

Research on Profit Model and Development Strategy of E-sports Club

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Abstract. Under the continuous development of the times, the e-sports industry is also constantly developing and becoming an emerging industry with great development potential, so that more and more investors are focusing on this industry. It can be seen that the in-depth analysis of the industry is of great significance. Therefore, this research studies the profit model and development strategy of the e-sports industry, in order to study what aspects of the industry can obtain revenue, and what ways it can make changes if it wants to develop better. The research indicates that the current e-sports industry's revenue mainly from the event bonuses, sponsors, live broadcast platforms, and derivatives. And can be changed from strengthening the talent pool, enhancing the supervision of all aspects of the industry, and enriching the promotion of this emerging industry. Although the development of the e-sports industry is extremely competitive at present, it is still in a less mature stage of development, which requires more investment in manpower, material and financial resources to promote its development toward more comprehensive, more popular and more solid direction.

Keywords: Esports industry; Profit model; Development strategy.

1. Introduction

1.1 Background

The e-sports industry is no longer an industry that was looked down upon and was labeled as "Not doing business", the current e-sports industry is developing in a more professional direction. In this context, more and more e-sports clubs have been born one after another, from scattered small-scale clubs to the direction of large-scale companies, there are also more and more people who are good at e-sports to join in this industry, so that e-sports have become the current emerging industry, attracting many e-sports fans, and investors have also set their sights on this industry. Therefore, in order to make the industry have a better development direction, be understood by more people, and stand on a higher stage of the times, it is particularly important for the development and research of this emerging industry.

1.2 Related research

Xu adopted the literature research method, comparative analysis, logical analysis, case analysis to research the business model and value evaluation, concluded that the e-sports company business model is not mature, scale is not large, and has huge development potential. Besides, the value evaluation is unreasonable, it will develop towards the direction of more diversified content, more extensive audience and more mature industry in the future [1]. Xie adopted the literature method, case analysis, empirical analysis to focus on the E professional e-sports club's profit model. Getting the conclusion that the disadvantages of its profitability mainly lie in the single object, low commercialization degree of leverage and profit point. In addition, suggesting that it needs to improve its profit model on the basis of excellent competitive ability to promote its development [2]. Tian adopted the literature analysis method, case analysis, hierarchical analysis method to research the business model of GN company. Research found that it's the main business model lack of design and enterprise has problems in its own positioning and promotion that restrict the development of the business. Besides, the research also presents the improvement scheme design based on the dual attributes of the enterprise [3].

Liu used literature research method, data analysis, case analysis, qualitative analysis method to research Chinese e-sports industry's development situation, shortcomings and future development trend. Research concluded that Chinese e-sports industry is still in the development stage, but has the positive development trend. The author has clarified the upstream and downstream of the e-sports industry, the operation process and found out some factors affecting the development of e-sports industry from the macro aspects [4]. Zhang used the literature method, case analysis, mainly analyzed the club management characteristics and profit model, discussed the methods that suitable for professional e-sports club value evaluation and thought effective value evaluation methods are important for the development of e-sports industry. Research shows the conclusion that income method is suitable for the value evaluation of professional e-sports club [5]. Zhang used literature method, knowledge graph analysis, system dynamics method to analyze the growth mechanism and development problems of China e-sports industry. Concluded that the industry lack of independent development plan, "4 + N" market pattern limits the development of the industry. The investment of e-sports product research and development is insufficient and more rely on foreign technology. The entire e-sports industry lacks vitality and talent [6].

Li used literature research method, the questionnaire survey, combined with the theory of industrial chain to research the main factors that influence the development of e-sports industry, putting forward 10 categories of 50 key factors affecting the e-sports industry. And making a three-level index division from the industrial upstream, middle, downstream chain and macro environment, giving the ranking of the influencing factors through hierarchical analysis [7]. Hu used literature research method, interview method, case analysis to analyze the current situation of professional e-sports club operation. Getting four conclusions that the e-sports development environment still needs to improve, the club's profit model chain is not complete, the club's professional degree is limited, and e-sports practitioners quality is generally not high [8]. Ma used literature research, case study, comparative analysis and statistical analysis, combining the business model theory and industry value chain theory to analyze the development of e-sports industry. Analysis shows the development situation of e-sports industry and the present situation of value chain. Getting the result of e-sports industry's dilemma, and put forward the reference of sustainable and healthy development of e-sports industry [9]. Peng analyzed the e-sports industry business model from the customer's claims, the core resources, profit model and the perspective of games and events. The analysis predicted that the e-sports industry will be more sports and mobile, and pointed out the three problems that the lack of original e-sports games, low e-sports professionalism and lack of well-known e-sports events [10].

1.3 Objective

This study first briefly introduces the development background of the e-sports industry, mainly analyzes the profit model and development strategy of e-sports clubs. Initially study the main components of e-sports club revenue, from which they can analyze what aspects can be expanded if they want to develop rapidly, as well as the defects and improvement directions in the existing components. The second is to study the development strategy, analyzing some strategies that can lead the current e-sports industry to move forward, and the aspects that the entire industry needs to change.

2. Profit model analysis

Different scholars have different ideas on the classification of e-sports profit model, so the categories are different. This research divides the profit model of e-sports into four categories, event bonus, sponsors, signing of live-broadcasting platform, and sales of derivatives.

2.1 Event bonus

With the development of e-sports industry, it has come into the public vision as a new sport and become well-known, more and more e-sports events are held, such as Dota2 International Invitational, League of Legends National Finals and so on. Therefore, in order to encourage professional players to

be more active in esports and the club developed towards more professional, event bonus is set up for various e-sports competition and mostly the higher the final ranking, the more bonus can be distributed. According to the size of the competitions, the bonus pools vary between different competitions. For example, in the 2020 e-sports event prize money ranking, the CSGO Event is far ahead, with a total of about \$16 million, the second place DOTA2 Event also has the bonuses over \$9million.

The bonus money is distributed by the major clubs, such as the CEO of WE club said the 70% bonus was distributed to WE players and 30% was distributed to the coaching stuffs. However, there are no mature rules on the distribution of bonuses in major clubs, the distribution method is not satisfactory and it's easy to have conflict on this issue. Accordingly, improving the bonus distribution system and formulate relevant rules are important for the development of e-sports club.

2.2 Sponsor

Recently, more and more sponsors are focusing on the increasingly mature e-sports industry in order to increase brand awareness and exposure. From the sponsor's perspective, it mainly responsible for providing financial support of clothing, advertising shooting, commercial activities and so on. Their purpose is to propaganda brand, attract consumers and get wide social attention. From the e-sports club's point of view, sponsor's financial support can expand the development of the club, increasing the funding sources of the club, improving the popularity of the club and can bring more social resources. From the view of the e-sports players, sponsors can provide financial support for their team dress, articles for daily use, professional electronic equipment and so on. Besides, they can also lead player to participate in more commercial activities, gain more resources, enrich their life and improve the level of income excepted single e-sports competition.

Nevertheless, there are still difficulties in sponsoring e-sports clubs. For the sponsors, the risk of sponsoring e-sports clubs is high, brand awareness and exposure rely on the achievement and reputation of the club. For the club, they will have the problem of an unclear distribution of equity so that causing the conflicts with sponsors, and club is not professional enough and leads to a poor sense of responsibility.

2.3 Signing of live-broadcasting platform

For the professional e-sports players, they have relatively single occupation and the income mainly consists of salary and race prize money, but race bonus rely on the team game results too much, causing the income is unstability, so signing contracts with clubs on live-broadcasting platforms is also a choice to expand the source of income. After signing the contract, the platform will pay the club signing fee and some of the revenue share from the players' live broadcast, the signing fee is related to the fame of players and live effect. The more famous the club players are, the more live-broadcasting platforms that want to sign up with the club, so the clubs need to make a choice according to income situation. Nowadays more than half of the game anchors are professional players in the well-known platforms such as Douyu, Huya and so on, it follows that the importance of signing up with live-broadcasting platforms to the development of e-sports clubs and professional players.

2.4 Sales of derivatives

The e-sports industry has been booming in recent years and has broader and broader business advance. More and more e-sports events are happening and the birth of the club attract lots of esports fans. Esports derivatives are produced under such a wave of times. The related derivatives mainly refer to the custom club-related mobile phones, computers, mice and other electronic devices, and team signature photos, team uniforms, team mascot dolls and many other products. Nowadays, in Taobao, Tmall and other major e-commerce platforms can see a lot of esports team flagship stores, and the sales of most products are on the rise, thus it can be seen the club fan economy can also bring it a large income and increase the source of income. In this context, the annual revenue of major e-sports clubs has also risen steadily, and the income brought by live broadcasting, derivatives and so

on. Accounting for a large source of income, and the economic benefits brought by these aspects make the e-sports industry have a rich source of income and broad prospects for development.

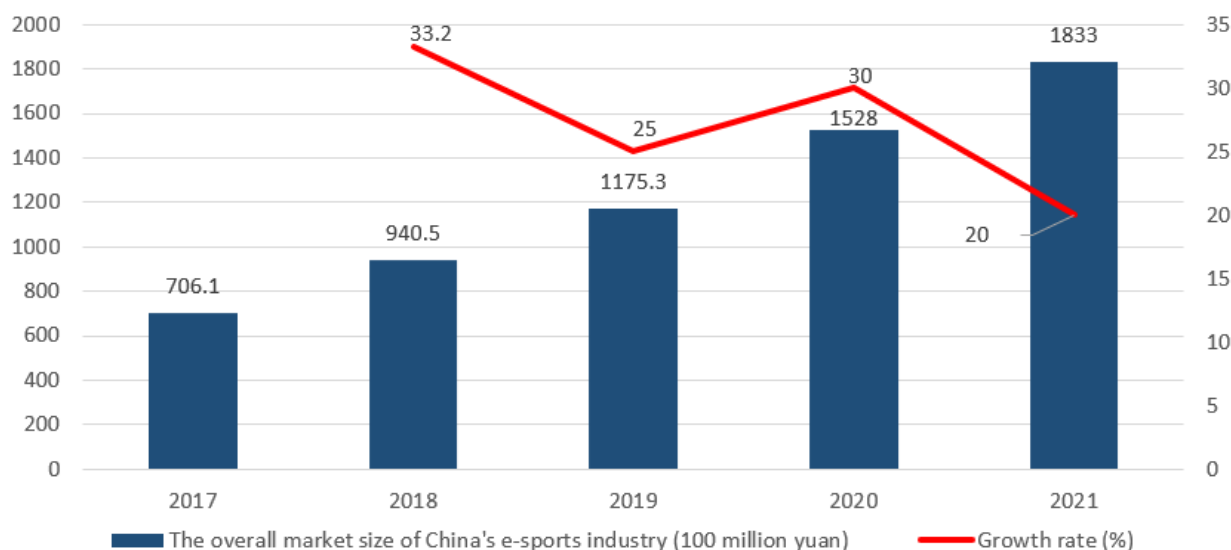


Fig 1. China e-sports market industry size statistics and growth forecast from 2017 to 2021.

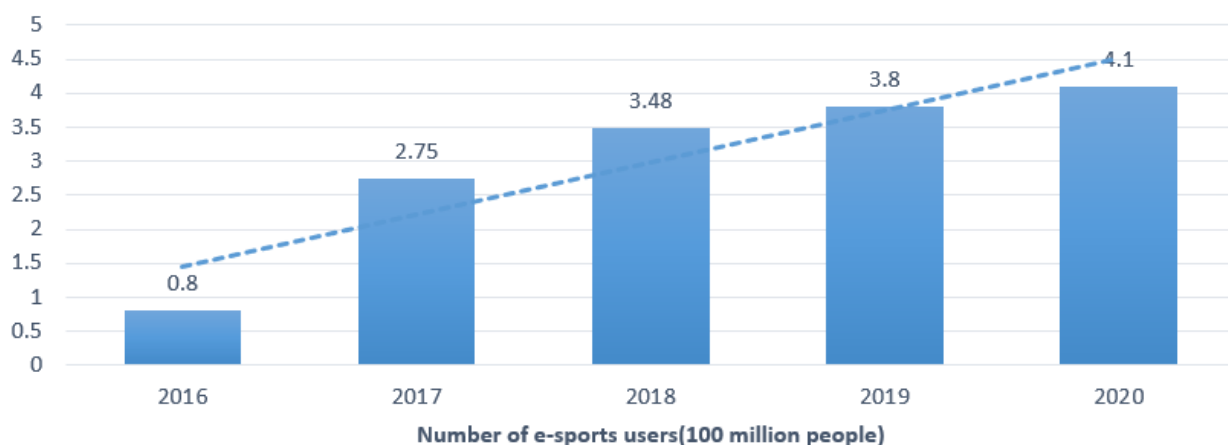


Fig 2. Number of e-sports users in China from 2016 to 2020.

3. Development strategy research

At present, e-sports has become a new industry with huge commercial value and cultural influence, and it is no longer an industry that was previously labeled as "Not doing business". The scale of China's e-sports market has reached 167.3 billion yuan in 2021, an increase of 13.5% year-on-year, and the 2022 China e-sports industry report shows that the scale of China's e-sports users has reached nearly 500 million people, and the market size has exceeded 170 billion. China has become the largest market in the global e-sports industry, and the industry is in a state of vigorous development. For the current development of e-sports, the following strategies can be adopted for longer-term development.

3.1 Enrich the talent pool

At present, the rapid development of the e-sports industry requires high-level talents as a support. From the perspective of game development, although China's current e-sports market is huge, it still lacks high-quality domestic games, most of which still rely on excellent foreign games, so it is especially important to attract talents who have both animation design capabilities and can turn design into reality through computer means. From the perspective of e-sports training, although each e-sports club has coaching staff, data analysis personnel talent reserve, but the number of teaching staff of

major e-sports clubs is uneven, even the level is far from the same. For example, in some large-scale e-sports clubs, there are excellent event coaches, training directors, data analyst teams, but in smaller e-sports clubs, the corresponding talent resources are particularly scarce, and the difference in teaching resources will lead to talented e-sports players unable to play their huge potential because there is no quality training, so setting up professional coach training courses and recruiting more talents with relevant experience will also have a significant impact on the development of the e-sports industry. From the perspective of esports players, although there is no shortage of talents with e-sports potential, but because the relevant rules in our country are not mature enough, most of the e-sports players are transitioning from interest to occupation, such a talent system is changeable, so the establishment of standardized talent reserves and composition structure, expand the size of professional players, youth training teams, can accelerate the development of the club.

3.2 Strengthen industry supervision

Since the e-sports industry is an emerging industry in recent years, it is not like many established industries, which can use rich management experience. In the current e-sports industry, there are problems such as incomplete rules and regulations, unreasonable organizational structure, and low quality of management personnel, so organizing relevant domestic e-sports clubs to jointly establish e-sports associations can promote mutual supervision and common development between e-sports clubs. Professional supervision agencies and industry associations can set up professional industry guidelines, supervise and inspect all aspects of the management of major clubs and ensure the fair interests of different subjects. Supervision agencies should also establish laws and regulations applicable to the e-sports industry, improve the corresponding system settings, strengthen cooperation with government departments, and jointly regulate the development of China's e-sports industry. For the violations found, punishment should be given timely and regularly review many times, in order to correct the non-compliance behavior in the e-sports industry and promote the development of the industry.

3.3 Enhance the promotion methods

With the development of the times, China's e-sports events has also made outstanding achievements on the world stage for many times. And with the development of the e-sports industry, the e-sports industry has taken off the labels that were previously defined as "Not doing business" and "Not being serious", and as an emerging industry comes into the public's vision. This is also due to the positive reports of many well-known media on the e-sports industry, positive publicity for e-sports events, e-sports clubs, etc. At present, the way to spread the e-sports industry is still lacking, common dissemination platforms are Weibo, official account, Douyin, but usually for the esports enthusiasts due to the big data push mechanism, for the crowds never understood or unfamiliar are difficult to match the e-sports-related information, the relevant e-sports live broadcast platform audience group is also limited to some gamers, young people, and it is difficult to directly enter the public vision. Therefore, it is particularly important to expand the promotion of e-sports, such as launching TV channels for introducing e-sports events to enhance the understanding and recognition of well-known e-sports events, change their outdated views on the e-sports industry, and enhance the national pride of our country in China's excellent results in world e-sports events in recent years. Nowadays, China's e-commerce platform has a large customer base so that promoting cooperation between e-sports and e-commerce platforms is also an important opportunity to improve the recognition of the e-sports industry, such as the launch of joint products between hot brands and related e-sports clubs, and strengthening cooperation between brand and the club can also help each other to improve popularity and strengthen the commercialization value of e-sports. Expanding the promotion methods of e-sports, making it develop in the direction of specialization and sports, and improving the acceptance of e-sports by the people and the pride of e-sports events results are the key factors in promoting the development of China's e-sports industry.

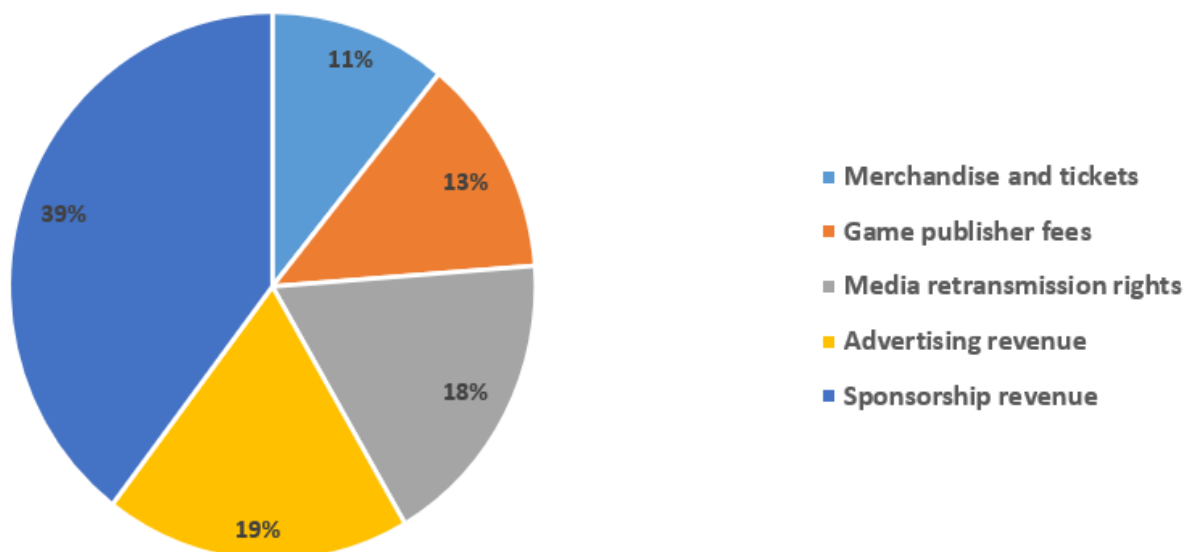


Fig 3. Globle e-sports industry market structure in 2018.

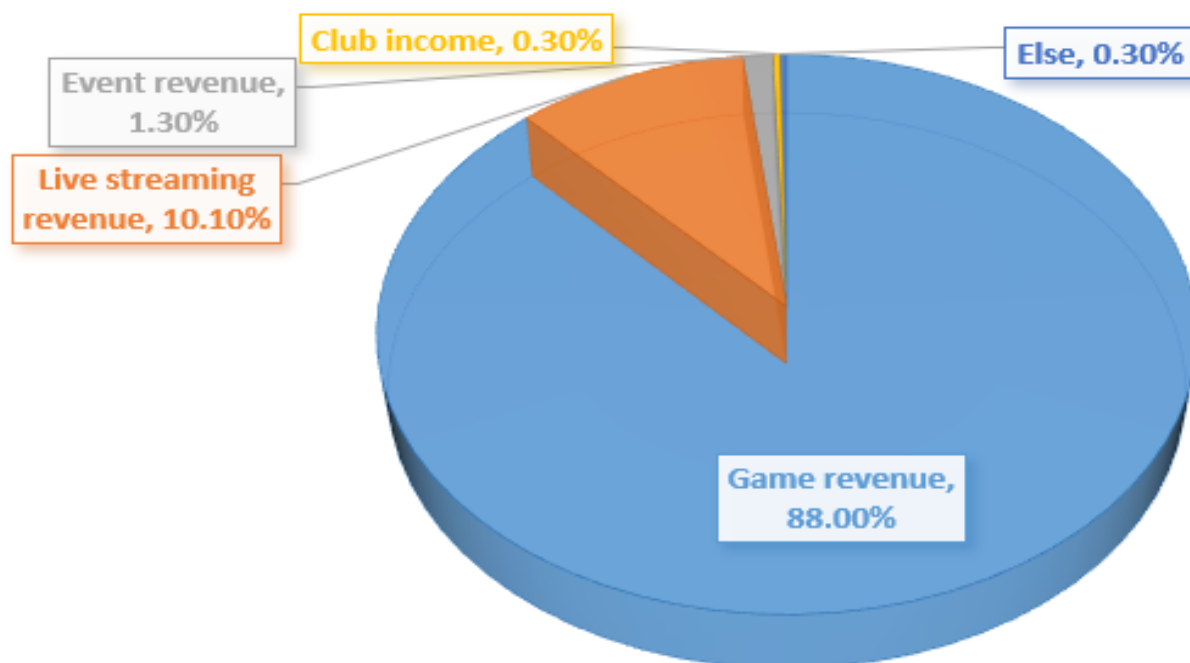


Fig 4. Analysis of the revenue composition of China's e-sports industry in 2019.

4. Conclusion

This research analyzes the profit model and development strategy of the e-sports industry, and finds out that in the current e-sports industry, the main economic sources are composed of event bonuses, live broadcast platforms, sponsors, and derivatives sales. But these economic sources also have some unstable factors, which require the industry to constantly reflect and improve in order to promote the economic development of the industry. In terms of development strategy, it can be analyzed that the industry can strengthen the talent pool, enhance supervision, and expanding the promotion method to promote the development of the enterprise. At present, although this emerging industry in the era has broad prospects for development, if it wants to develop in a more mature direction, it should continue to make changes in combination with needs and deficiencies, so that it can become more competitive and has perfect development strategies industry to stand on the stage of the times.

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