen in the esports industry as well in the next four or five years.

Jin-Su: 35:01 Moving onto the next question, how do you think should the new esports team strategically position to survive this? What you describe dynamic fast-changing industry. And areas to look at, for example, that you could comment on the breadth of title you compete in. So do you compet in Leagues, CS:GO and Dota or do you just focus on League and so on?

Jos: 35:35 It is depending on what you want to achieve, when you want to achieve to be one of the biggest esport organizations in Germany, you automatically have problems with counterstrike or PUBG or this kind of games because it's not accepted by big part of the german industry as well as most of the parents. And, so you're limited. When you are in Uk or even in the United States, you give the fun: it means let them shoot to whom they want and everybody's happy, but not in Germany. So that's one thing is first the geographic,

Jos: 36:26 The place where your companies is based and the market you’re targeting, already will dictate which games you can play or games you cannot
play. That's one. The second thing is, don't try what a lot of people are doing to buy in in four or five games at the same time and try to build a fan base there, because a lot of fans of League are also fans of CS:GO or hearthstone or whatever else. So you build a fan base and you suffer from numbers and you say, okay, I invest another amount of money in the next esports title and then I should have double the fan base. That's not true. A last step, it's better to focus early on one thing, make your name, really consider from the beginning what do you want to do and what's your company philosophy? And live to the company philosophy. And then you have the company philosophy, which you can't fulfill because of the geographical decision, where you are based with your company or when you have not the money or you have not the knowledge or you don't have the people for it. Then stay away because, uh, esports fans are very different or different. They are open-minded but they are keen, they are intelligence. And they very quickly feel, if things are natural, authentic. Yes. I didn't want to use the word authentic again. If they are coming from the heart or just money-driven.

Jin-Su: 38:48

Completely agree. Then, I think the next question, we had collaboration between competitors. I think we had that. Actually we can skip that. How crucial do you see the right selection of title for the success or the survival of a new esports team.

Jos: 39:22

Like I said, based on the geographical location it is basically already decided which titles you can take or not. A second thing is it's also questionable: how is the exposure and how was it organized? Counter Strike has an enormous big fan base. But it's for organizations almost impossible to make money with counter strike because the players don't really need organizations. They can also just go with five players into a tournament. Yeah. So, they will have the major share of the whole prize money. And it's where you want to run a Counter Strik team, like you have to at least invest a million a year and then you have to be good. Otherwise you cannot build a fan base, then it's maybe
better to go do some rocket league or something like that, which is not so too expensive. And is not having the enormous figures of money behind, but then you have enough money. You have to do Counter Strike, otherwise you will never grow to the number one organization.

Jin-Su: 41:07 But then again, in rocket league you can find competitive success so much easier. That's what you mean?

Jos: 41:18 Yes, you can find competitive success, therefore you can get more fanbase and the investment is not that high.

Jin-Su: 41:31 Then what tangible assets do you see as important for new esports team? So we touched upon this earlier a little bit, financing facilities and now we can distinguish again maybe between professional and lower tier!

Jos: 42:10 Sure. Difficult. I think one of the basis of, well, it wasn't natural growth, a group of players which then got an organization, an organization which hired five players and the core two players and the coach stayed for three years to this organization. So, I think again, a way you can start a new esports organization, you have to see that you get so you get some recognizable factors. That can be the manager or the coach or the players. You have to see that you get long term contracts or some loyal, loyal players by maybe giving to them share or the possibility to get shares or something like that. That's one thing. And the other thing is.

Jos: 43:26 Financing is of course important. Even amateur scene is already asking for salaries and then you need to also get administration skills. So, a company in a country like Germany, with all the laws and all the fees and all the little rules and parts where people are asking you and it's very tough. Rules and laws for Labor and player contracts and this kind of things. I think this is one of the most underestimated, I think especially in Europe, especially in Germany. The equipment is not so important. I mean the guys
are happy when they have five chairs and five computers and some stuff. Nobody has really. Also in the gaming house, the furniture is from IKEA and that's it. I mean these are old young people and they all want to play night and day.

Jin-Su: 44:43 Yeah. You actually answered my next question already in parts as you said, you need the right access to the players, like skilled employees who have the knowledge, for example also with German law and things like that. Is there anything else that you may be left out as intangible assets that you think is important for new esports team?

Jos: 45:19 You need a work horse and you need a what you call a sports enthusiastic guy who knows exactly the sport industry, those two, you have to bring together. The work horse, doing the administration and doing the booking of the tickets and checking when the bags are lost or when a plane is missed. And the other one is from the sport side. It must know every player, it must know every part of this title, sport title. Otherwise you don't bring two people like this together. You will not have any success.

Jin-Su: 46:09 And probably also best if the expert guy at the same time knows how to deal with people in like, let's say psychologist way, right? Because I mean, as a new esports team, you don't have money at all to even come close to setting up an organization that directly has a psychologist. I would assume

Jos: 46:35 Even now also the top teams have no real psychologist. We have one in house but it's a student in the last semester and all those have hired some outside contractors because it's far too expensive. The esports adverse guy must have skills how to deal with people. Otherwise you need an extra person which is almost unpayable or not affordable.

Jin-Su: 47:17 Would you say you were the workhorse?

Jin-Su: 47:20 Yes. Yes.
Cool. Then next question. Does esports lack industry norms? Yeah. For example, work processes and the organizational design. So how work should be divided, what occupations there should be.

The first thing what they lack is: what is normal, what's not normal? When people are willing to pay a team manager 150 to 200,000 euros a year job which more or less every key account manager can do in the company for $50,000 or 40,000 and then you ask the manager: what are your skills? What did you study? Mostly it's all: I know somebody who knows somebody who knows somebody and now I'm running in esports for two years and that's why I'm a team manager. Uh, I think, um, I just took the team manager, but you can do it for the coaches and for social media manager. And so I think in esport at the moment, you have a lot of under-qualified people with very overwell paid and this is something which in the normal industry would directly wreck a company and that's why the sorting algorithms in the industry is working very well. These companies quickly disappear, but not in esports. You see the same people where you have big question marks, how can it be that they are still in the position and they are all 22 or 24 years with excellent titles. And when you ask what they studied and how, how much years of experience they had before they got in this position, you get question marks. So that's one of the esports industry thing. The second thing is that still esports organizations are not understanding that players are employees and employees are a fortune or what you call is capital. Yeah.

Human capital.

Yeah. The human capital is a dirty slogan. Having a player like reckless. You have. That's an example is bringing fans & recognition, and some people looking forward to. That's the same with Neymar, although he devalued himself, but Ronaldo, for instance, and so on. So these kind of players, when you hire them they are a capital for your company, and of course you can say,
okay, I'll pay him 300,000 or 400,000 and then the next company comes and say, okay, pay 500 to $600,000. From a certain amount of money these players are not interested anymore. whether they offer 100 more or less. Then they start and say, okay, do I feel happy? Can I do my thing? Can I find good people? is the people around me, are they also professionals, have the skills, can I learn from them and so on

Jos: 51:41

And this is where organizations still suffer the quality of the people, the staff. And then I think what is also completely wrong in the esports organizations is that players are handled as little gods. Yeah. They get, they get a cook and a whole program is made for them and they get a gaming house with the best single room or two person rooms and they get a social psychologist and they get somebody who doing the sport for them and everything is said and done. And they don't know anything about real life. They don't know even though that they have to pay the tax or have to pay for fees for social contribution, for what you call healthcare or whatever else. They don't know if they have to pay for radio, television, they don't know how to do the dishwasher. They don't know anything and I think that has something, which also has to be changed. So that Esports is treating the players like normal employees who are living on their own apartments, which they also have to pay themselves so that they know the value of money.

Jos: 53:25

That they know the value of the money. That they have to cook themselves so that they know how difficult it is in life to get your stuff out of the supermarket. And they start to live, to be prepared for life after playing as a player. This is already done and the rest of the industry, you can have top manager, top engineers and developers, everybody goes home after work and everybody, have to pay for their own stuff. And of course in the industry when they work, they can cook or go to the canteen or something like that. You had advisors. But I think what we do at the moment and half these people thinking
that they are little gods. I think this is overdone completely.

Jin-Su: 54:40 And from the organization side. Would you say that there also needs to be a better division? Um, so let’s say we have an esports team and like in a normal company, you know, okay, you need a finance team, you need marketing. You need to sales, you need a human resources. Do you think that should be something that in esports should be more clear?

Jos: 55:11 I think every professional organization, who is more on the top knows this exactly. But yeah, in small companies it is also that the owner is doing the finance, doing the human resources. And so in small esports organizations, when you start then you have the work horse who can do the skills, the skills to do. It’s fine when one guy is doing it, as long as he knows you need HR department, the finance department and so on.

Jin-Su: 56:07 We are going to the last question actually. So you touched upon it and actually just right now, so in the beginning a startups should have like a more loose structure and employees should be more. You said workhorse. I would say like Jack of trades who can do everything a little bit with flexibility. To what extent do you think this goes for a new esports team? Or would you say even full extent?

Jos: 56:51 I think any startup, esports or not, depends on the genius and the workhorse. Yeah. Without work nothing will work or nothing will function. So, I mean administration costs you an enormous amount of time and without administration you will not have any contracts and no payment and you will have no bookkeeping and all this kind of things. So somebody has to do this, because in the beginning of a small company you can't have a bookkeeper and somebody who's doing the complex things, it will be done by one or two persons. Mainly when he stops doing them himself, at least he is knowing know what is needed and give the orders to sub contracts or whatever. And the genius, he can be the more
loose factor. But the genius is mostly also working 14 hours a day because he is the genius who is completely lost in this field of knowledge. And he's a completely, what'd you call addicted to it.

Jin-Su: 58:27 A very passionate guy who is really there because of the interest in the industry and not because of financial rewards.

Jin-Su: 58:37 Yeah. Like I said, mostly he’s really addicted. People playing professional league, when they played eight hours straight, the first thing they do after dinner is go to the computer and play another three or four hours. Yeah. This is also for the guy setting up the esports team. He has a dream and he has a vision and he is working day and night to get his vision and dream setup. And I think like we did on the UNICORNS, having a mixture of an old chap who knows where all the booby traps in life to run a company and a young people who knows the social media and those, and knows what the appearance of brand must be: I think this kind of combinations are always the more successful than when you have just old people and just young people.

Jin-Su: 59:49 Nice. The second part of the question and that we would be through. I’m going to finish the recording just one sec.

Interview 5: Jens Wundenberg, SK-Gaming

Jin-Su: 00:00 Oh yeah, thanks again for taking the time. Um, I have identified a number of concepts that I would like to discuss with you and please feel free to elaborate in what ever way you choose yourself. I might follow up with further questions on the topic depending on how you relate to questions. As I said before, it’s your viewpoints and the direction the discussion might go is it’s not fixed yet. Finally, I would like to audio record the interview if you accept it.

Jens: 00:32 I accept it.
Jin-Su: 00:33 Great. Um, so as an introduction, can you please give me just a short intro of yourself?

Jens: 00:41 Yeah. My name is Jens Wundenberg. I'm from Germany. I been working for SK gaming for about 10 to 12 years now. So I've been in the industry in a space for quite some time currently acting as the marketing director, which means that I basically take care of all the partners, partnerships, campaigns, business development and by extension also player, management, travel management. All these kinds of things are in parts part of my department.

Jin-Su: 01:10 Great. Okay. Then we would jump right away into the first theme that I would like to discuss, which is kind of the broad environment or let's say the esports industry. And my first question would be, as an introduction, I know the question is going to be a bit broad, but how would you describe the current state of the esports industry?

Jens: 01:40 Tricky question, right? So I'll. Yeah,

Jin-Su: 01:43 yeah, if you want, we can break it down one by one or you can..

Jens: 01:48 No, I mean if you just look at it today and again, as I said, I've been in this space for quite some time. Um, I think it's a very good and promising state. There's quite a development that we've been part of since if I look at I mean if I look back 10 years ago, we couldn't even pay full time player salaries. We couldn't have proper full time staff. We could barely afford an office and it's been growing ever since. Um, right now I think it's quite promising state with large brands entering the space investment in the space. Um, it's, uh, I think overall it's a very healthy ecosystem that's only going to grow further. But it's also very dangerous, it's also very dangerous time because esports is what everyone talks about. It's almost hyped in a sense and that ultimately said lots of stupid money is flowing into the industry and there's always risks associated with that. Right. As people burn their
investments, then they may deal damage that we can't really fix over the next five to 10 years. So I think overall positive state, everything is growing and has been growing and will continue to grow. I'm quite optimistic on this, but it's also very dangerous time.

Jin-Su: 03:02  Talking about the dangerous time that you mentioned that a lot of money's flowing it. Can you elaborate on that in more detail please?

Jens: 03:14  Yeah, I mean, I can talk in particular about the teams here right. So what we see right now is, I mean we're competing with other teams and you have to look at how they are funded. Um, there's a large number of teams right now, especially in North America that are funded through investment. So they're not really generating any significant returns, but they're just burning through millions of cash that is invested into them. That's not a sustainable ecosystem, right? Because at some times, at some point investors are going to say, Hey, I need my return and at the same time these are the teams that we're competing with and these teams want to get big, so they will pay bigger salaries. They will put much more, um, staff on our payroll and that's all stuff that we have to catch up with and compete with. You can very easily look at the soccer example in Europe where you have a couple of teams that are funded by billionaires, they don't care about anything and then you have other organizations that actually have to break even or I mean have to act reasonably I guess.

Jens: 04:17  And it's very hard to keep up with it and compete with these teams. Um, if you look at all the teams in the UK that have billionaires behind him and don't care a lot getting Neymar, Ronaldo, and then on the other hand you have a German club like FC Bayern Munich that don't have these investors. And actually you have to be profitable. And that's a tricky thing. I think long term the teams that are actually looking after the finances and economics, like FC Bayern Munich are the ones that will survive because at some point, again, even billionaires run out of cash or
investors will ask for the return of this before. So I think the model that we're choosing to go with, meaning looking after economics, being profitable is the way to go.

Jin-Su: 05:04
Talking, you were mentioning a lot of American teams, uh, would you say that, um, they have the sort of argument that investments that are being made, they don't result in profits, but they result, they result in like a maybe what, what they would call brand value. Why would you say that? It's like, um, that's not sustainable because like in the end you have to also operate profitable, which are, which is more than just being a brand. Is that what you were saying?

Jens: 05:50
So I think in general, I agree with the sentiment that there is a certain brand value. That's something we're investing. Yeah, I completely agree with that. I think to an extent there is a difference in mentality because America or business in America, especially if you look at marketing and branding, it is not as sales-driven as it is in Europe. Um, so they do have a much easier time getting larger marketing budgets than we do and we have to do a lot more in terms of justification of budgets and kind of pointing out how a brand will get their return. It's just a different mentality, right? I think at the same time investment is, there's much more investment going on in the United States as opposed to Europe. It's just a different market there. Right? So it is different by different mentalities, different markets and different approaches.

Jens: 06:41
But at the same time, I think this whole approach, if you look at the teams, the brands that are purely investment driven and investment driven, not by someone who. not by say a basketball club or soccer club that has to get some return at some point. That is going to be very problematic in say the next five years to come and we've actually been there before, right? So if I can go back in history about three, four, five, six years ago, esports wasn't as big back then SK had a Warcraft team. They were competing
internationally was quite successful and another brand came into the space. The brand back then was called Meet Your Makers. They were the first team back then backed by, um, investment money. They spent a crazy amount on player salaries, um, two times, three times as much as we were and we were already leading the pack back then. Um, so all the players went to them, they left us. Some of them, I mean it was a bit of a monopoly for MYM at some point. Two years after the investor of MYM said: well, there's no real return for us. We're going to pull it out and everything kind of collapsed. Right? So we've been there before and we kind of know what, what to expect going forward.

Jin-Su: 07:59 Yeah, that makes sense. And you were mentioning the esports industry, it's, um, there are a lot of uncertainties or unpredictable changes though going to happen. It's quite dynamic and that why investors cannot be sure what's going to be in the future. So, um, I would um, like to then further elaborate on um, entry barriers because in connection with what you said. I find it quite interesting. Um, how do you see entry barriers at the moment? Especially for new esports teams

Jens: 08:43 We are only talking about teams, right?

Jin-Su: 08:44 Yeah. We're only talking about teams. Exactly. Yup.

Jens: 08:49 I think in general they are relatively low if you look at it because you don't need to have a significant infrastructure to go into the market. Right. And if you look at it, you can basically just build a, come up with a brand name, have some backing, acquire players, and just go. I think that's also what you're seeing in the landscape. New teams popping up left and right. So I think in general the entry barriers are quite low, but what is really keeping lots of large number of the teams from being successful is that I think staff and manpower and networking power. So I think all the knowledge that you need to have to operate successfully the business, the
experience that somehow that can't really be duplicated by other teams unless they hire someone. Right? So I guess in general low because you don't need to have a stadium, right? You don't even necessarily need to have an office or a practice facility if you just want to go into the market. Um, but I think in the long run, if you neck all these things and if you lack experience or experienced manpower, then you will, will, you will suffer from that.

Jin-Su: 10:00 Would you say at the moment the current status that it's really tough to get hold of these kinds of qualified employees for teams?

Jens: 10:15 I think, I mean getting proper manpower is extremely difficult in the space. Yes. And that's what most other organizations that we talk to, not necessarily teams, but also brands that want to get into the space. They all agree on that. It's, it's difficult, right? Because it's a very, it's been growing quite fast and I, I guess a couple of years ago, um, as I said, there wasn't even that much money to fully support a significant number of employees and now they're all coming out of nowhere. Some have the experienced, some are just very ambitious so there is a bit of a matching issue. Um, but I think we're going to get there. Yeah. Yeah.

Jin-Su: 10:56 Just because you were talking right now about the matching issue, um, could you say something along like, a skill versus education?

Jens: 11:11 I don't know if that's. I mean yes and no. So I think part of the reason is we are still growing, right? And if you look at very talented people that come from, I guess the first class universities and everything, esports can't really afford them for the most part, right? Because the people that are just in there for the money and that are highly talented and maybe motivated by money, they will go elsewhere. Right? They'll go into banking, they will go in all kinds of companies that pay much more than esports. Probably not as risky, right.
Jens: 11:43 At the same time, you don’t for esports up until this point, you didn’t really, it just came out of nowhere. Right? So only now universities are picking up esports as a topic or even as a, I guess work into degrees and everything and you don’t have that on the other hand. So most people that come up in the space are usually people that have grown with the esports industry and then are starting to look for other jobs in the space. Um, but it’s still, we’re only starting to have proper ecosystem that can afford um, a significant number of people on their payrolls. And after that everything else will follow.

Jin-Su: 12:26 Nice. Um, I would then make a small to the pro player side. So I would count pro players also. Simple. Yes. How do you see it there? Acquiring players? Acquiring talent. How difficult is that in comparison to acquiring a qualified employee?

Jens: 12:54 Well, I mean I’d probably, I mean it’s a tricky question. I think if you have the network and if you have experience and if you’re working in this space for quite some time, then you know what people to talk to, right? We are in a very special position because we don’t usually acquire player that are coming from nowhere, but they have already managed to um, win some smaller tournaments or kind of make a name for themselves. So we look at these players and that’s already a relatively small pool to begin with. Right. And then we start talking to these guys, we start talking to other players in the space, managers, publishers and we talk about how certain players and what they think about them and this is how we come to the conclusion on whether or not we’re going to take a certain player. It is quite difficult, but I wouldn’t say it’s probably not much different than, um, than what soccer. That’s right. They also, in soccer you have more scouting and you can look more into like youth support and then I know for first, um, first league soccer clubs they even go to, um, like young adults or like players that are 12, 11, 10 years old and look at them and are looking to scout them. We are not at this point,
Jens: 14:09 I mean there's so many tournaments in the amateur space and ranking systems and latters and everything. So there's quite a significant pool of people to pick from.

Jin-Su: 14:18 Yes. Yeah, definitely. I agree. I mean talent scouting in esports could be just observing, observing games from a top 10 players in, let's say the league.

Jens: 14:29 That's. Yeah. So that's what we did, right? So when we had the LCS league of legends team and the challenger, like the second tier of League team I think three years ago, something like that. And we had a certain guy that was our talent scout and what he was doing, he was scouting matches in the ladder system, players observing them for hours at a time and just looking for people with potential. Um, so yeah, we've got these positions and that's exactly what they do.

Jin-Su: 14:57 Nice. Okay. Then jumping a little bit away from employees, I think we have covered that. Uh, I would like to talk about the competition space within the esports industry. Um, we talked a little bit about the financial aspects and the, that you guys have to compete with organizations and a, of course we have much more financial resources. How would you, uh, what other points of competition would you, um, would you like to talk about when thinking about esports teams?

Jens: 15:38 I mean, when I think about the esports teams then I am mostly looking at the competition that we have with other teams. We compete for them for players because we obviously want to have the best players and we want to be able to provide them trust and foremost the best salary, but also the best environment and the setting and the treatment and even development for academy players. At the same time, we're competing for sponsors. Yes. Because we, um, want to have the best sponsors, obviously also the largest budget and we want to provide them as the best, most tailored solution. So that's also a space where we are, where we are competing with other teams. Um, and then possibly if you
go one step further, maybe we are also competing with teams. Um, when it comes to publisher. They are, I mean you, you talk to them as competition and everything. So there's different tournament formats or league systems. I don't know if this is also part of the interview, so I'm not going to go too much into detail, but I'm. Certain publishers are offering slots to certain teams. So let's say

Jin-Su: 16:42 franchising system. Exactly.

Jens: 16:45 Riot Games is offering 10 slots to teams in North America, 10 teams, 10 slots to teams in Europe. And if you want to be part of this then you obviously are competing with other teams to get the slot and then you send an application and you have to propose your business plan. And that's obviously also, I mean this is, this is also part of the competition.

Jens: 17:06 Not on the field, but in a business context.

Jin-Su: 17:14 Yes, yes. How would you say in all esports teams competing in this space, um, do you see some sort of, um, alliances or collaboration in general between teams to foster growth?

Jens: 17:34 Um, definitely. I think the best first best example is WESA, right? The world esports association. We have I think a total of 14 teams in this association. We are part of it and we're looking at new ways of generating revenue. So the best example is we are not part of this league anymore, but the counter strike pro league it's a product that WESA is part of and we are all looking at so who can resell the broadcasting rights to how are the broadcasting rights going to be distributed or if we're talking to other publishers. So say the Paladins and parts of the game. They setup a league they approach WESA and then we as a group of teams as a collective talked about how we could work together with um, Hi-Rez for Paladins setup a league. What are our team's going to get. How should the League look like?
Jens: 18:20 So I think there is actually quite some corporation. We're also looking at other fields. So another example is um, collective goods, tradeables, this is mostly whenever companies reaching out to us, to WESA to certain teams and wants to push a product and we're all looking at it together, trying to come to an agreement on whether it makes sense, how the business deals should look like and all these kinds of things. So there's definitely quite some um, cooperation here in the space even though we are competitors, right? Because at the end of the day, we know that if we're the best team and the best organization by far. Then that's not really worth anything. At the end of the day, you need strong competitive competitors. You need a strong and vibrant competition. And I think as long as you have that secured, everyone will grow.

Jin-Su: 19:09 That's a nice point because it's not like this startup space where you can be one facebook or whatever, but it's like, yeah, this space, that's the similarity to sports.

Jens: 19:22 It is part of the competition we are competing with others, Our growth is not by maximizing profits but by maximizing success. So it’s a different approach altogether.

Jin-Su: 19:35 Um, how would you define that success for yourself?

Jens: 19:41 personally or as a business?

Jin-Su: 19:45 you can start over with personally. Yeah,

Jens: 19:50 I am gonna say they're both matching. So for us as a business and for me personally, you have to have incredible success is undefeated, we want to have as many relevant trophies as possible. I think that's the first indicator pick for us. I mean that is a very emotional product, we are very emotional people. Some hours we're putting behind this personally and sometimes don't make sense, but that's just part of. So for us picking up the ESL One trophy the last year or the year before, that is success. And that means
more than anything else, we don't care about some, some titles that we are part of, but whenever we are part of it, then we care about it. And then there's obviously games that are more closer to my heart than others, that's the one thing. And the other one is economic success, right? We want to, um, we want to grow as a business. That means we want to increase our revenue, we want to have a more stable business, more employees, and at the same time, not losing any money.

Jens: 20:50

Right. I think at this point it's basically impossible for all teams to be profitable because you need to reinvest all the money that you're making to stay relevant and stay competitive. Um, but as long as you have a dark zero, then that's good. And growing in terms of revenue and everything else is important and it is an indicator of success and the other one that is usually tied to the two other is going back to brand value pretty much, right? We want to make sure that our brand is more popular and more widely known than ever before. It's hard to measure that. There's surveys, obviously there's social media numbers, social media engagement, all these kinds of things that they all come together and add up to what we consider the strength of the brand.

Jin-Su: 21:39

Yup. Okay, cool. Um, that was quite extensive, so will not go any deeper into that. Um, another point that I found interesting that you were just touching upon was, um, that you said we are very emotional people, so, um, people in esports, fans, everyone involved. How can you further elaborate a little bit on, um, yeah, the fans in the industry.

Jens: 22:12

I mean, I'll try it. I think they are tricky topic, right? I think they are, they are emotional but probably just as emotional as other fans. I think they are, the whole esports group is much closer than, um, than what you see in any other sport or similar product, meaning that our players and our pros, they are actively working on twitter and responding to players and tweeting. If you look at other more professionalized or
commercialized sports than most, most of the
time players wouldn't tweet on their own. They
wouldn't post on facebook on their own. They
wouldn't answer to messages. It's just different,
right? Because the players are still one of them
pretty much. So fans and players are much closer
together. Uh, I think the community is very vocal
and outspoken about what's going on in the
esports space and um, they are the first to
criticize whenever you're doing a shitty move,
whenever you're doing something that's
questionable, whenever they don't feel like
they're taken care off and appreciate it. Um, so I
think in that sense it's different also because I
mean it's an overall, I think it's a much more close
community and people are on reddit. They're on
twitter, they're not as split up in. If I think about
a soccer club and their fans then it's probably a
more close community ish. Um, groups of maybe
10, 20 people that talk to each other. They're,
they're not. Um, they're not all on reddit. It's
pretty much.

Jin-Su: 23:41 Yeah.

Jens: 23:41 So I think they're not as involved in the digital
space. So I think these are some of the difference
between the community. And I think if you look
at the core, a commercialization then fans also
seem to be much more appreciative of sponsors
getting into this space. So whenever they see,
hey, this is our, our esports world is growing and
people are contributing and they are enablers
and they can do this and that is, as opposed to not
being able to do it. Um, I think that they, they
really understand the value that other brands are
bringing and then they also don't reject them.

Jin-Su: 24:18 Yup. Okay, nice. I'm just quickly going through my
notes and see, we were jumping a little bit. So

Jens: 24:29 on Sec.

Jin-Su: 24:41 Ah yeah, talking a little bit about, um, the choice
of title, the titles you compete in. You were
talking about three years ago, you were in league
of legends and then you had, of course the run
with your cs go team. Um, how do you think that, um, esports teams, how do you think, um, the choice, of which titles do we go in, and how many titles do we have? How do you think that should be decided on?

Jens:  

So I think the number of teams, um, and titles, it's very much dependent on the financials. I think if you want to have one more, want to have more than one or two top teams, tier A teams and here I can say Counter Strik, Dota 2, League of Legends and maybe Overwatch as tier 1 then at this point in time, I think it's impossible to afford it unless you are backed by investment, right? Because sponsorships and all the other revenue that is in that space, it's just not enough to have two or more teams. It's just, it isn't there. If you look at the salaries and the infrastructure and everything that's needed. Impossible. So that's the first factor. And then I think for some of the titles. Um, so if you look at what teams do I invest in, what games do I invest in? I think for one it's a, it's an emotional question. Um, if you are really into counter strike as a manager or general manager or whatever, then you want to be in Counter Strike. If that's driving the decision, then I think that's not even necessarily bad because that means that you are highly motivated to put everything together to be successful in that game.

Jens:  

So I think that's one decision. The other one is again, an economical one, so for us, I mean we were out of League of legends. We moved back in for one reason because we wanted to get back into it. We are into League of Legends personally, but also we've been talking to our partners and they seem to be quite interested in us getting back into League of Legends. So we look into the space, we try to make a decision on whether or not the game is relevant and if it works with our overall overall brand values and strategy. But we also look at our financial strategy and see if it aligns with what our partners are looking for. And then as the third leg, there's also a couple of games that you look at. Publishers are actually footing the bill so they pay us to have a team. Um,
so at the end of the day you, you don't have any additional cost, but you get another asset. I think if the game is still relevant and it doesn't make sense, then you can stand behind it, then that's probably also a decision that you are willing to make.

Jin-Su: 27:40 Sorry, did you want to say something? Okay. you would you say that, um, could you see a world where like, um, there's a, let's say a new esports team and um, they lack these financial resources that you mentioned, for example, um, pay the 10 million for franchising in League, um, what different angles, um, could you see for them to also grow, sustainably?

Jens: 28:19 Well, that's a different question because it is not my angle, right? Luckily, I think if I were to, to, if I wanted to really build a brand or a team, I probably wouldn't go into the titles that are as competitive and that require significant budget. So you can't go into any of the tier one games, right? Because that's just a million plus in costs if you, if you don't have the money, how do you want to. I mean, you most certainly shouldn't put up, get a loan for it, so I'd go in titles that are growing that seem to be promising. Maybe focus on one title only and get a team that is relatively cheap that you can maybe provide some support tool and take it from there. See if you can get a first sponsorship, maybe get some additional money and out of this pocket, out of this budget, um, see if you can afford another team and grow from there. It's not an easy endeavor. I'm not saying that.

Jin-Su: 29:15 Yeah, definitely. No,

Jens: 29:17 But if you look at some of the teams that kind of came out of nowhere. To me one of them is Team Kezo. They, I didn't know about them a couple of years ago. They invested very heavily into Clash royal, got good players and are now playing with us the Clash Royale franchise league. They are actually the best team there. And so I think there's always room to grow and to kind of make a breakthrough happen.
Jin-Su: 29:42 Yeah, just have to identify the opportunities. Now that we talked about, the breadths of titles, you're competing in and you were also mentioning whether or not, um, something like going into a game, still matches your identity actually as a brand. Um, can you talk about that a little bit more? Feel free to start out and then see if like, I will add something.

Jens: 30:26 Yeah. Um, it's tricky right. So for us, so we're actually quite open to all of the titles. It's because we've been in all of them. Right we've always been. We started with content strike, so obviously counterstrike is close to our heart and we've been doing, we've had two tremendous use over the past years, but when we look at the space and we really liked the model and the approach that Riot is taking with franchising with um, a certain, um, second tier, second league infrastructure that is more local and more national. So, um, these were some of the reasons why we decided to pull out from Counter Strike and move into League of Legends. One of the reasons, obviously the partners hinted at that because some of the partners that we work with and that we are going to work with in the future, they are much closer to League of legends than Counter Strike especially, and that's for us a quite a big factor. Um, if you look at compliance, shooter games are still big of an issue in Germany especially. So that's something that we are aware of and need to be aware of going forward. Um, but at the same time if you look at Overwatch. The game does not really affect us in any way. We are not really. We tried it out, but we don't really see any of the hype behind it. We don't buy into the financials, we don't buy enough numbers, the viewership numbers and everything. So that's the clear no for us for the time being.

Jin-Su: 32:01 Which goes hand in hand with what you said earlier, right? Comparing, um, American investments, for which, I think the Overwatch league is quite representative. Um, and something more sustainable. Maybe what, the EU LCS is trying to do regarding that. And you
mentioned, um, the regional leagues actually, and building kind of this amateur scene / sustainable environment. Would you say there are angles from esports teams actually, and not from the publishers to also contribute to this more, um, to this professionalization of the amateur scene.

Jens: 32:52

I think Riot in the case of League of legends, they are giving us the tools, right? Because they have the second league, if you look at the LCS in the first League, they have a second league that can be looked at as the amateur. But as teams what we're doing is, I mean we get the players we try to make, they are not pros in the sense of the first League, so we try to, um, provide them with the same infrastructure that our first League have. They can use our bootcamp facility, they can use our practice facilities they get taken care of our staff with all coaches and analysts and everything. So this is how we're trying to kind of build up the second generation of professional athletes. At the same time, we're trying to, it's actually something that we're focusing on and then going to be focusing on next year, looking to, trying to look at other sectors.

Jens: 33:42

So what we'll be doing is we have a corporation with FC Cologne the second league now unfortunately a soccer club here, the players can use their physical treatment, they can use their coaches. So whenever they are in Cologne, we try to kind of send them to their facilities and the medical facilities to use all of that and kind of grow as players and as athletes and, and kind of be the next aspiring generation of professionals. So we are actually trying to do a couple of things, um, for the, for the step underneath that. We're also looking and we've been doing similar things in the past, casting events every now and then with our partners. So we go to certain venues, our players are there people can play against our players. We do smaller tournament and the ones that are most promising will be invited to our office in Cologne and all these kinds of things. So this is what we as a business are doing to support
youth and on player development across the, across the board.

Jens: 34:50  Hm.

Jin-Su: 34:52  Have you ever thought about.. Right in the beginning you were also talking in the beginning, you were also saying a little bit about degree. Um, what do you think about like esport schools?

Jens: 35:09  To be honest, I don't know too much about it right. The question is always, is there really something behind it, like something have they really thought about it and have they really followed it through and this is a proper degree and do we have all the knowledge and infrastructure to, to qualify to, to put something out that really qualifies for an esports degree or is it more something like that is closer to the PR and marketing department and something for them stay relevant and be an appealing university for young people to go to. Right. So, and I don't, I haven't seen any of it. Um, I haven't met anyone who has studied there, so I can't tell much. All I know is that a couple of universities here in Cologne are reaching out to us and they're asking you for us to give lectures here and there. Um, so I think across the universities they are looking to get into this space and looking to understand the space and they're trying to get the knowledge. I don't know if, if esports universities or degrees are worth,

Jin-Su: 36:18  Then I'm going to check again?

Jens: 36:24  Okay.

Jin-Su: 36:48  Yup. Hi, I'm gonna. So, um, when I look at the range of esports teams, um, I, um, yeah, as you said, um, I also like I see esports teams popping up left and right. How do you think is it with differentiation currently? Would you say that like everyone is like trying to become more legitimate by mimicking structures and also like, um, ways of operating business of the established ones or a, what would you say is that
they are quite innovative and trying to find different angles?

Jens: 37:36 You think of established esports teams as to young and upcoming esports teams or established esports teams as opposed to a soccer clubs or like professional sports?

Jin-Su: 37:48 Uh, no, I meant established in the sense like you guys or Cloud 9. Teams that have been around for a very long time already. Yup.

Jens: 37:59 And compared to new esports teams.

Jin-Su: 38:02 Exactly, exactly. How do you think is differentiation going on in the industry? Is it or.

Jens: 38:12 Well, I mean I think everyone is trying to differentiate themselves. We are trying to differentiate ourselves from other existing esports teams like fnatic, Cloud 9 and everything. And I think we’ve all got a slightly different approach but we can definitely do much, much more in that sense and get a stronger profile. I think the smaller clubs are. I mean, I think they have to do the same, right? They have to have their own profile. I think some teams are doing a better job than others, as I said Team Queso for instance, I think they’re doing a quite, quite a good job because they are mostly Clash Royale, Clash Royale is Youtube, so they are incredibly strong on youtube. I think they have their owner or one of the main figure out is a Spanish guys, so most of the content is Spanish, um, I think some of the teams are actually doing quite a good job and they have to because otherwise it’s almost impossible to plan for them to break through or compete with existing teams and some others that are just very generic and they don’t seem to be doing a good job when it comes to branding or setting themselves apart from others. It is a mix.

Jin-Su: 39:22 and it’s, um. Would you say there was a correlation between better brand and having more financial resources or resources?
Jens: 39:34 Definitely, yeah. Okay. I mean, what you still have in this mix is sometimes some very generic brands that for some reason got investment money and have quite strong backing behind them. I think long term the teams that have a distinct and unique brand and a unique value proposition are the ones that will survive and have better financials overall.

Jin-Su: 40:02 Okay, and you and you would say that goes for, um, like, I mean we kind of talk about generalizable e-sports worldwide, but you would say that goes for the wide majority of locations in which will be really become professional and will grow as an ecosystem.

Jens: 40:22 Yes

Jin-Su: 40:26 Then, um, I would like to actually go back a little bit into, um, the resources again, I found quite interesting, what we were talking about earlier with knowing the right people and like complementing each other with knowledge.

Jin-Su: 40:49 Yeah, there is of course a lot of studies about networks, especially with social media and all that stuff. How do you see the relationship between that and the ability to acquire financial resources?

Jens: 41:10 So, hold on, Can you rephrase it? The connection between social networks? or

Jin-Su: 41:15 Yeah, the relationship. Yeah, exactly the right relationship of having a network with, your ability or the esports teams ability to acquire resources.

Jens: 41:29 Yeah. I think it can't be valued enough. Right. Network is incredibly important because at the end of the day, you're always dealing with other individuals, other companies, other people, um, and you need to have a strong network, otherwise you're not going to get any sponsors and you're most certainly not going to get any financial backing. I think it's incredibly important. That's why we're having more and more esports
conferences for people that are not really in the space and want to get to know all the players in the space. That's why at tournaments at gamescom or ESL One Cologne, we have endless numbers of meetings with people that are not in the space, but want to get to know the space. So yeah, I think network is the key driver.

Jin-Su: 42:14 Yeah. And then would you say this, I'm also a directly then translates into somehow being able to probably use these resources.

Jens: 42:32 I mean, It wouldn't say translates one to one, right. But, um, I'd say having a proper network is a necessary condition for you to take the next steps then be able to execute and get something going, but it's not sufficient.

Jin-Su: 43:11 Yeah, I'm okay. Next, topic that I wanted to touch a little bit upon is actually about the players which are an asset for you guys of course. And um, when we look at an esports team that wants to grow, what I believe or what I find quite interesting to look at is the player brand and then the brand of the team and how this can be, like how these can have positive effects but also can result in, um, yeah, harm for either the play or the organization. Can you elaborate on that a little bit?

Jens: 43:55 Yeah. So there's obviously some tension here right. So the biggest brands want to have the biggest player, the biggest players with their own brands. So that's what we want, right? But the, the larger individual player brand get, the more potential he has to market himself. So to get individual sponsorships, but at the same time we want to market the players. So there's obviously some tension here, um, the, the spaces and what is covered by teams and what is covered by players is not as clear as it is say in soccer. So for instance, if you look at soccer players can market their own shoes, they can have their own sponsorship with say Nike or Adidas, they can't, they can't market the jersey that they wear on the field. Um, but I think for the most part they can also market their own social media accounts.
So whatever happens in their social media account is entirely up to them and not to the club in esports, that's slightly different for the most part.

Jens: 44:54

It's all with the brand, with the team. So we can decide what they do on their social media. They can't have their own sneakers and they can't have their own. I mean the best comparison is, I guess their own peripherals, but at the same time they see potential there. So, um, they are obviously trying to get more rights than what's currently the case, so this is a strong tension fields. We try to look at it as um, something good because we want players to grow, we want our players to grow under our wings, we want obviously the player to support the growth of all brands, so per say that's a good thing and we tried to find good answers to who is going to own what rights and how are we going to deal with it. So usually the brand has most of the rights and then if the player has a certain potential candidate that he wants to work with and that's not in conflict with our partners, then we approve it and then he's got to go. But it's obviously a tension field and I think there's going to be more arguments going forward, especially when player start to have proper representation and agents and everything and they will want to argue stuff into their contracts. But um, yeah, we'll work it out.

Jin-Su: 46:10

Um, the, the contract thing is also quite quite interesting. How do you think that is going in, is that going instead? Is it still a complicated thing?

Jens: 46:26

Contract negotiations?

Jin-Su: 46:29

Yeah. Also just how a contract for example, for a pro player looks like. I can imagine in Germany it's kind of advanced because um, and yeah, it's just the bureaucracy and everything is so structured in a way.

Jens: 46:48

The thing is we've been in this space for so long that we have had the first version of contracts and we've revised it and revised that and had
probably five or six different lawyers look at it. So the point where we are right now is quite sophisticated I'd say. So we have contract templates and we can just change some things here and there and make it fit for other players. So I think we are quite far when it comes to that and are certain templates. I don't know if the WESA is actually giving out contract templates so in that sense. We are quite sophisticated. There's two things that are big topics or I mean it depends on the individual situation but the one is, as I said, the exchange of rights, so because players are starting or have started to ask for more rights that they can market themselves.

Jens: 47:39

That's a bit of an issue. I'm not necessarily fast but for probably all teams across the board. And the other thing is freelance versus employment. Um, in the past most players were freelance contractors, um, so they had to raise invoices they didn't pay social security on their own. And over the course of the last couple of years it shifted increasingly to employment contracts. It's a very tricky topic because so in Germany, if you are going for German law then you can have for two years you can have limited contracts and then they go over to unlimited. That would mean that a player, once he's been with you for two years, is getting an limited employment contract and that doesn't really represent the nature of sports or what an athlete does because they usually switch teams every now and then and they, if they are not part of the team anymore, then it doesn't make sense to pay them to continue to pay them their salary. Right. So it's actually, it's a tricky topic. For soccer there is actually an exclusion to this rule in Germany so authorities reacted to this and they, there's a exclusion that for soccer player contract it doesn't have to go to unlimited after two years and I think this is a point where we need more support or acceptance from the government to also get the same exclusions that the players for soccer or other sports to esports. So that's going to be quite an interesting topic, going forward. These are probably the two main fields
Actually it sounds like a first one of the barriers to grow as an esports team that is actually dependent on the geographical location right. Do you know how it is in other countries like the US for example, where’s the, um, how fast the government is moving in changing the laws so that something tailored to esports could be made?

I think actually for some it varies, right? So I know that some countries that have already accepted esports as a sport. In the US, I know that you can get a professional athlete VISAs for esports players. So that's already a big sign. Um, I think, Germany’s probably somewhat behind other countries, but I don't know the individual situation. I think France also kind of acknowledged it as, as a, as a professional sport. Um, but I mean just accepting it as an official sport is not enough, right? They need to change legislation and everything. It's like, yeah, this can be a big barrier for some of the teams, especially if they sign players for two years for freelance contract and then they get all of the government and then they say, hey, you have to fully secure them and pay insurance and everything. And this can, this can already break their neck.

Zhen, um, actually, um, I just saw that I went through all the points, but just to make sure I would just go through all notes again and see if I'm missing out on something. Might take like a minute. So. Yeah, no worries. What I wanted to talk about, was actually the internationalization or, um, local approach of being an esports team. Yeah. How would you say, um, are these possible like true approaches? How, how do you think, are they, when you look at the nature of esports as something already being more international due to being connected to the Internet?

Yeah. Okay. So, um, first of all I would say it is a very international phenomenon. You got tournaments all around the globe. You have got players from all the countries. Um, and that's just the nature of it, right? I think to that extent the German league in say Counter Strike, it's never
going to be as successful as an international or European League just because why would you look at, why would you watch the German league if you can have much better players at the same time with the same costs, right? You’d probably prefer watching Champions League to first Bundesliga. So that’s the one thing. For us as a team, it’s also a risk and opportunity. Call it what you will because we can have players from all around the globe. We can compete all around the globe, but I think for us as a brand, as a team or even applies to other teams as well, it’s always important to have a clear identity and clear.

Jens: 53:44

I mean let’s just leave it as clear identity, meaning that if you’re just everywhere and it’s very hard for you to build up fandom, then you need to have other venues on to position yourself, different to other teams, right? And I think for lots of the teams, you need to have a bit of an anchor. You need to have, um, some sort of a local and national identity. If you look at the success of Cloud 9 or Team Liquid, that’s mostly because they are perceived as the North American teams. And I think that applies to so many other teams in Europe as well. Ninjas in Pyjamas is perceived as a Swedish brand and they have mostly Swedish fans. So I think you have to have a local identity and anchor. That doesn’t mean that you don’t have players from elsewhere or cannot compete or be successful elsewhere, but you always need, it needs to be part of your DNA. Right? For us it is Germany. We’ve been, we’ve always been the German brand, a German team, German staff, mostly with international players because we want to be successful internationally. And for the games that we are playing in competing in and that’s impossible with a German roster. It is just a fact, well that’s how we see it. So we had to go for international players, but we’ve always tried to stick to our rules, have German players in other games and cater to this fan base and be close to them.

Jin-Su: 55:14

Cool, actually I think then I don’t want to use up your time or however you want to call it and we
have covered all the topics that I talked that I wanted to talk about with you, so I will stop the recording now.